



Republic of Trinidad and Tobago
House of Representatives

Budget Statement 2002

“One People, One Nation:
Leaving No One Behind”

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BUDGET STATEMENT

INTRODUCTION

Mr. Speaker, it is an honour and privilege for me to stand before this Honourable House to present the sixth consecutive Budget of the Panday Administration and on a personal note, my first Budget as Minister of Finance.

Mr. Speaker, I wish to take the opportunity to express Government's dismay at the gruesome and callous acts of terrorism recently perpetrated against the United States. We extend deepest condolences to all those who have been traumatized by these events, particularly, to the families who have lost loved ones.

These events have not only affected the United States of America, but will have significant economic, political and security repercussions worldwide. Although, we will undoubtedly be affected by these events, it is still too early to assess the impact on our economy. However, like the United States, Trinidad and Tobago must move on.

Mr. Speaker, the formulation of this Budget was the result of an unprecedented level of consultation with all the major stakeholders in society: the various Chambers of Commerce, the Trinidad and Tobago Manufacturers' Association, the Bankers' Association, the Supermarkets' Association, several Non-Governmental Organizations, all the major Trade Unions, the Association of Retired Persons, and various concerned, patriotic individuals. I look forward to continuing and expanding the consultations in the future. All recommendations had merit and were carefully reviewed.

Mr. Speaker, let me also take this opportunity to thank my excellent and hardworking staff at the Ministry of Finance and a Budget Team with a blend of experienced and young professionals, two of whom came on secondment from outside the Ministry of Finance but from within the Government, and who all worked beyond the call of duty. I would also like to thank my Cabinet colleagues for their generous help and advice.

Mr. Speaker, on December 11, 2000, the people of this country voted the United National Congress back into Government and gave us a clear mandate to continue the work that we started in November 1995.

Mr. Speaker, it was an election result that was felt around the country, and around the region.

It was a result which meant that the people of this country were satisfied that the Government had performed and performed well.

It was a result that demonstrated that the people of this country wanted the United National Congress to lead them into the 21st Century, convinced that they were significantly better off than they were five years before.

And most importantly, Mr. Speaker, it was a result which yet again, relegated the PNM to the opposition benches.

Mr. Speaker, the people of this country have demonstrated in a real and tangible way that they have come too far to turn back now.

We are grateful for the faith that the people have placed in our policies and we would not lose sight of their will.

The last five UNC Budgets have all been people-focussed. In this Budget, I propose to accelerate this trend and I have taken into serious consideration, from the many consultations with the various interest groups, what the people want.

And what do the people want, Mr. Speaker?

They want a better quality of life, with more and better jobs.

They want a crime-free environment.

They want emancipation from economic hardship.

They want a more equitable distribution of income, better health care, and greater access to educational opportunities.

They want a brighter future for their children.

They want good governance and transparency.

And most significantly, Mr. Speaker, they want the PNM as the Opposition.

This Government will give the people what they want.

Mr. Speaker, this Budget has been guided by the needs and aspirations of the people and the theme is: **“One People, One Nation: Leaving No One Behind”**. This Government will ensure that every man, woman and child of this nation share in the benefits of the country’s success. In this context, Mr. Speaker, I want to emphasize that this Budget is not simply about numbers...this budget is about our future, our people...every citizen of Trinidad and Tobago, whether UNC, PNM or politically unaligned.

Our country's success is heavily dependent on the unity that binds our nation together. "One People, One Nation" must continue to prevail if we are to take all our people forward. Mr. Speaker, we share a multi-ethnic, multi-religious, multi-cultural environment. This diversity is our strength. This Prime Minister, this UNC Government, and this Administration understand the diversity of our people and have taken the time to also understand our needs. The United National Congress, under the leadership of Basdeo Panday, is the only political party capable of uniting Trinidad and Tobago today.

It is against this backdrop that we have developed a vision and strategy for the development of our country.

Mr. Speaker, in an exercise conducted in June this year, Government sat down over a three-day period with representatives from Labour, Business, various Non-Governmental Organisations including the Inter Religious Organisation, with the sole purpose of charting the way forward for Trinidad and Tobago. The outcome of these consultations was the creation of a vision for Trinidad and Tobago for the year 2010.

This shared vision is for this country to become a knowledge-based society with a globally competitive, technologically driven and diversified economy that will sustain full employment, equal opportunity, growing prosperity, a secure life and a higher standard of living for all our citizens.

This Budget initiates the process of articulating and implementing policies, programmes and projects towards the achievement of that ten-year vision.

However, Mr. Speaker, if we are to achieve our objective ...

We must maintain a stable and appropriate macro-economic stance.

We must maintain prudent external debt levels and seek to improve our investment grade rating.

We must continue to develop an enabling environment that would attract more foreign direct investment to our shores.

We must have a well-defined policy agenda aimed at diversifying the economy. But, Mr. Speaker, the stark reality is that a nation cannot progress if it marginalizes any of its citizens. Models of successful nations point clearly to a process of "inclusion". The realization of our vision depends primarily on the inclusion of all our citizens in the challenge to make Trinidad and Tobago a better place. Whether you are the baker, policeman, soldier, teacher, doubles vendor, nutsman, health-care giver, public servant, parliamentarian, professional or gardener, we need to be committed to this vision for we are one people, one nation and "no one must be left behind".

Mr. Speaker, this is not idle rhetoric. Trinidad and Tobago is special...even unique. With our diversity, our strong tradition of democratic institutions, sound social and economic infrastructure, a literacy rate which is among the highest in the world, the largest energy and manufacturing sectors in the region, a rapidly developing financial services industry and an emerging market for tourism, we are well poised to achieve our vision.

Our performance to date speaks for itself. Between 1995 and 2000, the economy expanded by an average of 5.2 percent per annum, higher than the average for the United States, Japan, and the European Union. Over the same period inflation averaged 4.1 percent, well on par with our major trading partners; unemployment declined from 19.8 percent to 11.9 percent, the lowest level in more than a decade. The country's foreign exchange reserves position rose to US\$2.4 billion at the end of August this year, significantly higher than the US\$652 million recorded at the end of 1995, and the highest level recorded in about two decades.

Mr. Speaker, within the last five years, economic development in Trinidad and Tobago has been spurred by a remarkable US\$4 billion inflow to the energy sector. Over the period there was a three-fold expansion of the value added in the gas sector. As a result, we are now on the verge of becoming one of the world's top five producers of Liquefied Natural Gas (LNG). This is in addition to being the world's largest exporter of methanol and ammonia and an emerging leader in the export of steel.

In striving to achieve our 2010 vision, it is important to identify benchmarks and criteria that we can use to evaluate our progress. Therefore, by the end of the year 2005, in this picture of Trinidad and Tobago, the economic growth of our economy would have been accelerated, with a low, single digit rate of inflation, an unemployment rate of less than 10 percent and gross foreign reserves well in excess of US\$3 billion.

Our vision for 2005 also means that we must make significant progress in poverty reduction, provide homes for our citizens, make quality health care accessible to all, and improve the standard of education.

What this translates into, Mr. Speaker, is the reality that by 2005, our children would be enjoying a higher quality of pre-school, primary, secondary, vocational and tertiary education. They will be taught in well-built, non-crowded schools and institutions. A significant proportion of our population would be accessing the technology of the day - the Internet - for the purposes of education, communication, leisure and business. Thousands of young people, many of poor circumstances, would have access to or would have graduated from University and would be moving on to good jobs and a better quality of life.

By 2005, more families would be enjoying the pleasure of living in their own homes with all the necessary amenities.

By 2005, the streets of our cities, towns and boroughs would be cleaner and free from the homeless and destitute since they would now be residing in their new shelters under appropriate care. Our minds would be more at peace since crime would have been significantly reduced.

By 2005, more people would have jobs as unemployment would have declined to a single digit rate. Individuals would also enjoy opportunity to gain jobs requiring higher skill levels - as technology and other high-skilled jobs become more available, and job training and educational opportunities become more easily accessible and affordable.

By 2005, commuting would become less stressful as congestion on our nation's roadways would be minimized as a result of our new road network infrastructure. Complementing this would be a more efficient, affordable mass transport system.

Our unique blend of culture and art will be further promoted locally and internationally and showcased in our newly built Cultural Complexes. Carnival, Steelpan, and the performing arts, will boast of a home of their own in which they can develop and thrive.

By 2005, Mr. Speaker, citizens of Trinidad and Tobago will be proud as our country earns the reputation of being the regional hub of finance and commerce. Specifically, we will become a preferred convention and conference centre destination in the Western Hemisphere, the financial services centre of the region, the regional e-commerce hub, as well as, a worldwide leader in the export of downstream energy products.

Mr. Speaker, each successive budget during this five-year period will move us closer to achieving this vision. This Budget is set within the context of the Medium Term Policy Framework, 2002-2004 and **will focus on driving the growth and expansion of the non-energy sectors, the development of our human resources and addressing the needs of the most vulnerable groups in the society – the elderly and the socially displaced.**

TRINIDAD AND TOBAGO TODAY

Mr. Speaker, I now turn to the performance of our economy.

Mr. Speaker, the appropriate management of macroeconomic policies and decisive implementation of structural reforms have been critical to Trinidad and Tobago's outstanding performance. Many important reforms have already been implemented, but we must go further if we are to realise our vision of a strong, resilient, knowledge-based economy.

Since 1995, citizens of Trinidad and Tobago have benefited from a growing economy, a stable currency, low inflation and falling unemployment. These achievements must not be taken for granted.

Mr. Speaker, the International Monetary Fund in its June 2001, Article IV Staff Report stated that since the mid-1990s Trinidad and Tobago's economic performance has been among the strongest in Latin America and the Caribbean.

We achieved one of the highest growth rates in the Western Hemisphere - 6.4 percent in the year 2000. This growth was sustained by improvements in most of the non-oil sectors, specifically, the manufacturing, services, agriculture, and construction sectors. As a whole, the non-oil sector expanded by 6.7 percent in 2000.

Output in the petroleum sector expanded by 4.6 percent in 2000, with the main contributor being the natural gas sub-sector. This performance was largely due to the operationalization of the US billion dollar Atlantic LNG project. Accompanying this strong growth was a low rate of inflation, which stood at 3.5 percent at the end of the year.

Mr. Speaker, this country has witnessed a tremendous reduction in the unemployment rate, from over 20 percent in the early 1990s to less than 12 percent by the year 2000, with forecasts for further reductions over the next five years.

This year, we expect to achieve a balanced budget notwithstanding the fact that we would have deposited \$600 million into the Revenue Stabilization Fund. This Fund, Mr. Speaker, is a "Rainy Day" Fund, to be used to buffer the economy from the vagaries of international oil prices. **By the end of this fiscal year the Revenue Stabilization Fund would contain a cumulative figure in excess of one billion TT dollars.**

The ongoing reform programme at the Board of Inland Revenue has resulted in an increase in tax collections this year. We expect that further improvements, including reform of the tax regime in the energy sector, as well as expansion in overall economic activity will enhance future revenue streams.

Mr. Speaker, at the end of 2000, our total debt stock which includes all the debt of the Central Government, State Enterprises and Statutory Authorities, stood at 60 percent of GDP. With a programme of astute debt management we intend to bring this figure to an acceptable benchmark of 50 percent of GDP by 2005.

Given our projected GDP growth and our revenue projections, this figure is attainable. To ensure this outcome, Mr. Speaker, **we will establish a Debt Management Unit in the Ministry of Finance. This Unit will, among other things, be charged with the responsibility of managing the growth of new debt and progressively bringing down our debt stock to targetted levels.**

Mr. Speaker, while the exchange rate has shown some appreciation recently, the Central Bank has reaffirmed that the real effective rate meets the competitive needs of the economy. Exchange rate stability has been ably supported by fairly tight monetary policy that has sought to limit the growth in money and credit, with a view to containing inflation and managing interest rates. In addition, Mr. Speaker, our external position has strengthened considerably over the past years, with gross country reserves reaching US\$2.4 billion at the end of August this year, more than three times the level at the end of 1995, and equivalent to in excess of five months of import cover.

The Central Bank has improved the efficiency of financial intermediation by continuing its programme of reducing the unremunerated reserve requirement of commercial banks. In May 2001, this reserve requirement was reduced from 21 percent to 18 percent. This move has already led to a reduction in the prime lending rates of the commercial banks, and is expected to have a positive impact on the development of small and medium-sized businesses.

Mr. Speaker, Government also attaches great importance to streamlining the role of the public sector in commercial activities. The benefits from our programme of private sector participation have included, an enhanced domestic climate for investment and private sector activity, the widening of share ownership among our people, increased competition and greater efficiency in the various markets for goods and services. It has also served to deepen the capital market, increase the inflow of foreign investment, and improve the country's fiscal and external accounts.

In 1999, the Government also formed the National Enterprises Limited (NEL) to hold its interest in TSTT, the National Flour Mills and TRINGEN. In February this year, the initial public offering of NEL shares was over subscribed. **Prior to a second tranche offering of NEL shares however, Government will transfer to NEL a portion of its indirect shareholding in two energy-based companies. The market capitalization of NEL would therefore be increased and the shares of NEL would be even more attractive to the investors.**

Mr. Speaker, in the tourism industry, we continue to make significant strides. Last year, the Tourism Development Act was passed in Parliament. The Act is a significant landmark in the development of tourism in our country, as it provides for the first time, local and foreign investors with tax and customs duty incentives for a wide range of tourism projects including accommodation, transportation, cultural centres and golf courses. This piece of legislation is, undoubtedly, a springboard for the development of this sector.

In addition, last year, seven tourism projects costing approximately fifty-five million dollars were undertaken. These projects created 156 permanent jobs and added 175 new rooms to the existing stock. Between January and June of this year, ten tourism projects were approved for private investors in various areas including the North-West Peninsula and, of course, Tobago. These investments amount to over \$285 million, providing permanent jobs for 405 persons as well as adding 302 rooms to the industry.

Mr. Speaker, this Government has done more than any other Government to promote social equity in our society.

After five years, the circumstances of the elderly, single mothers, the poor, the physically challenged and the socially vulnerable have improved markedly.

Every Budget of the Panday Administration has improved the circumstances of the poor and the disadvantaged.

In fiscal 2001, the Public Assistance Grant to needy persons was restructured in order to more adequately address the needs and provide greater benefits to the recipients.

Moreover, Mr. Speaker, Cabinet recently approved the addition of five (5) specially equipped buses to the PTSC fleet to facilitate easier access and a relatively cheaper form of transport for the physically challenged.

During the last fiscal year, Government also increased the old age pension for the fourth time in five years to \$720 per month, and raised the qualifying income ceiling from \$7,440 per year to \$8,640 per year. Apart from increasing the number of persons who benefit from the old age pension, recipients now enjoy a pension that is almost 100 percent more than they had under Manning's PNM.

Mr. Speaker, in January 2000, a Micro Credit Programme was initiated to provide low-cost loans to the unemployed; persons earning subsistence or minimum wage, and persons on public assistance and other forms of social assistance. Lending under this programme, which commenced in June 2001, is conducted in conjunction with the NGOs and the Community Based Organizations throughout Trinidad and Tobago.

Further, this year the Social Help and Rehabilitative Efforts Programme (S.H.A.R.E) and the Relief Centres Programme were merged in order to maximize the benefits obtained from the available resources.

In addition, the Relief Centres Programme, which initially concentrated on the provision of hot meals to socially disadvantaged persons at centres in poverty stricken areas, was expanded to including a training component. Courses were offered in remedial literacy, numeracy, micro enterprise management, food preparation and food processing.

The idea Mr. Speaker, is to empower people to help themselves.

Mr. Speaker, in the field of Education, we have abolished the Common Entrance Examination and opened up secondary education to every child. The direct outcome of this decision was that more than 9000 boys and girls who would have been denied access to a basic education are now receiving secondary level education. We have also begun to reform the curriculum of secondary schools, and continuing efforts are being made to standardize textbooks and implement an effective school transport service.

The school feeding programme has also been expanded. Computers have been provided to schools and business and computer training introduced. Measures aimed at the democratization of the education system have also been introduced. We have also expanded access to tertiary education, skills development, adult education and distance learning.

We acknowledge that even in the face of our impressive economic performance and the implementation of sound social programmes, some of our citizens are still being left behind. It is our intention to re-direct our focus on the needs of these individuals.

POLICY DIRECTION

Mr. Speaker, let me now turn to the policy agenda that will set the tone for achieving our vision for Trinidad and Tobago and create an environment in which "no one is left behind".

FISCAL POLICY

Mr. Speaker, the Budget for the next fiscal year has been prepared using an oil price of US\$22 per barrel. As a result, current revenue is estimated at \$15.365 billion or 20 percent higher than budgeted in fiscal 2001. Capital receipts are projected at \$436 million. Consequently, total revenue for fiscal 2002 is estimated to be \$15.8 billion, some \$2.17 billion higher than budgeted in fiscal 2001.

Current expenditure is estimated at \$14.428 billion or 16 percent higher than the last fiscal year. This increase will comprise mainly the cost of the recently negotiated public service wage settlement, transfers to households and state entities, lease payments, and general maintenance. The Public Sector Investment Programme is estimated at \$1.339 billion or 36 percent higher than the \$981 million in fiscal 2001, as increased allocations are directed to supporting major education, health and infrastructure projects. Total Expenditure is estimated at \$15.798 billion or 17.5 percent higher than that estimated for the last fiscal year.

What is significant in these calculations, Mr. Speaker, is that expenditure on wages and salaries and interest payments in the next fiscal year will amount to 29 percent and 15 percent respectively of Total Revenue. What this means is that for every dollar that this country earns, 29 cents are spent on paying wages and salaries and 15 cents on interest service. This leaves a mere 56 cents of each dollar earned to finance other expenditure. This is the stark reality of our fiscal position.

Nevertheless, based on our estimates of Total Revenue and Total Expenditure **for the next fiscal year we expect to achieve a small fiscal surplus of \$2.9 million, which effectively translates to a balanced Budget.**

Tax Reform

Mr. Speaker, in keeping with our objective of creating more efficient and customer-friendly Government agencies and as a part of our overall reform of the public service, and to maximize revenue collection, we have embarked on a total reform of the operations of the Inland Revenue Division.

To expedite this process a dedicated project team has been appointed, made up of selected representatives of the Board of Inland Revenue, and assisted by members of the United States Internal Revenue Service (IRS). This reform process will also initiate action to eliminate corruption in the public sector and will strengthen compliance by putting in place systems to maximize revenue collections by targetting individuals and entities that do not pay their taxes. When people fail to pay taxes, they deprive every citizen of Trinidad and Tobago of a higher quality of life and a brighter future.

Government will also establish a Tax Fraud Investigation Unit in the Board of Inland Revenue since there are many instances where taxpayers' returns show little relationship between what is declared and their lifestyles. Where there is suspicion that a taxpayer has made fraudulent declarations, the Unit will conduct the appropriate investigations and, if need be, prosecute the taxpayer in Court.

Mr. Speaker, the Inland Revenue Division is also working on the establishment of an Inspection Unit. The main function of this Unit will be the preservation of the integrity of the staff of the Inland Revenue Division. Any reports of impropriety will be investigated to either clear the officer's name or, where there is merit in the report, to take appropriate action against the officer.

In addition, a Cabinet-appointed Committee has submitted its report and we will continue to pursue the establishment of a Tax Court.

Payment Dates

Mr. Speaker, in an effort to facilitate government accounting and a more efficient processing of tax payments, **I propose to change the due date for payment of taxes. With respect to Value Added Tax I propose to change the payment date from the 25th of each month to the 20th of each month. With respect to other taxes except P.A.Y.E. and Health Surcharge deductions, I propose that the previous quarterly dates of March 31st, June 30th, September 30th and December 31st be changed to March 25th, June 25th, September 25th and December 22nd respectively.**

These amendments will take effect from January 1, 2002, and will necessitate amendments to the Value Added Tax Act, the Income Tax Act, the Miscellaneous Taxes Act, and the Unemployment Levy Act.

Refunds and Penalty Payments

Mr. Speaker, improving customer service in tax administration is critical for global competitiveness. Businesses and individuals have been complaining, and rightly so, about the length of time it takes to receive tax refunds. As I mentioned earlier, the Board of Inland Revenue Reform Programme will address these efficiency issues and speed up Government's refund process. In addition to this, it is only fair that similar penalties, to those faced by taxpayers, be imposed on Government when refunds are not paid on time. **Consequently, I propose to increase the rate of interest payable by the Board of Inland Revenue on refunds of overpayments of income tax and corporation tax from 4 percent to 10 percent per annum.** This measure will take effect from January 1, 2002 and will require amendments to the Income Tax Act.

Value Added Tax

Mr. Speaker, the VAT Act was introduced in a pre-liberalized and pre-globalized environment. With the recent strides in information technology, however, current legislation does not adequately address situations where services are performed in Trinidad and Tobago and paid for in a foreign currency and delivered to a foreign recipient.

I propose to amend the VAT Act so that only services that are currently physically performed outside Trinidad and Tobago will be zero-rated. However, services provided to any foreign or local recipient in connection with real or personal property situated in Trinidad and Tobago will now be standard rated.

The late filing of VAT returns will also be addressed. At present, there is no penalty for the late filing of VAT returns. Therefore, **I propose to introduce a late filing penalty of \$100 per month for every month that a VAT return remains outstanding.** This measure will take effect from January 1, 2002, and will apply to returns which are to be made in 2002, and subsequent years, and will necessitate amendments to the VAT Act.

The Board of Inland Revenue under the VAT Act may currently only raise an assessment within six years after the end of the tax period to which the assessment relates. Accordingly, where a VAT registrant under the Act files a return at the end of this statutorily limited period, he may avoid being assessed of the correct amount of tax due. **I therefore propose to amend the law to give the Board of Inland Revenue the power to raise an assessment within six years after the end of the tax period to which the assessment relates or within three years of the filing of the return whichever is the later.** This measure will take effect from January 1, 2002, and I propose to amend the VAT Act accordingly.

Property Valuation

Mr. Speaker, in keeping with our objective of transforming our tax administration into one that is more efficient and equitable, **Government will undertake a reform of the existing Property Taxation Regime.** The new system will allow for a more equitable taxation of properties. Phase I of the Reform has been completed, and focused on the development of a new Property Taxation System as well as a detailed mapping and valuation of properties in pilot sites in Arima and Point Lisas. Phase II, will focus on full-scale valuation of all properties through an aerial survey throughout Trinidad and Tobago and will span a period of two years beginning in late 2001.

Customs Reform

Mr. Speaker, considerable reforms are also taking place in the Customs and Excise Division which, according to the Trinidad and Tobago Chamber of Industry and Commerce, has moved effectively and efficiently into the 21st Century. Most of our Customs Reform initiatives are being developed in collaboration with the United States Customs Service and are designed to allow for more efficient revenue collection, and provide top quality service to the business community, and the Trinidad and Tobago public.

Mr. Speaker, we have instituted a **Bonded Warehouse Project** that gives importers and local manufacturers greater autonomy in their operations. This pilot project was started in June this year while another project targetted at selected importers with a history of a high level of compliance, and who import the same commodity from the same shipper, will be implemented in the last quarter of this year. Other projects will:

- expedite processing of import declarations and random cargo examination;
- allow for speedier clearance of goods and enable specific importers to pay the estimated duties and taxes declared on submission of their import entry documents; and
- provide an improved payment system by affording a safer, speedier and more reliable means of paying customs duties and taxes through the Debit Card System.

With respect to transparency in the Customs and Excise Division, a Regulatory Audit Unit has been designed to complement the post-clearance initiative employed since January 2000. In addition, to ensure that the faster movement of both goods and passengers does not contribute to an increase in the importation of prohibited or restricted items, the Division has taken steps to enhance its law enforcement capabilities. Mr. Speaker, we are going after the “bad guys” with renewed vigour. The Customs and Excise Division was also instrumental in the development of a pleasure craft tracking system and is currently assisting in the development of a cargo vessel tracking system.

We have also equipped the Customs Enforcement Branch with interceptor-type fast boats, drug-sniffing dogs, and X-ray scanners including a mobile X-ray van. We will also introduce a new cargo clearance system and Cargo Examination Teams. These teams would be specially trained and equipped units responsible for the efficient and timely examination of selected cargo.

Revenue Stabilization Fund

Mr. Speaker, the Revenue Stabilization Fund (RSF) was established as a mechanism to promote fiscal discipline in the event of windfall revenues from petroleum, and provide a cushion against any unexpected fall in oil prices. It is our intention to expand the Revenue Stabilization Fund to include some proportion of windfall revenues from gas in the near future.

The Revenue Stabilization Fund is intended to be a repository for the accumulated savings from petroleum taxation revenues above the established annual budget benchmark. Initially, the assets of the fund were determined to be 67 percent of the excess revenues from petroleum taxation. The remaining 33 percent of such revenues was directed to the consolidated fund.

Government proposes to allocate to the Revenue Stabilization Fund 60 percent of the excess revenues from petroleum taxation, 20 percent will be directed to the consolidated fund and 20 percent placed into an Education Fund to finance a part of Government's Dollar for Dollar Plan. It is however, not the intention that excess oil revenues permanently fund the Dollar for Dollar Plan, as progressively it will be financed as part of recurrent expenditure.

Mr. Speaker, we forecast that expenditure on the Dollar for Dollar Plan would constitute less than one percent of GDP annually for the next five years. We firmly believe that expenditure on this plan is an investment in the future of our country and a small price to pay to guarantee a successful future for thousands of our young people. In particular, the Dollar for Dollar Plan is a critical mechanism in ensuring that our bright children of poor circumstances are not denied the right to higher education and a better life.

Penalty for breach of legitimate contracts

Mr. Speaker, I now want to deal with the issue of legitimate contracts.

Mr. Speaker, strict measures will be taken by the Ministry of Finance to have all State agencies include in their contracts, clauses regarding penalty interest and the timing of payments for services provided by local contractors and suppliers. All new contracts will include clear responsibilities and procedures for certification and payment as well as equitable compensation for late payments.

In addition, contractors will be able to seek timely redress where there is a legitimate and verifiable breach of contract. Accordingly, **I propose that Government Ministries and Government controlled agencies be charged a penalty of 1 percent interest per month on outstanding balances after a 30 days grace period on all new, legitimate contracts.** Both these measures should instill greater discipline within the State Sector with respect to the timely payment of amounts due to contractors on the completion of a contract.

State Enterprises

Mr. Speaker, for the most part, the primary legacy of the state enterprise sector has been one of heavy reliance on the Treasury for all manner of financing, including equity capital, loan capital, and deficit financing. Most of the equity capital was eroded over time, the loan capital contributed by Government had to be written off, and Government having guaranteed the debt incurred by many enterprises was eventually called upon to service these debts.

Accordingly, Mr. Speaker, further rationalization of the state enterprise sector will be pursued within the context of increasing efficiency across a wide spectrum of markets. In so doing, Government will continue to establish the platform for the long-term competitiveness of the Trinidad and Tobago economy.

CORRUPTION AND TRANSPARENCY

Mr. Speaker, corruption strikes at the heart of economic growth and development.

In Trinidad and Tobago, there is a perception that corruption has penetrated some of our public institutions in one form or other.

Mr. Speaker, the easiest thing for us to do, is what most Governments, including all PNM administrations, before us have done...little or nothing.

However, during the course of this year in particular, this Government has taken courageous and unprecedented steps to address the scourge of corruption in public places and to send a clear message to all, that corrupt practices will not be tolerated, and indeed, will be prosecuted to the fullest extent of the law.

The legal framework has been amended to further reinforce our stance on this issue.

The Constitution (Amendment) (No. 3) Act 1999, mandates the formation of joint investigative parliamentary committees to monitor and investigate instances of misuse or abuse of power or corruption in the Public Sector.

The Integrity in Public Life Act 2000 effectively strengthens the Integrity Commission's powers of investigation and detection of corrupt practices. Under this Act, public officials are required to declare their assets. Breaches of this Act, attract fines of up to a quarter of a million dollars, ten years imprisonment and forfeiture of all ill-gotten wealth.

During the course of this year, every report of some substance has been treated transparently. The Auditor General was requested to go into the North West Regional Health Authority by this Minister of Finance and her report was given to the Fraud Squad and the Director of Public Prosecutions. For a number of reasons, further work was commissioned to properly treat with the matters reported by the Auditor General. As a follow up, earlier this week I received a report on the North West Regional Health Authority from Personnel Management Services Limited, which I have since given to the Director of Public Prosecution and the police.

I have commissioned Independent Auditors to respond to allegations at NIPDEC and National Petroleum and their reports have been completed. This week Independent Auditors have been commissioned to go into Caroni (1975) Limited to do a comprehensive exercise which will include some forensic investigations.

The Minister of Energy has given the ISS Report on Trinmar to the Police and the Director of Public Prosecutions.

I have also directed the Divestment Secretariat of the Ministry of Finance to open itself to media scrutiny on the transactions involving the Rum Division of Caroni and Tanteak. They have prepared a comprehensive outline of those transactions for the media and they have been directed to arrange a meeting with the media after the outlines have been circulated.

Mr. Speaker, the Divestment Secretariat is made up of public officers and I want to assure the national population that the transactions involving the Rum Division of Caroni and Tanteak were done in a most transparent manner, without political interference.

As a further step to stamp out corruption in the state enterprises sector, all State Enterprises and Statutory Authorities will be subject to enhanced levels of corporate governance. In the coming fiscal year, a State-Owned Corporations Act will be finalized.

In addition, a special Audit and Controls Unit will be established in the Ministry of Finance to ensure compliance of State Enterprises and other State Agencies with prescribed policies and procedures. Explicit guidelines will be set out for the functioning of Boards and Management as well as for the establishment of internal controls and reporting mechanisms within the state enterprises sector.

The general powers and responsibilities of the Audit and Controls Unit will include determining whether funds are being spent appropriately by State Agencies, as well as conducting surprise audits.

Further, Mr. Speaker, **under the new regulatory framework, all contracts above five million dollars or such other sum to be determined by the Minister of Finance will require the prior approval of the Minister of Finance before a State Agency awards a contract. In the case of contracts of less than five million or such other determined amount, State Agencies will be required to submit details of contracts awarded for review by the Ministry of Finance.**

Mr. Speaker, the intention is to protect customers and workers, as well as, secure taxpayers' money.

The strengthened legislative and institutional framework governing corrupt practices, at all levels of public life, will ensure closer scrutiny of all public officials, holding them to higher standards of accountability and transparency.

Mr. Speaker, it cannot be said that this Government is **not** doing enough on corruption today, neither could it be said that there are any attempts at covering up acts of wrong-doing.

I have acted independently on matters within my jurisdiction that have come to my attention, and on those issues on which I have consulted with the Prime Minister, I have been given nothing but full support and licence to act.

Mr. Speaker, I am satisfied that everyone on this side is committed to dealing with any acts of corruption on the basis of fact or hard evidence but not on hearsay, malicious rumours, or for gaining political points.

MONETARY AND FINANCIAL POLICY

Mr. Speaker, Trinidad and Tobago's monetary policy will continue to be supportive of low inflation, a stable and competitive exchange rate, and further strengthening of the foreign reserves position. Towards this end, the Central Bank will manage the levels of liquidity in the system through an expanded use of open market operations, and through a reduced reliance on the reserve requirement of commercial banks. This represents a move towards a more market-based system and is expected to provide the Central Bank with greater flexibility and precision in its monetary management. Only this week, the limit on Treasury Notes and Bills was increased by \$1 billion in each instance.

In keeping with its move towards more market-oriented mechanisms for managing liquidity, the monetary authorities remain committed to a further lowering of the cash reserve requirement as monetary conditions permit. A further reduction in lending rates is also expected to accompany this move. More competitive interest rates would stimulate the level of savings, increase investment and expand job opportunities.

Mr. Speaker, we are at a time when developments in communications and information technology have never been more dynamic. Because of this, we find the world is inter-connecting at an increasingly rapid pace, with our economies becoming more and more integrated through trade, investment and finance. While globally, integrated markets create tremendous opportunities, they also open the door to a variety of new risks. It is only prudent therefore, that we persist with our efforts to build strong financial institutions.

Mr. Speaker, our banking sector is sound, well capitalized and competently managed. Prudential regulations are consistent with internationally accepted accounting and reporting standards established by the Basle Committee on Banking Supervision. We however have to be concerned about the financial sector as a whole and during the past year, we engaged a group of Canadian consultants, Lawrie Savage and Associates Inc., to advise on the development of one agency to regulate and supervise the entire financial system.

The consultants have been mandated to assist the Central Bank in further ensuring the safety and soundness of Trinidad and Tobago's financial system by formulating an effective, integrated supervisory regime consistent with international standards.

The first phase of this programme, which is expected to be completed within the next fifteen months, will bring all insurance companies and pension funds under the direct supervision of the Central Bank. Following on this, the consultants would embark upon the second phase, in which a study will be carried out to determine the feasibility and mechanisms for bringing other non-bank financial institutions, including Credit Unions, under the supervision of this single regulatory authority.

This new approach towards consolidated supervision requires amendments to be made to various pieces of governing legislation. In this regard, work continues on developing comprehensive legislation that would address the needs of integrated supervision and regulation. This would include the introduction of new legislation governing the mutual funds industry. I am happy to state that the Report of the Technical Committee appointed to assist in the formulation of mutual fund legislation is now complete, and we are in the process of reviewing our options for the expeditious drafting of the legislation.

Credit Unions

Mr. Speaker, some serious charges were made recently against this Minister of Finance with respect to the Credit Union Sector. I want to state categorically that this Government recognises Credit Unions as an essential component of the financial services sector, and is totally committed to the continued development and strengthening of the Credit Union Movement. It is not the intention of the Government to regulate credit unions like banks. I want to emphasise to all Credit Union members, that this responsible Government is very committed to protecting their money. The safety and soundness of the Credit Union Sector, is therefore of paramount concern to this administration.

Mr. Speaker, in 1992, following a series of complaints by Credit Union members about the safety of their savings to the then Government, a task force was established to review and make recommendations with respect to certain aspects of the operations of Credit Unions. In 1996, this Government, with the participation of the Co-operative Credit Union League of Trinidad and Tobago, entered into a Technical Co-operation Agreement with the Inter-American Development Bank for the institutional strengthening of the Credit Union Sector. **Based on the advice of the consultants, the Ministry of Finance is currently drafting legislation for regulating and supervising the financial activities of Credit Unions, including provisions for the guarantee of member's savings similar to what exist under the Deposit Insurance Corporation.**

Mr. Speaker, it will be irresponsible of me to allow Credit Unions as a whole to expand the range of their services until I am satisfied with their financial condition and that the appropriate regulatory and supervisory regime is in place.

Insurance Industry

Mr. Speaker, a properly regulated insurance industry is essential for the effective functioning of our economy. The consultants, Lawrie Savage and Associates Inc., have reviewed and submitted recommendations on a revised Insurance Act to facilitate the first phase of the integration process of the financial system, to transfer regulatory control of the insurance industry from the Ministry of Finance to the Central Bank. The provisions to effect this change will be included in the Insurance (Amendment) Bill, which is expected to be laid in Parliament before the end of this year. Diagnostic teams have visited a number of insurance companies and reviewed pension fund plans to determine their financial condition and the need, if any, for remedial action.

The consultants will devise action plans to address performance deficiencies related to claims, the exit, or rehabilitation of non-performing companies, and will submit recommendations on establishing a policyholders' compensation scheme.

Mr. Speaker, the fiscal regime governing insurance business has, to some extent not kept pace with developments in this industry, and we find ourselves in a situation where a lot of the taxes governing insurance business in Trinidad and Tobago, are, in fact, relics of a former time.

Mr. Speaker, in the new fiscal year, I propose to remove some of the nuisance taxes and processes that hamper the efficient conduct of insurance business in Trinidad and Tobago.

Elimination of the BIR approval process for Deferred Annuities

To this end, the process for the approval of annuities will be revised. Currently, every annuity product sold by insurance companies and banks must be submitted to the Board of Inland Revenue for approval. The approval process could take as long as three months due to the backlog caused by the demand for this insurance product. **Beginning January 2002, a new approval process will be introduced. The new process will eliminate the need for annuities to be individually approved by the Board of Inland Revenue.** A standard form will be introduced whereby insurance companies and banks will certify that each annuity policy is in compliance with an approved format. The new procedure will effectively eliminate the lengthy approval process for deferred annuity products.

Removal of Stamp Duty on Life Insurance Policies and Annuities

Mr. Speaker, Life Insurance policies and annuities are submitted to the Board of Inland Revenue for manual stamping. This stamping process, which may take as much as three working days is a clear nuisance to businesses. **As a result, I propose to remove the stamp duty on life insurance policies and annuities.** This measure will take effect immediately and will require amendments to the Stamp Duty Act.

Refund of Insurance Premium Tax by Insurance Companies

Mr. Speaker, under the present system, insurance companies are not allowed to refund insurance premium taxes payable to policyholders. In an effort to alleviate this situation, **I propose that the discretion to refund insurance premium taxes, which is currently vested in the President, be conferred on the insurer.** This measure will take effect from January 1st, 2002 and will involve amendments to Part XIII of the Miscellaneous Taxes Act.

Insurance Premium Taxes - Waiver of Penalty and Interest

Mr. Speaker, in various tax legislation the Board of Inland Revenue is generally given the power to waive or reduce penalties. However, there is no provision for a waiver of interest with respect to the Insurance Premium Tax.

I therefore propose to amend the law to give the Board of Inland Revenue the power to waive or reduce penalties and interest with respect to Insurance Premium Tax. Further, under the existing law the Board of Inland Revenue has no authority to audit insurance companies to ensure that the current insurance premium taxes are remitted. **I propose to remedy this by amending legislation to give the Board of Inland Revenue such authority.**

These measures will take effect from January 1, 2002 and will require amendment to Part XIII of the Miscellaneous Taxes Act.

Financial Services Ombudsman

Mr. Speaker, as a result of the growing number of complaints by customers, **Government will create the position of a Financial Services Ombudsman.**

The main function of the Financial Services Ombudsman will be to receive complaints about the provision of financial services to small businesses and individuals and to facilitate the settlement of these complaints. The Ombudsman

will provide independent and prompt resolution of complaints using the criteria of best practice in the financial services sector and fairness in all circumstances.

The Financial Services Ombudsman will in no way circumvent the internal mechanism of financial institutions for dealing with such complaints and it is in fact understood that the primary recourse for aggrieved small businesses and personal financial services customers is the internal complaint-handling mechanisms of the various financial institutions.

Discussions with respect to the implementation of the Financial Services Ombudsman are currently underway between the industry and the Central Bank.

Capital Markets

Mr. Speaker, efficient capital markets are catalysts to economic growth. However, Trinidad and Tobago's capital market is in a developmental stage. What this means, is that we have the advantage of learning from the experiences of the emerging and more mature markets.

We have undertaken an analysis of the institutional structure of the domestic capital market and we are currently reviewing several pieces of legislation, including the Financial Institutions Act 1993, Insurance Act Chapter 84:01, the Companies Act 1995 and the Securities Industries Act 1995. Our aim is to facilitate a consolidated approach to the financial sector, which would significantly increase market confidence and improve integrity in the market.

Mr. Speaker, market discipline is essential for the smooth functioning of any capital market. **Accordingly, Government will commission a Central Securities Depository and implement a system of electronic trading on the Stock Exchange.**

We will also review measures to increase the supply of equity securities on the domestic capital market. This, however, must be addressed in conjunction with a national risk management framework. Mr. Speaker, the development of a credible, independent provider of risk assessment is fundamental. Today, I also encourage and invite private sector involvement in the establishment of a regional Credit Rating Agency.

Mr. Speaker, we have seen the destructive, spiralling effects of the international financial crises of the 1990s and as our capital markets become more integrated with global markets, we will be exposed to contagion effects. Within the context of effective crisis prevention, we will focus on the improvement of transparency, the promotion of improved standards and codes, enhancement of debt management and the facilitation of information sharing. **In this regard, we will implement international standards for reporting and information disclosure, inclusive of listing standards and will facilitate the adoption of a code of good corporate governance practices.**

Mr. Speaker, investor confidence, transparency and equity are also critical to the smooth functioning of a strong capital market. Anything that distorts these elements compromises the integrity of the entire system. Mr. Speaker, off the floor Stock Exchange transactions, negatively affect the fundamentals of a strong Stock Exchange, namely transparency and investor confidence.

In the new fiscal year, Government will move to limit the incidence of such transactions. **Accordingly, I propose to amend the Stamp Duty Act to provide for the payment of a 5 percent stamp duty on the underlying market value of share transfers executed off the floor of the Trinidad and Tobago Stock Exchange.** This measure will take effect immediately and will require amendments to the Stamp Duty Act.

SAVINGS AND INVESTMENT

Mr. Speaker, Government is very committed to improving the rate of national savings. A number of initiatives aimed at broadening participation in the domestic financial and capital markets are currently underway.

Pension Reform

Mr. Speaker, during the first term of this administration we diagnosed the problems in the current pension system and undertook several initiatives to begin the difficult process of reform. In the next fiscal year, Government intends to re-assess these initiatives with a view to undertaking more fundamental changes to the pension system.

Trinidad and Tobago is not peculiar in this regard. In fact, systems of financial support for the elderly are in trouble the world over. In our own region, already Barbados, Jamaica, Aruba and the Dominican Republic are reviewing their systems with a view to reforming them. It is time to find creative solutions that suit our own environment.

Let us face the reality, Mr. Speaker, people are living longer. Indeed, the number of senior citizens as a percentage of the total population will grow each year. What we must avoid is a situation where we will be asking our children and grandchildren to pay very high taxes to finance our pensions. If these taxes are still not enough then we may run into huge budget deficits, which means that we will have less to spend on education, health and infrastructure. We must not put our children's future at risk.

Pension systems not only impact the welfare of the aged but also the entire country by influencing the level of savings, productivity and ultimately, the size of

the GDP. Our reform initiative will focus on the protection of the aged as well as the promotion of economic growth.

Accordingly, a re-constituted pension reform team has recently been appointed by Cabinet and is currently devising strategy to deal with the country's fragmented pension system. In the next fiscal year, we will undertake several initiatives, including addressing the anomalies between the National Insurance and Old Age Pension Systems, the issue of pension fund surpluses in occupational pension plans and quantifying Government's pension liabilities for public sector employees.

National Enterprises Limited (NEL)

Mr. Speaker, **Government will divest its energy sector assets in a manner that will allow all our citizens to take advantage of investment opportunities in the energy sector.** Some of Government's indirect shareholdings in the Atlantic LNG and Phoenix Park will form part of the next tranche of National Enterprises Limited's shares issued on the Stock Exchange. It is expected that shares up to a value of \$300 million will be divested. This initiative would allow our citizens to share in the wealth of some of our most profitable enterprises.

Removal of the 5 percent tax on interest income

Mr. Speaker, increased savings both at the national and individual levels is a critical driver of investment and economic growth. Encouraging individuals to save for their future promotes security of life and leads ultimately to a higher standard of living. **Within this context, I propose to remove the 5 percent tax on interest income.** This measure will take effect from January 1, 2002 and will necessitate amendments to the Income Tax Act. It will effectively place an additional \$88 million in the pockets of savers.

MAIN ENGINE OF GROWTH

Energy and Energy Based Industries

Mr. Speaker, our oil and gas sector remains critical for the generation of wealth for our country. Over the last few years, we have facilitated substantial private sector investments in both upstream and downstream energy industry projects, and more exciting developments are literally in the pipeline. At all times, we kept environmental issues at the top of the agenda.

Today, the energy sector in Trinidad and Tobago is bustling with activity. The traditional oil and gas industry has changed its face considerably. Fifteen years ago, only four energy companies were in operation in Trinidad and Tobago. Today, this number has increased to twenty-six. This progress is a direct outcome of Government's effort to provide an attractive climate for investment.

Mr. Speaker, another significant development is the increasing importance of natural gas for continued socio-economic development.

The recently concluded Gas Reserves Audit undertaken by Government, forms the basis of our Master Plan for Natural Gas. The Plan will map the strategy for the development of our gas resources. It will address the security of our gas supplies, environmental policies, the optimal mix of downstream industries, gas pricing policies, and institutional and regulatory requirements including the future role of the National Gas Company (NGC).

Mr. Speaker, there are several additional gas-based downstream investments which are expected to commence over the next year.

The LNG Trains 2 and 3 expansion project is well underway and when completed will have a production capacity of 9.6 million tonnes per annum. The shareholders in the Project will include bpTT, British Gas, Repsol, and the NGC. Train 2 is scheduled for start-up by the fourth quarter of 2002, while Train 3, is ahead of schedule and will be completed by the second quarter of 2003.

Two additional methanol plants, each with a capacity of 5,000 tonnes per day will soon join the landscape of our energy sector. Construction of the CL Financial M5 Plant is in progress while construction of the Atlas Methanol plant is expected to commence before the end of 2001.

The Caribbean Nitrogen Company (CNC) Limited commenced construction of its 1,850 tonnes per day ammonia plant and is schedule to begin commercial production in June 2002. Government is currently holding discussions with at least two investors for the possible establishment of additional ammonia facilities. An investment decision is expected shortly.

Mr. Speaker, these projects translate into a total of US\$2.8 billion in direct foreign investment in the coming year.

In addition, there are other projects under consideration that are a departure from the traditional investments that exist in the gas-based sector. These projects have the added advantage of deepening the diversification process and contributing more significantly to permanent employment opportunities.

Mr. Speaker, the establishment of an Ethane Based Petrochemicals Complex with a US\$1 billion private investment, is one such project. An ethylene complex will not only directly create high-skills jobs but also establish downstream linkages with the existing plastics industry and create opportunities for the expansion of other areas of manufacturing. An updated feasibility study of the project has recently been completed and confirms Trinidad and Tobago's potential as a competitive producer of polyethylene.

With respect to the establishment of an aluminum smelter plant, several prospective investors including Noranda, Pechiney and Sural have been holding discussions with the NGC.

Further, Government is currently examining proposals from different companies for the construction of a commercial scale Gas to Liquids plant at an investment of approximately US\$1.5 billion. The technology provides an attractive option for efficient use of gas similar to LNG. This could represent the next logical step in the country's gas based development.

Several more international investors are waiting in line to put forward proposals for further investment opportunities in this area.

Mr. Speaker, our oil reserves will continue to generate significant wealth as Government places emphasis on facilitating major programmes to develop and exploit our oil resources. We will be charting a course for developing Cross Border Gas and Oil Reserves between Trinidad and Tobago and Venezuela. **A major initiative in this area has been a proposal by British Gas to develop a cross border field jointly with Petroleos de Venezuela on the south-eastern coast of Trinidad.**

A new Competitive Bid Round has been initiated that involves seven blocks on the south and east coasts of Trinidad. Successful bidders are expected to explore for, drill and produce additional oil and or gas. **Another major project, which is already underway, is the 2D Seismic Survey in the deep waters off the east coast of Trinidad.** This exercise will pave the way for a new round of competitive bidding in deep water blocks for the next five years.

Review of the Fiscal Regime in the Energy Sector

Mr. Speaker, it is anticipated that given the current levels of growth in the gas-based industries, Government revenues generated from these industries will exceed revenues from the petroleum sector within the next five (5) years. However, the present fiscal regime governing the energy sector is not structured to allow Government to fully maximize the revenue accruing to Trinidad and Tobago from gas development. An example of this is the Supplemental Petroleum Tax (SPT), which was designed to tax profits from oil revenue only.

The International Monetary Fund, in conjunction with the Inland Revenue Division, has examined this issue at length and has submitted recommendations to simplify and rationalize the present fiscal regime to facilitate the generation of additional revenue from the gas sector. The present regime was last adjusted in 1992 and a review is long overdue. **Consequently, a Cabinet-appointed Committee has been established to review the IMF's recommendations for changes in the fiscal policy regime for the Energy Sector.** In arriving at the measures to be implemented, the Committee will consult with the various energy sector stakeholders.

DIVERSIFICATION OF THE ECONOMY

Mr. Speaker, Government has a clearly defined strategy to diversify the economy. The aim of this strategy is to progressively reduce the dependence of the national economy on oil in order to minimize our exposure to international oil price volatility.

We have identified key sectors to drive the diversification process which will result in a more competitive, dynamic and resilient economy. We will place special emphasis on promoting and facilitating growth in the areas of energy downstream industries, agriculture, manufacturing, micro, small and medium sized business as well as existing and emerging service industries.

Main Drivers of Diversification

While there are several initiatives in this Budget for deepening the process of diversification, five key drivers have been identified for Trinidad and Tobago to become a more diversified, globally competitive economy. Specifically, we will:

- construct a National Science and Technology Park;
- develop a one-stop-shop in the agricultural sector together with additional investment in infrastructure and a package of incentives to stimulate growth in this area;
- develop and promote Trinidad and Tobago as the Conference and Convention Centre hub of the region;
- implement the Invaders Bay Project; and
- provide further incentives to manufacturing to facilitate re-tooling, expansion and new investment within the sector.

Mr. Speaker, finding the money to fund these initiatives was not easy. But we are very confident that they will make a significant impact on our diversification process.

Science and Technology Park

Mr. Speaker, construction of the Science and Technology Park will begin in the last quarter of 2001. Government's investment in this project this year will be \$55 million and strong foreign private interests have been expressed in this project. The proposed site is approximately 1,100 acres located at the former aerodrome at Wallerfield.

This facility will attract foreign investors seeking the right location to establish “near shore” operations, as well as industries that produce or use information technology to service the North American Market. The project will also contribute to the development of a national system of innovation, that is, the creation of a set of linkages and relationships in the economy that allows for continuous development, absorption and diffusion of relevant technologies throughout the society.

Key activities to be undertaken include:

- Call centres and back office operations;
- Software and computer-related services;
- Electronic components and accessories;
- Computer peripherals;
- Telecommunications equipment;
- Medical and dental equipment; and
- Pharmaceuticals and biotechnology research.

It is expected that Phase 1 of the project would generate 5,000 to 9,700 direct jobs over the first ten years and another 10,000 to 20,000 indirect jobs over the same period. Most of the direct jobs would be technology-related. Relationships with local institutions of learning would facilitate the increase in the cadre of skilled personnel.

This investment, with its job creation potential, its relationship with institutions of learning, its focus on technology and innovation, the attraction of foreign investment in the high technology field, and linkages with other sectors of the economy, is a critical milestone for realizing the vision that we have set for ourselves.

In this scenario, liberalization of the telecommunication sector and the establishment of the Trinidad and Tobago Telecommunications Authority (TTTEL) take on added significance. The Trinidad and Tobago Telecommunications Authority will play a catalytic role in the development of back-office support, not limited only to the traditional data capture and processing, but will also be involved in web site design and management, customer call centres, medical records management and credit card authorizations, just to name a few.

One-Stop-Shop for the re-development of the Agricultural Sector

Mr. Speaker, the second in our five prong diversification thrust entails the establishment of a one-stop-shop to reposition the agricultural sector as a dynamic and competitive sector in Trinidad and Tobago.

Mr. Speaker, Government, will incorporate a new organization, the Agricultural Development Corporation to operate along the lines of TIDCO but dedicated to the development and growth of the Agricultural Sector in Trinidad and Tobago. **Its core functions will include responsibility to provide technical services to operators in the agricultural sector, to issue guarantees in respect of agricultural loans to commercial banks, to manage the regime of fiscal incentives to the agricultural sector, and to secure opportunities and facilitate business development in the agricultural sector.**

We are also taking steps to evaluate the functions of two key agricultural institutions – the Agricultural Development Bank (ADB) and National Agricultural Marketing and Development Corporation (NAMDEVCO) – with a view to reconciling their roles with that of this new institution.

Mr. Speaker, a small-scale farmer in Paramin, Rio Claro or Oropuche will be assisted by the one-stop-shop in preparing a business plan, for his agricultural activity as well as in identifying marketing arrangements. The Agency will assess the project and once viable, a credit guarantee will be issued to facilitate commercial bank lending for the proposed project. The Agency will also provide extension services to the farmer.

To complement this initiative, Government will expand the existing incentives programme to encourage a higher level of investment in our agricultural sector. We will amend the existing legislation to introduce:

- **tax exemptions in respect of interest on approved loans used for approved agricultural projects.**
- **an initial capital allowance of 60 percent in respect of approved new capital expenditure incurred in respect of an approved agricultural project; or a tax deduction of twenty five percent of new capital expenditure for approved agricultural projects.**

These measures will take effect from January 1, 2002, and will require amendments to the Income Tax Act.

In addition to these measures, we will provide \$21 million to commence the first phase of a four-year programme for the repair and rehabilitation of agricultural access roads throughout the country.

Government has also allocated additional funding for water management and flood control infrastructure in the coming year. This will alleviate the

hardships of our farmers who suffer from the unexpected loss of their valuable crops. In addition, the Disaster Relief Fund will become fully operational and will provide relief to farmers whose crops have been affected by adverse weather conditions. We have provided \$5 million for the Fund in the new fiscal year. Further, Mr. Speaker, many small farmers have no title to the land on which they carry out farming. As a result, these farmers are not eligible to access credit facilities. **Accordingly, the land tenure regularization programme will be accelerated to facilitate greater access to credit for agricultural purposes. We plan to execute approximately 1,500 new leases under the Accelerated Land Distribution Programme in the coming year.**

A Research Fund will also be established to attract new and relevant projects, specifically geared to targeted commodities and production systems. Researchers and research institutions will be required to compete for the available resources of the Fund through the submission of project proposals geared towards production enhancement of targetted commodities and/or production management systems.

In addition, we will continue to encourage the development of agri-business and to strengthen the linkages with the manufacturing, tourism and hospitality sectors as viable avenues for our agricultural output. Further, efforts will be made to utilize more domestically produced agricultural goods in the school-feeding programme.

Mr. Speaker, over the next year we will also review the list of existing incentives to agriculture to ensure that they provide the desired results.

Conference Tourism

Mr. Speaker, the third driver of our diversification thrust in this Budget will be the development of Conference and Convention Tourism in Trinidad and Tobago. This will become a reality as plans are already in place for the establishment of an International Conference Centre on the Port of Spain Waterfront.

The project, which is well advanced, will cost a total of \$1.2 billion and will involve the construction of a 400 room Marriot Hotel in which Government will have a 50 percent equity stake. The project, which will incorporate an improved Breakfast Shed, will also include:

- a National Centre for the Performing Arts;
- a Shopping Complex ;
- the Association of Caribbean States' office tower;
- office buildings; and
- a 1,400 space carpark.

Mr. Speaker, we envision the International Conference Centre as a premier destination for business travellers and conventioners. It is estimated that approximately 26,000 leisure and corporate travellers will be visiting the Conference Centre annually. This will result in a significant boost for increasing activity in the centre of Port of Spain as well as enhancing the country's image as a tourist and business destination of choice.

Mr. Speaker, the magnitude of this project cannot be underestimated. Conservative forecasts indicate the creation of 1,200 permanent jobs, 1,500 construction jobs and we can expect over \$100 million in additional annual visitor expenditure. This project is expected to begin in early 2002.

Invader's Bay Project

Mr. Speaker, the fourth driver is the Invader's Bay Project. The Urban Development Company of Trinidad and Tobago (UDeCOTT) is undertaking the deepening of the Port of Spain Harbour. The work entails the dredging of the harbour and the reclamation of approximately 76 hectares of land south of the Spectrum and the Hasely Crawford Stadium. The reclaimed lands will be developed in conjunction with the private sector into lots for commercial, housing, industrial and other services. The Project is designed to create an integrated community in the Invaders Bay area as part of a larger development plan for the waterfront along the western coast of Trinidad.

The planned facilities would include a Cineplex and a world-class cardiac centre. With respect to the latter, steps are being taken to establish the necessary framework and incentives for attracting private sector investment in this area. This Cardiac Centre Facility will cater to the needs of both regional and extra-regional clients, and provide the impetus for promoting Trinidad and Tobago as a health tourism destination.

The benefits to the city of Port of Spain will be considerable, as entrepreneurial activity will be initiated to satisfy the city's growing commercial needs, thereby creating jobs and giving a sense of pride to the residents of Port of Spain and the country as a whole.

Government is in the process of preparing the necessary instruments for securing strategic investment partners to assist in providing a full range of amenities including banking, restaurants, health and recreational facilities. Several property developers, financiers and contractors have already expressed a keen interest in participating in this venture.

Manufacturing Sector

The fifth driver in the diversification process is the manufacturing sector. The challenge for the non-energy business community, and the manufacturing sector in particular, is significant in light of imminent regional and international developments. The Free Trade Area of the Americas, the CARICOM Single Market and Economy, and the termination of the Export Allowance under the WTO agreement by the year 2003, will place manufacturing firms in a vulnerable position. These developments will also make it imperative that the sector becomes more competitive. Accordingly, Government will provide additional incentives to facilitate the re-tooling, expansion, and new investments in this sector.

Accelerated Capital Allowance

Mr. Speaker, we will extend the Accelerated Capital Allowance provision to all manufacturing activities. Specifically, the existing regime under the Income Tax (In Aid Of Industries) Act relating to Accelerated Capital Allowances provides for allowances only to a selection of "Trades" as identified in the First Schedule of the Act. Mr. Speaker, this schedule was last amended in **1992** and is now outdated. **I propose, therefore, to expand the First Schedule of the Income Tax (In Aid Of Industries) Act to include all manufacturing activities conducted in Trinidad and Tobago and increase the initial allowance relating to machinery and plant under the Act from 50 percent to 60 percent.** These measures will take effect from January 1, 2002 and will require amendments to the Income Tax (In Aid of Industry) Act.

Research and Development Incentive

Mr. Speaker, innovation and creativity are critical for a maintaining a competitive edge. Research and Development must therefore be given added emphasis. The Income Tax (In Aid Of Industry) Act provides for current expenditure on research and development to be deducted against taxable profits where expenses are incurred on research related to that trade. The taxpayer is also allowed accelerated deductions on capital expenditure on research over a period of five years under certain conditions.

These incentives have not been adequately utilized partly due to the complexity of the Act. Therefore, **with a view to improving effectiveness and utilization, Government will, as a matter of urgency, and in consultation with the business community, review and streamline the provisions of the Act to promote research and development.**

Wear and Tear Allowance Classification

Government will also rationalize the existing regime of wear and tear allowances available under the Income Tax Act. In this regard, and as a first step in this exercise, **I propose the reclassification of Baker's Plant from its current listing in Class A to Class B, in which the applicable wear and tear allowance will move from 10 percent to 25 percent.** This measure will take effect from January 1, 2002 and will require amendments to the Income Tax Act.

Apart from the incentives granted in the new fiscal year, Government will consult with manufacturers to develop a range of support measures for industries in Trinidad and Tobago.

Mr. Speaker, it is my hope that the extension of capital allowances to manufacturing activities at a higher rate, and Government's commitment to further review existing incentives, will give the manufacturers the added impetus necessary for increasing investment in this sector.

Reduction In Corporation Tax

Mr. Speaker, in light of the challenges being faced by our business community Government must encourage increased private sector investment. **I propose therefore to reduce the existing Corporation Tax rate of 35 percent to 34 percent. This measure will take effect from January 1, 2002, and will necessitate amendments to the Corporation Tax Act.**

While this measure may appear small in percentage terms, it is a signal of Government's intention to reduce the tax rate further. However, this move is largely conditional upon future economic circumstances as well as increased compliance on the part of businesses with respect to tax and VAT payments.

OTHER MEASURES AIMED AT DIVERSIFYING THE ECONOMY

Micro, Small and Medium Enterprise (MSME) Development

Mr. Speaker, the measures outlined above have been identified as key drivers for the diversification process. I now turn to other measures to diversify the economy.

Mr. Speaker, the Micro, Small and Medium Enterprises (MSMEs) sector has the capacity for realising the productive capabilities of our skilled, educated and highly trained population as well as the ability to absorb new entrants into the labour force.

A 1999 survey indicated that there are 20,000 to 30,000 small businesses in Trinidad and Tobago providing employment for some 55,000 to 65,000 individuals and contributing almost 10 percent of the Gross Domestic Product.

Mr. Speaker, one of the most pressing issues for an MSME is that of access to finance.

SBDC and FUNDAid increase in Funding and Amnesty

Accordingly, Government will continue to promote and facilitate Small Business Development funding through the agencies of FUNDAid and the Small Business Development Company. **These agencies have been successful and we are committed to expanding the role of FUNDAid and the SBDC by increasing their subventions. The SBDC's allocation will increase to \$4 million and a subvention of \$4.2 million has been allocated to FUNDAid for the next fiscal year. Further, Government's loan of \$1 million to FUNDAid will be converted into a grant.**

SBDC guaranteed loans to enjoy preferential interest rates

Further, apart from the general reduction in interest rates, the fact that Government guarantees 80 percent of loan amounts through the SBDC, we expect that the small businessperson using the SBDC facility to access financing, through commercial banks, will do so at preferential rates.

Venture Capital

Mr. Speaker, another avenue for small to medium sized businesses to access funding is through venture capital financing. Government's Venture Capital Incentive Programme was introduced in 1996, as an innovative, financial mechanism to provide long-term, committed, risk-sharing equity capital for medium- sized firms. However, the view shared by many is that the incentives under the VCIP have not had the desired effect. Government will therefore review the Venture Capital Act during the first quarter of the new fiscal year to more effectively address the needs of the emerging industry.

DFL Bond

Mr. Speaker, I must commend the initiative by Development Finance Limited to provide further avenues for small business financing and I encourage other private sector institutions to do likewise. DFL has recently issued \$30 million in long term industrial bonds and the proceeds of this bond will be utilized to fund long term loans to Small and Medium Sized Enterprises in manufacturing, tourism, industrial and commercial services at lending rates below prime.

A portion of the bond proceeds will also be used to provide an on-lending programme in rural areas as well as to expand equity investments in small business.

These measures will result in more affordable financing for our entrepreneurial class and provide increased opportunities, particularly for our youth and women in financing small business projects.

Services

Mr. Speaker, in the service area, I have already touched on two of our major initiatives – the Science and Technology Park, and the International Conference Complex – I will now turn to some of the other areas of development.

Tourism

Mr. Speaker, with respect to tourism, there is a need to provide some strategic direction for the next few years with respect to the long-term development of the sector. Accordingly, work has commenced on the development of a Strategic Plan for the Tourism Industry in Trinidad and Tobago.

In the interim, however, we will amend the Tourism Development Act to provide a greater impetus for the sector. Legislation will soon be drafted to amend the minimum capital expenditure required by a local investor to undertake any tourism project.

Government will also inject \$30 million per year over a three-year period into a promotion exercise that is expected to increase the number of visitors to Trinidad and Tobago. The private sector - hotel and tourism associations and the tour operators association are also committed to investing \$14 million annually.

Nevertheless, there are ongoing challenges that are impacting the progress of our tourism industry. We will be exploring opportunities to attract new international airlines to Tobago while re-affirming the commitment of those airlines currently servicing the island. **In the coming months, consultations will take place between the Tobago Chapter of the Trinidad and Tobago Hotel and Tourism Association and TIDCO to facilitate the development of strategic alliances between these airlines and Overseas Tour Operators.**

Sport Tourism

Mr. Speaker, with the recent construction of four stadia and the refurbishment of the Hasely Crawford Stadium, Trinidad and Tobago will be promoted as a preferred destination for international sporting events. Our ability to host the FIFA Under 17 World Football Championship is testament of our potential in this area.

The Government will encourage the promotion of international sporting events by companies, agencies and persons that display the necessary competence to successfully host such promotions. **We will implement the tax allowance of 150 percent of actual expenditure incurred up to a maximum of \$300,000 to those companies willing to provide financial assistance to sportsmen and sporting activities.** Steps will also be taken to ensure that the agencies responsible for sport, meet the necessary standards in order to qualify for state funding.

Horse Racing Industry

Mr. Speaker, an estimated 3,000 to 4,000 persons depend directly and indirectly on the horse racing industry for their livelihood. The industry also has the potential to contribute to the tourism sector. Government is committed therefore to the revitalization of the horse racing industry. **In order to realize this objective we will pursue in Parliament, legislation to establish the National Racing Commission, which would assume control of the conduct and promotion of horse and dog racing in Trinidad and Tobago and administer the operation of a National Tote System.**

Information Technology

Mr. Speaker, Trinidad and Tobago must become an integral part of the information technology revolution. We must ensure that people fully understand the role and use of technology and utilize this knowledge for individual and societal benefit.

E-commerce

Mr. Speaker, we cannot ignore the explosion and impact of e-commerce as a key driver in propelling our country into the future. For businesses, the Internet represents an opportunity to capitalize on the US\$60 billion spending power of the "double click generation". It is clear that this is an extremely important consumer audience.

E-commerce holds great potential and opportunities for businesses and provides non-traditional employment opportunities. Developing Trinidad and Tobago into a regional e-commerce hub, will assist in creating and sustaining an e-commerce services sector comprising - business strategists, creative designers, system integrators, network operators and other e-commerce intermediates.

Consequently, Government will fast track certain elements of e-commerce development over the next year. **The priority initiatives will include the establishment of five Community Internet Access Centres in remote locations throughout the country.**

These centres will be targeted to individuals who may not have access to computers, telephones or Internet services and will allow persons to access the Internet and, in some cases, conduct their e-business. Each centre will be equipped with appropriate computer kiosk facilities with trained staff who will be responsible for managing the facility and providing training and guidance to its clientele. **Over the next three years, Government intends to establish a total of twenty such centres.**

Mr. Speaker, to further encourage small business development, as well as to provide internet support services in the community, home-based access centres will be established. The idea is that householders will be given access to soft loan facilities through FUNDAid to purchase between four to ten computers. The homeowner will then set up Internet Kiosk facilities in their homes. Householders or small business entrepreneurs, will be trained to effectively manage their business operations.

In addition, a website called “EnterpriseNeTT” will be created to host information about the products and services of small businesses operating in Trinidad and Tobago. Online facilities such as e-mail, website design, hosting and maintenance services will be provided to local small businesses.

Mr. Speaker, in the coming months, an on-line Training Institute, “TTedu-online” will be established. E-commerce training will allow individuals in remote and rural communities to take advantage of opportunities to develop small and micro businesses via the e-commerce route. The training will also facilitate distance learning and other innovative approaches to education through the use of the internet.

International Financial Services

As we continue our programme of modernizing and diversifying the economy, an increasingly important role exists for the financial sector. This country is rapidly becoming an international business hub. International and domestic investments continue to grow to record rates and new types of businesses are being established. These developments require a facilitative environment, which is comparative to the most competitive in the world.

The Ministry of Finance and the Central Bank are therefore currently exploring the feasibility of establishing Trinidad and Tobago as the Financial Centre of the Caribbean, and the Centre for International Financial Services.

Infrastructure

Mr. Speaker, our agenda for infrastructure development will involve the expansion of the nation's road network, the modernization of all our urban areas and seaports, and the expansion of the telecommunications sector. These initiatives are in addition to providing the more basic requirements of water, sanitation, irrigation and drainage.

The issue of balance has also informed our approach, that is, we will ensure that infrastructure expansion is directed towards accommodating growth and protecting the interests of the poor. Access roads for rural enterprise, expansion of the nation's water supply and solid waste management services are as much a part of our programme as the modernization of the telecommunications sector.

These initiatives will be complemented by the further expansion of the Port of Point Lisas. PLIPDECO has already been given approval for a rights issue that will assist in financing the expansion of its berthing facilities and the dredging of the harbour. This will provide Point Lisas with the capacity to handle larger vessels and in so doing enhance the overall competitiveness of the port.

In the case of San Fernando, the jetty at the San Fernando Waterfront is being reconstructed with a view to establishing sea-links between Trinidad and Venezuela.

Mr. Speaker, Government has already completed the construction of a new ultra modern terminal building at Piarco International Airport. This is merely one phase of a strategic plan for the development of the aviation sector in Trinidad and Tobago. Future phases will involve expansion of the cargo handling capacity of the Airport.

With respect to the inter-island service, a new vessel will be purchased to ensure the long-term integrity of the service.

Mr. Speaker, the Desalination Plant is scheduled to come on stream next month. It is expected that the water produced by this plant will service the industrial sector at Point Lisas, thus making potable water available for distribution to households that now receive an irregular or insufficient supply. Government is also working towards the development of an Integrated Water Resources Management System, which will facilitate sustainable, efficient management of all water resources and water quality.

Public Buildings

Mr. Speaker, a significant portion of Government's investment in infrastructure involves the construction and rehabilitation of public buildings. **During the next fiscal year, Government will spend \$241 million on the rehabilitation of existing buildings and the construction of new public buildings.**

The Board of Inland Revenue, Government's major revenue agency has outgrown its current premises. Designs for a new Board of Inland Revenue building have been completed and construction is expected to begin shortly.

The existing accommodation for the Customs and Excise Division is also woefully inadequate. Funds have been allocated for the construction of a new Headquarters for the Customs and Excise Division. In both of these instances financing will be through the build, operate, lease and transfer mechanism.

In addition, the sum of \$45 million has also been allocated for the replacement of the roof on the Red House. This is the first phase of a comprehensive restoration of this historic landmark.

In addition to upgrading our public buildings, Government will implement plans for decentralizing its offices from Port of Spain into other areas of the country.

A new head office for the Ministry of Health will be constructed at St Joseph that will result in the centralization of the administrative functions of the Ministry at one location. Construction of a new head office for the Immigration Department will also begin in fiscal 2002.

Work will also begin in the new fiscal year on the \$21 million Siparia Administrative Complex, which will house various departments of Government.

TOBAGO

Mr. Speaker, I now turn to Tobago affairs.

This Government is committed to the welfare of the people of Tobago and we intend to enhance our collaboration with the Tobago House of Assembly.

Mr. Speaker, when the new THA administration took office, they indicated to me that they had reviewed their allocations and were unable to identify any savings to meet their outstanding bills and commitments totalling \$150 million, which they inherited. As a responsible Government, we agreed to supplementary funding of \$50 million to the THA in fiscal 2001.

We also agreed to increase the THA's overdraft facility to \$100 million and provide the appropriate support to the Assembly's bankers.

In the new fiscal year, we have allocated \$598 million from recurrent expenditure and \$110 million from the Capital Programme to Tobago.

Mr. Speaker, we have also agreed to allow the THA to access grant resources from Multi-lateral Financial Institutions, as well as, to borrow but under specified conditions still to be determined between the Government and the THA.

Mr. Speaker, we intend to upgrade the services provided to the people of Tobago in areas such as the inter-island ferry service, the air bridge, the international airlift for bringing tourists to Tobago and in improving health and educational facilities.

With respect to the agricultural sector, programmes and projects geared towards the development of agriculture, forestry and fishing will continue. New projects will commence for waste treatment, rural electrification and street lighting, with major improvement works on roads and bridges scheduled. In addition, improvements in the basic tourism infrastructure will be undertaken at the Fort King George Heritage Park, Store Bay and Mount Irvine Beach facilities.

To improve the delivery of health care in Tobago, Government will construct new health centres, a hospital and upgrade local health facilities at Signal Hill.

Mr. Speaker, our sister isle will enjoy increased employment opportunities with construction works at the Shaw Park Regional Recreation Ground and Cultural Complex; completion of five Hard Courts at Goodwood, Speyside, Whim, Mount Pleasant and Buccoo; construction of Community Centres in Bon Accord, Bethel, Lambeau, Pembroke, Mount St George and Glamorgan; upgrading of existing community centres, and the completion of the Eastside Steel Orchestra Pan Theatre.

In addition, Government will construct three primary schools in Tobago - the Scarborough Methodist, Buccoo and Castara Government. A new secondary school will be built in Mason Hall, together with improvements at existing schools, namely Scarborough and Roxborough Secondary, Signal Hill Senior Comprehensive and Bishop High Schools.

IMPROVING QUALITY OF LIFE

Education

Mr. Speaker, there is no better way to narrow the gap between the rich and the poor, no more meaningful way to ensure that “no one is left behind” and no better way to provide a higher quality of life for our citizens than to make education more accessible.

To get a job, to keep a job, to move on to a better job – there is only one way to ensure this and that is to acquire knowledge and develop skills.

If knowledge and skills produce a strong economy so too, they produce a secure society.

Mr. Speaker, as you will appreciate, there is no quick fix, no one-size-fits-all strategy, and no overnight solution.

Mr. Speaker, since assuming office we have been expanding the “hardware” of our education system. By this I refer to the building of new schools, refurbishing and upgrading others, providing equipment and related infrastructure. In addition, we provided support in the form of books, meals and transport to segments of the school population that needed such support. However, notwithstanding our many noteworthy achievements, our agenda remains incomplete.

Over the next five years, while still increasing plant and equipment, we will also be investing in the “software” to improve the quality of our education system. We will be seeking to overhaul the governance, management and structure of the education system in order to promote a more equitable and relevant learning environment. **In this regard, Mr. Speaker, we will place increasing emphasis on the quality and effectiveness of our education system, refocussing teaching and learning on the development of competencies and higher order thinking skills.**

At the same time, we will implement measures to address those issues with the potential to further aggravate existing societal problems, such as, the imbalance in the access of different socio-economic groups to technological resources such as the Internet, disparities in achievement, erosion of traditional values, and the adoption of negative behavior patterns among some of our school-age population.

In fiscal 2002, we intend to focus on all levels of the education system. **We will maintain our program of construction of pre-schools, upgrade of primary and secondary schools, supply of equipment at the pre-school, primary and secondary levels. We will continue to provide schoolbooks, school transportation services, and security at high-risk schools as well as computers in primary schools. With respect to the provision of school meals, the existing programme will be expanded to include a pilot breakfast project. In addition, we will continue our efforts to upgrade the quality of our primary and secondary school staff.**

Mr. Speaker, if we are to achieve our goals, we must ensure more efficient and effective management of our nation's schools. **In this regard, we will be seeking to operationalize, on a phased basis, the Local School Boards, given that the legislation to do so is now in place.** These School Boards will afford key stakeholders the opportunity to participate in the management of schools, thereby enhancing the capability of schools to meet their objectives as well as facilitating the linking of the schools with the community and business sector.

Mr. Speaker, we will also be seeking to tighten supervision at all levels in the nation's schools. Measures will be put in place to effect closer monitoring of student as well as teacher performance in order to improve overall discipline, teaching and learning in our schools. While monitoring application of the curriculum we will continue to pursue our strategy of revising the curriculum at the primary and secondary levels to ensure the provision of relevant and high-quality education throughout our school system.

The advent of universal secondary education has brought to the fore the need to make special provision for those children who would otherwise have "been left behind". In this regard, in order to address the deficiency in the literacy and numeracy skills of these students, the programme of remedial instruction will be expanded. **Further, we will implement programmes aimed at addressing the issues of youth deviance and violence, creating a positive teaching and learning environment and sensitizing students to the concepts and management of conflict resolution. With respect to the physically challenged students, funds have been set aside for the refurbishment of four schools for special education.**

Mr. Speaker, approximately 8 percent of the 18 to 22 age group participates in tertiary education in Trinidad and Tobago. We need to educate more of our people to a higher standard. **To do this, we introduced a dollar-for-dollar education plan beginning September 2001.** What this means, is that beginning this month, Government will bear 50 percent of the tuition cost to new students pursuing tertiary education in Trinidad and Tobago. In this fiscal year I have set aside a sum of \$240 million to meet this commitment.

In 2001 and 2002, this facility will be available to students choosing programmes in any field of study at the undergraduate level. From 2003, a list of priority areas will be identified and students will be supported on the basis of priorities identified. With respect to post-graduate studies, a list of priority areas have been identified and this list will be modified annually. The Ministry of Human Development, Youth and Culture is mandated to ensure the efficient and effective management of this programme.

Further, **to encourage more of our young people to strive for excellence, the number of national scholarships awarded will be increased annually.** With respect to study at foreign universities, such students or their parents will continue to benefit from the existing tax relief.

Mr. Speaker, I now turn to the Students' Revolving Loan Fund. This Fund stopped revolving a long time ago. Refusal by existing beneficiaries to honour their commitments simply meant denying other deserving students the opportunity to access higher education. As at May 2001, of the 1,224 loan accounts, 867 or 71 percent were in arrears. In the past, the Board of Management of the Fund explored several options for recovering outstanding loans from delinquent beneficiaries. However, each met with little success.

In order to remedy this situation, **Government will grant a moratorium and waive all interest due on principal to date, on condition that the principal amounts are repaid within the timeframe from today, September 14th 2001 to June 30th 2002.** Thereafter, the services of a debt collection agency, with international affiliation, will be engaged to recover the debt owed to government.

Mr. Speaker, at present, two Government assisted Loan Schemes exist to help students meet the cost of tertiary education – these are, the Student Revolving Loan Fund and the University Students Guarantee Loan Fund Scheme. In order to streamline the assistance provided by Government, it has become necessary to rationalize the management and operation of these loan schemes. In this regard, a Committee has been set up to review the operations of both these loan schemes in the context of the implementation of the Dollar for Dollar Plan. In the interim, the conditions applicable for loans accessed through the University Students Guarantee Loan Fund Scheme will be amended so that UWI students who make a payment of 10 percent of their tuition fees to participating commercial banks could borrow 40 percent of tuition fees from these institutions.

Mr. Speaker, the challenge facing this Administration has been two-fold. Firstly, we have had and continue to deal with the legacy that we inherited – especially problems pertaining to access, coverage, equity and effectiveness of the education system. At the same time, we have had to look ahead. The far-reaching political, economic and social changes taking place globally have engendered new demands that require corresponding changes in the way we prepare our people. We have been active on both fronts.

Health

Mr. Speaker, making quality health care available and accessible to all is a priority of this administration. **This year we will spend \$130 million under the continuing Health Sector Reform Programme.** The focus of this reform programme remains on the development of a viable health care system, with an emphasis on primary care. This requires quality health care institutions at the district level throughout the country. This is why we have been refurbishing hospitals and health centres throughout the country, and building new ones where they did not previously exist. **We will also continue our hospital upgrade programme, with improvements at the Point Fortin Hospital, the Scarborough Hospital, and the Mayaro and Couva District Hospitals. In addition, seventeen new facilities will be constructed to service communities such as Toco, Cedros and Success Village, Laventille.**

These new institutions will orient the population to the value of prevention and early detection and the benefits of adopting healthy lifestyles.

It is also our intention to strengthen the capacity for oral health care and mental health evaluations at the primary-level institutions, thereby relieving the burden on the secondary-level institutions through early detection, screening and treatment.

As part of the emphasis on primary health care also, the skills and expertise of General Practitioners in the area of family medicine, are also being upgraded and strengthened. Accordingly, graduates of the UWI diploma programme in primary care and family medicine, will be available to the sector in the coming year, and will significantly contribute to the delivery of quality services at the primary level.

Mr. Speaker, apart from the Health Sector Reform Programme, **Government has allocated a further \$10 million under the Capital Programme for addressing the backlog of maintenance needs at the major hospitals throughout Trinidad and Tobago.**

Despite our primary care focus, the reality is that there are a number of people in Trinidad and Tobago grappling with the onslaught of chronic diseases such as cardiac disease, renal disease, cancer, diabetes and hypertension. In fact, Mr. Speaker, latest statistics indicate that these diseases account for over 60 percent of all deaths. In this budget, I propose to provide further relief to these unfortunate citizens.

Each year, Mr. Speaker, there are approximately 100 new cases of individuals with chronic kidney disease requiring dialysis at least twice per week. Given that the country has 26 dialysis machines, including only seven at public institutions, close to fifty people die each year because of the relative unavailability and the high cost of this procedure. **Accordingly, under a special programme for chronic diseases, to be funded under the Capital Programme, \$2.5 million dollars will be provided to increase the number of dialysis machines available.** This will also ensure an uninterrupted supply of renal dialysis reagents and supplies at the Port-of-Spain and San Fernando General Hospitals.

The Capital Programme will also provide an additional \$2.5 million for the treatment of Adult Cardiac Disease. Mr. Speaker, cardiovascular diseases account for a quarter of all deaths each year, and affect adults as early as age thirty. The growing prevalence of this disease demands improvements in the quality and type of treatment offered.

The significant improvement in interventions and advances in surgical interventions, including angioplasty are currently not available at all public institutions and the cost of private care is beyond the reach of the majority of patients. The Ministry of Health has advised that the public hospitals have the capacity to carry out certain lifesaving procedures with respect to heart disease, but require certain drugs, which cost in the vicinity of \$2,500 per vial. It is the intention, Mr. Speaker, that this special allocation be used to purchase the drugs and supplies to carry out such lifesaving procedures at those public institutions that have the capacity to do so.

HIV/AIDS

Mr. Speaker, HIV/AIDS in Trinidad and Tobago, is more than a serious health issue - it is a potential catastrophe that threatens to reverse the social and economic gains that we have made over the last fifty years. This assessment becomes readily apparent when we take into account the increasing number of AIDS related deaths or the rate at which young people are becoming infected. HIV/AIDS reduces life expectancy, raises the demand for medical care, increases the incidence of other illnesses such as tuberculosis and exacerbates poverty and inequality.

A recent study done by the University of the West Indies estimated that at the end of 2000, more than 39,000 persons are infected with HIV/AIDS in Trinidad and Tobago. The epidemic that we now face has the potential to impoverish the society as it erodes the foundation upon which domestic production and output are built, namely, a healthy labor force and accumulated savings. Mr. Speaker, recent data have indicated that if the epidemic continues to grow at the present rate, the estimated annual loss in GDP would be in excess of 4 percent by 2005.

To respond effectively to infection trends and limit the costly social and economic impact of HIV/AIDS, current efforts must be accelerated, intensified and expanded while the narrow window of opportunity to slow the spread of the epidemic still exists. We must take control of the situation, Mr. Speaker, and Government is committed to establishing and strengthening partnerships across sectors, across Ministries, NGOs, the private sector, activists and people living with Aids. Further, given the magnitude of the problem and the scale of the programme required to reverse the current trends, the Ministry of Finance in collaboration with the Ministry of Health will be putting measures in place to access funding under the World Bank's Caribbean Multi-country HIV/AIDS Prevention and Control Programme.

In the meantime, Mr. Speaker, we will not sit idly. **For fiscal 2002, Government has provided \$10 million under the Capital Programme to effectively begin an all out assault on HIV/AIDS.** Priority in this area will be on the treatment and care of infected persons, as well as on strengthening and broadening education and counselling programmes.

Alcohol and tobacco

Mr. Speaker, as part of the worldwide trend towards limiting and discouraging smoking, **I propose to increase the excise duty on tobacco products, the import duty on tobacco products of Common Market origin, and the tobacco tax on extra-regional tobacco products, by 15 percent respectively.**

This measure will take effect immediately and will yield \$18 million dollars in revenue. **Of this amount, \$2 million will be given to the Cancer Society for the refurbishment of cancer screening centres throughout the country and \$8 million will be allocated to the Ministry of Health to purchase anti-cancer drugs.**

Mr. Speaker, **I also propose to increase the excise duty on locally manufactured rum, beer and other alcoholic products by 15 percent, while the import duty on rum, beer and other alcoholic products of Common Market origin will be increased by 15 percent. Import duties on rum, beer and other alcoholic products from extra-regional sources will be increased by 30 percent.**

These measures will take effect immediately and are expected to yield \$47 million dollars in revenue.

Monitoring the Age Limit for the Purchase of Alcohol and Cigarettes

To support these measures, Mr. Speaker, **I propose to restrict the availability of alcohol and make it more difficult for persons under the age of eighteen (18) years to purchase alcohol.**

Accordingly, I propose to strictly enforce the law governing the age at which alcohol could be sold to an individual. This age was recently raised from sixteen years to eighteen years.

Mr. Speaker, **I propose to amend the legislation so that persons who are found in breach of this law become liable to a fine of \$2,000. Such persons will also have their liquor licence revoked for a period of one year.**

This measure will take effect from January 1, 2002, and will require amendments to the Liquor Licences Act.

Mr. Speaker, **I also propose to raise the age limit at which cigarettes may be sold to a person, from sixteen years to eighteen years. We will also be putting measures in place to strictly enforce this law.**

Accordingly, **I propose to amend the legislation so that persons who are found in breach of this law are liable to be fined \$2,000.**

This measure will take effect from January 1, 2002, and will require amendments to the Children Act.

Mr. Speaker, it is further proposed that all establishments that sell alcohol and/or cigarettes, will be required to post visible signs on their premises stating that alcohol and/or cigarettes will not be sold to persons under the age of eighteen. We also expect that sellers of alcohol and tobacco will begin to routinely request identification when in doubt as to the age of a customer. Accordingly, it will no longer be an offence to sell alcohol and cigarettes to someone **apparently** under the relevant age limit, but, it will now be an offence to sell alcohol and cigarettes to someone who is **in fact** under the legal age limit.

Mr. Speaker, **I propose to amend the legislation so that persons who are found in breach of this law are liable to be fined \$400.**

This measure will take effect from January 1, 2002, and will require amendments to the Liquor Licenses Act and to the Children Act respectively.

Members' Club

Mr. Speaker, while some Members' Clubs operate quite legitimately, others have become full blown casinos. These clubs enjoy substantial profits but pay no Corporation Tax. They are taxed only on the gambling tables and other devices. **As result I propose to increase the taxes payable on gambling tables and other devices by 100 percent.** This measure will take effect from October 15, 2002 and would require amendments to the Registration of Clubs Act. This measure would result in \$6 million dollars in additional revenue.

Housing

Mr. Speaker, housing is a basic human need. We understand that we cannot speak about improving the quality of life of our citizens without working towards the provision of shelter for all. Government's focus will be on assisting the less fortunate among us to own a home.

Accordingly, Mr. Speaker, later this year, **Government will begin Project H.O.M.E. - Home Ownership Made Easy.** Project H.O.M.E. is founded on the principle of Government as facilitator, bringing together the persons in need of housing with private sector providers of housing. The project will cover a six-year period in two phases, and is to be jointly financed partially by Government and the Inter-American Development Bank.

Under this programme, **30,000 houses will be provided for low income and lower middle-income families** through: new home construction, squatter regularization, home improvement, and by increased private sector involvement in home construction for this sector of the population.

To ensure proper and effective targetting, Project H.O.M.E. will utilize a points-system to prioritize support for various groups. Specifically, more points will be given to persons with the lowest incomes, the largest families, and to those who, given the demands on their resources, cannot own a home without an above average level of financial help. The physically challenged as well as single female-headed households will also be given priority under Project H.O.M.E.

Mr. Speaker, in seeking to provide housing opportunities for the poor, the elderly, and the dispossessed, Government will work very closely with those NGOs that are well known for their contribution in this area. **We will give 25 lots of land to Habitat for Humanity and 25 lots to two NGOs for the construction of low income housing for poor families.**

The Sugar Industry Labour Welfare Committee will also be a major facilitator of home construction under the Project H.O.M.E.

Mr. Speaker, even as we seek to improve housing opportunities for the poor, and regularize those persons who have some length of tenure, we cannot allow the indiscriminate occupation of lands to continue. **Accordingly, our anti-squatting measures will now take effect, and persons who have illegally occupied State lands after January 1, 1998, or those who are still literally "grabbing" lands that are not theirs, will have to bear the full brunt of the law.** What this means, Mr. Speaker, is that all structures illegally constructed on State lands after January 1, 1998 will be demolished.

We have also been taking action against persons who have failed to meet their commitments to the National Housing Authority (NHA), in the form of rental or mortgage payments. On this point, I am pleased to note that, following the renewed efforts of the Government to collect outstanding payments, many of those persons who had not paid their rents for many years are now honouring their commitments.

However, there are those who remain reluctant. While we regard housing as a right, we all agree that it is not an absolute entitlement, and we cannot penalize those who pay, by allowing others to escape their financial obligations. **Eviction notices have been served and evictions will be carried out throughout Trinidad, starting with the higher-income housing developments.**

Mr. Speaker, during the next five years, those who assume that the National Housing Authority owes them a house will be severely disabused of that notion. Those who believe that they can seize lands belonging to the State with impunity will also be dislodged. Those who are willing to put out a measure of effort and sacrifice in making a better life for themselves and for their children, those who can save, those who are disabled and disadvantaged, will, however, find a Government sympathetic to their needs and willing to help them to help themselves.

Crime

Mr. Speaker, we cannot boast about higher economic growth, higher education, quality health care, better houses, when our society is threatened by lawlessness and a rising culture of violence.

Mr. Speaker, you will agree that while we have done a lot to deal with crime since 1996, we realize that criminal activity is a complex issue and requires a multiplicity of strategies in attempting to reduce its incidence. Accordingly, in fiscal 2002, apart from expanding the physical tools for crime fighting, Government will direct additional resources toward identifying and addressing some of the root causes of crime and ex-prisoners returning to prison.

We all feel safer when we see policemen around or know that they can appear on the scene quickly if an unfortunate event occurs. To ensure that our citizens have confidence in the police service to protect and serve them, Government will continue to expand the fleet of vehicles and other equipment required by the police to help them carry out their duties more effectively. **Cabinet has recently approved the purchase of 100 new vehicles for the Police Service.**

In addition, improvement of police accommodation will continue through the construction, reconstruction and upgrading of facilities. **New police stations will be constructed at Gasparillo, Brasso, Arima, Belmont, Mathura, Besson Street, Matelot, Manzanilla, Piarco, Oropouche and Roxborough and Old Grange in Tobago.**

Major refurbishment works will be carried out on the police stations at Couva, Chaguanas, Penal and the Old Police Headquarters on St. Vincent Street, in Port-of-Spain. The E-999 Communication System will be further expanded and strengthened. In addition, new information technology will be phased into the operations of the Defense Force and the Fire and Prison Services.

With respect to crime prevention, Government will commission studies aimed at developing a fuller perspective on the state of crime in Trinidad and Tobago. These studies will assist in mobilizing and building effective community partnerships through community policing and present an integrated approach to crime prevention and control, and build sustainable civil communities across the country.

Youth Deviance

With respect to youth deviance and delinquency in schools, a special project will be developed by the Centre for Criminology and Criminal Justice. The Project will examine the extent of youth deviance in schools, its genesis and implications for the educational system. This is now a top priority for the Ministry of Education's drive towards quality education and an appropriate database will be established for longitudinal study and policy-making.

In particular, the research will seek to understand the processes through which social, psychological, economic and physical factors contribute to such deviance. Appropriate intervention programmes for deviance reduction will be subsequently developed. Implementation of the intervention programmes will involve the major partners in the educational system, that is, the teachers, parents, community and Government.

Prison Overcrowding and Repeat Offenders

Mr. Speaker, the focus of the nation's prisons will be on rehabilitation and the incidence of repeat offenders. This figure has been placed at an astounding 60 percent of the imprisoned population. **A research project to be undertaken by the Government, in collaboration with the Centre for Criminology and Criminal Justice, will seek to identify exactly how many of our prisoners are in fact repeat offenders, and will attempt to categorize them in terms of family background, offences, age, sex, and educational level.** Attempts will also be made to identify the scope for rehabilitation and the training skills required for building civility.

Prison overcrowding will be further alleviated in fiscal 2002, with the commissioning of a Women's Prison at Golden Grove, improvement of facilities at the Youth Training Centre, and the expansion of the Golden Grove inmates dormitory.

Mr. Speaker, the fight by the Government against illegal drugs, money laundering and transnational organized crime has intensified, and more resources are being brought to bear on strengthening the existing mechanisms in place, including the Counter Drug Crime Task Force.

The Environment

Mr. Speaker, this administration views environmental preservation as key to sustainable development. We have dedicated an entire Ministry to deal with environmental issues.

Government has enacted several pieces of legislation and instituted several programmes and measures to ensure the preservation of our environment. These measures range from the protection of our environmentally sensitive species and areas, to those that affect even our recreational activity.

Government is currently examining a proposal to establish a National Solid Waste Management System, which would include recycling and composting elements, the latter of which could act as a catalyst to organic farming in Trinidad and Tobago. In addition, we are exploring the feasibility of establishing a Hazardous Waste and Wastewater Treatment Facility. An element of which has already begun is the implementation of the "National Re-naturalization of our Rivers" and the "National Protect Our Beaches Programmes".

During the coming fiscal year, we will also implement a programme for the establishment of a system of national parks and for the conservation of Trinidad and Tobago's wildlife resources. This programme will include the establishment of a National Parks and Wildlife Conservation Authority and the declaration of three national parks at Mathura, Maracas and Main Ridge, Tobago.

Transition to unleaded gas

Mr. Speaker, in the coming year, legislation will be drafted and the accompanying measures put in place to manage pollutants, such as vehicle emissions and other hazardous wastes. Further, in order to reduce the harmful effects of air pollution particularly, on our country's roadways, we will phase out the use of leaded gasoline and move towards the exclusive use of unleaded fuels.

Mr. Speaker, as a first step, **during the next fiscal year, a new grade of unleaded gasoline will be introduced which will eventually replace the “super” and “regular” gasoline available at present.**

Tidy T&T

Mr. Speaker, this year I am pleased to announce one project that I feel will go a long way towards preserving and protecting the aesthetic appeal of our country. **Government will work with a designated NGO and will provide \$3 million in support of a “Tidy T & T “ project to be launched later this year.**

“Tidy T& T” is a project designed to encourage communities to develop their own solutions to their environmental problems. The programme is in the form of a competition in which groups and communities will compete for awards.

Close to twenty categories of competition are being developed, in five broad areas including, the best overall community; the best overall small town or suburb; the best overall city or borough; the best overall shop front; and the cleanest business district. This competition will encourage the broadest participation of groups and communities of various backgrounds and sizes.

Green Fund Levy

Mr. Speaker, you will recall that an environmental levy was introduced in fiscal year 2000. This levy was payable from January 1st 2001, at the rate of zero point one percent (0.1 percent) on the gross sales and receipts of a company carrying on business in Trinidad and Tobago. A special fund - the Green Fund was created in which the levy is deposited and the Fund is administered by a body designated the Green Fund Board. The Fund is expected to collect \$55 million this fiscal year.

I now propose that the environmental levy paid by a company in a year of income be reduced from 0.1 percent to 0.075 percent.

This measure will take effect from January 1st 2002 and will require amendments to the Miscellaneous Taxes Act.

Mr. Speaker, an amount not exceeding 20 percent of the annual receipts under the Green Fund Levy, will be allocated to the Environmental Management Agency to finance expenditure in carrying out the purposes of the Environmental Management Agency, other than its operational expenses.

This measure will take effect from January 1, 2002 and will require amendments to the Miscellaneous Taxes Act.

In order to encourage greater participation by non-governmental organizations in the work of the Fund, I propose to alter the composition of the Green Fund Board, by **expanding the already constituted Board to include three (3) environmental related NGOs and or Community Based Organizations.**

Mr. Speaker, I also propose to remove the management of the Fund from the Green Fund Agency to the Treasury.

These measures will take effect from January 1st 2002 and will require amendments to the Miscellaneous Taxes Act.

Road Safety

Mr. Speaker, we would all agree that there is an urgent need to address the escalation in road accidents and road fatalities. Firstly, I wish to commend the private sector, especially the Insurance Companies, for their initiatives in this area. We applaud your foresight and anticipate your continued support in making our roads a safer place.

Improvement of Driving Standards

On our end, Government will introduce a mandatory curriculum for all private driving schools. The new curriculum will focus on defensive driving techniques and on improving the driving skills and standards of road users. In addition, driving instructors will be required to obtain professional certification from the Transport Division.

This measure will be implemented in 2002.

Ban on the registration of CKD and SKD vehicles

As part of our programme to ensure the safety of all road users as well as eliminate the use of vehicles that are neither road worthy nor environmentally friendly, **I propose to cease the registration of imported Completely Knocked Down and Semi-Knocked Down vehicles.** This industry will be given a six-month grace period in which to sell-off existing stock of reassembled motor vehicles. In addition, all vehicles, including taxis, will be allowed to be imported as completely built up vehicles or roll-on, roll-off vehicles as they are better known. This measure will take effect from April 1, 2002 and will necessitate amendments to the Motor Vehicles and Road Traffic Act.

Culture

Mr. Speaker, we are convinced that our country can benefit from the widespread cultural expressions that exist within our society.

In the new fiscal year, we will be finalizing the necessary plans for **the construction of a Millennium Cultural Complex**. A site has already been chosen and consultation will begin shortly with the various interest groups and stakeholders.

We will also establish a Centre for the Performing Arts, in addition to the one to be situated at the International Conference Centre, and complete the renovation of Queen's Hall.

We will also explore the potential of making the celebrations at Point Fortin, Couva and the Tobago Heritage Festival into sustainable products for tourist attractions. These celebrations will form a part of our tourism package.

Mr. Speaker, we will continue in our efforts to develop our national instrument, the steelpan. We have appointed the Board for our National Steelband Orchestra and have acquired residence for the training of music and music literacy locally. Efforts will also be made to find a permanent home for the national steelband body.

Over the years we have provided technical and financial assistance to bona fide cultural organisations. These organisations have provided us with the base for developing a Cultural Outreach Programme which will be piloted during the coming year. We intend to include our schools as well as our youth camps in this process.

Mr. Speaker, we have started the process for the creation of a foundation for the Arts. We aim to provide a source of funding to assist our artists in their time of need. **The necessary steps will be taken to enforce legislation to protect our authors and copyright holders from illegal commercialization of their works.**

Local Productions

Mr. Speaker, our cultural assets are undoubtedly a significant source of potential wealth. The development and showcasing of cultural talents in all its manifestations represent opportunity and empowerment for a significant portion of our national community.

The broadcast of audio and video productions of our culture provides an effective medium for cultural fusion and integration at the national level.

I propose, therefore, that companies involved in sponsoring local, educational and entertainment productions that are broadcast to local, regional and international audiences be given a tax deduction of 100 percent of actual expenditure incurred in respect of those productions up to a maximum amount of three hundred thousand dollars.

In addition, production companies that produce local educational and entertainment productions that are broadcast to local, regional and international audiences be given a tax deduction of 100 percent of actual expenditure incurred in making such productions up to a maximum amount of three hundred thousand dollars.

RELIEF TO INDIVIDUALS

Reduce individual tax rates to 27 percent and 34 percent

Mr. Speaker, we believe we should share the benefits of economic growth with all and we intend to do so in perhaps the most tangible way, that is, to increase the disposable income of taxpayers.

In light of this, I propose to **reduce the individual income tax rate bands from 28 percent to 27 percent and 35 percent to 34 percent.** We will effectively place an additional \$58 million in the pockets of taxpayers in the next fiscal year. Mr. Speaker, it is our intention to further reduce individual income tax rates in the future if economic circumstances allow.

This measure will take effect from January 1, 2002 and requires amendments to the Income Tax Act.

Removal of VAT from basic items to target low income earners

Mr. Speaker, over the years we have reduced tax rates as well as simplified the tax system by removing the numerous tax credits and allowances and replaced them with a personal income allowance. At the present time every individual has a personal income allowance of \$25,000. What this means, is that individuals who earn less than \$2,083 per month pay no direct taxes. The reduction in income tax therefore will not affect this group since they already pay no direct taxes. However, since Government is particularly concerned about making life easier for this group, **it is proposed that VAT be removed from a few additional items from their grocery bill.**

As you are aware, Mr. Speaker, the list of basic food items on which no VAT is charged, is already quite extensive. To this list, I propose to add salted fish. In the area of basic toiletries, exemptions currently only provide for toilet paper. To this I propose to add deodorant, toothpaste, feminine napkins, tampons, and bath soap.

Exemptions will also be provided for laundry soap in bars, including blue soap, as well as baby and adult disposable diapers.

This measure will take immediate effect and will necessitate amendments to the Vat Act.

Mr. Speaker, the VAT was introduced in 1990 as part of a tax modernization programme. We recognize that the VAT is a regressive tax, that is, it has a greater impact on poorer people. **Over the next year I intend to undertake a careful review of the VAT exemptions and zero-rated items with a view to rationalising the list. The intention is to possibly reduce the rate of the VAT to make life easier for the poor.**

Poverty

Mr. Speaker, our objective is to ensure the highest standard of living for all our citizens – including our senior citizens, the physically challenged and those with limited means. We are determined to extend some measure of help to every citizen of Trinidad and Tobago who wants a way out of poverty and economic and social destitution, and, in so doing, return hope and assurance to the poor that they can and will prevail over their circumstances.

For this Government, poverty eradication is not an idealistic dream. For us, it is a burning responsibility. We believe that the task of poverty eradication is multi-faceted rather than insurmountable, and as such we are intent on addressing the issue on many levels.

In June of this year, **Cabinet approved the implementation of a project on Poverty Reduction to be financed by a grant from the European Development Fund. The grant is in the amount of 6 million Euros – approximately TT\$34 million - to be disbursed over a six-year period.**

The main objective of this project is to support Government's initiatives in formulating and implementing a National Poverty Reduction Strategy, including decentralization of the delivery system so that it becomes more responsive to the needs of the most vulnerable groups throughout Trinidad and Tobago.

Under this project, delivery of poverty reduction services will be vastly improved through the establishment of a Micro Project Fund and a Micro Credit Fund.

The Micro-project Fund will be accessible to grassroots communities for the financing of community-based social services to vulnerable groups, in particular, the unemployed youth, the handicapped, battered women, drug addicts and young delinquents.

The Fund will also be accessible to low-income individuals for the financing of micro-enterprise initiatives. It will be a revolving fund and will be run on a commercial basis.

Mr. Speaker, this project will strengthen the institutional framework under which poverty alleviation programmes are administered. This includes strengthening of the Change Management Unit, an independent body which plays a key coordinating role in Government's overall strategy to reduce poverty.

Strengthening of the information system on poverty and poverty reduction programmes is another component of the Government's Poverty Reduction Strategy. This will involve improvement in the availability and access to information on poverty; the undertaking of regular national and regional poverty analyses; and improvement in the availability and access to information on poverty reduction programmes and partnerships.

Mr. Speaker, these sub-projects will assist in the creation of a data bank on poverty that will include both quantitative and qualitative data. This data bank will be essential to improving the targetting of poverty alleviation programmes; ensuring efficient allocation of the available resources; and promoting research on poverty and poverty related matters. In the interim, however, Government will target several vulnerable groups.

Vulnerable Groups

The Destitute

Mr. Speaker, this year, Government will implement a number of projects aimed specifically at the alleviation of destitution. The Riverside Car Park was originally intended to be a temporary screening facility. However, with the passage of time it became a permanent shelter for the homeless due to the lack of follow-through services. In addition, conditions at the Centre have deteriorated significantly. **Through the Social Displacement Board, of the Ministry of Community Empowerment, Sport and Culture, we will build a new facility for the Port-of-Spain area on the Eastern Main Road in Laventille.** This facility will identify the individuals' needs, and channel these individuals to the appropriate care they require – whether this means drug rehabilitation, mental health care, AIDS treatment, permanent shelter for the homeless, or home for the aged. The ultimate goal, Mr. Speaker is to eventually bring about the re-socialization of the destitute into mainstream society.

In the coming year work will also begin on a similar facility in Chaguanas, while plans for an Arima Centre will be further developed.

Street Children and Orphans

Mr. Speaker, while, these facilities will deal with the problem of adult destitution, the issue of destitution among children and the increased number of street children is a real cause for concern. In this regard, I wish to recognize and applaud the untiring service of the NGOs that manage various facilities for destitute children throughout Trinidad and Tobago.

Apart from our ongoing and increasing support for these facilities, **we have agreed to lend support to a designated NGO with a new programme in this area - the S.O.S Children's Village Project. This project will provide orphaned and homeless children with a more realistic substitute for the family they have lost.** The first SOS Children's Village will consist of 10 houses in close proximity – hence the term village. Each house will be run by a dedicated, live-in housemother and will be occupied by ten children. Apart from providing a home for the many street children, this project will also ease the congestion at the many orphanages and children's homes throughout the country. The project will commence next month.

Mr. Speaker, in addition to providing the land on which the village will be built, Government will also contribute a monthly subvention to the village to go towards the payment of salaries for the housemothers and to purchase various supplies.

Government, under the Capital Programme, will also support the establishment by CREDO, of a home for young women at risk, or destitute girls. In addition, funding will be provided under the PSIP for the refurbishment of the St. Michael's Home for Boys.

The Physically Challenged

Mr. Speaker, for all our good intentions, we recognize that there is a section of the population, who, for one reason or another cannot support themselves; will never be able to be trained to do very much; and cannot hold down a job. Among this group is the poor who are mentally or physically challenged. For the former, we will continue to support the many care centres around the country. To further alleviate the circumstances of the latter, however, **I propose to increase the disability grant from \$520.00 per month to \$600.00 per month. This measure will benefit more than 7,000 current recipients of the grant, and will cost \$7 million.**

This measure will take effect from October 1st 2001, and will require amendments to the Public Assistance Act.

Additionally, Mr. Speaker, in the coming year, **Government will undertake a thorough re-evaluation of the governing legislation under which persons qualify for this grant. The intention is to minimize the incidence of abuse and so ensure that only those persons with a legitimate need benefit from this assistance.**

Mr. Speaker, it is our intention to provide further support to people with disabilities, particularly children and people of poor circumstances. This year, I intend to provide assistance to the hearing impaired, and, **with immediate effect we will provide hearing aids, free of charge to all hearing impaired persons who are so assessed by DRETCH.**

Battered Women

Mr. Speaker, another vulnerable group that demands our urgent attention, care and support is the growing number of battered women in Trinidad and Tobago. Many battered women endure years of abuse and harassment out of fear of becoming homeless. For them, the choice is between violence and homelessness – both for themselves and for their children.

Accordingly, Mr. Speaker, **Government has agreed to provide 10 apartments for the Shelter for Battered Women.** The apartments will be used by the Shelter for Battered Women as a pilot project aimed at providing transitional housing while they look for a job, pursue job training and/or seek out permanent housing.

In addition, **Government is also determined to tackle the root causes of domestic violence, and in July of this year, Cabinet agreed to expand the Male Support Programme of the Ministry of Community Empowerment, Sport and Consumer Affairs.** This Programme, among other things will sensitize males, both in the schools and at the community level to issues related to domestic violence. It will provide a support system to encourage perpetrators of domestic violence to seek help.

Fragmented Families

Mr. Speaker, this Government is very concerned about preserving the rights and dignity of women and children. This year, one particular anomaly was brought to our attention, which I propose to rectify. With effect from January 2002, **I propose to remove the tax on maintenance allowance, separation allowance and alimony payments in the hands of the recipients.** This measure will bring considerable relief to the recipients of such payments, who are mainly women heading single parent households.

This measure will take effect from January 1, 2002 and will necessitate amendments to the Income Tax Act.

In addition, in the next fiscal year, **Government will review the entire process by which such allowances are paid through the Magistrates Court.** The aim will be to, as far as possible, relieve the bureaucracy and the length of time involved in accessing these payments as well as the indignity that people, particularly women, endure in collecting allowances.

Senior Citizens

Mr. Speaker, Government wants to make life easier for the most vulnerable in our society. Over the last few years several initiatives have been implemented to make life better for the elderly. This year, we want to continue this commitment in a very tangible way by introducing a number of measures and projects that will improve the quality of life of our senior citizens.

From our consultations with representatives of the Retirees' Association, it became painfully obvious that the disposable income of our senior citizens was being constantly eroded by a number of taxes. **To assist in this regard, I propose to remove the 6 percent insurance premium tax for any individual 60 years and over.** This measure will take immediate effect and will require amendments to the Miscellaneous Taxes Act. **The measure is expected to cost approximately \$3 million and affect approximately 30,000 senior citizens.**

Mr. Speaker, over the years we have removed a number of allowances and credits to simplify the tax system and replaced these with a personal income tax allowance. All taxpayers benefit from this allowance, including senior citizens whose personal tax allowance is currently \$30,000. **In order to increase disposable income for our seniors we propose to increase the personal tax allowance from \$30,000 to \$36,000 for taxpayers 60 years and over. This measure will bring relief to a significant number of the taxpayers over 60 years and will benefit a number of retirees including many retired public servants.** This measure will take effect from January 1, 2002 and will necessitate amendments to the Income Tax Act.

Mr. Speaker, during our meetings with members of the public, we were made aware of some of the indignities that our senior citizens face. One glaring example was an old woman being put out of an Express PTSC bus because her bus pass only enabled her to ride on the regular buses. Mr. Speaker, Trinidad and Tobago must never treat its senior citizens with indignity. **Consequently, I propose to provide bus service to all individuals over 60 years on all PTSC buses on all routes at any time, any day. This measure will go a long way in providing safe and reliable transport to all our seniors citizens.**

Mr. Speaker, the majority of our senior citizens depend on the old age pension as their only source of retirement income. Although the old age pension was intended to supplement retirement income, the levels of retirement income from other sources including the National Insurance System have been inadequate to meet the needs of our senior citizens. In arriving at the decision as to whether to increase the old age pension, consideration was given to the anomalies between the Old Age Pension and the National Insurance Retirement Pension.

Mr. Speaker, we came to the conclusion that we cannot have our senior citizens pay the price for the neglect of the National Insurance System by past administrations, and not increase the Old Age Pension until the issues of the NIS pension are resolved. Therefore, as promised, we will increase the Old Age Pension again this year.

The Old Age Pension is currently paid at two levels; individuals with income between \$100 and \$720 are eligible for a pension of \$620, whereas individuals with no income or income less than \$100 qualify for the entire pension of \$720.

I propose to increase the old age pension by eighty dollars for all pensioners. Therefore, pensioners who currently receive \$720 per month will receive \$800 per month and pensioners who receive \$620 per month will now receive \$700 per month.

This measure will take effect from October 1, 2001 and will require amendments to the Old Age Pensions Act. **This measure is expected to bring relief to 68,000 senior citizens.**

AWARENESS PROGRAMME

Mr. Speaker, you will agree that Government has provided and facilitated assistance to vulnerable groups through several mechanisms. In many instances, these targetted groups do not take full advantage of the range of assistance available, simply because they are not aware that these services exist. **I propose therefore, to begin an awareness campaign, through the media, to educate our population on the facilities and services available to alleviate the hardships of these vulnerable groups.**

PUBLIC SERVANTS

Let me turn now to the public service.

Mr. Speaker, I have received representations from Associations and Unions on behalf of public servants whose increments were not paid during the period 23rd January 1987 to 31st December 1995, and who did not agree to the settlement of the debt by means of a buy-out.

These Associations and Unions have insisted that the amount owed to each affected public servant should be calculated so that the exact amount of the debt could be quantified.

In this connection, the Public Services Association (PSA) entered into an Agreement with the Chief Personnel Officer in 1997 that provided for the quantification of increments and for negotiations to take effect thereafter on the settlement of the debt. While the total amount of the debt has not yet been fully quantified, it has become evident that the indebtedness to these officers will be substantial.

The PSA has recently proposed that settlement could be effected by the use of different mechanisms, including a cash payment, the issue of bonds and the offsetting of various kinds of payments due to Government through the Comptroller of Accounts, and to such bodies as the National Housing Authority and the Water and Sewerage Authority.

I am confident from the dialogue that I have had with the representative bodies on this matter that the issue of **the arrears of increment to the affected Public Servants will be settled in fiscal 2002 and I have made adequate provisioning for settlement.**

CONCLUSION

Mr. Speaker, today, I have not only outlined a vision for Trinidad and Tobago but I have also set in motion a range of activities to achieve the goal of making Trinidad and Tobago a better place for all. The plans and measures that I have described will drive the process of diversifying the economy, making our exports more competitive and our people more technologically knowledgeable. These initiatives will also result in significant employment creation:

- Phase 1 of the Science and Technology Park would generate 5,000 to 9,700 direct jobs over the first ten years and another 10,000 to 20,000 indirect jobs over the same period.
- The International Conference Centre will employ an average of 1,000 workers during the three-year construction period. On completion, 1,200 permanent new jobs will be created.
- New investments in the gas-based industry will collectively create hundreds of permanent jobs within the coming years.
- LNG trains 2 and 3 and the establishment of two additional methanol and ammonia plants, will together generate approximately 450 jobs.

- The Aluminum Smelter project will create approximately 600 jobs.
- The Gas to Liquids Plant will generate as much as 500 jobs.
- The Ethylene based Complex will employ 500 persons and this excludes employment generation from the downstream industries based at the complex.
- The construction phase of the confirmed gas-based downstream investments in the energy sector alone will generate thousands of jobs. A case in point, Atlantic LNG's Trains 2 and 3 will employ 3,000 persons at the peak of construction in Point Fortin and its environs. The two methanol plants, Atlas and Methanol 5 will generate 1,500 and 1,200 construction jobs respectively at their peak, while the two new ammonia plants will generate 2,500 construction jobs. The Gas to Liquids Plant is expected to utilize 6,000 persons at the height of construction, the Aluminum Smelter will create 4,000 jobs, and the Ethylene Complex 2,500 jobs during the construction period.

Mr. Speaker, and this list does not include the thousand of jobs to be created in the manufacturing, agricultural, services sectors and from infrastructural projects.

In summary, Mr. Speaker, I propose to, among other things:

- Reduce Corporation Tax;
- Reduce the Personal Tax Rates;
- Zero rate more items from the VAT schedule;
- Increase Old Age Pension;
- Remove the tax on interest income;
- Provide more support to manufacturers;
- Give more support to the agriculture sectors;
- Establish a Technology and Science Park;
- Promote Conference Tourism;
- Develop Invaders Bay;
- Give more support to vulnerable groups including senior citizens;
- Increase personal allowance to senior citizens;
- Remove insurance premium tax for senior citizens;
- Provide free bus passes for senior citizens;
- Increase the disability grant;
- Provide free hearing aids;
- Provide shelter for battered women;
- Improve facilities for addressing destitution;
- Strengthen the capacity for dealing with street children;

- Provide more money for the Cancer, AIDS, heart disease and kidney disease;
- Make tertiary education more accessible; and
- Encourage local cultural productions.

Mr. Speaker, we will give the people what the people want. I beg to move.