

**FOR
AGENDA**

SM/08/364
Supplement 1

December 29, 2008

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Trinidad and Tobago—Staff Report for the 2008 Article IV
Consultation—Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2008 Article IV consultation with Trinidad and Tobago (SM/08/364, 12/29/08), which is tentatively scheduled for discussion on **Wednesday, January 14, 2009**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Trinidad and Tobago indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Ms. Daseking (ext. 37340), Mr. Keller (ext. 34427), and Mr. Nozaki (ext. 39436) in WHD; and Ms. Khandelwal (ext. 39767) in SPR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, January 8, 2009; and to the European Commission and the Inter-American Development Bank, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being distributed in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

TRINIDAD AND TOBAGO

Staff Report for the 2008 Article IV Consultation—Informational Annex

Prepared by the Western Hemisphere Department

December 23, 2008

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APPENDIX I. TRINIDAD AND TOBAGO—FUND RELATIONS
(As of November 30, 2008)

I. Membership Status: Joined: September 16, 1963; Article VIII.

II. General Resources Account:	SDR Million	Percent of Quota
Quota	335.60	100.00
Fund holdings of currency	295.93	88.18
Reserve position in Fund	39.68	11.82

III. SDR Department:	SDR Million	Allocation
Net cumulative allocation	46.23	100.00
Holdings	0.71	1.54

IV. Outstanding Purchases and Loans: None

V. Latest Financial Arrangements:

<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
Stand-by	04/20/90	03/31/91	85.00	85.00
Stand-by	01/13/89	02/28/90	99.00	99.00

VI. Projected Obligations to Fund: (SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Principal					
Charges/Interest		0.49	0.48	0.48	0.48
Total		0.49	0.48	0.48	0.48

VII. Exchange Arrangements:

Trinidad and Tobago has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of restrictions on current account transactions. The system, a *de jure* managed float, is classified as a stabilized arrangement under the Fund's revised methodology.

VIII. Last Article IV Consultation and Recent Contacts:

- The 2007 Article IV consultation was completed by the Executive Board on September 10, 2007, in a streamlined format (SM/07/301, and Supplement 1).
- Staff visited Port of Spain on July 15–18, 2008, to advise on fiscal policies ahead of the FY 2008/09 budget.

IX. Technical Assistance (Fund headquarter-based)

- **STA:** Standardizing monetary and financial statistics, January 2008.
- **FAD:** Setting up institutional arrangements for a Medium-term Fiscal Framework, January 2008.
- **MCM:** Assignment of two resident experts for insurance supervision to the CBTT, starting October 2007 and February 2008.
- **STA:** Review of national accounts statistics methodology, July 2007.
- **STA:** Assistance to update export-import price indices, January 2007.
- **MFD/LEG:** Assistance with drafting a new Insurance Act, and amendments to the Financial Institutions Act, 2006.
- **MFD:** Financial sector supervision expert to advise the Inspector of Financial Institutions at the CBTT, 2006.
- **LEG:** Strengthening and modernizing the legal framework for banking regulation and supervision, July 2006.
- **MFD:** Assistance for a transition toward a more flexible exchange rate system, January 2006.

APPENDIX II. TRINIDAD AND TOBAGO—RELATIONS WITH THE WORLD BANK
(As of October 15, 2008)

The World Bank's last Country Assistance Strategy for Trinidad and Tobago was discussed at the Board in 1999. The current World Bank program includes one project with total commitment of US\$20.0 million, of which US\$13.6 million is undisbursed.

I. PROJECTS

HIV/AIDS Prevention and Control Program: The project was approved in June 2003 and is funded under the Multi-Country APL for the Caribbean Region, with the following objectives: (i) curbing the spread of HIV/AIDS epidemic; (ii) reducing the morbidity and mortality attributed to HIV/AIDS; (iii) improving the quality of life for persons living with HIV/AIDS; and (iv) developing a sustainable organizational and institutional framework for managing the HIV/AIDS epidemic over the longer term. The Bank's support to Trinidad and Tobago under this project is for US\$20.0 million.

III. STATEMENT OF WORLD BANK LOANS
(In millions of U.S. dollars)

Operation	Original Principal	Available	Disbursed
HIV/AIDS prevention and control	20.0	13.6	6.4

Disbursements and Debt Service
(Fiscal year ending June 30)

	Actual								
	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Total disbursements	12.2	9.6	12.7	3.8	2.0	4.7	5.7	4.1	0.9
Repayments	9.7	10.2	12.2	15.5	17.3	16.4	15.3	13.0	4.5
Net disbursements	2.5	-0.6	0.4	-11.7	-15.3	-11.7	-9.6	-8.9	-3.6
Interest and fees	3.6	6.7	5.9	5.1	3.8	3.1	2.5	2.1	0.3

* as of October 15, 2008

Loans Summary in U.S. dollars

Total disbursed (IBRD):	384,600,000
<i>Of which has been repaid:</i>	229,031,529
Total now held by IBRD:	29,219,377
Total undisbursed:	6,443,223

**APPENDIX III. TRINIDAD AND TOBAGO—RELATIONS WITH THE INTER-AMERICAN
DEVELOPMENT BANK (IDB)**
(As of September 30, 2008)

Financing

Currently, the IDB is the main source of overseas development assistance for Trinidad and Tobago. Since 2002, annual disbursements and approvals have averaged US\$37 million and US\$32 million per year, respectively. However, cash flow has been quite strongly negative as the portfolio has gradually diminished in size.

	2000	2001	2002	2003	2004	2005	2006	2007	2008 ¹
Loan disbursements	24.7	28.7	24.5	30.7	40.7	52.7	23.8	47.2	37.6
Repayments	35.9	37	43	45.4	55.5	61	64.1	39.7	47.2
Net Loan Flow	-11.2	-8.3	-18.5	-14.7	-14.8	-8.3	-40.3	7.5	-9.6
Subscriptions and Contributions	2.2	0.5	0.4	0.3	0.2	2.4	0	0	0.0
Interest and Charges	30.2	28.5	23.9	22.4	20	19	18.3	18.4	21.7
Net Cash Flow	-43.6	-37.3	-42.8	-37.4	-35	-29.7	-58.6	-10.9	-31.3

¹ Projected.

Portfolio composition

The current loan portfolio consists of 8 operations with a total approved value of US\$454 million, and an undisbursed value of US\$305 million. The Bank expects to approve one additional operation—a US\$49.5 million project in support of Seamless Education—before the end of 2008. The Bank also has a small portfolio of technical assistance grants, totalling US\$4.6 million, of which US\$2.5 million remain undisbursed.

Name	Signature Date	Approved (in US\$ million)	Disbursed (in US\$ million)
National Highway Program	May 20, 1997	120.0	115.9
Health Sector Reform Program	May 20, 1997	134.0	113.5
Secondary Education Program	July 06, 1999	105.0	52.8
National Settlements Program Phase II	June 21, 2002	32.0	16.7
Trade Sector Support Program	May 21, 2003	5.0	1.8
Public Sector Reform Initiation Program	March 17, 2004	5.0	2.4
Electronic Government & Knowledge Brokering	March 16, 2007	28.0	0.0
Citizen Security Program	April 5, 2008	24.5	1.9

Areas of future focus

The IDB is currently preparing a new Country Strategy for Trinidad and Tobago for the period of 2008-2012. Based on an analysis of the current economic conditions, the strategy for *sovereign financing* is expected to focus mainly on **quality of public expenditure** and (non-energy sector) **private sector development**. The Bank will also continue to provide support in the **health** and **housing** sectors, and bring to fruition long-standing preparations for an **environmental program** in Southwest Tobago.

- **Quality of public expenditure:** The Bank proposes to support: (i) the modernisation of procurement and financial management systems; (ii) the gradual introduction of a Medium-Term Expenditure Framework; and (iii) the strengthening of results-based management in key sector agencies.
- **Private sector development:** The Bank is already assisting in the establishment of new framework for Public-Private Partnerships, and plans to develop a support program for Small- and Medium-Sized Enterprises.

In addition, the Bank anticipates an expansion of its *non-sovereign guaranteed financing* to Trinidad and Tobago's **private sector**, possibly in the areas of energy, tourism, infrastructure, and financial services.

APPENDIX IV. TRINIDAD AND TOBAGO—STATISTICAL ISSUES

Data provision has some shortcomings, but is broadly adequate for surveillance. On September 30, 2004, Trinidad and Tobago started participating in the IMF's General Data Dissemination System. However, metadata and plans for improving the statistical system need to be updated in line with commitments under the GDDS. Institutional arrangements need to be strengthened to facilitate improved compilation and reporting as well as collaboration among the central bank, the central statistical office, and the ministry of finance, planning, and development, and to avoid duplication of data production efforts and some inconsistencies across sectoral databases.

Real sector statistics

The Central Statistical Office (CSO) revised the GDP base year from 1985 to 2000, improved the methodology for calculating value added at each sector level, and switched from valuation at factor cost to market prices. The upgrading of the national accounts has involved, in particular, the inclusion of the large gas sector production (which came on stream in 2000) in the GDP calculations; and a review of the value added estimation techniques for the telecommunications sector (using the number of call units instead of the number of callers) and the financial sector (by constructing individual extrapolators for each sub-industry and then aggregating them). The CSO does not produce quarterly GDP estimates, although the central bank compiles quarterly volume indicators. A STA technical assistance mission on national accounts in September 2005 encouraged the CSO to start the compilation process of quarterly macro indicators. The mission also found that while there was no serious staff shortages that could affect the production of statistics, a staff reallocation would improve efficiency.

The public has direct access to the retail price index which is published in the CSO's website. The retail price index was rebased from 1985 to January 2003 to incorporate information from the 1997/98 Household Budgetary Survey, and to correct the index's aggregation formula.

Government finance statistics

Data on central government operations and debt are compiled separately by the Ministry of Finance, Planning, and Development (MFPD) and the central bank, and show significant differences. The MFPD compiles fiscal data using a national classification system for government transactions and debt of the central government. These data are sufficiently detailed for use in compiling cash data according to *GFSM 1986* methodology. Reporting of these cash-based data in the *GFSM 2001* framework is also being undertaken by the MFPD.

Data for the period 2003-05 were published in the *2007 Government Finance Statistics Yearbook (GFSY)* and a submission of 2006 data has been received by STA for publication in the *2008 GFSY*.

Data on selected public enterprises and statutory bodies are compiled by the investment division, the domestic debt division, and the budget division of the MFPD. The data compiled by these divisions are subject to differences, particularly with respect to transfers. Expense data are sometimes misclassified, as the distinction between consumption of fixed capital and use of goods and services is not made.

Monetary and financial statistics

The monthly monetary account for other depository corporations (ODCs) currently covers only financial institutions that are licensed by the central bank under the 1993 Financial Institutions Act. No licensed ODCs only report voluntarily on a quarterly basis. No data are reported by credit unions and the Post Office Savings Bank. The lack of these data has prevented the compilation of a more comprehensive Depository Corporation Survey. The authorities should also consider developing systems for reporting balance sheet accounts for the mutual funds, with a view to compiling a more comprehensive financial survey in the future. Trinidad and Tobago has not yet migrated to the standardized report forms (SRFs) for the submission of monetary statistics. In January 2008, a mission assisted the authorities in producing the SRF for the central bank.

External sector statistics

Quarterly aggregate balance of payments estimates and annual balance of payments data are disseminated by the central bank in its national publications. Annual balance of payments data are also sent to STA, although with considerable delay. The presentation of the balance of payments data is in broad conformity with guidelines outlined in the fifth edition of the Balance of Payments Manual. The Private Sector Capital Flows and Investor Perception survey needs to be improved on the quantity and quality of responses, and by estimating the market value of shares. There are sizable differences between some items of the external public debt compiled by the Central Bank and the MFPD. The Central Bank should expand its current debt reporting system to include comprehensive coverage of external loans and debt of the entire public sector, as well as publicly guaranteed debt.

Trinidad and Tobago: Table of Common Indicators Required for Surveillance
As of December 8, 2008

	Date of latest observation	Date received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of publication ⁷
Exchange Rates	December 2008	December 2008	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	August 2008	October 2008	M	M	M
Reserve/Base Money	August 2008	October 2008	M	M	M
Broad Money	August 2008	October 2008	M	M	M
Central Bank Balance Sheet	August 2008	October 2008	M	M	M
Consolidated Balance Sheet of the Banking System	August 2008	October 2008	M	M	M
Interest Rates ²	September 2008	November 2008	M	M	M
Consumer Price Index	October 2008	November 2008	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	September 2008	November 2008	A	A	NA
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	September 2008	November 2008	M	M	A
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	September 2008	November 2008	A	A	A
External Current Account Balance	2007	November 2008	A	A	A
Exports and Imports of Goods and Services	2007	November 2008	A	A	A
GDP/GNP	2007	August 2008	A	A	A
Gross External Debt	December 2007	November 2008	A	A	A
International Investment Position ⁶	2007	November 2008	A	A	A

¹ Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).