



*TENTH REPORT OF THE*

# PUBLIC ACCOUNTS

( E N T E R P R I S E S ) C O M M I T T E E

*THIRD SESSION OF THE 11<sup>TH</sup> PARLIAMENT*

Examination of the Audited Accounts, Balance Sheet and other Financial Statements of The National Entrepreneurship Development Company Limited (NEDCO) for the financial years 2008-2014.



## Public Accounts (Enterprises) Committee

The Public Accounts (Enterprises) Committee (P.A.(E).C) established under Section 119(5) of the Constitution of the Republic of Trinidad and Tobago is mandated to consider and report to the House of Representatives accordingly on:

*“(a) the audited accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by or on behalf of the state; and*

*(b) the Auditor General’s Report on any such accounts, balance sheets and other financial statements.”*

### Current membership

Mr. Wade Mark	Chairman
Dr. Tim Gopeesingh	Member
Mrs. Jennifer Baptiste-Primus	Member
Mr. Fitzgerald Hinds	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	Member
Dr. Nyan Gadsby-Dolly	Member
Mr. Foster Cummings	Member
Mr. David Small	Member

### Committee Staff

The current staff members serving the Committee are:

Ms Keiba Jacob	Secretary to the Committee
Ms Hema Bhagaloo	Assistant Secretary to the Committee
Ms Melanie Chin	Graduate Research Assistant

### Publication

An electronic copy of this report can be found on the Parliament website: [www.ttparliament.org](http://www.ttparliament.org)

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# Table of Contents

<b>MEMBERS OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE .....</b>	<b>4</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>5</b>
<b>INTRODUCTION.....</b>	<b>7</b>
Establishment .....	7
Mandate .....	7
Ministerial Response .....	7
State Enterprises Performance Standards .....	7
Election of the Chairman and Vice Chairman.....	7
<b>METHODOLOGY .....</b>	<b>8</b>
Determination of the Committee’s Work Programme.....	8
The Inquiry Process .....	10
<b>NEDCO’s PROFILE.....</b>	<b>11</b>
<b>ISSUES, OBSERVATIONS AND RECOMMENDATIONS.....</b>	<b>12</b>
<b>Appendix 1 .....</b>	<b>19</b>
<b>Minutes of Meetings .....</b>	<b>19</b>
Present were:.....	20
<b>Appendix 2 .....</b>	<b>24</b>
<b>Attendees .....</b>	<b>24</b>
Attendees.....	25
<b>APPENDIX 3 .....</b>	<b>26</b>
List of entities falling under the purview of the PAEC:.....	27
<b>APPENDIX 4 .....</b>	<b>29</b>
<b>VERBATIM.....</b>	<b>29</b>

**MEMBERS OF THE PUBLIC ACCOUNTS (ENTERPRISES)  
COMMITTEE**



**Mr. Wade Mark  
Chairman**



**Dr. Tim Gopeesingh  
Vice-Chairman**



**Dr. Nyan Gadsby-Dolly  
Member**



**Mrs. Jennifer Baptiste -Primus  
Member**



**Mr. Fitzgerald Hinds  
Member**



**Mr. David Small  
Member**



**Ms. Cherrie-Ann Crichlow-Cockburn  
Member**



**Mr. Foster Cummings  
Member**

## EXECUTIVE SUMMARY

The Public Accounts (Enterprises) Committee (PA(E)C) is the Parliamentary Financial Oversight Committee tasked with the responsibility of examining the audited accounts of all State Enterprises that are owned or controlled by the state. The Committee examined **the Audited Accounts, Balance Sheets and other Financial Statements of the National Entrepreneurship Development Company Limited (NEDCO) for the financial years 2008 – 2014** and produced this report to highlight its findings and recommendations.

This report details the issues, endorsements and recommendations made by the Committee to improve NEDCO's performance. The issues identified in this report were found during the period under examination (2008 to 2014).

During this inquiry, the following issues arose:

- NEDCO's high non-performing loan portfolio;
- The lack of Key Performance Indicators (KPIs) in place to effectively monitor NEDCO's operations;
- The untimely submission of the company's Audited Financial Statements to the Parliament for the fiscal years 2015 and 2016;
- The viability of NEDCO's fee-based services;
- Absence of Risk Management Plan and Policies;
- Lack of effective oversight by Line Ministry and Ministry of Finance- Investments Division; and
- Zero Balances on NEDCO's Income Statement for the Fiscal Year 2014.

Based on the Committee's examination, the following recommendations were proposed:

- NEDCO should evaluate the Company's lending policies, credit administration and the quality of the loan portfolio to produce a comprehensive and effective strategy for managing the loan portfolio;
- NEDCO should clearly indicate the level of profitability it expects to realize over a defined period by reducing its bad debt expenses through better management of its loan portfolio;

- The Ministry of Labour and Small Enterprise Development should ensure that appropriate key performance indicators, which must include efficient debt management, be implemented to measure the company's performance by March 31, 2018;
- The Finance and Accounting Department, should set clear targets and milestones for successful performance levels and submission of Audited Financial Statements;
- The Ministry of Finance- Investments Division and the Ministry of Labour and Small Enterprise Development should exercise their oversight functions by ensuring that all State Agencies under their purview submit their Audited Accounts to the Parliament in a timely manner commencing in January, 2018;
- NEDCO should strengthen the internal controls of its financial management processes by March 31, 2018 to ensure the timely preparation and submission of Statements;
- NEDCO should conduct quarterly financial analyses of its fee-based services to ensure the sustainability and viability of these programmes commencing in March 2018;
- NEDCO should, as a matter of urgency, produce a risk management plan to address the risk inherent in each portfolio. The plan should include a comprehensive set of assessment criteria for each risk and the mitigation processes;
- NEDCO should implement more stringent measures to assess the likelihood of default by clients, especially during a period of economic uncertainty;
- NEDCO should strictly enforce its credit policy to ensure that all debts are recovered in a timely manner;
- NEDCO should review all policies and processes with respect to financial, operational and risk management and provide a status report to the Committee by March 31, 2018; and
- NEDCO should ensure that its financial accounts are prepared in accordance International Financial Reporting Standards (IFRS).

# INTRODUCTION

## Establishment

The PA(E)C of the Eleventh Republican Parliament was established by resolution of the House of Representatives and the Senate at the sittings held on Friday November 13, 2015 and Tuesday November 17, 2015 respectively.

## Mandate

The Constitution of the Republic of Trinidad and Tobago mandates that the Committee shall consider and report to the House on the audited accounts, balance sheets and other financial statements of all enterprises that are owned or controlled by, or on behalf of the State.

In addition to the Committee's powers entrenched in the Constitution, the Standing Orders of the House of Representatives and Senate also empower the Committee (but is not limited) to:

- a) send for persons, papers and records;
- b) have meetings whether or not the House is sitting;
- c) meet in various locations;
- d) report from time to time;
- e) communicate with any other Committee on matters of common interest.

## Ministerial Response

The Standing Orders<sup>1</sup> provide for the Minister responsible for the Ministry or Body under review to submit within sixty (60) days a paper to the House responding to any recommendations or comments contained in the Report which are addressed to it.

## State Enterprises Performance Standards

The PAEC used the State Enterprises Performance Monitoring Manual as a benchmark to examine the performance of State Enterprises. The manual outlines the framework for compliance with official policy and the monitoring mechanisms to be used in assessing such compliance. The Government of Trinidad and Tobago monitors the performance of State Enterprises to ensure that these enterprises successfully execute their mandates and maximize value for money for the national stakeholders and shareholders.<sup>2</sup>

## Election of the Chairman and Vice Chairman

In accordance with section 119(6) of the Constitution, the Chairman must be a member of the Opposition in the Senate. At the first meeting held on Wednesday December 2, 2015, Mr. Wade Mark was elected Chairman and Dr. Tim Gopeesingh was elected Vice Chairman of the Committee.

## Establishment of Quorum

The Committee is required by the Standing Orders to have a quorum so that decisions can be made. A quorum of four (4) Members, inclusive of the Chair or Vice-Chairman), with representatives from both Houses was agreed to by the Committee at its First Meeting.

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<sup>1</sup> Standing Order 110 (6) in the [House of Representatives](#) and 100(6) of the [Senate](#).

<sup>2</sup> <http://www.finance.gov.tt/wp-content/uploads/2013/11/State-Enterprise-Performance-Monitoring-Manual-2011.pdf>

## Change in Membership

On December 1, 2017 a decision was made at a sitting of the House of Representatives to replace Ms. Shamfa Cudjoe as a Member with Dr. Nyan Gadsby-Dolly.

# METHODOLOGY

## Determination of the Committee's Work Programme

At its second meeting on Wednesday January 13, 2016, the Committee agreed to prioritize thirty-four

(34) State Enterprises as follows:

1. Caribbean Airlines Limited (CAL)
2. Caribbean New Media Group (CNMG)
3. Caroni Green Limited
4. Community Environmental & Protection Enhancement Programme Company Limited (CEPEP)
5. Education Facilities Company Limited (EFCL)
6. Estate Management and Business Development Company Ltd. (EMBDC)
7. Evolving Tecknologies and Enterprise Development Co. Ltd (eTECK)\*
8. National Commission for Self Help Limited
9. National Entrepreneurship Development Company Ltd. (NEDCO)
10. National Enterprises Limited (NEL)
11. National Gas Company of Trinidad and Tobago Limited (NGC)
12. National Infrastructure Development Company Ltd. (NIDCO)\*
13. National Insurance Property Development Company Ltd. (NIPDEC)
14. National Quarries Company Limited (NQCL)
15. National Schools Dietary Services (NSDSL)\*
16. Palo Seco Agricultural Enterprises Ltd (PSAEL)
17. Petroleum Company of Trinidad and Tobago (PETROTRIN)
18. Point Lisas Industrial Port Development Corporation Ltd. (PLIPDECO)
19. Port of Spain Waterfront Development Ltd.
20. Rincon Development Ltd.
21. Rural Development Company of Trinidad and Tobago Ltd.
22. Sport Company of Trinidad and Tobago (SporTT)
23. Telecommunication Services of Trinidad, Tobago (TSTT)
24. Trinidad and Tobago Fashion Company Ltd.
25. Trinidad and Tobago Mortgage Finance Company Limited (TTMF)\*
26. Trinidad and Tobago National Petroleum Limited (NP)
27. Tourism Development Corporation (TDC)
28. Union Estate Electricity Generation Company Limited
29. Urban Development Corporation of Trinidad and Tobago (UDECOTT)

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\* Examined in the First Session of the Eleventh Parliament. The Report can be accessed via the following link:  
<http://www.ttparliament.org/reports/p11-s1-j-20160913-PAEC-R1.pdf>

30. Solid Waste Management Company Limited (SWMCOL)
31. Vehicle Management Corporation of Trinidad and Tobago (VMCOTT)
32. National Flour Mills Limited\*
33. Community Improvement Services Limited
34. Government Human Resource Services Company Limited (GHRS)\*

At a meeting held on November 15, 2017, the Committee identified the following entities for examination in the Third Session of the 11<sup>th</sup> Parliament:

- i. National Entrepreneurship Development Company Limited (NEDCO);
- ii. National Maintenance, Training and Security Company (MTS);
- iii. National Training Agency;
- iv. Union Estate Electricity Generation Company Limited;
- v. National Commission for Self Help;
- vi. National Helicopter Services Limited
- vii. Youth Training & Employment Partnership Programme Limited;
- viii. Lake Asphalt of Trinidad and Tobago (1978) Limited;
- ix. Trinidad and Tobago National Petroleum Marketing Company Limited (NP);
- x. Trinidad and Tobago Creative Industries Company Limited; and
- xi. Export Centres Company Limited

## The Inquiry Process

The Inquiry Process outlines steps taken by the Committee to conduct the inquiry into the operations of NEDCO. The following steps outlines the Inquiry Process agreed to by the PA(E)C:

- I. Identification of issues in the Audited Accounts, Balance Sheet and other Financial Statements of NEDCO for the financial years 2008-2014;
- II. Preparation of Inquiry Proposal for NEDCO. The Inquiry Proposal outlines:
  - a. Background;
  - b. Objective of Inquiry; and
  - c. Proposed Questions.
- III. Consideration and approval of Inquiry Proposal by the Committee, when approved, questions were forwarded to NEDCO on May 23, 2017. Written responses were received from NEDCO on June 7, 2017;
- IV. Preparation of an Issues Paper, based on written responses received from the NEDCO. The Issues Paper identified and summarised any matters of concern in the responses provided by the NEDCO;
- V. Determination of the need for a Public Hearing based on the analysis of written submissions. In this instance, a public hearing was held on Wednesday November 15, 2017.
- VI. Written request for additional information was sent to the NEDCO after the public hearing on November 16, 2017. The responses were subsequently received on December 11, 2017.
- VII. Report Committee's findings and recommendations to Parliament upon conclusion of the inquiry.

# NEDCO's PROFILE

## Background:

In 2002, the Government of Trinidad & Tobago established NEDCO with a mandate to develop small and micro businesses whose needs could not be met by traditional lending agencies. The company suggests that Trinidad & Tobago's economic success rests on NEDCO's ability to diversify the economy and develop a successful group of entrepreneurs. NEDCO operates to assist in transforming small or micro business idea from a dream to reality by giving its clients the skills, training and financial support needed to run a successful business.

Services:

- Loan Services;
- ETIIC;
- IBIS; and
- Training.

**Line Ministry** – Ministry of Labour and Small Enterprise Development

**Minister** – The Hon. Mrs. Jennifer Baptiste-Primus

**Permanent Secretary (Ag.)**– Ms. Natalie Willis

**Chairman**- Mr. Clary Benn

**Chief Executive Officer** – Mr. Albert Chow

# ISSUES, OBSERVATIONS AND RECOMMENDATIONS

In the Committee's examination of NEDCO, the following issues were identified and the corresponding observations and recommendations proposed:

## **I. NEDCO's high non-performing loan portfolio**

NEDCO's non-performing loans totaled approximately \$94 million during the period 2008-2014, equivalent to 77% of the firm's loan portfolio. This high rate of non-performing loans was as a result of the poor management of the company. Officials from NEDCO indicated that the risk management systems were weak and measures were used to improve and enhance the quality of risk management in particular. As such, a total of 1,148 loans were defaulted over the period 2012-2017. The information previously disseminated from NEDCO to its clientele may not have been clearly communicated, which led clients to believe they were receiving grant financing rather than a loan. This perception was bolstered by the fact that the programme was administered by a Government agency. However, NEDCO has been pursuing exhaustive avenues for maximum recovery, including the use of a collection agency. The portfolio at risk has subsequently been reduced to 20% for disbursements over the past five years and no write offs were projected beyond this figure.

According to the Business Operation Review Report generated by PwC, NEDCO was using a matrix to estimate provisions for loan losses based on the number of days in arrears which were not in accordance with the International Accounting Standards (IAS). The matrix did not consider the present value of cash flows of the various loan categories and as such, poses the chance of this matrix over or under-estimating the provision for loan losses.

### ***Recommendations:***

- ***NEDCO should evaluate the Company's lending policies, credit administration and the quality of the loan portfolio to produce a comprehensive and effective strategy for managing the loan portfolio;***
- ***NEDCO should clearly indicate the level of profitability it expects to realize over a defined period by reducing its bad debt expenses through better management of its loan portfolio; and***
- ***NEDCO should provide a status of the initiatives taken to strengthen the processes and controls for the monitoring the loan portfolio by March 31, 2018.***

## **II. The lack of Key Performance Indicators (KPIs) to effectively assess NEDCO's performance**

There were no mechanisms in place to effectively assess performance as indicated by officials from NEDCO. However, with the recent establishment of a new executive team, key performance indicators will be implemented at the end of the first quarter of fiscal 2018. These indicators will include asset quality, efficiency levels, productivity levels and viability levels.

### ***Recommendations:***

- *The Ministry of Labour and Small Enterprise Development should ensure that appropriate key performance indicators, which must include efficient debt management, be implemented to measure the company's performance by March 31, 2018; and*
- *NEDCO should conduct quarterly checks to monitor the implementation of the (KPIs) and their progress upon the establishment of these indicators.*

## **III. The untimely submission of the company's Audited Financial Statements to the Parliament for the fiscal years 2015 and 2016**

There has been a lack of accountability to Parliament by NEDCO for the utilisation of public funds. The Committee noted that for the fiscal year 2015 and 2016, NEDCO failed to submit its financial statements to Parliament in a timely manner for scrutiny. However, the company expressed good intentions and commitment for reports to be submitted to the Line Ministry and, also, to the Ministry of Finance by the stipulated deadlines as stated in the State Enterprises Performance Monitoring Manual.

### ***Recommendations:***

- *NEDCO should submit a report to the Parliament on the initiatives undertaken to address the weakness in the financial reporting system by March 31, 2018;*
- *NEDCO should adhere to the stipulated deadlines in Section 3.1 of the State Enterprises Performance Monitoring Manual which states that audited financial statements must be submitted to parliament within four (4) months after a company's end of year and within two (2) months of the mid-year date subject to the approval of the Minister of Finance;*
- *The Finance and Accounting Department, should set clear targets and milestones for successful performance levels and submission of Audited Financial Statements;*

- *The Ministry of Finance- Investments Division and the Ministry of Labour and Small Enterprise Development should exercise their oversight functions by ensuring that all State Agencies under their purview submit their Audited Accounts to the Parliament in a timely manner commencing in January, 2018;*
- *NEDCO should strengthen the internal controls of its financial management processes by March 31, 2018 to ensure the timely preparation and submission of Statements; and*
- *NEDCO should undertake a quarterly closing process of financial accounts to ensure the ongoing completeness and accuracy of data collected.*

#### **IV. The viability of NEDCO's fee-based services**

As a financial organisation whose performance and loan portfolio have been deteriorating, the Committee sought an understanding on the success and viability of the fee-based training products geared towards boosting income levels and whether clients were confident in the institution's ability to provide sound financial advice.

However, officials from NEDCO viewed training and the provision of programmes to new and even existing entrepreneurs, as essential. Therefore, it was seen as a compulsory need for any successful loan applicant. The entity indicated that interfacing with other agencies to tailor the programme to suit the specific needs of its clients has been successful to an extent thus far.

NEDCO further explained that the company offered these services at no cost for several years. However, due to the ongoing demand for business advisory services, and the need to increase the level of income and reduce dependency on the State, a decision was made to implement a fee-based service.

#### ***Recommendations:***

- *NEDCO should conduct quarterly financial analyses of its fee-based services to ensure the sustainability and viability of these programmes commencing in March 2018; and*
- *NEDCO should clearly indicate the level of income it expects to earn over a defined period from this initiative.*

## V. Absence of Risk Management Plan and Policies

Based on the Business Operation Review Report generated by PwC, NEDCO did not have a risk management plan and did not look at risk for the organisation as a whole. Greater emphasis needed to be placed on loan portfolio management particularly aimed at managing the risks inherent in each portfolio. This increases the vulnerability of the organisation from an operational and financial standpoint if risks are not properly identified and managed.

The Executive Manager Finance and Risk position has the responsibility for addressing risks at the organisational level but Risk Management does not appear to be adequately practiced if at all.

The Committee enquired about the measures implemented by NEDCO to minimise its exposure to credit risk given the unstable economic climate. Officials from NEDCO stated that a credit policy was established to mitigate against credit risk with a maximum loan quantity of \$500,000 at a lending rate of 8% per annum (add on) and a maximum loan repayment period of five (5) years with the exception of loans for new maxi taxis which is six (6) years. Various forms of collateral were used in the event of credit default.

It was further explained that the company assessed client risk by determining whether the risk was high, medium or low and the impact of that eventuality on the business. Based on the assessment, the client received a passing grade which would have taken into consideration adverse situations.

### ***Recommendations:***

- ***NEDCO should, as a matter of urgency, produce a risk management plan to address the risk inherent in each portfolio. The plan should include a comprehensive set of assessment criteria for each risk and the mitigation processes;***
- ***NEDCO should implement more stringent measures to assess the likelihood of default by clients, especially during a period of economic uncertainty;***
- ***NEDCO should strictly enforce its credit policy to ensure that all debts are recovered in a timely manner; and***
- ***NEDCO should review all policies and processes with respect to financial, operational and risk management and provide a status report to the Committee by March 31, 2018.***

## **VI. Lack of effective oversight by Line Ministry and Ministry of Finance- Investments Division**

According to the State Enterprises Performance Monitoring Manual, The Ministry of Finance- Investments Division is responsible for executing the investment policy as prescribed by Cabinet. Accordingly, the mandate of the Division includes oversight, monitoring and where necessary, the rationalisation of GORTT equity holdings in commercial enterprises. The Division acts on behalf of the Minister of Finance (Corporation Sole) and carries out the corporate function. This includes representation of the Minister at shareholders' meetings; establishment of new Enterprises and rationalisation of the investments portfolio of the Shareholder.

Additionally, while the Investments Division is responsible for Corporate Governance, Line Ministries determine the day to day operations on policy mandates of State Enterprises. The Line Ministries' role include technical supervision of planning, monitoring and evaluating project, plan and programme implementation and ensuring that State Enterprises adhere to the Sectoral policy guidelines of GORTT. Accordingly, allocations for developmental purposes detailed in the National Budget are assigned to respective Line Ministries. All public expenditure is approved ultimately by Parliament and the Ministry of Finance is responsible for all monies utilised by State Enterprises.

However, due to the significant amount of losses that were experienced by NEDCO, the Committee was of the opinion that there was minimum oversight of NEDCO by the Line Ministry and Ministry of Finance- Investments Division.

### ***Recommendation:***

- ***The Line Ministry and the Ministry of Finance –Investments Division should exercise strong oversight functions through collaboration and liaison with the State Enterprises and provide the Committee with details of the progress in identifying and addressing the weakness of NEDCO by March 31 2018.***

## **VII. Zero Balances on NEDCO's Income Statement for the Fiscal Year 2014**

Based on the Income Statements produced for fiscal 2014, it was noted that the company's revenues and expenditures were equivalent, resulting in zero balances for that year. The company explained that like most State Enterprises, deficit funding requirements were

used. Therefore, once the revenue grants were sufficient to cover expenditure, only that amount is reflected in the income and expenditure; the excess then went forward to the following year for optimal utilisation of the grants.

***Recommendation:***

- ***NEDCO should ensure that its financial accounts are prepared in accordance International Financial Reporting Standards (IFRS).***

The Public Accounts (Enterprises) Committee respectfully submits this Report for the consideration of the Parliament.

Sgd.  
Mr. Wade Mark  
**Chairman**

Sgd.  
Dr. Tim Gopeesingh  
**Vice-Chairman**

Sgd.  
Mr. Fitzgerald Hinds  
**Member**

Sgd.  
Mrs. Cherrie-Ann Crichlow-Cockburn  
**Member**

Sgd.  
Mrs. Jennifer Baptiste-Primus  
**Member**

Sgd.  
Dr. Nyan Gadsby-Dolly  
**Member**

Sgd.  
Mr. Foster Cummings  
**Member**

Sgd.  
Mr. David Small  
**Member**

# Appendix 1

## Minutes of Meetings

**THE PUBLIC ACCOUNTS ENTERPRISES COMMITTEE –  
THIRD SESSION, ELEVENTH PARLIAMENT**

**MINUTES OF THE TWENTY-THIRD MEETING HELD ON  
WEDNESDAY, NOVEMBER 15, 2017 AT 10:02 A.M.  
IN THE A.N.R ROBINSON (WEST) MEETING ROOM, LEVEL 9,  
AND IN THE A.N.R ROBINSON (EAST) MEETING ROOM, LEVEL 9,  
OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN  
INTERNATIONAL WATERFRONT CENTRE, 1A WRIGHTSON  
ROAD, PORT-OF-SPAIN.**

Present were:

Mr. Wade Mark	-	Chairman
Mrs. Jennifer Baptiste-Primus	-	Member
Mr. David Small	-	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	-	Member
Mr. Foster Cummings	-	Member
Ms. Keiba Jacob	-	Secretary
Ms. Hema Bhagaloo	-	Assistant Secretary
Ms. Melanie Chin	-	Research Assistant

Excused were:

Dr. Tim Gopeesingh	-	Vice Chairman
Mr. Fitzgerald Hinds	-	Member
Ms. Shamfa Cudjoe	-	Member

**COMMENCEMENT**

- 1.1 At 10:02 a.m. the Chairman called the meeting to order and welcomed those present. Dr. Tim Gopeesingh, Mr. Fitzgerald Hinds and Ms. Shamfa Cudjoe were excused from the meeting.

**THE EXAMINATION OF THE MINUTES OF THE TWENTY-SECOND MEETING**

- 2.1 The Committee examined the Minutes of the Twenty-Second (22<sup>nd</sup>) Meeting held on Wednesday May 31, 2017.
- 2.2 There being no omissions or corrections, the Minutes were confirmed on a motion moved by Mrs. Jennifer Baptiste-Primus and seconded by Mr. David Small.

## **MATTERS ARISING FROM THE MINUTES OF THE TWENTY- SECOND MEETING**

- 3.1 With reference to item 3.4, page 2, the Committee agreed to examine Caribbean Airlines Limited (CAL) in the Fourth Session, Eleventh Parliament.

## **WORK PROGRAMME**

- 4.1 The Chairman invited Members to review the proposed Work Schedule for the Third Session which was prepared by the Secretariat and approved by the Chairman, Mr Wade Mark.
- 4.2 The Committee agreed to the following Work Programme for the Third Session:
1. National Entrepreneurship Development Company Limited (NEDCO) – [Second Session Work Programme];
  2. National Maintenance, Training and Security Company limited (MTS);
  3. National Training Agency;
  4. Union Estate Electricity Generation Company Limited;
  5. National Commission for Self Help Limited;
  6. National Helicopter Services Limited;
  7. Youth Training & Employment Partnership Programme Limited (YTEPP);
  8. Lake Asphalt of Trinidad and Tobago (1978) Limited;
  9. Trinidad and Tobago National Petroleum Marketing Company Limited (NP);
  10. Trinidad and Tobago Creative Industries Company Limited; and
  11. Export Centres Company Limited.

## **CONSIDERATION OF REPORT**

- 5.1 The Chairman invited Members to review/make any comments and/or suggestions to the Committee's Draft Ninth Report on the Examination of the Audited Accounts, Balance Sheet and other Financial Statements of the Telecommunications Services of Trinidad and Tobago Limited (TSTT) for the financial years 2008-2016.
- 5.2 The Committee approved and agreed that the Ninth Report on the examination of the TSTT will be presented at the next Sitting of the House of Representatives and Senate.
- 5.3 The Committee agreed that Dr. Tim Gopeesingh and Mr. Wade Mark will present the Report in the House of Representative and Senate respectively.
- 5.4 The Chairman informed Members that a press conference will be held on November 21, 2017, to highlight the findings and recommendations in the report.

## **PRE-HEARING DISCUSSION RE: THE NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED (NEDCO)**

- 6.1 The Chairman reminded Members that the purpose of the meeting will be the examination of the Audited Accounts, Balance Sheet and other Financial Statements of the National Entrepreneurship Development Company Limited (NEDCO) for the period 2008 -2014.

- 6.2 Members discussed the issues of concern and the general approach for the public hearing.
- 6.3 There being no further business for discussion *in camera*, the Chairman suspended the meeting at 10:18 a.m.

**THE NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED (NEDCO)**

- 7.1 The Chairman called the public meeting to order at 10:25 a.m.
- 7.2 The following officials joined the meeting:

**National Entrepreneurship Development Company Limited**

- Mr. Clarry Benn - Chairman
- Ms. Willa Guy Straker - Director
- Mr. Albert Chow - Chief Executive Officer
- Ms. Lilly Indarsingh - Corporate Secretary (Ag.)
- Ms. Vedia Beharrylal - Internal Audit Manager
- Ms. Delisa Emmanuel - Finance Manager
- Mr. Curtis Mayers - Corporate Business Analyst
- Ms. Marion Rouse - Human Resource and Admin Manager

**Ministry of Labour and Small Enterprise Development**

- Ms. Natalie Willis - Permanent Secretary (Ag.)
- Ms. Shanmatee Singh Ng Sang - Deputy Permanent Secretary (Ag.)
- Mr. Michael Gordon - Manager, Enterprise Development Division

**Ministry of Finance – Investments Division**

- Mr. Hayden Manzano - Executive Director , Investment Division
- Mr. Suresh Dan - Senior Business Analyst (Ag.)
- Mr. Junior Atwarie - Business Analyst (Ag.)

- 7.3 The Chairman welcomed officials from the Ministry of Finance – Investments Division, the Ministry of Labour and Small Enterprise Development, NEDCO, members of the media and the public and introductions were exchanged.

**7.4 Key Issues Discussed**

1. The status of NEDCO’s non-performing loan portfolio.
2. The approach taken by NEDCO to address the issue of debt recovery.
3. The measures in place to determine NEDCO’s performance.

4. The ability of NEDCO's leadership team to effectively manage the company going forward.
5. The issue of zero-balances on the company's 2014 audited financial statements and the status of the 2015 to 2017 outstanding financial statements.
6. The status of the company's new Strategic Plan.
7. The status of the company's human resources capacity.
8. The company's anticipation of attaining self-sufficiency.
9. NEDCO's debt collection policy on aged debt.
10. The role of the Ministry of Finance- Investments Division in monitoring NEDCO's performance.
11. The role of the Ministry of Labour and Small Enterprise Development in providing oversight and monitoring the operations of NEDCO.
12. The role of NEDCO's Internal Audit function in detecting fraudulent activities.
13. The management of NEDCO's twelve (12) offices consisting of a staff complement of one hundred (100) employees.
14. The status of NEDCO's Procurement Policy.
15. The clarification of the words "weak collateral".
16. The viability of NEDCO's fee-based services.
17. The business continuity plan for NEDCO in the event of external disasters.
18. The failure of NEDCO to assess risk management policies despite the current economic climate.
19. The key revenue generating activity of the company; and
20. The satisfaction of the Board on the performance of the lower levels of staff and the low work to employee ratios existing at the organization.

**Please see Verbatim Notes for the detailed oral submission by the witnesses.**

- 7.5 The Chairman thanked the representatives from the Ministry of Finance – Investments Division, the Ministry of Labour and Small Enterprise Development, members of the media, NEDCO and Members for their attendance and the meeting was adjourned.
- 7.6 At 12:56 p.m. the Chairman adjourned the meeting.

**We certify that these Minutes are true and correct.**

CHAIRMAN

SECRETARY

*November 17, 2017*

# Appendix 2

## Attendees

# Attendees

## **National Entrepreneurship Development Company Limited**

- Mr. Clarry Benn - Chairman
- Ms. Willa Guy Straker - Director
- Mr. Albert Chow - Chief Executive Officer
- Ms. Lilly Indarsingh - Corporate Secretary (Ag.)
- Ms. Vedia Beharrylal - Internal Audit Manager
- Ms. Delisa Emmanuel - Finance Manager
- Mr. Curtis Mayers - Corporate Business Analyst
- Ms. Marion Rouse - Human Resource and Admin Manager

## **Ministry of Labour and Small Enterprise Development**

- Ms. Natalie Willis - Permanent Secretary (Ag.)
- Ms. Shanmatee Singh Ng Sang - Deputy Permanent Secretary (Ag.)
- Mr. Michael Gordon - Manager, Enterprise Development Division

## **Ministry of Finance – Investments Division**

- Mr. Hayden Manzano - Executive Director , Investment Division
- Mr. Suresh Dan - Senior Business Analyst (Ag.)
- Mr. Junior Atwarie - Business Analyst (Ag.)

# APPENDIX 3

## List of entities falling under the purview of the PAEC:

1. Agricultural Development Bank (ADB)
2. Caribbean Airlines Limited (CAL)
3. Caribbean Leasing Company Ltd (owned by ExportTT)
4. Caribbean New Media Group Limited (CNMG)
5. Caroni Green Limited
6. Clico Trust Corporation Limited
7. Cocoa Development Company of Trinidad and Tobago Ltd
8. Community Environmental & Protection Enhancement Programme Company Limited (CEPEP)
9. Community Improvement Services Limited
10. East Port of Spain Development Company Limited
11. Education Facilities Company Limited (EFCL)
12. Estate Management & Business Development Company Ltd. (EMBDC)
13. Export Centers Company Limited
14. Export Import Bank of Trinidad & Tobago (EXIMBANK)
15. ExportTT (formerly BDC: Business Development Company Limited)
16. Evolving Technologies & Enterprise Development Company Limited (eTeck) (formerly Property & Industrial Development Company of Trinidad & Tobago)
17. First Citizens Bank (FCB)
18. First Citizens Holdings Limited
19. Government Human Resource Services Company Limited (GHRS)
20. Government Information Services Limited (GISL)
21. Human Capital Development Facilitation Company Limited
22. InvestTT
23. Lake Asphalt of Trinidad & Tobago (1978) Ltd.
24. La Brea Industrial Development Corporation
25. Metal Industries Company Limited (MIC)
26. National Agricultural Marketing Development Corporations Limited (NAMDEVCO)
27. National Commission For Self Help Limited
28. National Energy Corporation of Trinidad and Tobago Limited
29. National Entrepreneurship Development Company Ltd. (NEDCO)
30. National Enterprises Limited (NEL)
31. National Flour Mills Limited (NFM)
32. National Gas Company of Trinidad & Tobago Limited (NGC)
33. National Helicopter Services Limited
34. National Information & Communication Technology Company Limited (NICTCL)
35. (iGovTT) (ttconnect)
36. National Infrastructure Development Company Limited (NIDCO)
37. National Insurance Property Development Company Limited (NIPDEC)
38. National Maintenance, Training & Security Company Limited (MTS)

39. National Project Development Services Ltd
40. National Quarries Company Limited (NQCL)
41. National Schools Dietary Services Limited
42. National Training Agency (1997) Ltd.
43. Natpat Investments Company Ltd.
44. Oropune Development Ltd. (owned by UDECOTT)
45. Palo Seco Agricultural Enterprises Limited (PSAEL)
46. Petroleum Company of Trinidad & Tobago Limited (PETROTRIN)
47. Phoenix Park Gas Processors Ltd.
48. Point Lisas Industrial Port Development Corporation Ltd (PLIPDECO)
49. Point Lisas Terminals Ltd. (owned by PLIPDECO)
50. Portfolio Credit Management Limited
51. Port of Spain Waterfront Development Ltd.
52. Rincon Development Ltd.
53. Rural Development Company of Trinidad & Tobago Limited
54. Seafood Industry Development Company Limited
55. Sports Company of Trinidad & Tobago Limited (SporTT)
56. Taurus Services Limited
57. Telecommunications Services of Trinidad & Tobago Limited (TSTT)
58. Tourism Development Company Limited (TDC)
59. Trinidad Nitrogen Company Limited (TRINGEN)
60. Trinidad Northern Areas Ltd.
61. Trinidad & Tobago Entertainment Company Limited (TTent)
62. Trinidad & Tobago External Telecommunications Ltd.
63. Trinidad and Tobago Fashion Company Limited
64. Trinidad & Tobago Film Company Limited
65. Trinidad & Tobago Fish Processors Ltd.
66. Trinidad & Tobago Food Processors Ltd.
67. Trinidad & Tobago Free Zones Company Limited
68. Trinidad & Tobago International Financial Centre Management Company Limited
69. Trinidad & Tobago Marine Petroleum Company Ltd.
70. Trinidad & Tobago Mortgage Finance Company Limited (ITMF)
71. Trinidad and Tobago Music Company Limited
72. Trinidad & Tobago National Petroleum Marketing Company Limited (NP)
73. Trinidad & Tobago Solid Waste Management Co. Ltd. (SWMCOL)
74. Trinidad & Tobago Tourism Business Development Limited
75. Trintoc Services (owned by PETROTRIN)
76. Union Estate Electricity Generation Company Limited
77. Urban Development Corporation of Trinidad & Tobago Limited (UDECOTT)
78. Vehicle Management Corporation of Trinidad & Tobago Limited (VMCOTT)
79. Youth Training & Employment Partnership Programme Limited (YTEPP)

# APPENDIX 4

# VERBATIM

**VERBATIM NOTES OF THE TWENTY-THIRD MEETING OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE HELD IN THE A.N.R. ROBINSON (WEST), LEVEL 9 (IN CAMERA), AND THE A.N.R. ROBINSON (EAST), (IN PUBLIC), TOWER D, INTERNATIONAL WATERFRONT CENTRE, #1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, NOVEMBER 15, 2017 AT 10.25 A.M.**

**PRESENT**

Mr. Wade Mark	Chairman
Mrs. Jennifer Baptiste-Primus	Member
Mr. Foster Cummings	Member
Mr. David Small	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	Member
Ms. Keiba Jacob	Secretary
Miss Hema Bhagaloo	Asst. Secretary

**ABSENT**

Mr. Fitzgerald Hinds	Member
Dr. Tim Gopeesingh	Member
Miss Shamfa Cudjoe	Member

**MINISTRY OF FINANCE - INVESTMENTS DIVISION**

Mr. Hayden Manzano	Executive Director, Investment Divisions
Mr. Suresh Dan	Senior Business Analyst (Ag.)
Mr. Junior Atwarie	Business Analyst (Ag.)

**MINISTRY OF LABOUR AND SMALL ENTERPRISE DEVELOPMENT**

Ms. Natalie Willis	Permanent Secretary (Ag.)
Mr. Michael Gordon	Manager, Enterprise Development Division
Ms. Shanmatee Sing Ng Sang	Deputy Permanent Secretary (Ag.)

**NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY LIMITED (NEDCO)**

Mr. Clarry Benn	Chairman
Ms. Willa Guy Straker	Director
Mr. Albert Chow	Chief Executive Officer
Mr. Curtis Mayers	Corporate Business Analyst
Ms. Delisa Emmanuel	Finance Manager
Ms. Vedia Beharrylal	Internal Audit Manager
Ms. Lilly Indarsingh	Corporate Secretary (Ag.)
Ms. Marion Rouse	Human Resource and Admin. Manager

**Mr. Chairman:** Good morning, and let me on behalf of the Public Accounts (Enterprises) Committee warmly welcome officials from the Ministry of Finance–Investments Division, the Ministry of Labour and Small Enterprise Development, the National Entrepreneurship Development Company Limited (NEDCO), members of the media and, of course, members of the public.

May I also indicate from the very outset that the meeting that we are having at this time is being held in public and is being broadcast on the Parliament’s Channel 11 and Radio 105.5 FM, as well as the Parliament’s YouTube Channel *ParlView*. The purpose of this meeting of the Public Accounts (Enterprises) Committee is to examine the audited accounts, balance sheet and other financial statements of the National Entrepreneurship Development Company Limited (NEDCO) for the period 2008—2014.

Our Committee is desirous of hearing the challenges faced or being faced by the key stakeholders at NEDCO in an attempt to determine some of the possible solutions to these challenges. The role of our Committee is to help NEDCO improve its delivery of services in an efficient, effective and economic manner. May I repeat? The role of our Committee, the Public Accounts (Enterprises) Committee, is to help NEDCO improve its delivery of services in an efficient, effective and economic manner.

I will now ask officials from the Ministry of Finance - Investment—thank you. Before I ask officials from the Ministry of Finance to introduce themselves, may I take this opportunity to ask members of the Public Accounts (Enterprises) Committee to introduce themselves, and then we will go to the officials from the Ministry of Finance and officials from the Ministry of Labour and Small Enterprise Development. May I ask my colleagues to introduce themselves?

*[Members introduced themselves]*

**Mr. Chairman:** May I now call on officials from the Ministry to Finance to introduce themselves.

*[Introductions made]*

**Mr. Chairman:** We have officials from the Ministry of Labour and Small Enterprise Development. May I ask the Ministry of Labour and Small Enterprise Development to introduce themselves?

*[Introductions made]*

**Mr. Chairman:** We will now call on the officials of the National Entrepreneurship Development Company Limited (NEDCO) to introduce themselves.

*[Introductions made]*

**Mr. Chairman:** Well, once again thank you and welcome once again. May I at this time invite the distinguished Chairman of NEDCO to make some brief opening remarks at this time, Mr. Clarry Benn.

**Mr. Benn:** Thank you very much, Mr. Chairman. In August 2002, the National Entrepreneurship Development Company Limited (NEDCO) was established by the Government of Trinidad and Tobago as a state-owned limited liability company to provide microfinance services to assist in the development of a sustainable small and microenterprises sector. The key stakeholders are the Government of Trinidad and Tobago through the line Ministry, the Board of Directors, the clients, management and staff.

Cabinet Minute No. 776 of April 2002 governs the establishment of NEDCO to be the implementing agency for Government’s policy on small and microenterprise development. In

2005, NEDCO established the Entrepreneurial Training Institute and Incubation Centre (ETIIC) as a strategic business unit, and in 2011 NEDCO launched the national Integrated Business Incubator System (IBIS), a programme initiated by the Ministry of Labour and Small Enterprise Development specifically for intense monitoring of entrepreneurs and early stage businesses including start-ups. NEDCO's business model, therefore, consists of an integrated system of key services designed to cover the critical support needs for the developing entrepreneurs.

On assuming office in December 2015, the board of directors of NEDCO was advised by the line Minister of Labour and Small Enterprise Development of a new mandate for NEDCO. Among the items listed are the following:

1. The provision of financing to small businesses including, but not limited to, loans, equity and quasi-equity financing, and working capital financing;
2. The provision of training via short courses and business advisory services to small business clients;
3. The development of policies and strategies that aid in the development of small enterprises; and
4. The coordination of all entrepreneurship development programmes receiving Government's support.

It is against this background that the new board on assuming office very proactively engaged the services of PricewaterhouseCoopers (PwC) to undertake a comprehensive review of the operations of NEDCO. Among the findings of PwC were:

1. In its current form the business is not sustainable and largely dependent on Government's support to meet operating cost;
2. The existing mandate of NEDCO is not being fulfilled and in some instances it is unclear;
3. There is a critical need to revisit the business model and the financial viability of NEDCO particularly in the context of the new mandate;
4. The current financial state of NEDCO is not sustainable and rapid action must be taken to transform the business model; and
5. Given the scope of the new mandate, a robust plan of effective stakeholder management is needed for implementation of the new mandate.

The foregoing underscores the current status of NEDCO, which can be aptly described as an institution at its crossroads. The current board is very conscious of the state of affairs of NEDCO and is committed to embarking on a sea change at the organization, which would involve a thorough transformation of the institution geared towards creating a sustainable self-reliant, process driven, socioeconomic oriented, lean, entrepreneurial development institution. This will be consistent with and is deemed a prerequisite for the successful execution of the new mandate the Government has outlined for NEDCO.

As we appear before this Committee today, Mr. Chairman, it will be fair to say that NEDCO is in transition. The very composition of our team reflects just that. On my left is Mr. Albert Chow, who assumed duties as CEO of NEDCO on September 18, 2017, less than two months ago. We at the level of the board see the quality of leadership at the management level as a critical component of the transformation process, and it is here that we are making our start.

The board of directors is convinced that NEDCO is in urgent need of strong and visionary

leadership at the level of management at this time if the revised mandate given to it by the Ministry of Labour and Small Enterprise Development is to be accomplished. In fact, the report of the committee appointed to review and assess wholly-owned state enterprises indicated in its report on NEDCO as follows and I quote:

NEDCO has not been well managed since its establishment as evidenced by a 77 per cent non-performing loan ratio and an accumulated deficit of almost \$150 million.

The current board underscores its commitment to ensuring that the dream of NEDCO by its founding fathers will be restored, and it will once more be seen as a vehicle for spreading the philosophy and the attributes of entrepreneurship among all segments of the national community so that a new breed of confident Trinbagonians with the enlightened spirit of self-determination and innovative pursuits can emerge in Trinidad and Tobago.

In closing, Mr. Chairman, let me say that we have observed that the period identified for review is the period 2008—2014, a period which would have preceded this board. This notwithstanding, our team will seek to provide the responses to you and your members as forthrightly as we possibly can. I thank you.

**Mr. Chairman:** Well, may I thank you for your very frank, sincere and straightforward opening comments and remarks on NEDCO. I am also conscious of the fact that your board was only appointed a couple, maybe just under two years, and therefore, you would not have been at the helm during the period under review, and we are very happy that you would be able to address this best as you can, some of the concerns that we have.

The first thing I would like to ask is this: can you make a copy of that very comprehensive report that you made mentioned of which was commissioned by NEDCO and which was executed by PricewaterhouseCoopers?

**Mr. Benn:** Yes, we can.

**Mr. Chairman:** The other area that caught my attention when you were making your opening remarks had to do with what you described as, I do not know if I get the figure right—but is it 77 per cent?

**Mr. Benn:** 77 per cent.

**Mr. Chairman:**—of non-performing loans at the level of NEDCO. And would you share with this Committee, this 77 per cent non-performing loans between the period 2008—2014, have you been able to determine, since your stewardship, a significant reduction in that portfolio responsibility or is it still occurring as you said, remain in this state of transition as you seek to improve the quality of management and leadership at the helm of NEDCO? Would you want to share with us what is the situation now and, secondly, what can be done or what is being done to recover the value of the 70 per cent non-performing loans? And if you could share with us, if it missed me, what is the value in dollars and cents of the 70 per cent non-performing loans that you have on your books at this time?

**Mr. Benn:** Yes. Clearly, the obvious question would be, how have we gotten there to this point? And, as I have alluded, it was essentially the quality of management during the period. Because the quality of management in the end would have had to oversee all the systems, the extent to which the systems are tight enough and contribute to that level of delinquency and it would be fair to say—and yes as—and you will see it in the report when you get a copy of it, that the systems were rather weak. The systems that the organization had in place were rather weak in terms of their risk

management, in terms of the measures used to improve and enhance the quality of management of risk in particular.

But it would be fair to say, notwithstanding that, we over the past few years have seen an improvement in that. In other words, it is no longer at that level of 70-odd per cent, but it is now nearer 20 per cent, and this is in recognition of the fact that as one would imagine, that our clientele essentially would be that group of persons that would have or tend to have very high-risk profile in that sense. So one would know that the funds granted to them via loans would be at, I would say, above normal level of risk, largely because of the sector in which you will have your area of specialization.

But that notwithstanding, we also believe that during the early days in particular, the messages that were sent from NEDCO to its clientele may not have been appropriate. In other words, the persons who would have come to NEDCO and received loans may have interpreted those loans as grant financing, and the mere fact that this was being administered by a Government agency, the sentiment was that there is no need to repay these loans. In fact, since we have come on board—well what has happened in interim is that we have an external collecting agency that has been going after these people, and as the heat is being turned on, because it will impair their credit rating as they go to other financial institutions for financial accommodation, they would want to clean their tracks.

So I, in particular, have been meeting with some of them going from loans, going way back and they are saying to me, “You know, when we got this facility we never knew that we had to repay this”, and that would have contributed, in my humble view, significantly to the level. So what we see now is that within more recent times, as appropriate systems have been introduced and put into practice in terms of the coverage of these new facilities, there has been a major reduction in the level of delinquency. I do not know if I—

**Mr. Chairman:** I just wanted to ask if you could share with us what was the value in dollars and cents of this 70 per cent delinquency rate that you made reference to.

**Mr. Benn:** It would have been just in the vicinity of \$94 million.

**Mr. Chairman:** About \$94 million.

**Mr. Benn:** \$94 million.

**Mr. Chairman:** And could you tell us how many candidates would have been involved—

**Mr. Benn:** The numbers? The numbers of accounts? Yeah.

**Mr. Chairman:**—how many accounts would have been involved here?

**Mr. Benn:** We have a figure here of approximately 4,000.

**Mr. Chairman:** Four thousands accounts?

**Mr. Benn:** Accounts, yes.

**Mr. Chairman:** Given the aggressive approach that your board and new management would have taken to address this gap between what you would have loaned and what you actually received, could you tell us how much you would have recovered thus far, and how many accounts would have been closed as a result of settlement out of the 4,000 accounts that you just mentioned?

**Mr. Benn:** We probably do not have the exact figure of the number of accounts closed. What I can tell you is that the recovery figure per month runs in the vicinity of \$1.5 million.

**Mr. Chairman:** I think Sen. Small would like to raise a point and then I will come back.

**Mr. Small:** Thank you very much, Mr. Chairman, for giving me the opportunity to join in. Again,

once again I would like to welcome all members from NEDCO who are here. Mr. Chairman, if you would permit me, I want to be able to state my frame for how I am going to approach my questioning this morning. Mr. Chairman, I believe—I am a firm supporter that I accept that having a vibrant small and medium-sized business sector in the country is vital to our sustained economic growth going forward. So let me put my position on the record on that very clearly, I support it. The challenge we have in Trinidad and Tobago is that the system that we have tried to use is broken, and I want to commend the Chairman for being brutal with the facts of the status of NEDCO. NEDCO is broken. I am not sure—I think it is broken to the point where it needs to be completely overhauled. That is my opinion.

Mr. Chairman, if you would permit me now. In the opening statement by the Chairman of NEDCO, he referred to a number that the accumulated losses were about 150 million. Well we only have up to 2014 accounts, so my number is about 130 million. So that is another issue because the Parliament, we have accounts outstanding from NEDCO and there are some anomalies in there. When you look at the performance of NEDCO—and this is before your time—you have a situation where the entity, its cost of operations for 100 persons is way out there. NEDCO is averaging \$30 million cost of operations annually for 100 staff. Something is wrong there. I would always be the first to say, I do not advocate that people should lose their jobs, but we are in a situation where I think everyone understands the economic situation of the country is drastically adjusted in a negative direction so we should be seeking value for money, efficiency, prudence, and then even in all of that, we need accountability.

So I have my first question really because I just wanted to get those things out about how—I wanted to understand how does NEDCO measure its performance because I sit here and there is a saying that what gets measured gets done. What measures inside of NEDCO would NEDCO use to say how we have performed? Do you have a score card? How does NEDCO currently or in the past, whatever information you have, measure to say that we have performed? I have looked at some of your annual reports, they look interesting, they sound wonderful, and it sounds as if they are doing good, but the numbers tell a complete opposite story. So I want to get from NEDCO, how do you measure your performance?

**Mr. Benn:** Hon. Member, I would have asked the same question as well. What I could tell you is, we have just appointed a new CEO and we are hoping that by the end of the first quarter of next year we would have an entirely new senior management or executive team to support the CEO. The key performance indicators, which is what I think you are asking, would be drastically changed. I could tell you what they will be. One would be the asset quality, the quality of your asset; secondly, would be your level of efficiency; thirdly, your level of productivity; and fourthly, the level of viability. And I firmly believe that if we use these measurements as the key performance indicators going forward and—well, of course, you may or may not achieve what your targets may be, but at least they will stand as the benchmarks for your assessment.

**10.55 a.m.**

We have had some difficulty if you will, even knowing what is the state of play and I will tell you why. Because we have—a major product or project currently being undertaken at the level of NEDCO is the bringing into being of an integrated loan and account management platform. That, we think, is critical and essential going forward. Without it, as has happened in the past, the quality of data emerging would have been unreliable, and this, if I may say so myself, is a project

that preceded us. In other words, when we assumed duties in 2015, that project was already ongoing but the project was meandering without any clear sense of direction and we think that we have taken that by the scuff of the neck and we can comfortably say now that this project will go live in February of next year.

So the quality of information—I am saying, in other words, if you do not have reliable data to quantify and to make an assessment of your performance through time, you know what I am saying. So basically, I hear you. It would be difficult for me to sit here and say, well, these are the standards that were used in the assessment of the performance in the past. Even if they were, they will not be standards that I will feel comfortable with.

**Mr. Small:** Mr. Chairman, I have a follow up. Mr. Chairman, I appreciate your frankness. This is refreshing from where I sit because I looked at the numbers and the numbers of the previous operation of NEDCO would scare any person. When you have revenue grant from the Government of \$17 million in 2011 but loan loss of \$44 million, it just cannot work. It cannot work. So I appreciate that you have been able to lay out a roadmap for where you would like to be able to say how to measure, but here is my question. And I am not putting you on the spot but I appreciate your frankness so far. The team of people at NEDCO now, do you think they will be able to step up their game or change their game, because the team of people have not changed, the team that has delivered this, a lot of them are still there. So I am asking you for your view in terms of the team who is there now, can they stay, change their mental approach to be able to operate to deliver in terms of the benchmarks that you have outlined. What is your opinion, Mr. Chairman?

**Mr. Benn:** Yes, hon. Member. Let me say that the team, much of the team—and you see I will look at the leadership, the upper echelon at the place. Well, Mr. Chow is now on board and he is the senior person there as CEO and there were other members of the executive team who fortunately, there is natural attrition, so their terms are just about being completed. They were on contract actually and they are departing the organization and there are contracts which will not be renewed. So what is going forward, as I said, the first quarter, we will likely have a new executive at the top.

Now, there are some hard-working people at the lower levels but the guidance and direction and the motivation virtually absent and I think that will make a significant difference in moving forward. The difference at the top that can offer inspired leadership of the organization, we are confident at the level of the board, will make a significant difference going forward.

**Mr. Small:** Mr. Chairman, I thank you. Mr. Chairman, would you permit me one final short little question? I have many questions, Mr. Chairman, so bear with me. [*Laughter*] I have a question for the Finance Manager. We only have up to 2014 accounts and I am seeing an anomaly in the accounts that I just do not understand, and I have seen it before in other state enterprises but it is an accounting anomaly, where you have all of your revenues and all of your expenditures equally each other down to the cent, down to the penny, whereas that suggests some other type of activity. And I would like to ask, how could it be down to the cent, all of the money you received and then all of the money expended down to cent, it balances to zero? Because that is an accounting impossibility in my respectful view, okay, for your 2014 accounts.

So that I have asked this question before of another state entity and they had no reasonable answer. They gave me an answer in the corridor but I would not repeat that. [*Laughter*] Could

someone help me here?

**Ms. Emmanuel:** Member, at NEDCO and I guess at most state enterprises, it is deficit funding requirements that are used. Therefore, most times, once the revenue grants are sufficient to cover your expenditure, it is only that amount that is reflected in the income and expenditure. The excess then goes forward to the following year and optimal utilization of the grants.

**Mr. Small:** I appreciate your response. That is the same response I got the last time but it does not explain why in all the other years, that did not happen. So 2014 stands out because in the previous years, there is a net deficit and in 2014, there is nothing. So that is all I am saying. It stands out. I accept what you are saying that you get money in and you can only spend the money you get in, but here is what. All the previous years under the current review, there is a net at the end. In 2014, it is zero, so it should not be zero unless somebody went in there and—but let me stop there. Mr. Chairman, I am done with this round of questioning. I would not ask you to respond—

**Mrs. Crichlow-Cockburn:** Good morning, Mr. Chairman. I go back to your statement that there is need for strong and visionary leadership if NEDCO is to survive and I also note your response to the Member here, but I have a concern. In 2014, NEDCO spent approximately \$1 million when they would have brought a consulting firm on board to do a restructuring exercise, and as a result of that exercise, we had five key positions being filled and those persons are—the response here states that they are in permanent positions and these positions include your Chief Operations Officer, your Executive Manager of Finance and Risk Recoveries and Procurement which, to me, are key positions. How does this gel with your response just now where by natural attrition, persons on contracts, some of those contracts may not be renewed? Because it suggests to me that some of these are also executive positions. How would you treat with that situation?

**Mr. Benn:** Thank you, hon. Member. The actual fact is that two of those that you have mentioned held executive positions on contract, contracts which just came to an end during the course of this year.

**Mrs. Crichlow-Cockburn:** Could NEDCO explain that having spent approximately \$1 million with this consulting firm, how is it that persons were recruited who, for all accounts, seem that they were not a good fit, they were not suitable for those positions? Do you have an explanation for that?

**Mr. Benn:** I will not have an—I will suggest when you get a copy of that document done by PwC, you will see the details there. They are very graphic, you know. And I think it is interesting reading because my own view is that while we will use their findings as a template for NEDCO, I am reasonably sure the findings can be used as a template for other state organizations. I am reasonably sure about that. So I know—*[Laughter]*

**Mrs. Crichlow-Cockburn:** Mr. Chairman, I realize that you are stopping short of saying something so I will protect you, I will leave you at that. In your opening statement, you also indicated that NEDCO has to have a new mandate, if it is to survive. Could you explain what that new mandate is if you have already identified it?

**Mr. Benn:** Yes, I did. In my opening remark, I did identify some of the issues outlined in the new mandate. For instance and if I may just repeat some of them: the provision of financing to small businesses including but not limiting to term loans, equity and quasi equity financing and working capital financing. Then we had two: the provision of training via short courses and business advisory services to small business clients. Then we had three: the development of policies and

strategies that aid in the development of small enterprises, and four: the coordination of all entrepreneurship development programmes receiving Government support.

We have some other—if you will just permit me, I can find some of the other highlights. The establishment of partnerships with public sector, private sector and other non-governmental organizations in the development and implementation of small enterprise development programmes. We have six: the development and implementation of market networks to support small enterprise development, including access to public procurement opportunities, and seven: the establishment of an advocacy system to ensure that there is action to proactively and reactively address the legitimate concerns of the small enterprise sector. Those are the seven planks.

**Mrs. Crichlow-Cockburn:** Thank you, Mr. Chairman and I am heartened to hear that NEDCO recognizes what needs to be done. But I also noted from the responses that were forwarded to this Committee that you have not completed your new strategic plan. How far are you with the strategic plan? Because I expect that strategic plan will guide all of these things and you know, provide the roadmap. So where are you with respect to your new strategic plan?

**Mr. Benn:** Thank you, Member. For the reasons that I would have indicated earlier, we are in transition. Let me deal with it in a different way. We, at the level of the board, firmly believe that the development and execution of a strategic plan is not really the work of the board. That, we firmly believe, is the work of the management. The management would be the ones to structure, put it together and execute it and drive it. They must have buy-in to it.

So we could not have, prior to now perhaps, and over the next few months, even encouraged the preparation of a new strategic plan because it would have meant, for example, persons in the leadership of the preparation of that, may no longer be with us. So what is happening now during this phase of transition, we have the CEO and we will have the executive team coming forward who will be appointed, you know, we go out there, select appropriate people and they, with the rest of staff, will commence this structuring of the strategic plan. We anticipate that we should complete this exercise by the end of the first quarter of 2018. I may say so—and let me just say as well, that PwC document will be used as the template for the preparation of that strategic plan going forward.

**Mrs. Crichlow-Cockburn:** Thank you, Mr. Chairman.

**Mr. Chairman:** Mr. Chairman, may I ask of you to place in writing for this Committee the outstanding accounts. You made mention earlier that you had recovered about \$1.5 million. So if you could put in writing how many accounts that are involved and if you could anticipate and let us know what you expect in the immediate future and what amount could be written off, because of the statute of limitation bar of four years. It would be very interesting for our Committee to know because remember, as we go forward, given the robust managerial structure that you will have in place, we expect this thing to reach maybe less than 5 per cent in the future in terms of bad loans. So I want you to put that in writing for us.

Also, we have seen in your submission that the financial audited accounts for 2015 and 2016 are supposed to be reaching us by December of 2017. Can you advise this Committee if we are on target or whether we are not on target in receiving those reports? So that we can begin going through those reports re: proper enquiries. So could you advise us as to where we are and where you expect us to be by December of 2017 re: those reports?

**Mr. Benn:** Yes, Mr. Chairman, I think we are on course and we are on course to delivering those.

I think we are just at the stage now, I think it would be fair to say—in fact, Mr. Chairman, the board of directors meets towards the end of the month and the audited statement of the accounts should be considered at the level of the board at its next meeting which will be held—

**Mr. Chairman:** And could you advise us, as you are on that point, when would be the 2017 financial report be ready? Because you know, under the state enterprises performance manual, three months after the close of the financial year, your report is supposed to be submitted.

**Mr. Benn:** Yeah but I doubt we would be able to reach that target of three months because—let me explain. The current external auditor will virtually have to retire and I am using the term retire, on the conclusion of this current audit because this auditor has been with us for some considerably time, even before our time. And then we immediately—in fact, we are in the process now of distributing RFPs and inviting a number of auditing entities to respond. There is the process. Basically, there is the process and once that process is completed and we appoint or at least we agree on the preferred candidate to conduct that exercise, then that has to be approved and adopted by a meeting of the company, so we have these little—and once that is done, then we could engage the services of the new auditor and for many reasons. One is that the auditing firm, whoever that may be, would be dealing with this entity for the first time, unlike the outgoing one and then the engagement. So that we do not think we would be able to meet that deadline of three months thereafter. So yes but it would be—I would think certainly within the first six months of next year and not because of us, because of the process that we need to go through.

**Mr. Chairman:** Okay. May I ask Aegis Business Solutions that we talked about in terms of 2014, would you be able to provide this Committee with a copy of that report which cost us \$1 million? Apart from the PricewaterhouseCoopers which as you said is critical reading and a must, what about the Aegis Business Solutions report which cost us \$1 million in 2014? Do you have a copy of that report on your records?

**Mr. Benn:** Yes, we do.

**Mr. Chairman:** Okay. Well, could you supply us with a copy of that report?

**Mr. Benn:** Yes, Mr. Chairman.

**Mr. Chairman:** And could you tell us, the PwC report, how long did it take to be generated and secondly, how much did it cost the company to produce that report?

**Mr. Benn:** I could tell you that we engaged them around the month of January of 2016 and they produced their report, the final report by April of that year. Let me just give you, I think I have some details on that in terms of the cost. I do have that here. Good, yes. The cost for that, I can tell you, \$398,953.00.

**Mr. Chairman:** And my final question before I ask Mr. Foster Cummings to get in. We know, Mr. Benn or Mr. Chairman, that over the last few years, as Mr. Small said, NEDCO has been in deficit. Losses from 2008 and you have a breakeven position in 2014, because as my friend said, everything seemed to be balancing in 2014. The question here is, given your new team and given the transition that you are in, when do you anticipate NEDCO would wean itself, as the Prime Minister would say, away from Government subventions and be in a position to stand on its own two feet in terms of providing loans to the small and micro entrepreneurs at a reasonable rate of interest, and with your efficient and effective management team, have your loans recovered on a timely basis and use that as the basis to generate more loans in the future? Could you share with us your vision for the self-sufficiency in quotations of NEDCO in the coming period?

**Mr. Benn:** Thank you, Mr. Chairman. I really cannot say precisely but I will put it in a sort of context. Well, of course, this will be a critical part and component of the strategic plan with projections going forward. But I can say here now that a number of things got to be modified and restructured and so on. One of which is, as you say, the total dependence on the State or financing and not only loan—well to some extent, loan financing but even to meet admin cost. We want to really reduce that reliance over time but we will not be able to do it by ourselves and I will tell you what I am thinking.

For instance, we got to recognize that this is a state enterprise. We would need an increased quantum of loan financing. We cannot now get there without the support, first of the line Ministry and, of course, the Ministry of Finance. For instance, I will just share this with you although we have not formalized this approach. It would mean that we will have to enter the domestic marketplace to generate loan funding. The state of affairs of NEDCO's accounts, nobody will listen to us. In other words, if we take our balance sheet and try to peddle and try to encourage anybody to lend us money, it will not happen, so we have to clean that balance sheet. It must be cleansed and there is precedent for that in the domestic financial services sector of how that can be done. So we are hoping that this is one of the hurdles we will have to cross in our interface with our line Ministry and the Ministry of Finance in terms of the way forward.

Because initially, we believe that if we can have this balance sheet cleansed and the non-performing segment of the portfolio is hived off and dealt with separately, off balance sheet, as you would say, and you have a new kind of reporting for NEDCO which is showing, acknowledging, yes, that you have some bad debts which are located elsewhere but that you really mean business starting now, we would need, perhaps, a Government guarantee as we go out to the marketplace and attempt to raise resources. And once we can clear these hurdles, the sky is the limit, Mr. Chairman. Once we can clear these hurdles in terms of our ability to access loan financing, the sky would be the limit. Clearly, the name NEDCO has to be rebranded and I think Mr.—[*Laughter*] Yes, has to be rebranded, must. We cannot go same ole, same ole and hope that anybody would listen to us.

**Mr. Chairman:** Thank you very much. I recognize Mr. Cummings.

**Mr. Cummings:** Thank you, Mr. Chairman. And like my colleague, Sen. Small, I have a few questions, I will try to save some, maybe, for the next occasion. Mr. Chairman, you mentioned earlier that based on the situation with the auditors and you did give us a lot of information about the move by NEDCO to recruit new auditors, et cetera, will NEDCO be officially informing the Ministry of Finance of its inability to meet the requirements of the performance manual for state enterprises?

**11.25a.m.**

**Mr. Benn:** Yes. In fact, I—even before we get to the Ministry of Finance, we have to advise the line Ministry.

**Mr. Cummings:** Moving on. I have listened to the situation surrounding the non-performing loans and, of course, that is an area of concern. But let me ask: Does NEDCO, over its history, have any success stories to share with the public, in relation to what NEDCO's core function is?

**Mr. Benn:** Yes, we do, several, and probably you want to hear some of them?

**Mr. Cummings:** At least one now.

**Mr. Benn:** I will ask Mr. Mayers to deal with that.

**Mr. Mayers:** All right, we have had a number of—thank you member. We have had a number of success stories but I do not think time will permit us to go through all of them. Right. So, for example, one of our clients, Veeda Gobin, who is famous for what is called Mother-in-law Foods, she started off on a small scale and now she is a producer of award-winning pepper sauces.

She exports and she has grown from a home operation to a large facility where she now employs about 10 persons. Right. So, her products recently entered the North American market. She has a product known as the Fire Sauce, which actually won the best pepper sauce in the Caribbean category in the World Food Championship in Las Vegas. That was in 2015.

So we do have clients who are shining stars, who have moved from, what we call the small or even the micro operator to become larger, in terms of their scope, in terms of their operation and entry into the foreign markets. And they have been earning currency for us, which is extremely valuable. And we are trying to get more of our clients to export their products and giving them the necessary support to do so.

**Mr. Cummings:** Before I move from you Mr. Mayers, if you had to put in a paragraph what is the service offered by NEDCO to the public, how would you describe that, please?

**Mr. Mayers:** We are a caring institution that deeply diagnoses each client that comes to us. We do a comprehensive diagnostic on any applicant, which identifies their needs. It looks at the industry. It looks at the strengths. It looks at the type of support they need to be successful and to operate a sustainable business to employ or create employment for other individuals and to contribute to the country's GDP.

**Mr. Cummings:** So, it is not just about granting the loan to the entrepreneur. You have a range of services that would support their efforts.

**Mr. Mayers:** That is correct. We are in the business of relationship-building. It is not just a question of a client appearing before us, presenting a business plan and getting funding and they repay the debt. We establish that relationship and there is continued support throughout the term of the loan and even after repayment, we encourage them to come back to us, if you need additional fund, if you need to expand your business. And we have seen that some of those clients have now become advocates for the company.

**Mr. Cummings:** First, let me ask, in terms of the delinquent accounts. I know that you mentioned, Chairman, that there is an external agency doing collections. What is the policy of NEDCO in relation to some of these aged accounts? I mean, as best as you can answer without giving anybody an exit not to pay. But I am just curious as to how are you going to approach these aged accounts.

**Mr. Mayers:** All right, just as we, on the positive side we mentioned that there is that relationship we establish with our clients, we keep the contact with the delinquent clients. Now, a few of them have absconded. They have just disappeared into the woodwork but we are relentless in our pursuit of such clients. Whatever security instruments we have, we try to encash them. And now that we have a collection agency, there is that reputational risk that clients wish to avoid. So by going behind them and having their information published through the credit bureaus, et cetera, they are now forced to repay the debt, where, either through embarrassment or through their inability to obtain credit elsewhere. So that, we are relentless. We never give up, albeit the task is sometimes difficult, particularly for those loans that have aged over the years.

**Mr. Cummings:** Okay, and I would round off. I do not want to dominate the question session. To the Ministry of Finance, Investments Division, what is the relationship between NEDCO and

the Investments Division, in terms of monitoring and support and evaluation of NEDCO's performance?

**Mr. Manzano:** Good morning, again. Okay, the Ministry of Finance, Investments Division, of which I am a staff member, we continue with our monitoring and evaluation of NEDCO, as well as all the other state enterprises. But specifically for NEDCO, presently we observe, or we have recognized that NEDCO is in transition, having a new board appointed recently, and we also recognize that the board is operating within a new mandate. But we continue with our monitoring of the enterprise in general, and that we ensure that NEDCO complies with the compliant requirements as outlined in the manual. To date, I do not think we have any serious issues with NEDCO and its compliance.

We recognize that there are one or two financial statements that are being prepared and we take note of what the Chairman has said, with respect to the financials and the transition of the auditor. We take note of that, and that we will continue liaising with the company to ensure that the company is carrying out its compliance requirements.

**Mr. Cummings:** Now, this monitoring, does it involve only looking at the accounts that are being submitted or do they also involve review of board meetings and decisions?

**Mr. Manzano:** Yes. So, obviously within the compliance there is always the requirements of the board to submit minutes of its meetings to the Investments Division for the information of the Minister. That is part of the compliance requirements, as well as any other items that are stated in its compliance requirements, we follow-up on those with the company.

**Mr. Cummings:** This Committee is aware. We interfaced with the TTMF some time ago and we viewed the TTMF as a success story, in terms of its operations, a state agency also involved in granting loans, albeit in a different sector. The learnings from such an enterprise, is it commonplace that that sort of information would be used as a template to assist other state agencies involved in similar-type businesses?

**Mr. Manzano:** What I can say is that from a monitoring and evaluation perspective, if any enterprise wishes to engage in any initiative that may help expand the growth of the unit or to make any diversion from its mandate, it is always important that the enterprise liaise with the Ministry, seeing that we are the monitoring agency. So, if NEDCO decides to have some kind of initiative with another lending agency, especially from a financing or funding perspective, we would expect that NEDCO would liaise with the Minister as Corporation Sole in that regard.

**Mr. Cummings:** That is not quite the response to the question I was asking. But let me just— what I am asking is, if you have a state agency that has proven to be successful in its operations, involved in similar-type business, from the Investments Division point of view, would those learnings from that agency be used or shared with another state agency doing similar-type business to assist that agency in getting to where an agency like TTMF is at this stage?

**Mr. Manzano:** Well, I think, obviously any good learning experience of any one state enterprise that could be developed into a model for other state enterprises in their operations, we would always look at it and advocate for, whether it is a model to be adopted. I mean, the Minister of Finance will review it, and if it is a model he thinks that other enterprises should adopt, I think that would be done.

**Mr. Small:** Thank you, Mr. Chairman for giving me the opportunity to contribute. And I want to thank my colleague, Sen. Cummings for going down a particular path. I think that I empathize

with the team from the Ministry of Finance, because I think we all understand the Investments Division is under-resourced and I have a particular issue. I think that the Investments Division operates in too much of a post-facto mode and I think that there needs to be engagement with state entities on an ongoing basis.

So that, for instance, at the beginning of a financial cycle, what is the operational plans for the year. I think that the Investments Division should be involved in a discussion with all of those entities. Let us have a quick review of your plans for the year going forward, so that there is no surprise or shocks. Because the reality is, time the board takes a decision and then it is confirmed and then the document actually lands in the Investments Division, three months have passed. So it is a done deal and that is something I would continue to advocate for, Mr. Chairman.

I would like to address my next question to Madam Permanent Secretary, Ministry of Labour. Welcome again, Madam Permanent Secretary. You look very happy this morning. Mr. Benn has taken the brunt. [*Laughter*]

But, Madam Permanent Secretary, how would you describe the relationship between the Ministry and NEDCO? Because I know the Ministry is a people-centered/people-focused entity and you are trying to, you have many programmes going on like Fair Share and IBIS. I am well aware. I am well up-to-date with the activities. But, how is the relationship with NEDCO, when you sit as the line agency and you see a struggling, floundering agency in your portfolio? How do you help manage that? Or how do you help this agency? What do you do? I need understand what is happening there, because on the basis of the numbers and the data we have in front of us, it seems to be just completely going off the rails. And I would like to understand what is the line agency doing, or has done, or is planning to do?

**Ms. Willis:** Thank you, member. The Ministry recognizes the challenges that NEDCO has faced and has sought to meet regularly with the company to address those challenges. We would have communicated. We would have held meetings and we continuously seek to support NEDCO and to arrive at solutions to address these challenges.

**Mr. Small:** I think that the other area I want to go down, Madam Permanent Secretary, given the straitened circumstances of our economy now, and I understand that all Ministries are looking very hard at expenditure, has that message been—how does that work? Is it that these entities are out on their own and they get the general message, or do they get very clear directives from the Ministry: “Hey, the Government has imparted and forced Ministries to have certain levels of cuts across the board?” We would expect that you would look very hard and be very—how is that message transmitted, or is it transmitted at all?

**Ms. Willis:** In light of recent circumstances, that message would have been communicated to the various agencies that fall under the Ministry, and we would have advised them to look carefully at their finances, and in terms of the programmes they wish to implement going forward.

**Mr. Small:** In terms of discretionary expenditure, where you—you look at the spending of NEDCO and they have a whole sheet. There is a lot of discretionary expenditure in there. Does the Ministry really—does the Ministry in anyway look and say: “listen we have looked at your last accounts and you are spending some money in some areas here that, perhaps, you really need—while the Ministry may not direct, I think the Ministry could point out and say: “Perhaps you could spend this money in a more prudent way, given the fact that you are haemorrhaging money.” I think that the issue for me is that the entity is haemorrhaging money and there should be a minute

focus on making sure and understanding that it is taxpayers' dollars that is funding the activities of the entity. That has to be driven through the system. And, looking at here, I am not sure if that is really right in front of them.

**Ms. Willis:** Am, just give us—*[Interruption]*

**Mr. Small:** Certainly, Madam Permanent Secretary. I do not want to put you on the spot.

**Mr. Chairman:** Would you want to put these things in writing?

**Mr. Small:** I think so, Madam Permanent Secretary.

**Mr. Chairman:** I think you better put it in writing.

**Mr. Small:** I would not press you on that now but we would like a response because here is the driver from me. I believe that it is the Chairman and my experience, entities who are in charge of State funds do not seem to get the message or do not fully understand that this money belongs to the citizens of Trinidad and Tobago. You are a trustee of those funds and you are required to be very prudent, in terms of how you expend those funds. And I think that is something that—and it is not always what you do but sometimes how you do it. So Madam Permanent Secretary, did the Ministry of Labour have an end of year staff function last year?

**Ms. Willis:** Permit me to ask, because I recently joined the Ministry, so I have to enquire.

**Mr. Small:** Forgive me. I withdraw. But would you be surprised to hear that NEDCO had an end of year staff function at a Port of Spain hotel?

**Ms. Willis:** Yes, I would be.

**Mr. Small:** You would be surprised to hear that?

**Ms. Willis:** Yes.

**Mr. Small:** Well, it is on their website. You can see all the pictures from it. And those are things that—and I am not against the staff having— but we have to understand the circumstances of Trinidad and Tobago. So when you go to NEDCO's website and you open it, there are pictures of everybody having a good time at a Port of Spain hotel at the end of year function, in a situation where the entity is generating no revenue, it is haemorrhaging money. Somewhere inside of there, people have to look at it and say: "perhaps, perhaps, if we are spending taxpayers' dollars and we want to try to give something to the staff we could do it in a different way." Yeah? And then you put it on the website with lots of pictures. I found it last night. I just found it interesting. And if the Permanent Secretary seems— it is news to her; that is even more interesting.

Mr. Chairman, if you permit me, and again Mr. Chairman, forgive me, value for money, efficiency, prudence in spending taxpayers' dollars and accountability are my drivers, because these are state entities, and the message has to be driven through that it is taxpayers' dollars.

I have a question now, Mr. Chairman. I will move from partying and all these wonderful things, to the audit function. I want to ask a question: Has the auditing function in the recent past or even further back—I understand the auditor has been here a while—found any instances where there is clear fraudulent practices being employed, in terms of—because there are lots of allegations, in terms of the operations of NEDCO, people making false declarations, people taking the money and buying houses and cars or other people being compliant in allowing false documentation to be used or, in some instances, people pledging assets and then the assets do not belong to them. So has the auditor, in their role, in their function, found any instances where this, —has anybody been held to account for this?

**Mr. Benn:** Thank you, hon. Member. I have asked the internal auditor.

**Ms. Beharrylal:** Thank you very much, member. Just as some background information, the organization did have an auditor previously. That person was from 2007 to 2012. Since then, there has been a sort of a vacant internal auditor role within the organization until I assumed office in September of 2015, sort of just on the heels of the new board being appointed.

On joining the organization, I attempted to put measures in place within the internal audit department, so that we could have greater monitoring and reporting on what findings we may or may not uncover. Looking at the history of the internal audit department, I did not note any reports which may have indicated fraudulent activity being uncovered or reported on. Also, even looking at the audit committee minutes in the past, we would not have seen anything being said.

Starting from 2015, with the inception of this board and the audit committee, we have put measures in place, in terms of setting up our audit charter. We have an audit charter which dictates the powers of the internal audit department and the audit committee. We have put together our annual internal audit work plan every year since then and we are in the process of developing our plan for 2018 as well.

This plan, usually the internal auditor role—the internal auditor does not set out to find fraudulent activity. However, because it is a responsibility of management to design their internal controls in such a way that such activity will be discovered in the normal operations. Internal auditor though, is required to design audit programmes that might highlight if such activity is occurring and the internal auditor is supposed to be aware of the fraud red flags, let us say, right, to be able to uncover or highlight these types of things.

So, as the internal auditor we have set up our charter, our plan. We have put together a formal internal audit reporting structure in place. These reports go to the audit committee and then to the board. Reports are approved and then they are forwarded to the Ministry of Finance, Investments Division, as per the said plan. So that process is now in place and these things are occurring.

**Mr. Small:** Mr. Chairman, if you permit me I just have a follow-up. Thank you very much for your response. Perhaps my frame, let me help with my frame. I served as the Chairman of an audit committee on a state enterprise. I served for 10 years, so I understand very well how these things work. The Chairman of NEDCO has indicated to us, you have over a period of time a 70-plus per cent challenge with—has the internal audit function go and say “Let us take a sample of those accounts and see whether or not there was any fraudulent activity.” Because 70 per cent suggests a complete breakdown in the system. That is what it suggests to me, as somebody who is looking at a system. You have such a high level of delinquency. It suggests that there is something endemically, systematically wrong with it. And that, in my mind, should at least have generated an internal audit query; let us pull a sample and see whether or not there is some fraudulent activity going on, or some activity that we need to find out to put a stop at. Has that ever been considered by the internal audit function?

**Ms. Beharrylal:** Thank you, member. The internal audit function is, this is on the radar of our committee and also the department. We have begun looking at the area by first performing compliance-type audits at assessing the loan process to ensure that what is going on in assessing loans and clients and what is documented on the file is in fact according to the policy of the organization. So, that is the first step that we have taken, the audit department, in trying to understand where the problem may lie.

Later on in 2018, I guess we plan to, just as you said, delve into the specifics of the loan and also the repayment pattern and that type of thing, to understand really, for a sample of persons, what may be the real reasons behind the delinquency, the provisioning and the reporting and the financial statements, you now, and how it is conveyed.

**Mr. Small:** I look forward to that. You have helped me, because this is where we have to go.

**Ms. Beharrylal:** Yes.

**Mr. Small:** NEDCO has a problem. The problem is inside of NEDCO, yeah. Because the people walk in the door and do not want to be delinquent at the beginning but they walk in the door and if NEDCO's systems are not in a way in which it can pick those things up, then you will continue—you will run into problems forever.

I have one more question, Mr. Chairman, if you permit me in this round. I want to ask the new CEO, Mr. Chow, I listened intently to your chairman. The chairman is saying: "Listen, we have to change NEDCO." I know NEDCO has branches, 12 offices. You have 100 staff, 12 offices. It just does not seem—I want to know, in your current look, in terms of how you look at rationalizing the operations of NEDCO, it is clear you need a new systems architecture and the chairman spoke to that. There is no question about that. You need a whole new architecture of systems to put more control on the operation. But have you, in your current plan, in terms of your looking, have you looked at we need to rationalize the operations of NEDCO? We are spending \$5 million a year in rent for 12 offices. Do we need 12 buildings, 12 offices? We have 100 staff. And then the obvious issue inside of there, who is managing? Who is guarding the guards? Because bad things could happen when you have satellite offices without supervision. Bad things happen, and it is not that people are bad. When systems are weak, bad things happen. That is just how it is. Because I cannot see how, with 100 people, someone sitting in the head office can manage 12 offices. I do not see it being possible.

So Mr. CEO, I would like to understand what is your thinking, what is your plan regarding how NEDCO is currently structured and operating. Whether or not it is going to be, you are going to try to tweak it, or you are going to say: "Listen we need to rationalize the operation. We need to centralize in probably three or four offices", whatever. What is your current thinking?

**Mr. Chow:** Prior to my joining the team on NEDCO, the board had already looked at these issues. So, what I am going to say is not only my thinking. It is obvious to the board that we had too wide a spread, even before the budget, but too wide a spread even more now that the allocations have been reduced substantially. And, therefore, consolidation is on the cards. It has taken place. We have started. We announced the closure of one office already and more offices were closed in Sangre Grande. This was an IBIS office, I think sometime in 2017 as well. So closures have begun and we are, as we get sometimes coming to the end of contracts, rental contracts, we are actively considering whether we should continue.

**Mr. Small:** Last, just follow-up. Forgive me, Mr. Chairman. Closure of offices is one element of it. The other element of it, Mr. Chow, is the issue of how we manage whatever remaining. If we remain with four offices or five offices, whatever, we need to fix the way in which we are managing NEDCO now. Because, if you come down to two offices, you still have an issue. That is what I am trying to understand also.

So, I understand that. I am heartened to look. I looked at it. I went online. I looked at their website. Beautiful website, nice pictures. But 12 offices for 100 people does not make sense. I do

not even know how we got there but I am not about looking back. I am looking forward.

**Mr. Chow:** The structure is that of considering, as we begin the plan is to create self-sufficiency in the remaining locations. That is, revenue, expenditure, services, should reflect a balance. So what your loans are, what your net value added is, what your training component is in the various locations. And I am saying locations. The location is not necessarily relevant. It is your catchment area. Right, so in what catchment area are you serving, and in that catchment area, can you, in the future, make a profit, and what products you would offer in that area to make a profit. Making a profit may be the wrong term, but giving value to the community, giving value to the economy and not being an excessive burden on the State.

**Mr. Small:** Thank you, Mr. Chairman.

**11.55a.m.**

**Mr. Chairman:** May I ask, Mr. Chairman. What is the—just remind us? What is your allocation for 2018?

**Mr. Chow:** \$20 million.

**Mr. Chairman:** What was it last year?

**Mr. Chow:** \$24million.

**Mr. Chairman:** Do you anticipate, given what you have said about the rationalization of offices, it would obviously follow that you may have to consider the rationalization of staff?

**Mr. Chow:** One would logically look at that.

**Mr. Chairman:** I want to also ask Mr. Benn. What is the name of the collection agency?

**Mr. Benn:** Sorry, AV Knowles.

**Mr. Chairman:** AV Knowles, right. Have we been able to determine thus far, given the inability to recover, have we been writing off bad debts and could you tell us how much?

**Mr. Benn:** Yes. On occasions there have been instances in certain years when bad debts were written off. Okay, we will supply that information by year.

**Mr. Chairman:** Now, obviously, I do not know what is the arrangement, the financial arrangement—AV Knowles, I do not know much about that agency. But, given the size of the loan issued to entrepreneurs and given the period of time that the loan has not been serviced, the candle might cost more than the funeral. I am wondering to what extent – if you can explain to us what is it range that you start and what is the highest you can go. In other words, if somebody approaches NEDCO, what is the minimum NEDCO is willing to provide, in terms of a loan and what is the maximum NEDCO will be willing to supply in the form of a loan, given the nature of the enterprise that the person is pursuing? Could you share with us what is the range or policy in that regard?

**Mr. Benn:** The maximum is \$500,000 and the lowest—we do not have an official minimum, but I think in practice the lowest that would tend to come to us would be for about \$5,000.

**Mr. Chairman:** Five thousand minimum. I just want to go back to the Ministry of Labour and Small Enterprise Development and the Investments Division. May I start with the Investments Division. Mr. Manzano, you made reference to having regular almost regular activities, along with the—as it relates to NEDCO in your interaction. You have not found any reason at this time, no serious issues have arisen because of the new board and what they are doing. I have no problem with that, but if you could share with us: What has the Investments Division been doing as it relates to NEDCO and effectively monitoring NEDCO over the last few years? Because, we are

examining the accounts for 2008 to 2014 and for every year except with this magical balance in 2014 this organization has been in the red, in deficit.

The question that I am really asking is: What did the Investments Division do to meet and treat with NEDCO and what relationship do you have with the Ministry of Labour and Small Enterprise Development as the line Ministry when a company is off track and has literally been derailed with all these losses? What is the role of the Investments Division in that kind of environment and that kind of scenario? I am trying to clarify that, if you can help us.

**Mr. Manzano:** Okay, Chair. Like everyone else, we seem to be in transition here, because I myself joined the Investments Division at the end of 2015. And during that time to now, observing the operations of the state enterprises and particularly with NEDCO. The Division has been looking at the operations of the enterprise, as I said earlier we are ensuring that they comply with the requirements as stated under the manual. But specifically recently we have started on two fronts to expand the staff of the Investments Division as Sen. Small has alluded to. We are trying to get on more staff and at the same time we are trying to encourage the state enterprises, including NEDCO, to strengthen their corporate governance practices.

So we are actually reaching out to the units and examining their practices with respect to their corporate governance. We are liaising with the boards to ensure that these practices are up to the standards that we require.

Now, as you stated Mr. Chair, the accounts specifically with respect to NEDCO as is shown of the state on which the enterprise has been operating, what I can say—and if I can talk for the Division, is that over the years, I think and the information that I have gotten is that the Investments Division has been trying to work assiduously with the prior board, with the management and even through the line Ministry when the opportunity arises to try to address some of these issues.

It is heartening, I mean for me and the Division to know that we have a board that is—while having a new mandate is really going to make a concerted effort to change the way NEDCO operates and to make the enterprise viable while making a meaningful contribution not only to the sector itself, but to the economy. And I say that from my personal vantage that even before joining the Division it has always been one of my mantras that we should always try to get value for money. Especially the enterprises that deal with government funds and those enterprises that are actually into the market. Because we have different enterprises operating in different sectors but for those who are actually getting government funding and operating in the market, I am always advocating that we get value for money for the type of subventions that we are getting.

**Mr. Chairman:** Do you have records to present to this committee of the Investments Division monitoring and overseeing the activities of NEDCO over the period 2008 to 2014? Even though you are new, would you be able to put your hands on that so we can have an appreciation—?

**Mr. Manzano:** I can put some information prepared for the committee to see what the Investments Division has been doing over the period—actually liaising directly with the enterprise, what recommendations we have been making.

**Mr. Chairman:** And what recommendations that you have been making. Now, to the Permanent Secretary in the Ministry of Labour and Small Enterprise Development. Value for money is very critical, particularly in these straitened economic times and even prior. And I wanted to ask the Permanent Secretary or any member of that team: With all these losses being experienced by

NEDCO during 2008 and 2014, could you tell us from your experience and your knowledge and from the records of the ministry, what kind of monitoring mechanisms were in place to really bring this state enterprise into line, given all that was taking place during that period that we are reviewing? And what recommendations the Ministry would have advanced during that period to straighten that particular entity? It is like a rouge element, that NEDCO, the amount of losses they would have experienced and because the Government was just providing money to it, there does not appear to me to have been that rigorous kind of oversight that the Ministry of Labour and Small Enterprise Development is supposed to exercise. So could you share with us if I am wrong on this matter and at the same time, like the Investments Division, could you provide this committee with the evidential material documentation to support whatever you are going to be advancing?

**Ms. Willis:** Thank you, Chair. I will ask my Manger, Enterprise Development Division to respond to your questions.

**Mr. Gordon:** Good morning again, Chairman and Members. When the Enterprise Development Division was initially established in 2002 – it only lasted for a couple of years and then it was dormant for a while. It was reestablished in late 2010 early 2011 and that is when we were able to provide much more effective oversight of NEDCO. One of the things I need to say up front, is that in terms of the expenditure we did have discussions with NEDCO about their expenditure particularly when two particular issues arose: one is when there was lower subventions, and the other time was when their expenses were increased because the CPO provided terms and conditions for NEDCO's staff. So we did have discussions with them and there were discussions about reducing expenditure to at least maintain if not reduce it.

One of the things that we sought to do is we recognized that NEDCO– there were some operating inefficiencies and we realized that that needed to be addressed. In addition to improving their management information systems, including their financial management system, their human resource performance review system in particular, those three issues were what we tried to address.

In terms of the operating efficiency what we sought to do was – at the time the Government was involved in the 10th European Development Fund, the 10th EDF, which supported the micro, small and medium enterprise sector. Part of that 10th EDF included technical assistance from the EU, so what we did was we sought to obtain a transformation consultant from the EU who came in early 2013, I believe February 2013 and he stayed until November or December 2013 and during that period he reviewed the entire NEDCO's operations and made recommendations in terms of what needed to be done to improve their operating efficiency.

At the same time, one of the recommendations that the ministry had sought to enforce, well suggest to NEDCO was the hiring of a Chief Operating Officer, which was done in July 2013. Those two things, those two events the recommendations of the transformation consultant and the hiring of the chief operating officer resulted in significant improvement in the loan appraisal system and that resulted in, as the Chairman indicated earlier, some improvements in the quality of the loans that were being provided.

**Mr. Chairman:** Did that report you mentioned, the transformational consultant's report, was that report made available to the new board that was installed two years ago?

**Mr. Gordon:** Yes, it was in 2013. As a matter of fact, when I was talking to the CEO– was it last week or this week–it did come up again and I shared a copy of it with him.

**Mr. Chairman:** Would you be kind enough to share a copy with us?

**Mr. Gordon:** Yes.

**Mr. Chairman:** You are through or you—

**Mr. Gordon:** Well the other thing that we sought to do is also ensured that—we also sought to recommend that NEDCO establishes a plan for self-sustainability, and that has always been our mantra from our inception. So we sought to ensure that at some point, as the member indicated earlier, NEDCO will no longer be a ward of the State as it were.

**Mr. Chairman:** May I respectfully suggest that there should be some collaboration, and co-operation, and liaison between these entities because it seems like, you know, at times you get the impression that they operate in silos and maybe the Ministry of Finance, Investments Division along with the Ministry of Labour and Small Enterprise Development and NEDCO there should be some kind of activity that will bring these bodies together, either on a quarterly basis so that, you know, everybody will know what is taking place. Because at the end of the day what we want is a more efficiently and effectively run organization and therefore the sharing of information is very critical in this context. So it is just a suggestion.

My other area, before I ask Mr. Small to come in, has to do with procurement. Could you tell us whether you have a procurement policy; whether the procurement policy has been submitted, and this is to Mr. Clarry Benn, whether that procurement policy has been submitted to the line Ministry? And could the Investments Division indicate to us, whether that procurement policy has been reviewed and approved by the Ministry of Finance? So first of all, is there a procurement policy a draft one and if there is such a policy, whether that policy has been submitted to the Ministry, the line Ministry of Labour and Small Enterprise Development for its approval and also to the Ministry of Finance through the Investments Division, for the Ministry of Finance's approval? Could you clarify for us?

**Mr. Benn:** Yes Sir. I could say yes for all – well no, not all the questions. I can say yes. The procurement policy document has been submitted to the line ministry and the Ministry of Finance as well. Yes.

**Mr. Chairman:** Have they approved it Sir?

**Mr. Benn:** We are awaiting approval as we speak.

**Mr. Chairman:** How long was it submitted?

**Mr. Benn:** About a year or so.

**Mr. Chairman:** A year? Permanent Secretary, listen, we are talking about the purchase of goods and services and we know that procurement, according to the World Bank, the absence of proper procurement leads to all kinds of irregularities and leakages. So I am surprised to hear that a draft has been submitted to the line ministry one year ago and to the Ministry of Finance, one year ago and no response. Could you explain to us why there has been no response?

**Mr. Benn:** Just an update just before, my understanding is that the Ministry has approved it.

**Mr. Chairman:** The Ministry of where?

**Mr. Benn:** Ministry of Labour and Small Enterprise Development.

**Mr. Chairman:** How long have they approved it?

**Mr. Benn:** Okay, I will ask the Corporate Secretary.

**Mr. Chairman:** Yes, Corporate Secretary.

**Ms. Indarsingh:** Perhaps I can help out our Chairman here. The Board had approved the draft

policy earlier in 2016 and that draft went to our line Ministry shortly thereafter. Recommendations were made for amendments which were effected and that document in draft went to the Ministry of Finance right after that. I cannot say the exact date without the documentation in front of me. But yes we are awaiting feedback from the Ministry with respect to the status of that document.

**Mr. Chairman:** Investments Division, could you guide us on this matter, as to where is that draft policy that has been approved by the line ministry and was sent to the Ministry of Finance?

**Mr. Manzano:** Chair, I am aware that the draft policy came to the Ministry of Finance. But, I want to believe that given the fact that there is a new procurement legislation on the horizon and that there is a model template of a procurement policy to be distributed to all the state enterprises, there will be some kind of—I want to believe some kind of nexus in trying to find out if this policy is in line with the new procurement legislation. It is something I can look into, but I want to believe that that is where it is at. To find out if the template which has to be adjusted by each state entity will be in line with what NEDCO had proposed. I want to believe that is where that exercise is.

**Mr. Chairman:** Well, maybe Mr. Benn, Chairman Benn if you can tell us whether the new draft which has been approved by the line Ministry— whether the new draft that has been approved— is that draft in line with the new procurement legislation that is supposed to be effected and operationalized in the coming period? Because as Mr. Manzano said, the Government, that is the Government's policy; that is the new procurement law so whatever policy is guiding state enterprises must be in line with Government's policy. So I am just asking you whether you can clarify this issue as it concerns that draft policy. Is that draft policy consistent with the new procurement legislation or is it at variance with it? I think that is important.

**Mr. Benn:** I would say generally yes. But the new procurement legislation clearly would require some structural modification, definitely. So for instance, the appointment of a procurement officer and things of that nature, which had not been anticipated—and the role for instance of the tenders committee. All these will be changes which will have to be incorporated as a result of the new legislation. So we are actively looking at all those issues, and we are prepared to make the necessary modifications to ensure that our procurement policy is in alignment with the legislation.

**Mr. Chairman:** May I respectfully suggest therefore, that NEDCO liaises with the Ministry of Finance, because the Ministry of Finance is rolling out that policy and they have a template that talks about structure and talks about personnel that is supposed to fit that structure. And I will respectfully suggest that NEDCO, with some degree of urgency, not only revisit and review, but certainly take steps to bring in line that new draft policy, consistent with the new procurement legislation as outlined by the Minister of Finance. And the Ministry of Finance will be quite aware of the proposed structure as advanced by that Ministry for all the ministries, all state entities and statutory bodies to follow.

So I think it is important that you liaise with the Ministry of Finance as a matter of urgency. Because your draft is at variance clearly and you need to review it with some degree of urgency to bring it in line with the Government's policy consistent with the new legislation.

I now call on my brother Small—

**Mr. Small:** Mr. Chairman, I would like to give way to Mrs. Crichlow-Cockburn and then I will continue.

**Mr. Chairman:** All right yes. Ms. Crichlow-Cockburn.

**Mrs. Crichlow-Cockburn:** Thank you very much Sen. Small. In 2010 or 2011 thereabouts,

NEDCO implemented a programme, Youth Rise Project that was intended to assist at risk youths in challenged communities—Mr. Chairman you are smiling. Could you give the committee an idea of the results of that programme: how many youths benefited? How many communities and the total that would have been expended?

**Mr. Benn:** Well I will not be able to give—because my understanding is that there was only one programme. I do not know if you can—

**Mr. Mayers:** Member that was an approach to us to manage funds from another ministry. We were not involved in the selection of the candidates or anything like that. The funds, I think it was roughly \$157,000 or thereabouts which were disbursed in small loans. We had the mechanism to monitor the loans, administer it and so forth, so that was the extent of our involvement. The ministry did not approach us for further support in that area.

**Mrs. Crichlow-Cockburn:** And finally, could you explain to me what is meant by “weak collateral”? And if that in any way impacts your arrangement in terms of loans being serviced and loans being repaid?

**Mr. Mayers:** At our inception we dealt with what we call the disenfranchised community, individuals who would not normally have access to borrowings at the established commercial banks or credit unions. There were challenges with them even speaking beyond the door of the bank, some of them. To accommodate them we sought to hold some of their assets through an instrument that had been designed to capture some sort of interest in those assets.

In hindsight, we recognize afterwards that those instruments were not really enforceable. So that is what we called weak collateral, but it was in an effort to accommodate those individuals who would not have access to the funding and we wanted to have some measure of security, some measure of commitment to that individual to repay the debt. Now, there are a number of them who honoured the commitment, whether or not that instrument was there, but there were individuals who, for one reason or another, were intent on not repaying the debt, not honouring their obligations and there were others who are unfortunately did not have the success that they wanted with their business. Despite all the support that we gave them, the business was just not successful, we were trying to make entrepreneurs of individuals who were not accustomed to operating businesses but who had skills that we thought could translate into that sort of success story.

**Mrs. Crichlow-Cockburn:** I notice you are speaking in the past tense, so is it that you have discontinued utilizing this access to funding.

**Mr. Mayers:** Yes, we have discontinued and now use legal instruments, such as mortgage bill of sale, which will actually put a lien on the asset. In addition to which the type of asset has changed.

**Mrs. Crichlow-Cockburn:** Okay, thank you.

**12.25 p.m.**

**Mr. Small:** Thank you, Mr. Chairman, for giving me the opportunity to join in on this, another round of questions. I appreciate that. I actually read all the documentations, so granted that you forgive me. Mr. Chairman, through you, I would like to request, Mr. Chairman, if NEDCO could provide to this Committee a schedule of all the defaulted or delinquent loans over \$100,000 for the past five years. I think that this Committee needs to understand—I heard a number of 4,000, but let us look at the bigger numbers. So, through you, Mr. Chairman, with your approval, I would like to ask NEDCO if they could please provide us with a schedule of defaulted, delinquent loans.

I want to also ask: Could they tell us what is the value of all the loans that they have written off in the past five years, loans that have been written off? You said you have given up on collecting them. Not today, but you could provide that to us in writing. My next question, Mr. Chairman, has to do with—you wish to—it is just for information in writing. Sure, certainly, Mr. Chairman.

**Mr. Benn:** While we are prepared to make the information available, it is the client's name whether we can do it or whether it would be okay—

**Mr. Chairman:** We just want to know how many loans.

**Mr. Benn:** How many loans? The names?

**Mr. Small:** No, no, not the names. We are not difficult people, Mr. Chairman. I have a question now around what you described as your suite of fee-based training products. I want to understand: How much does this generate now for NEDCO? Because I am trying to understand two things: How much does this generate now? How viable do you think is this going forward? Because training products for mentorship advisory, there are a gazillion companies out there and entities doing this. Does NEDCO really think it has a niche in here to provide a fee-based service to anyone wanting an advisory service? Given the performance of NEDCO, I am not sure that it stands out as somebody who people would run to for advice. So, you understand my logic. You talked about it and I want to know if it is generating anything now. And just stepping back, NEDCO's history of performance is abysmal. So if I were to recommend somebody who is looking for advisory services, NEDCO would not even make the list. So I want to get from your side how you view this part of the company's business.

**Mr. Benn:** Okay. Just before I allow Mr. Mayers to give you some more details on it, let me say that we see it as essential. Training and the provision of programmes to young and even existing entrepreneurs, we see that type of training as essential, so much so that we saw it as being compulsory, a compulsory need for any successful loan applicant. So, in other words, we saw it as an extension of the service that we are providing.

Recently, we did make an effort to provide those services beyond the walls of NEDCO, and so we have been interfacing with other agencies so that we can actually tailor the programme to suit their specific needs, and that has had some success to some extent. We feel that that can be deepened, but in terms of the history, Curtis, you can...

**Mr. Mayers:** Contrary to an opinion that would have been expressed, NEDCO has not been a total failure. There are success stories. We noted some of them, some bright lights that have been shinning. The organization is certainly seen as credible. We do have relationships with international organizations, as well; we have linkages with academia. So NEDCO and its officers are taken very seriously within the sphere of entrepreneurship, entrepreneurship development and as a player in the market.

We have had consistent demand for the business advisory services, and while we have been doing it gratis for several years, because of the demand and because of the need to increase our level of income and reduce our dependency on the State, we thought going into the future that we can have it as a fee-based service. It is in that context that we have taken the approach to now charge a fee, a very small fee, given who our target market is and the type of individuals who come to us for a service. But we recognize that notwithstanding their meagre means, they do place value on what they receive from us and we know that they are willing to pay a fee for it if necessary.

**Mr. Small:** I like your confidence if nothing else. Chairman, if you will permit me, I have a couple

more easy questions. I have a question about business continuity planning for NEDCO. We live in a place where we have seen all sorts of things happening to our neighbours and I want to ask: is NEDCO prepared in terms of your internal systems and how you manage? If something happens to one of your core systems, what plans do you have in place in terms of being able to restart your system or sustain your systems going forward, in the event of some untoward activity taking place, business continuity planning? Because you are essentially giving out loans and you have all of your stuff—I am not sure what you have in place. Do you have offsite storage for your critical data? I am not sure. Could you help us with that? It is an easy question.

**Mr. Mayers:** Thank you member. We do have offsite back up for our systems. The Chairman indicated that we are now getting a new integrated business system. While that will significantly improve our operations, the existing system has been serving us for several years, not with the full functionality that we really want out of it, but it has nevertheless provided us with some value. The information storage and so is kept offsite, as well, backed up on other servers. So that in the event of a disaster that information can be retrieved.

**Mr. Small:** Good. I appreciate that. I have a question also regarding one of your responses to your submission I found mildly interesting. The question asked in the submission was:

With the current economic downturn what measures have been implemented by NEDCO to minimize credit risk from clients requesting loans?

Part of your response is that:

The assessment process is independent of the state of the economy and that additionally due to the short-term nature of our loans, economic factors do not play a significant role.

Forgive me, we are in a situation where the effects on the economy impact every system. NEDCO is suggesting here that your loan assessment process is independent of the state of the economy. For me, there is a little gap, a disconnect and this is your response. It is in writing. These are the things that bug me or trouble me, because when you look at the performance of NEDCO there is clearly a problem with the way in which loans have been approved, and the whole process of how you rate loans and how you rate clients, and when your response in 2017 is that:

The assessment process is independent of the state of the economy..

Then, I am not sure if that is a correct statement. I would like to hear that this is an error or the question was misinterpreted. I would like to hear that.

**Mr. Benn:** Again, let me start and Mr. Mayers will continue. In fact, hon. member, we have been saying at NEDCO that this period in our economic life is perhaps the best time for an entity like NEDCO. Now, is either we believe in that or we just throw that out for consumption, but we really believe that at this stage in our life as an economy, you would see the need or you would see an entity like NEDCO coming to the fore in a way that is even more strident and even more successful than if the economy were doing well.

In fact, for the same reasons, the periods with the greatest delinquency would have been the period when the economy was doing fantastic, that is when, you know, oil was whatever price it was and the economy was doing particularly well. So I think it is in that context that that statement would have been made. In other words, we as a lending agency, particularly the sector in which we are concentrating our efforts, yes we know what the environment is, and we know what people will be saying about the environment, but we cannot as a lending agency—we will not ignore it—factor it into say a template for consideration in our assessment of potential clients. I

think that is what that statement is saying.

**Mr. Mayers:** I cannot add very much—thank you again, member, for that probing question—to what the Chairman has said but, perhaps, I could say it a bit differently, but what we are essentially saying is that we undertake a thorough risk assessment. We look at the likelihood of any event happening. We look at whether it is a high risk, medium risk or low risk and the impact of that eventuality on the business. So having done that thorough assessment and the client now receives a passing grade, it would have taken into consideration adverse situations which none of us can perhaps predict, but we are looking at the possibility of it occurring. That is what the assessment does, and based on the performance within the past few years, we can say that the loan portfolio is reflecting the opposite of what it did in the past.

**Mr. Small:** I like your response, I still do not agree with your wording, because I would share with you, in another place, I am in a governance role at a financial institution and that statement is the exact opposite of what we are doing, that the state of the economy is critical to understand how we access people, but that is just me. I do more than one thing. Forgive me, Mr. Chairman, I have one last question in this round and it is an easy one. I want to address this to the Finance Manager. Again, we only have up to 2014 accounts, so I looked at your accounts payable and accruals and you have a number in here—it sticks out because it is a large number. You have something called “other payables” and with the two years inflected in the accounts is \$13 million. I am not sure what could be for \$13 million be “other payables” when you have all the other key payables—Green Fund, business levy—those should be big numbers. You have “other payables” as \$13 million. What makes up \$13 million in “other payables”? Just quickly, you do not have to give me all the details.

**Ms. Emmanuel:** Hon. member, during these two periods with both actually 2013 and 2014, it was the accruals for payment of arrears of salary for employees. That was the main contribution to the increase.

**Mr. Small:** Could I ask, through the Chair, if you could just give us a breakdown of what the total of these “other payables” were so we could understand it and for what period? I am not disputing your response, I am just trying to understand, and if we could have some detail, through you, the Chair. Mr. Chairman, I am complete with my questioning in this round.

**Mr. Chairman:** Just to follow up on Mr. Small’s contribution, Finance Manager, if you could put that in writing for us, we will appreciate it.

I have three final areas I would like to clarify and my other colleagues will then advise what are the areas before we bring down the proceedings here. Mr. Chairman of NEDCO, could you share with us what is NEDCO’s key revenue-generating activity?

**Mr. Benn:** Generating activity is loan interests.

**Mr. Chairman:** Loans?

**Mr. Benn:** Yes.

**Mr. Chairman:** Could you tell us also: how many applicants, in terms of numbers, you would have received to date having regard to your new approach, mandate, and then you also have a reduction in your allocation?

**Mr. Benn:** I will not have that information readily available at this time. Any specific period you are thinking about?

**Mr. Chairman:** Well, we are dealing with—

**Mr. Benn:** Currently or?

**Mr. Chairman:** Currently.

**Mr. Benn:** Okay. We can specify the periods and the years. Yes, we can do that.

**Mr. Chairman:** And, also, do you have a written HR policy?

**Mr. Benn:** Oh yes, we do.

**Mr. Chairman:** Can you provide us with a copy?

**Mr. Benn:** Sure.

**Mr. Chairman:** Would you share with us what your experience has been with the lower-level staff within the organization as it relates to your experience re recruitment? Do you think that, for instance, the recruitment process is robust or was sufficiently robust and rigorous or do you think that you had a situation of square pegs in round holes at the lower level? We are not talking about the senior management, because you have already addressed that, but at the lower levels of the organization. You did say that they are hardworking, but I just wanted to ask you from your own experience and maybe what PricewaterhouseCoopers might have said in their findings.

**Mr. Benn:** We may have instances of that but, unfortunately, I have not had much of an interface with the lower-level staff. Early in our life, we did meet with them as a board at the various locations, and we encouraged their expression of views and so on. I did not gather—or even from our HR management department—much evidence of square pegs in round holes. In instances where it is brought to our attention—and probably I would ask the head of the HR committee of the board to speak to that, because I know of a few instances where this would have come to you and you have dealt with it exclusively, but I personally and at the level of the board, we do not see that as a significant issue. There are exceptions, of course, yes.

**Ms. Straker:** Thank you, Mr. Chairman. There have not been significant problems at the lower level although there is always room for improvement. As we engage the organization in upgrades, there are challenges and our human resource department seeks to supply the necessary training. Other than that, we have the full support of staff and they do try their best.

**Mr. Small:** I have a follow-up on the Chairman's question. In the data supplied, NEDCO has 100 staff, 12 offices. You are doing about 400 loans a year. I mean, eight loans a week, in 12 offices. We really—I am not trying to be difficult, but we have to lay the numbers on the table for us to understand what we are doing here. If you are averaging eight loans a week—12 offices and 100 staff to process eight loans a week—it seems to be something that requires attention. My challenge is that this is not a new number. This has been going on ever since. So that when we look at NEDCO—I am not sure about the part of it about monitoring the previous loans, but it may suggest that some people may not have much to do. If you are processing eight loans a week on average at 400 loans a year.

I am trying to understand in terms of how you are looking at the business and the way in which the business is currently structured, how much really dislocation or relocation or adjustment or rationalization is required, because we have to look at the numbers very hard. Business as usual, as we have known it, is not sustainable. I think everyone in this room can accept that. Business as usual as it has been going on is out of the window. Let us try in the way in which we are trying to structure the entity to survive and provide the service—I believe that the service provided is important. I support it, but it has to be efficient and right now the efficiency is not where it is at.

I am not knocking, Mr. Mayers. I know there are success stories, but our focus as the

Public Accounts (Enterprises) Committee is on the dollars and linking dollars to efficiency and how the business is currently structured with the volume of work—and I think volume is a generous term—at 400 loans processed on average. Some years it is 300. I think one year was 204 loans for the whole year. That seems to be a business that someone needs to look at it and say, listen, I am the Chairman of the board of this enterprise, how this is currently structured, you make the recommendation to the line Ministry and allow the line Ministry to decide what they will do with it.

I want to say this. I appreciate the frankness of the Chairman and the members of NEDCO about laying out on the table. We have had different experiences in the past, but I think NEDCO, if it is to survive, requires a radical adjustment, radical adjustment. I am not knocking the people at NEDCO, I am simply stating from the point of view or the fact that every dollar that goes into NEDCO comes from the state resources, from taxpayers' money, we have to try to be efficient with taxpayers' money as little as it may be. So could you help me with your thinking on this? Because I have listened but those are some of the things that keep continuing to trouble me.

**Mr. Benn:** Hon. member, you are saying the same things that I say. [*Laughter*] So, I have nothing to add. [*Laughter*]

**Mr. Chairman:** I think that we are coming to the end of our enquiry on this particular institution. I would like to ask the Chairman—if there are no other members who would like to raise any issues—if you can, in closing—making some closing remarks—if you could probably, again, provide us with a summary of your thoughts and the organization's thoughts as it relates to getting it into a state or level of greater efficiency, efficacy and economy, mindful always that your mandate is to deliver loans to clients in the small and microbusiness sector so that you can have some flourishing and development of economic activity that is so desperately needed at this level, both in terms of start-ups and those that are there, to give them the inspiration and the support to continue to expand, grow and develop.

So would you want to share with us a few closing remarks as to the way forward? You can also take the opportunity at maybe a couple days from now to submit to us in writing, recommendations for the improvement of this organization as we seek to make it more efficient and more effective to serve the clients and the people that it is mandated to serve. So the floor is yours to deal with a tight summary. I would like you to also submit to us in writing your recommendations on the way forward as we seek as a Committee to improve the overall efficacy and efficiency of this very important institution called NEDCO.

**Mr. Benn:** Thank you again, very much, Mr. Chairman. Yes, I can say to you, but I do not know what your time frame is likely to be, but I can undertake and promise to you that much of what we have discussed today and much of what you have said would be embodied in our strategic plan. I mean, that might be a little way off, but with a lil patience, if you do not mind, the strategic plan will outline in considerable detail, placing all the projections in keeping with our new mandate. Timelines would be given. I am just reminding the staff as well that this document will be a critical document going forward.

So, I will want to thank you, Mr. Chairman, on behalf of the NEDCO team, and to express our appreciation to you as Chairman and the other members as well, for their frankness and their outright discussion of the issues confronting NEDCO. I could tell you that as we were planning

for this session, we want to show what kind of reception we would have gotten, and when I enquired of the members who would comprise this Committee, and they said the Committee is headed by your good self, I became even unsure, more unsure, than I had been initially. But, nonetheless, I think we would have spent some time exchanging views, ideas and information which I think would have benefitted both sides. I could tell you that on behalf of the members of our team, we are heartened by what we hear. Much of what is being said here was underscored there, and much of what was said there was underscored here as well.

Give us a little time, we will provide you with the wherewithal to enable you to examine us and to review our performance a year hence, and well then you will come with the full battery of everything. We will hold responsibility for that time period unlike now, whereas yes we are aware, yes we know, but we cannot really speak to that period. But we would be here, we would have been in office for some time, and you would be in a position to quiz us at length on what we have been able or would have been able to accomplish during our stewardship.

So, Mr. Chairman, I believe we have benefitted immensely from this session. The outstanding matters that have been requested will be provided to the parliamentary Secretariat as early as possible. We hope that the information provided will assist you in the performance of your duties, and we stand ready, at any time, to provide any additional information you may require in your pursuit of executing your responsibilities through this Committee. So we really want to thank you.

**12.55 p.m.**

In closing, may I, on behalf of our colleagues here, thank you and your team. May I also thank our colleagues from the Investments Division of the Ministry of Finance for being here with us. Also, we would like to thank the officials from the Ministry of Labour and Small and Micro Enterprise Development, as well as your team from NEDCO. We, too, look forward to receiving, as you said, maybe by the end of the first quarter of 2018, your strategic plan, which would be completed by then.

I want to give you the assurance that—and I emphasize it when I made my opening remarks—these committees of Parliament, and including ours, are here to help. We are here to help. But we have a responsibility, as you know, to ensure that the moneys that have been voted by the Parliament to any State entity, is spent in accordance with the goals, the programmes and projects that the Parliament would have approved.

And therefore the philosophy that we are always concerned about and we focus on is ensuring that these entities, apart from delivering quality goods and services, they do it in a very efficient, effective and economical manner where we get value for our moneys at the end of the process, so we are on the same page in terms of ensuring at the end of the process, the quality of life and the standard of living of the people of T&T, you know, would be improved as a result of our collective efforts.

So again, I would like to record our appreciation and we look forward to you having access, ultimately, to a report which we will table in the Parliament. The Parliament, as you know, Mr. Chairman, through its Minister, would have 60 days within which to respond to our findings and our recommendations and we, too, will have a small team that will be monitoring the implementation of those recommendations so it would not just go a-begging. We will be monitoring, and effectively at that, our recommendations.

So we want to thank you and wish you a very safe journey to your respective destinations, and this meeting is now adjourned.

Thank you very much.

**12.59 p.m.:** *Meeting adjourned.*