

**Report on the Fourth Withdrawal, in the amount of US\$100,000,000.00, from the Trinidad and Tobago Heritage and Stabilisation Fund, in accordance with Section 15A(3) of the Heritage and Stabilisation Fund Act, Chapter 70:09 as amended**

The Heritage and Stabilisation Fund (“the Fund”) was established by the Heritage and Stabilisation Fund Act, Chapter 70:09 (“the Act”). Section 3(2) of the Act states that:

*“The purpose of the Fund is to save and invest surplus petroleum revenues derived from production business in order to -*

- (a) cushion the impact on or sustain public expenditure capacity during periods of revenue downturn whether caused by a fall in prices of crude oil or natural gas;*
- (b) generate an alternate stream of income so as to support public expenditure capacity as a result of a revenue downturn caused by the depletion of non-renewable petroleum resources; and*
- (c) provide a heritage for future generations of citizens of Trinidad and Tobago from savings and investment income derived from the excess petroleum revenues.”*

2. By Act No. 9 of 2020 which was assented to on March 26, 2020, the Act was amended by inserting the following section 15A which states:

*“(1) Notwithstanding section 15 and any other written law and subject to subsection (2), withdrawals may be made from the Fund where -*

- (a) a disaster area is declared under the Disaster Measures Act;*
- (b) a dangerous infectious disease is declared under the Public Health Ordinance; or*
- (c) there is, or is likely to be, a precipitous decline in budgeted revenues which are based on the production or price of crude oil or natural gas.*

*(2) Withdrawals under subsection (1) may be made from the Fund not exceeding one and one half billion dollars at any time during the financial year.*

*(3) Where a withdrawal has been made from the Fund under this section, the Minister shall cause a report to be laid in the House of Representatives, within sixty days of that withdrawal.”*

3. The outbreak of a respiratory virus of unknown cause detected in Wuhan, China was declared a Public Health Emergency of International Concern on January 30, 2020 and by section 100 of the Public Health Ordinance, Ch. 12 No. 4, the President of the Republic of Trinidad and Tobago on January 31, 2020, declared the 2019 Novel Coronavirus (2019-nCoV), now named COVID-19 to be a dangerous infectious disease.

## **Cash Flow Position Fiscal Year 2020/2021 - October 2020 to May 2021**

4. Total Revenue for fiscal year 2020/2021 was budgeted at TT\$41.364 Bn., predicated on an oil price of US\$45.00 per barrel and a gas price of US\$3.00 per MMBtu. The Honourable Minister of Finance on October 5, 2020 noted that the Budget Deficit for fiscal 2020/2021 was estimated at TT\$8.209 Bn.

5. As an oil and gas exporting country, the economic, financial and social consequences for Trinidad and Tobago of the spread of the COVID-19 virus were further compounded by a dramatic fall in oil and gas prices, and have warranted a recalibration of the country's economic and fiscal outlook and immediate policy adjustments and considerations as it pertains to Central Government cash flows. Trinidad and Tobago's cash flow situation, with a preliminary estimated TT\$4.525 Bn. cash shortfall over the first quarter of fiscal 2020/2021, was further exacerbated by the onset of the new COVID-19 variant. It should be noted that expenditure levels during the first quarter reflect the Ministry of Finance's ongoing restraint in making releases to ensure that mandatory expenses, including Salary and Salary Related Components, Social Expenditure and Debt Service, are prioritised.

6. Preliminary estimates for the second quarter of fiscal 2020/2021 revealed that Total Central Government Expenditure in the amount of TT\$13.308 Bn. was estimated to outweigh Total Central Government Revenues of TT\$9.219 Bn., resulting in an estimated cash shortfall of TT\$4.089 Bn. over the period.

7. Furthermore, during April 2021, Central Government Revenue was projected at approximately TT\$2.911 Bn. with a concurrent fall in Central Government Expenditure to about TT\$4.418 Bn. A resultant shortfall of TT\$1.507 Bn. was expected in April 2021.

8. Additionally, preliminary projections for May 2021 revealed that Total Revenue was expected to fall to TT\$2.020 Bn. whilst Total Expenditure was anticipated to rise significantly to TT\$6.573 Bn. **It was therefore anticipated that in May 2021, approximately TT\$4.553 Bn. in financing would be required.**

## **HSF Withdrawals Fiscal Year 2020/2021 - October 2020 to May 2021**

9. Given the sharp decline in revenue as a direct consequence of COVID-19, the Minister of Finance proposed to access the HSF during the fiscal year, in accordance with section 15A(1)(b) of the HSF Act, for stabilization purposes. It should be noted that this section allows for a withdrawal from the Fund where a dangerous infectious disease is declared under the Public Health Ordinance.

10. On **April 8, 2021** Government agreed to the withdrawal of **US\$200,000,000.00** for the month of **May 2021**, from the Heritage and Stabilization Fund, for the purpose of financing a cash flow shortfall, in accordance with the provisions of the HSF Act Chapter 70:09. Of this amount, **only US\$100,000,000.00 was withdrawn and deposited into the Consolidated Fund on May 24, 2021.** This, as a result of the improved performance of the Central Bank Overdraft which was

utilized to finance the deficit. **This fourth withdrawal, bringing the Net Asset Value of the Fund, as at May 24, 2021 (post withdrawal), to US\$5,625,791,673.83.**

11. Total HSF Withdrawals over the period **October 2020 to May 2021** amounted to approximately **US\$694,170,000.00**, of which **US\$400,000,000.00** was **withdrawn under the recent amendment to the HSF Act**. As such, in accordance with the Heritage and Stabilization Fund Act, Chapter 70:09, Section 15A(2), **the Government is still eligible to access US\$1.1 Bn. for the remainder of fiscal 2020/2021, consequent to the ongoing COVID-19 pandemic**. The details of all HSF withdrawals over the period October 2020 to May 2021 are provided in Table 1 below.

<b>TABLE 1: HSF WITHDRAWALS FY 2020/2021</b>	
<b>Date of Withdrawal</b>	<b>Amount Withdrawn (US\$Mn.)</b>
November 17, 2020	\$200.00
January 21, 2021	\$94.17
February 18, 2021	\$100.00
March 22, 2021	\$100.00
April 23, 2021	\$100.00
May 24, 2021	\$100.00
<b>TOTAL</b>	<b><u>\$694.17</u></b>