

Report on the first and second withdrawals, each in the amount of US\$100.0 million, 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 of the Act provides 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 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 30 January 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 - January to March

4. Total Revenue for Fiscal Year 2020/2021 was budgeted at TT\$41.364 billion 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 billion.

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 was further compounded by a dramatic fall in oil and gas prices and has 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, as evidenced by the collective TT\$3.419 billion cash shortfall over the first quarter of fiscal 2020/2021, is further exacerbated by the onset of the new COVID-19 variant. It should be noted that expenditure levels over the first quarter represents 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. For the month of January 2021, Total Central Government Expenditure was expected to be in the amount of TT\$5.123 billion, which was greater than Total Central Government Revenues of **TT\$2.334 billion**, resulting in an estimated cash shortfall of **TT\$2.789 billion** over the period. This shortfall was mainly on account of lower than projected revenue which was budgeted at TT\$3.224 billion.

7. Furthermore, preliminary projections in January 2021 indicated that for the month of February 2021, Central Government Revenues would amount to approximately TT\$1.438 billion with a concurrent fall in Central Government Expenditure to about TT\$4.249 billion. **A resultant shortfall of TT\$2.811 billion was therefore expected for February 2021.**

8. Preliminary projections in January 2021 revealed that for March 2021 Revenues and Expenditure were expected to register higher totals of TT\$3.562 billion and TT\$4.822 billion, respectively. As a result, **a cash deficit of approximately TT\$1.259 billion was projected to occur in March 2021.**

9. It was therefore anticipated that for February 2021 and March 2021 approximately TT\$2.811 billion and TT\$1.259 billion respectively in financing would be required.

Proposal to Access the HSF for Stabilisation Purposes

10. 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. 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.

11. Total HSF Withdrawals over the period October 2020 to March 2021 amounted to approximately US\$494,170,000.00, of which **US\$200,000,000.00 was withdrawn under the recent amendment to the HSF Act.** As such, in accordance with the Heritage and Stabilization Fund Act, Chap 70:09, section 15A(2), **the Government is still eligible to access US\$1.3 billion for the remainder of fiscal 2021, consequent to the ongoing COVID-19 pandemic.**

12. For the month of **February 2021**, the Government of the Republic of Trinidad and Tobago approved the withdrawal of **US\$100.0 million** (approximately TT\$680.0 million) from the Trinidad and Tobago Heritage and Stabilisation Fund. The sum of **US\$100.0 million** was withdrawn from the Trinidad and Tobago Heritage and Stabilisation Fund in accordance with section 15A(1)(b) of the Heritage and Stabilisation Fund Act Chapter 70:09 and deposited into the Consolidated Fund on **February 18, 2021.**

13. For the month of **March 2021**, the Government of the Republic of Trinidad and Tobago approved the withdrawal of **US\$100.0 million** (approximately TT\$680 million) from the Trinidad and Tobago Heritage and Stabilisation Fund. The sum of **US\$100.0 million** was withdrawn from the Trinidad and Tobago Heritage and Stabilisation Fund in accordance with section 15A(1)(b) of the Heritage and Stabilisation Fund Act Chapter 70:09 and deposited into the Consolidated Fund on **March 22, 2021.**