MARLA DUKHARAN

The Trinidad and Tobago Economy in 2022

ONGOING DETERIORATION, ERRORS, AND OMISSIONS

If you are a Trinbagonian and you have never listened to the masterful 3 Canal, especially their 2003 tune 'Fools', please stop what you are doing and listen now. And recognize that being fooled more than once is a choice.

Almost 20 years since this release, after our nation's biggest 'boom' and possibly its deepest / longest recession / stagnation ever, there has been significant but utterly avoidable socio-economic deterioration in Trinidad and Tobago. Why? And how is it possible that there are those who genuinely believe that those responsible - especially the current PNM and the People's Partnership / UNC - have done a good job, given this unnecessary and perhaps unprecedented deterioration? Could they have somehow missed the evidence or not felt the effects?

I present here some evidence of the gross mismanagement of the T&T economy over the past decade or so, and with this I also wish to make the important point that while it has exacerbated an already-weak economic situation, the pandemic is by no means the source of the socio-economic decline we are experiencing in T&T. Please - don't choose to be fooled.

"My people, oh my people,
Keep your head on at all times.
Understand-up and be counted.
Understand-up and be counted, and send a message"
- David Rudder, Ganges and the Nile

OUR INSTITUTIONALIZED CULTURE OF IMPUNITY AND ABSENCE OF ACCOUNTABILITY

"Nothing in d world don't bother we
But look a smartman gone with we money
We still come out and mashup d party!"
- David Rudder, Trini to d bone, 2003

It is indisputable that we have a longstanding problem with holding our 'leaders' / insiders / those in authority to account, and an embedded culture of impunity in T&T. I draw specific reference to (if you can even find it) the infamous 1986 "Scott Drug Report", and the various Commissions of Inquiry into the 1990 attempted coup d'état, the Piarco Airport Project (also apparently unpublished), the Construction Sector / UDECOTT, the 2009 CLICO collapse, etc. Despite copious evidence of wrongdoing, nobody has been held to account. Why?

"He say, "If they do the crime, they going to damn well pay!
Somebody clean out the weed real fast
But somebody letting the cocaine pass"
- David Rudder, Madman's Rant, 1996

This culture of impunity and absence of accountability has been institutionalized in T&T. It is pervasive and percolates through everything we do - once we are in T&T territory. As the sagely Dr. Terrence Farrell pointed out in "We Like It So?", as soon as we Trinbagonians arrive in another jurisdiction, we happily comply with their laws / regulations / standards, and we are amongst the best performers there. But our behaviour changes in T&T territory because we jammin still and we like it so. Full stop. No question mark. Why?

"People live a thousand lives and never feel this free"
- DJ Private Ryan & Freetown Collective, Feel The Love, 2020

The beauty of Trinidad and Tobago is that anything goes. The problem with Trinidad and Tobago is…well…anything goes. As Farrell discussed, we have to find a way to end our lawlessness - which will be our demise - without losing the essence of who we are, and indeed, preserving our culture and reputation as the happiest people on Earth. It begins with holding our 'leaders' / 'insiders' to account, and relentlessly demonstrating that there are no sacred cows. But WHO will do this for our country?

"I must tell you plain whether your status is high or low
The time has come at last when there is no more colonial rule I believe, So together we will aspire, together we will achieve. Because this is your land, just as well as my land
This is your place and also it's my place, So let we
put our heads together and live like one happy family,
Democratically, educationally, we'll live independently"
- Lord Brynner, Independence, 1962

OUR EXTRACTIVE INSTITUTIONS

"I see the fruits of our ambition
Figments of our imagination
And I ask myself, when will it end?
I see charity deplored
Equal rights totally ignored"
- King Austin, Progress, 1980

"The most common reasons why nations fail today is because they have extractive institutions"
- Daron Acemoglu and James A. Robinson, 'Why Nations Fail'

Historically, T&T could best be described as an 'extractive' colony much like Guyana and Suriname, as opposed to a 'settler' or 'planter' colony. The institutional framework of 'extractive' colonies was not designed to support long-term domestic stability or 'settlement' by the colonizers - beyond what is necessary for the rapid / short-term extraction of value - let alone sustainability and socio-economic progress.

Beyond the arguably historically extractive nature of the T&T economy, which gave rise to a post-independence 'rentier state', T&T also appears to be characterized by extractive institutions.

In 'Why Nations Fail', Daron Acemoglu and James A. Robinson argue that "Nations fail today because their extractive economic institutions do not create the incentives needed for people to save, invest, and innovate. Extractive political institutions support these (extractive) economic institutions by cementing the power of those who benefit from the extraction" - i.e. the elite. Conversely, "inclusive economic institutions… are those that allow and encourage participation by the great mass of people in economic activities that make the best use of their talents and skills… To be inclusive, economic institutions must feature secure private property, an unbiased system of law, and a provision of public services that provides a level playing field in which people can exchange and contract. **Attempting to engineer prosperity without confronting the root cause of the problems - extractive institutions and the politics that keeps them in place - is unlikely to bear fruit."**

The authors conclude that "What is common among the political revolutions that successfully paved the way for more inclusive institutions…is that they succeeded in empowering a fairly broad cross-section of society. Pluralism, the cornerstone of inclusive political institutions, requires political power to be widely held in society, and starting from extractive institutions that vest power in a narrow elite. This requires a process of empowerment. **Empowerment of society at large is difficult to coordinate and maintain without widespread information about whether there are economic and political abuses by those in power.** But of course a free media and new communication technologies can only help at the margins…their help will translate into **meaningful change only when a broad segment of society mobilizes and organizes in order to effect political change,** and does so not for sectarian reasons or to take control of extractive institutions, but to transform extractive institutions into more inclusive ones."

So in order for change to begin to take place now, we the people of T&T must hold our leaders to account, highlight "economic and political abuses by those in power," and do so consistently, evenly, and dare I say loudly and without fear.

"...and so they pilfered slow
Some took by bulk and go
Now it's up to you, it's up to me, to make her worthy to go back to sea"
- Gypsy, The Sinking Ship, 1986

ECONOMIC MISMANAGEMENT

Over the past few years I have lamented the often shocking manifestations of economic mismanagement by the current and previous administrations of T&T:

1. The facts behind borrowing from the IMF and the major risks to T&T's debt sustainability
2. A look at why T&T could be heading to default / balance of payments crisis by end-2022
3. The persistently weak economy in T&T is a product of fiscal and broader macroeconomic mismanagement
4. The underlying causes of the foreign currency crunch in Trinidad and Tobago
5. Evidence of broad-based economic mismanagement in T&T
6. Fact check on the mid-year fiscal budget review

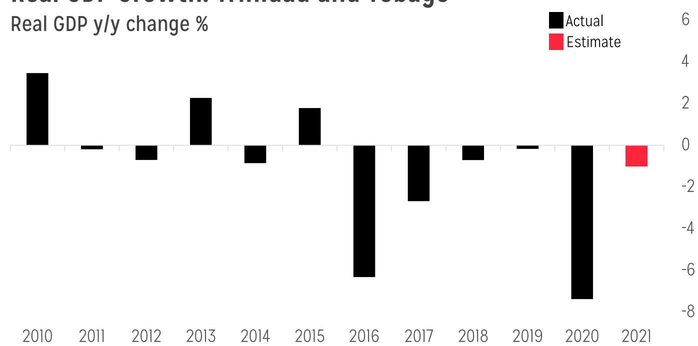
Where are we now? Let's look at highlights from some of the recent external / independent assessments of the country's economic performance, and the major sources of concern from my perspective.

THE IMF

IMF "Missions are undertaken as part of regular (usually annual) consultations under Article IV." The last Article IV Executive Board Consultation for T&T was on August 31, 2018, and the Concluding Statement of the Article IV Mission, dated November 19th 2021 made the following observations:

1.*"Trinidad and Tobago faced unprecedented challenges in 2020-21. The combined effects of COVID-19, energy production cuts,* ***and price shocks pushed the economy further into recession"*** - This statement suggests that the economy was already in recession before these shocks occurred in 2020-21. The economy contracted by 2.7% in 2017, 0.7% in 2018, and 0.2% in 2019 - just when the rest of the region was performing well. **In fact, in the decade prior to the pandemic, T&T's economy grew at an average of BELOW ZERO.** In 2020, the economy contracted by 7.4%, and again by 1% in 2021. The IMF expects the economy to grow by 5.7% this year, which should get us back to the nominal GDP level of 2017 of TTD157 billion.

Real GDP Growth: Trinidad and Tobago
Real GDP y/y change %

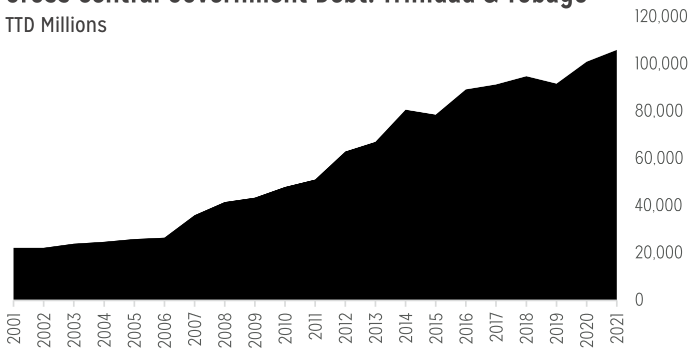


Source: CSO, IMF, Marla Dukharan

2. *"Once the recovery is firmly in place, policy attention should focus on reducing public debt levels and rebuilding fiscal buffers, supported by a credible fiscal framework. The Central Bank should remain vigilant to any buildup of financial vulnerabilities. Structural reforms remain vital to support sustainable and inclusive growth"* - This statement suggests that significant fiscal and other structural reforms are necessary to maintain stability.

3. Indeed, the report went on to say *"The fiscal deficit and public debt rose sharply...driven mostly by lower energy tax proceeds and outlays to mitigate the pandemic. As a result of the large deficits and the deep GDP contraction, public debt rose to 87% of GDP."* It should be noted that this 87% debt / GDP is *"Excluding debt issued for sterilization, public bodies' debt, and borrowing from the CBTT,"* according to the IMF document. According to Central Bank data, total central government debt grew on average by TTD5 billion per year between 2012 and 2019. **The IMF estimates that gross government debt grew by 20% y/y in 2020 and estimates it will increase by TTD10 billion per year between 2020 and 2026**.

Gross Central Government Debt: Trinidad & Tobago
TTD Millions



Source: Central Bank of Trinidad and Tobago, Marla Dukharan

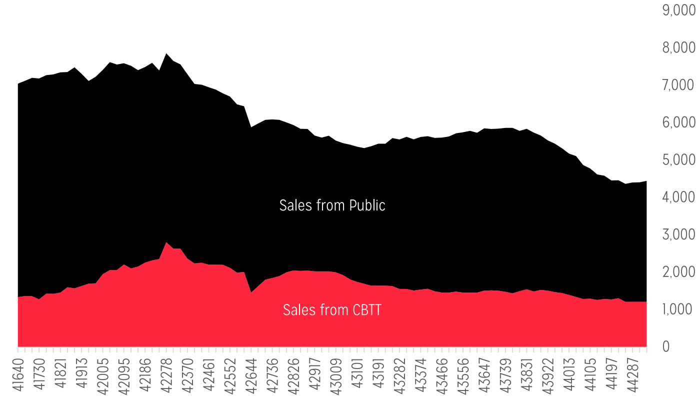
4. *"The fiscal deficit is projected to gradually narrow and reach balance by FY2027"* - This means that the Government is expected to continue to borrow for the next 5 years at least. The IMF's online database shows that the Government's borrowing reached TTD17.5 billion in 2020, TTD16.8 billion in 2021, and is expected to reach TTD8.6 billion in 2022. These numbers do not take into account how much the Government withdrew from the Heritage and Stabilization fund, and the extent of arrears / unpaid obligations.

5. ***"Risks to the outlook are tilted to the downside"*** - this means that the situation is more likely to deteriorate than improve.

6. *"The authorities are encouraged to publish a COVID-related spending report"* - interesting that the IMF felt compelled to mention this, perhaps based on a lack of transparency related to spending?

7. ***"The mission encouraged the authorities to remove all restrictions on current international (Foreign Exchange) transactions while providing sufficient FX to meet demand for all current international transactions"*** - this suggestion has been made by the IMF for several years and remains unheeded. I congratulate them for their relentless repetition. The Central Bank injected USD1.3 billion into the system in 2020, down 50% in 5 years from USD2.6 billion in 2015.

FX Sales to Authorized Dealers from Public & CBTT
Total for Past 12 Months USD Millions



Source: Central Bank of Trinidad and Tobago, Marla Dukharan

8. *"The removal of Trinidad and Tobago from the Financial Action Task Force (FATF) monitoring list in February 2020 is commendable. It is also essential to make similar progress on resolving issues related to the EU blacklist and the OECD's Global Forum requirements on tax transparency and exchange of information"* - According to the latest update on the OECD website, T&T is one of only 3% of countries globally deemed to be "non-compliant" by the OECD. Given that the FATF is no longer monitoring T&T, they should be removed from the EU's AML/CFT Blacklist as well. Trinidad and Tobago and Vanuatu are the only countries on Earth which are Blacklisted twice by the EU. Unlike T&T however, Vanuatu was cleared by both the FATF and the OECD. Until the OECD clears T&T, there is no chance that the EU will de-list from their Tax Blacklist (at least). The EU blacklists have been found to be discriminatory, arbitrary, disproportionate, and unrelated to compliance with international standards, which I have written on extensively. So, removal from the EU blacklist is a matter to be handled through other channels.

STANDARD AND POOR'S

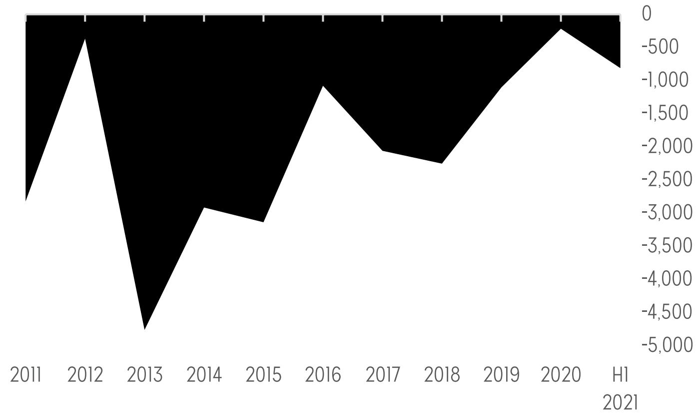
On July 27, 2021, S&P affirmed its BBB- sovereign credit rating for T&T but revised its outlook to negative from stable. "An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments," according to S&P. It is important to note that BBB- is the lowest rating in the 'investment grade' category, and **only one more downgrade will send S&P's rating of T&T into speculative / non-investment grade / junk category.** The negative outlook for the rating means that "there is at least a one-in-three chance we could lower the ratings over the next 12-to-24 months" S&P reported.

1. T&T's *"per capita income…is 19% lower this year than it was a decade ago…following five years of negative real GDP per capita growth, on a sustained basis."* This means that there is 19% less economic activity / income per person than there was 10 years ago, and our income per person has also declined steadily in the last 5 years. The index of average weekly earnings in 2019 was 26% below the average over the prior decade. Furthermore, S&P noted that *"**A rebound in the energy sector may not be sufficient to bring income to pre-pandemic levels over the next several years.**"*

2. *"Institutional Stability Will underpin Creditworthiness, but the government is likely to make only slow progress on institutional reforms that could strengthen governance… **there have been persistent delays in making institutional reforms. The government has not yet implemented the National Statistical Institute, nor the Revenue Authority, both of which have been under discussion for many years."*** This speaks to institutional deterioration, weak governance, and compromised policymaking in the absence of recent, robust statistics.

3. ***"Historically, large errors and omissions in the current account complicate the analysis of the balance of payments. Errors and omissions outflows have been about 8% of GDP on average over the past 10 years.*** *Although the central bank has worked to lower these unaccounted outflows, and preliminary estimates for 2020 report them as less than 1% of GDP, these data discrepancies have not improved on a sustained basis."* The large Errors and Omissions item is another manifestation of wider statistical and institutional weakness and poor governance, revealing vast sums of foreign currency exiting our country - totally unaccounted for. This problem became especially acute in 2011 and **over the past 10 years we have lost USD20.6 billion in foreign exchange outflows which we are unable to account for.** In H1 2021 a further USD809 million was lost.

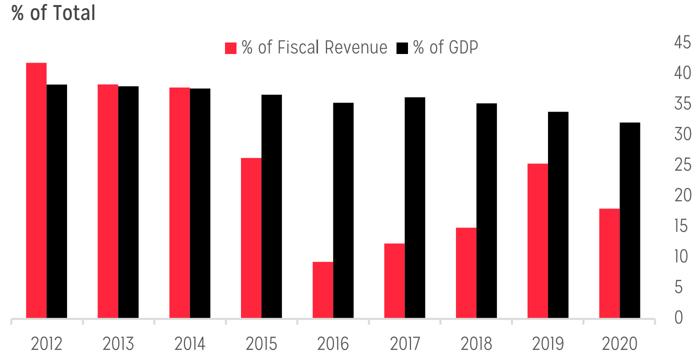
Net Errors and Omissions: Trinidad and Tobago
USD Millions



Source: Central Bank of Trinidad and Tobago, Marla Dukharan

4. *"We believe **central bank intervention in the foreign exchange market will also keep weighing on reserves.** We estimate gross external financing needs will average 67% of current account receipts and usable reserves from 2021-2024. Trinidad and Tobago's external accounts depend greatly on the energy sector, given that such exports account for over 80% of the total. This concentration exposes the country to volatility in terms of trade. A heavily managed exchange rate and a small open economy effectively limit the role of monetary policy. **The central bank has sustained a quasi-fixed exchange rate since 2016. Since then, U.S. dollar shortages have constrained economic activity, weakening local businesses' ability to pay suppliers and obtain key imports.**"* As mentioned also by the IMF, the limited availability of foreign exchange has had a negative effect on the non-energy sector for several years. By continuing a policy framework that has proven damaging to the non-energy sector, the Government has contributed to our increased dependence on the energy sector (especially for exports), a recovery in which S&P believes will not significantly improve the economy on a sustained basis.

Energy Sector Contribution to GDP and Fiscal Revenues
% of Total



Source: Central Bank of Trinidad and Tobago, Marla Dukharan

MOODY'S

On November 19th 2021, Moody's downgraded the Government of Trinidad & Tobago's ratings to Ba2 from Ba1, and changed the outlook from negative to stable, as is typical following a downgrade. Obligations rated 'Ba' by Moody's are non-investment / junk grade, "are judged to have speculative elements and are subject to substantial credit risk." **Moody's had placed T&T in this junk category since April 2017.**

1. *"The Ba2 rating reflects the sovereign's diminished shock-absorption capacity in the aftermath of the pandemic, evidenced by a materially higher general government debt burden of 85%-90% of GDP over the next three years, up from 62% in fiscal 2019 (ending September 2019)."* Consistent with the IMF and S&P, Moody's has also suggested that the debt level is nearing 90% of GDP and increasing, and that this increases our economic vulnerability.

2. *"**Even with a strong economic recovery in 2022 and GDP growth of about 2% in 2023-24 driven to a large extent by both higher energy prices and hydrocarbon production levels…will help arrest, but not fully reverse, the loss in real income…that has been recorded over the past decade.**"* Again, consistent with S&P's view - even if there is positive growth over the next few years coming from the energy sector, our income per capita will not recover to levels seen a decade ago.

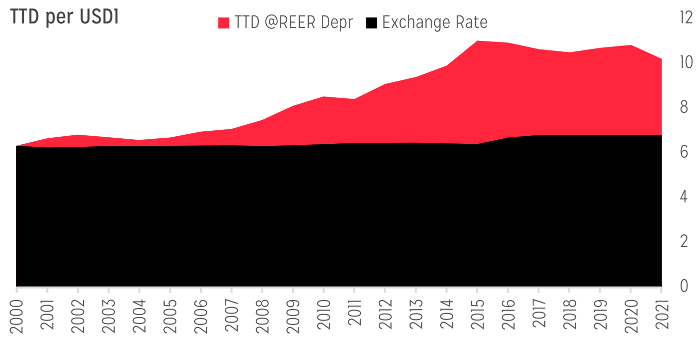
3. *"As part of diversification efforts, the government is promoting policies to support agriculture and reduce food imports, and expand manufacturing production. However, economic diversification takes time and structural factors including skills mismatches in the labor market, **high import dependence, and shortages of foreign exchange, will likely limit diversification prospects.**"* This is a perfect example of how policy is not making sense - if businesses can't access foreign exchange, they can't do business. No diversification strategy will ever make sense unless the FX situation is resolved.

4. "Exposure to social risks is moderately negative. The influence of governance on Trinidad & Tobago's credit profile is also moderately negative reflecting its weak government effectiveness. Despite significant efforts in recent months to improve data reporting, data limitations and institutional constraints limit the government's capacity to execute fiscal policy." Institutional weakness and poor governance underpin the weak and deteriorating socio-economic situation.

Other Evidence of Continued Deterioration:

1. **The overvalued TTD** - The Real Effective Exchange Rate has declined by some 62% from 2006 to 2020, according to the IMF, but the official / nominal exchange rate has not really changed, indicating that the TTD has become even more overvalued. If we apply this Real Exchange Rate depreciation to the official exchange rate, we would have had a depreciation to about TTD10 / USD1 by 2021. Another way to tell that the TTD is overvalued is via the black market, where anecdotal evidence suggests that current prices range from TTD7.50 to TTD10.00 for USD1.00.

Real Effective Exchange Rate Depreciation Applied to TTD from 2000

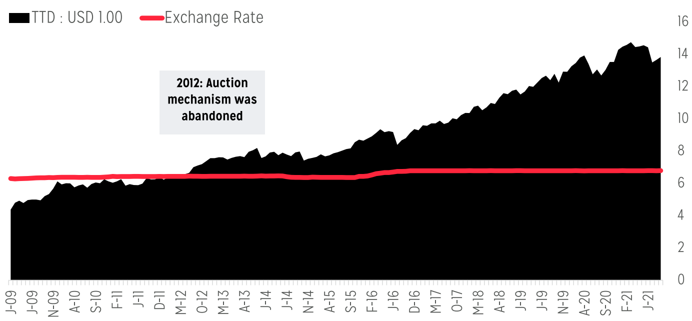


Source: Central Bank of Trinidad and Tobago, IMF. Marla Dukharan

And finally, the ratio of official reserves to the TTD money supply is supposed to resemble / approximate the official exchange rate. In October 2021, the ratio of the money supply to reserves ratio stood at TTD13.83 : USD1.00 - over two times what it should be, indicating the mounting pressure of TTD liquidity on the exchange rate. All of these measures suggest that the TTD is overvalued and has been for about a decade or so. The official exchange rate is badly misaligned from the market-determined black market rate and from the real effective exchange rate as the Government continues to maintain its perverse policy of subsidizing USD and therefore imports. The overvalued TTD is damaging to the non-energy sector and the fiscal and foreign exchange reserve position of the nation, and the

IMF has repeatedly advised the Government to reintroduce a mechanism to allow some market-determination in the exchange rate, not unlike what existed with the auction mechanism for USD injections prior to 2012. The Minister of Finance promised to reintroduce this auction mechanism as far back as 2015 - why has it not happened?

Money Supply (M2) to International Reserves Ratio: Trinidad and Tobago
TTD : USD1.00

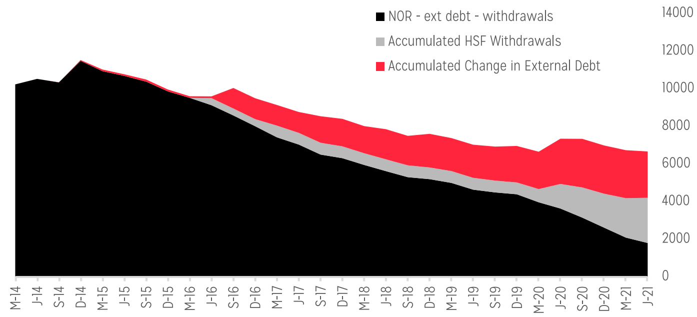


Source: Central Bank of Trinidad and Tobago, Marla Dukharan

2. **Foreign Exchange Reserves** - Reserves were largely at the level of USD6.7 billion in June 2021 because of USD borrowing and HSF withdrawals. Were it not for these two FINITE sources of USD, we would have around USD1.7 billion or 2.2 months of import cover in June 2021, which is well below the precautionary benchmark of 3 months minimum. Falling below this benchmark signals rising risk of capital flight and eventual sovereign debt default / balance of payments crisis. Foreign reserves fell 4% y/y in Nov 2021 to USD6.86 billion - levels last seen in 2008. Currency conversions by energy companies increased 38% y/y on higher energy prices, and sales of foreign currency to the public also increased. Credit cards accounted for 32% of the sales of foreign currency to the public. The fact that T&T has been unable to organically grow its level of FX reserves over the years tells us that there are serious structural problems in the economy. Capital flight, the overvalued currency, and wide fiscal deficits are the main drivers of declining reserves.

Reserves Excluding External Debt and HSF Withdrawals	USD millions
Reserves March 2014	10,203
Accumulated change in External Debt (Mar 2014 - June 2021)	2,465
Accumulated HSF withdrawals (Mar 2014 - June 2021)	2,400
June 2021 total reserves	6,638
June 2021 reserves excluding debt and HSF withdrawals	1,773

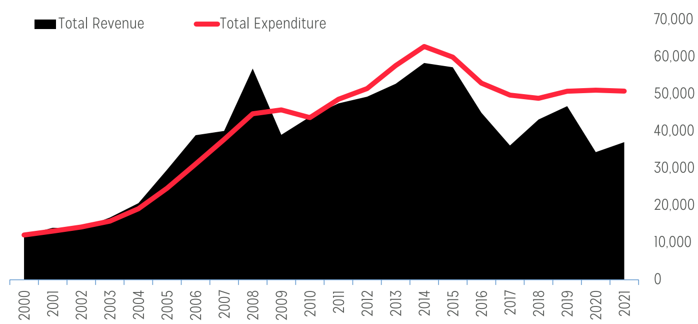
Net Official Reserves: Trinidad and Tobago
USD Millions



Source: Ministry of Finance of Trinidad and Tobago, Central Bank of Trinidad and Tobago, Marla Dukharan

3. **The Fiscal Deficit** - In the 10 fiscal years prior to the pandemic, the Government overspent what it earned by TTD46.4 billion, indicating that the pandemic did not create our fiscal imbalances, but it has exacerbated what was already an unsustainable situation.

Government Revenues and Expenditures by Fiscal Year
TTD Millions



Source: Estimates of Revenue and Expenditure Ministry of Finance, Central Bank of Trinidad and Tobago, Marla Dukharan

- **FY2019/20** - According to the Minister of Finance's budget speech, the fiscal deficit for FY2019/2020 was originally expected to be TTD5.3 billion, but the pandemic led to an actual deficit around TTD17 billion, which does NOT include arrears on VAT refunds and other items. However, when one refers to the Estimates of Revenue 2022 (page 4), the line item 'Financing' (which should reflect the amount the Government has raised to finance their deficit), shows TTD23 billion raised in FY2019/20 against an actual deficit of TTD15.6 billion. **Why would the Government raise TTD7.6 billion more than its deficit in FY2019/20?**

CONTINUE ON NEXT PAGE >

ESTIMATES OF REVENUE 2022

TRINIDAD AND TOBAGO FINANCIAL STATEMENT 2022 AND COMPARATIVE STATEMENTS 2021 (ORIGINAL AND REVISED ESTIMATES) AND 2020 ACTUAL

CURRENT ACCOUNT

REVENUE	2020	2021	2021	2022	EXPENDITURE	2020	2021	2021	2022
	Actual	**Estimates**	**Revised**	**Estimates**		**Actual**	**Estimates**	**Revised**	**Estimates**
	$Mn	$Mn	$Mn	$Mn		$Mn	$Mn	$Mn	$Mn
Tax Revenue	25,672.9	28,094.4	28,689.6	31,856.1	Personnel Expenditure	8,958.4	8,601.5	8,871.9	8,954.8
Income and Profits	15,089.4	16,611.2	16,520.7	20,070.1	*Salaries*	*6,320.5*	*6,106.3*	*6,268.7*	*6,377.2*
Goods and Services	8,022.6	8,810.4	9,484.5	8,765.2	*Wages*	*464.7*	*481.2*	*464.7*	*481.0*
International Trade	2,301.2	2,329.7	2,372.9	2,619.3	*Other*	*2,173.2*	*2,014.0*	*2,138.5*	*2,096.6*
Other	259.7	343.1	311.5	401.5	Goods and Services	5,718.4	5,229.9	5,497.6	5,442.1
Non-Tax Revenue	7,261.9	11,056.3	6,488.6	9,146.5	Minor Equipment	61.9	122.2	45.7	122.9
Property Income	5,559.7	9,482.8	4,902.1	7,704.6	Interest and Other Debt Charges	5,143.4	4,760.1	5,755.9	5,321.9
Other Non-Tax Revenue	1,691.1	1,556.6	1,576.1	1,421.2	Transfers and Subsidies	23,305.1	23,024.3	22,462.5	24,096.1
Repayment of Past Lending	11.1	16.9	10.4	20.7	Transfers to Statutory Bodies	5,877.1	5,183.6	5,729.0	5,562.1
					Acquisition of Physical Assets	0.0	0.0	0.0	0.0
					Sub-Total	*49,064.3*	*46,921.6*	*48,362.6*	*49,499.9*
					Current Surplus/ (Deficit)	-16,129.5	-7,770.9	-13,184.4	-8,497.3
	32,934.8	39,150.7	35,178.2	41,002.6		32,934.8	39,150.7	35,178.2	41,002.6

CAPITAL ACCOUNT

	2020	2021	2021	2022		2020	2021	2021	2022
	Actual	**Estimates**	**Revised**	**Estimates**		**Actual**	**Estimates**	**Revised**	**Estimates**
	$Mn	$Mn	$Mn	$Mn		$Mn	$Mn	$Mn	$Mn
Current Surplus/ (Deficit)	-16,129.5	-7,770.9	-13,184.4	-8,497.3	Development Programme	1,673.4	2,2.21.7	1,473.3	2,499.1
Capital Revenue	526.6	905.1	912.1	1,006.5	Capital Repayment and Sinking	6,650.4	7,645.0	7,456.1	5,918.2
Surplus/(Deficit)	-15,602.9	-6,865.8	-12,272.3	-7,490.8	Fund Contributions				
Financing	23,190.1	1,330.5	20,710.2	13,877.6					
Changes in Cash Balances	736.6	15,402.0	491.5	2,030.5					
	8,323.8	9,866.7	8,929.4	8,417.3		8,323.8	9,866.7	8,929.4	8,417.3

Revenue and expenditure exclude the Unemployment and Green Funds

Financing includes withdrawal from the Heritage and Stabilisation Fund in 2021

• **FY2020/2021** - According to the Estimates of Revenue 2022 (page 4), the fiscal deficit for FY2020/21 was budgeted to decline from TTD15.6 billion to TTD6.9 billion - in a pandemic?? That number was revised to TTD12.3 billion in that table - but no actual number for the deficit is given in this table. In this table it is listed at TTD13.7 billion. It is important to note that again, these deficit numbers do not include VAT and other arrears. There were TTD3 billion in outstanding VAT arrears in September 2021 according to Central Bank data. Again, when one refers to the Estimates of Revenue 2022 (page 4), the line item 'Financing' (which should reflect the amount the Government has raised to finance their deficit), shows TTD20.7 billion raised in FY2020/21 against a revised deficit of TTD12.3 billion. **Why would the Government raise TTD8.4 billion more than its deficit in FY2020/21?**

• **FY2021/22** - The Minister of Finance delivered the FY2021/22 fiscal budget in October 2021, and for the first time ever in our Nation's history (to my knowledge and subject to correction), a T&T Minister of Finance neglected to disclose the total revenue, total expenditure, and total deficit for the previous fiscal year (FY2020/21) in his speech. According to the Estimates of Revenue 2022 (page 4), **the fiscal deficit for FY2021/22 is expected to decline from TTD12.3 billion to TTD7.5 billion, but the Government plans to raise TTD13.9 billion.**

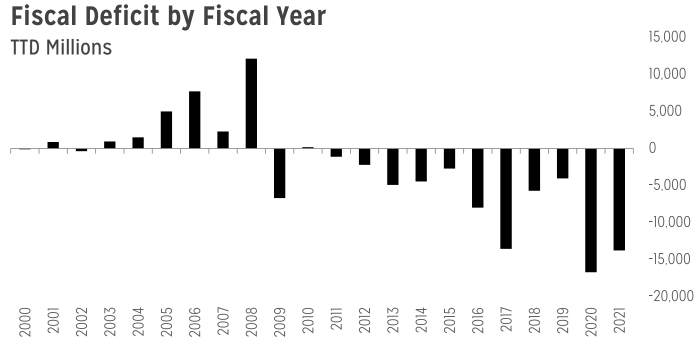
Several red flags appear here:

1. The blatant lack of transparency displayed by the Minister of Finance in his October 2021 budget speech, by not disclosing the previous fiscal year's numbers.

2. That the Government's original budget for FY2020/21 was so dramatically different from the revised number, suggesting a major weakness in the budgeting process.

3. That the Government has raised TTD7.6 billion more than its deficit in FY2019/20, TTD8.4 billion more than its deficit in FY2020/21, and plans to raise TTD6.4 billion more than its budgeted deficit in FY2021/22 (According to the Estimates of Revenue 2022 (page 4)).

Fiscal Deficit by Fiscal Year
TTD Millions



Source: Estimates of Revenue and Expenditure Ministry of Finance, Central Bank of Trinidad and Tobago, Marla Dukharan

CONCLUSION

The independent assessments of the IMF, Standard and Poor's and Moody's all confirm the same thing - that the T&T economy has deteriorated for many years and that this deterioration pre-dates the Pandemic, that per-capita income has declined steadily for the last decade, that any (energy sector driven) medium-term recovery in growth is unlikely to be sustained in the long-term and will not correct the loss in per-capita income, that there has been sustained institutional deterioration over the past several years, that governance is weakening and reforms are not happening, and that overall, the situation is not likely to improve in the short-medium term as the Government has proven ineffective at reform.

It is worth repeating - that USD10.6 billion has evaporated from our nation since 2015 in 'Errors and Omissions' which nobody can account for, that the Government is unable or unwilling to honour TTD3 billion in VAT arrears (which is essentially a default on these obligations) such that the private sector is involuntarily financing the Government at 0% interest, that our organic level of reserves is a mere USD1.7 billion or roughly 2.2 months of import cover, and that the Government has not outlined any policy agenda to address these or other persistent and related problems. This is all extremely disturbing and even insulting - but not surprising. For such is the nature of politicians who are not held to account.

I am writing this from Barbados as they prepare for a General Election. The opposition Democratic Labour Party was responsible for a decade of Barbados' worst socio-economic decline from 2008, ending in sovereign default and that party's loss of every parliamentary seat in 2018. The then Prime Minister Mr. Freundel Stuart, who is no longer that party's political leader, recently shouted from a campaign platform "nobody in Barbados nor outside Barbados can get Freundel Jerome Stuart to feel ashamed about what happened between 2008 and 2018 - it was a glorious period!!" Whether genuinely deluded and confused or shamelessly attempting to mislead the electorate, such is the nature of politicians who are not held accountable, and to whom a sufficiently clear and powerful message is not sent - they will say and do anything to (re)gain and maintain power.

Like Barbados from 2008-2018, T&T has been heading in one direction since 2009. Only sweeping political, fiscal, ease of doing business, FX, labour, and broad-based institutional reforms can arrest and possibly reverse this precipitous socio-economic decline. The absence of profound change will see us slipping further into social and economic decline, instability, and sovereign default. This ongoing deterioration will continue to hurt all of us, but some of us will feel more pain than others.

But every common man got to understand-up and send a message. So put up your hand if you understand now. Come!
- David Rudder, Ganges and the Nile

Recognized as a top economist and advisor on the Caribbean, Marla Dukharan has led discussions and published reports on the implications of EU Blacklisting, COVID-19, BREXIT, and changing US and Chinese policies, among other geopolitical developments. Marla has become a highly sought-after keynote speaker internationally on policies that foster gender equality, reduce income inequality, and promote new models of fiscal and economic resilience to create more a prosperous and sustainable socio-economic future. Marla is passionate about resolving the causes of slow economic growth and works openly to bring important issues to the forefront of public awareness, enabling the transition from attention to action on topics that directly hinder sustainable progress.

Contact Marla:
Melissa Marchand
Communications Director to Marla Dukharan
melissa@marladukharan.com