

Report on the Sixth 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. Subsequently, on March 11, 2020, the Coronavirus outbreak was labelled a pandemic by the World Health Organisation (WHO).

Cash Flow Position Fiscal Year 2020/2021 - October 2020 to July 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, whilst Total Expenditure was budgeted at TT\$49.573 Bn. The Honourable Minister of Finance on October 5, 2020 noted that the Budget Deficit for fiscal year 2020/2021 was estimated at TT\$8.209 Bn. The recent Mid-Year Revised Estimates revised Revenue for fiscal year 2020/2021 downwards to TT\$35.320 Bn., based on an adjusted oil price of US\$55.00 per barrel and a gas price of US\$2.50 per MMBtu for the remainder of the fiscal year. Expenditure has been revised upwards to TT\$51.982 Bn. The Revised Deficit for fiscal year 2020/2021 now stands at TT\$16.662 Bn., a two-fold increase from the Budgeted Deficit at the beginning of the fiscal year.

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, with a preliminary estimated TT\$9.609 Bn. cash shortfall over the first half of fiscal 2020/2021, was further exacerbated by the onset of the Brazilian 'Gamma' COVID-19 variant. It should be noted that expenditure levels during the first half of fiscal 2020/2021 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. **Based on preliminary recommendations for the month of July 2021, it was expected that Central Government Revenues in the amount of TT\$2.891 Bn. would partially offset projected Central Government Expenditure of TT\$5.001 Bn. Therefore, it was anticipated that for the month of July, approximately TT\$2.110 Bn. in financing would be required.**

HSF Withdrawals Fiscal Year 2020/2021 - October 2020 to July 2021

7. Given the sharp decline in revenue as a direct consequence of COVID-19, the Minister of Finance proposed to access the Heritage and Stabilisation Fund during the fiscal year, in accordance with section 15A(1)(b) of the Heritage and Stabilisation Fund Act, for stabilisation 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.

8. **On July 15, 2021, Government agreed to the withdrawal of US\$100,000,000.00 from the Heritage and Stabilisation Fund for the month of July 2021 to finance the cash flow shortfall, in accordance with the provisions of the Act. This amount was withdrawn and deposited into the Consolidated Fund on July 27, 2021. Subsequent to this sixth withdrawal, the Net Asset Value of the Fund as at July 27, 2021 stood at US\$5,537,425,200.29.**

9. Total HSF Withdrawals over the period **October 2020 to July 2021** amounted to approximately **US\$894,170,000.00**, of which **US\$600,000,000.00** was withdrawn under the

recent amendment to the Act. As such, in accordance with the Heritage and Stabilisation Fund Act, Chapter 70:09, Section 15A(2), **the Government is still eligible to access US\$0.9 Bn. for the remainder of fiscal 2021, consequent to the ongoing COVID-19 pandemic.** The details of all HSF withdrawals over the period October 2020 to July 2021 are provided in Table 1 below.

TABLE 1: HSF WITHDRAWALS FY 2020/2021	
Date of Withdrawal	Amount Withdrawn (US\$Mn.)
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
June 25, 2021	\$100.00
July 27, 2021	\$100.00
TOTAL	<u>\$894.17</u>