Government of the Republic of Trinidad and Tobago

MINISTRY OF FINANCE

OFFICE OF THE PERMANENT SECRETARY

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April 18, 2019

Mrs. Jacqui Sampson-Meiguel
Clerk of the House
Office of the Parliament of Trinidad and Tobago
Levels G-8, Tower D
The Port of Spain International Waterfront Centre
#1A Wrightson Road
Port-of-Spain

Dear Mrs. Sampson-Meiguel,

Re: The Twelfth Report of the Public Administration and Appropriations Committee on an examination into the Administration of Disaster Relief in Trinidad and Tobago

Reference is made to your letter dated December 19, 2018 in relation to the Twelfth Report of the Public Administration and Appropriations Committee on an examination into the Administration of Disaster Relief in Trinidad and Tobago.

In this regard, please see attached for the Ministry of Finance's response to the recommendations and comments contained in the Report.

Yours sincerely,

Permanent Secretary
Ministry of Finance

RESPONSE OF THE MINISTRY OF FINANCE TO THE RECOMMENDATIONS OF TWELFTH REPORT OF THE PUBLIC ADMINISTRATION AND APPROPRIATIONS COMMITTEE ON AN EXAMINATION INTO THE ADMINISTRATION OF DISASTER RELIEF IN TRINIDAD AND TOBAGO

Third Session (2017/2018) of the 11th Parliament of the Republic of Trinidad and Tobago

1. The Public Administration and Appropriations Committee conducted a public inquiry on January 17th 2018 with relevant stakeholders involved in the administration of disaster relief in Trinidad and Tobago. Following its consultations the Committee produced the Twelfth Report of the Public Administration and Appropriations Committee (PAAC) on an Examination into the Administration of Disaster Relief in Trinidad and Tobago.

2. This Report was laid in the House of Representatives on December 17th 2018 and in the Senate on December 18th 2018; and identified the following observation and recommendations for the Ministry of Finance:

Observation:

a. The Committee notes the Ministry's use of the Contingencies Fund for unforeseen events.

Recommendations:

a. The Ministry should revise the policies in place for determining compensation or assistance; and in providing a more timely response to disbursements under its Contingencies Fund; and

b. The Ministry should continuously revise the standard allocations for natural disasters given the increase in frequency of claims in recent years.

Response to the recommendations of the PAAC

3. The recommendations of the PAAC were reviewed by the relevant Divisions in the Ministry of Finance namely - the Economic Management Division, Treasury Division and Budget Division and the following response is forwarded for the consideration by the PAAC:

i. Chapter 8, paragraph 115 of the Constitution of the Republic of Trinidad and Tobago states:

a. Parliament may provide for the establishment of a Contingencies Fund and for authorising the Minister responsible for finance, if he is satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advances from the Fund to meet that need; and

b. Where any advance is made in accordance with subsection (1) a supplementary estimate shall be presented and a Supplementary Appropriation Bill shall be introduced as soon as possible for the purposes of replacing the amount so advanced.

ii. The Contingencies Fund has been established in accordance with the provisions of Section 16(1) of the Exchequer and Audit Act Chap. 69:01 **(Appendix 1).** This Act authorises the Minister to establish a Contingencies Fund by issues from the Consolidate Fund to defray unforeseen expenditures. The Contingencies Fund currently stands at TT$100 million and any advances in the aggregate from the fund shall not exceed this amount. Monies withdrawn from the Fund are replenished during the Ministry of Finance's mid-year Budget review or at the end of the fiscal period, in accordance with Section 16(4) of the Exchequer and Audit Act Chap. 69:01. It is useful to note that the Contingencies Fund is not a budgetary allocation in the traditional sense, as no specific funds have been appropriated. The Contingencies Fund is instead a legal authorization given to the Minister of Finance which allows Ministries to incur expenditure above their appropriated sums.

iii. When natural disasters occur, front line Ministries that are responsible for disaster relief, such as the Ministries of National Security, Rural Development and Local Government, Agriculture, Land and Fisheries and Social Development and Family Services would submit a Note to Cabinet requesting funding from the Contingencies Fund for disaster relief efforts should the need arise. **The amount requested from the Fund is determined by these Ministries and are disbursed to the affected citizens in accordance with the policies and guidelines of the relevant Ministries.** The Ministry of Finance is not a front line Ministry involved in disaster relief and therefore does not have policies for determining compensation or assistance; such policies are determined and implemented by the Ministries which are directly responsible for disaster relief.

iv. Upon receipt of Cabinet's approval, the Ministry of Finance **facilitates** the advance of funds from the Contingencies Fund to relevant Ministries, via a warrant from the Budgets Division to the Treasury Division. This process takes **one** working day and funds are made available immediately thereafter; however, delays may occur if the Cabinet Note does not clearly outline how the funds are to be allocated by the Treasury Division to the various Ministries and their Agencies.

v. It is not possible to predict in advance how much funding would be required for a future adverse event. Ministries therefore do not receive an annual allocation specifically for disaster relief in view of the existence of a Contingencies Fund. Their annual budgetary allocations would however include various programmes that may reduce the severity of a natural disaster or provide immediate assistance in the event of a natural disaster. Examples include the Major River Clearing Programme and the Infrastructure Rehabilitation and Flood Mitigation Programme under the Ministry of Works and Transport, as well as the House Repair Grant and Household Items Grant under the Ministry of Social Development and Family Services. In the event of an emergency, Ministries are allowed to reallocate funds from within their Head of Expenditure to facilitate a quick response. If additional funding is required then Ministries involved in disaster relief efforts trigger access to the Contingencies Fund through a Note to Cabinet. The annual allocations given to Ministries are highly dependent on the state of the economy and the revenue position of the Government. **The Contingencies Fund therefore allows scarce financial resources to remain available for other important and urgent uses. This benefit would be lost if Ministries were to have their own specific allocations for natural disasters.**

vi. In 2018, the Contingencies Fund was not accessed by Ministries because they were able to reallocate monies within their fiscal 2019 budgetary allocation for disaster relief efforts. In the aftermath of excessive rainfall and severe flooding throughout the country in 2018, the Ministry of Social Development and Family Services reallocated funds under their Head of Expenditure to provide financial assistance to affected citizens. In 2017 the Contingencies Fund was accessed in the amount of approximately TT$44.5 million in the aftermath of Tropical Storm Bret. Prior to 2017, the Fund was accessed in 2012 in the amount of approximately $60.6 million in the aftermath of severe rainfall and flooding in the Western Peninsula.

vii. The Ministry of Finance recognizes the devastation that natural disasters can cause to citizens and as such has in place an insurance policy with the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC). This facility provides parametric insurance against loss of revenue and additional costs associated with disaster response and early recovery. The policy covers Trinidad and Tobago in the event of an earthquake, tropical cyclone and excess rainfall. Excessive rainfall during the rainy season in 2017 and 2018 triggered the policy and monies received were deposited into the Consolidated Fund to provide budgetary support in view of the fiscal expenditure incurred on the various disaster relief efforts.

viii. In 2018 the Government of the Republic of Trinidad and Tobago agreed to participate in the Climate Risk Adaptation and Insurance in the Caribbean Project through CCRIF SPC. Under this Project a parametric micro-insurance product called the Livelihood Protection Policy (LPP) was developed. The LPP is designed to help protect the livelihoods of vulnerable low-income individuals such as small farmers, tourism workers, fishers, market vendors and day labourers, by providing disbursement to the insured party within seven (7) days following extreme weather events, specifically, high winds and heavy rainfall. Arrangements to ensure access to this policy are currently being finalized and this new insurance product would be available in Trinidad and Tobago in 2019.

ix. In light of the above and with respect to recommendation (a), the Ministry of Finance is guided by the Exchequer and Audit Act when advances are to be made from the Contingencies Fund. The Ministry of Finance is of the view that it is timely and efficient in its role of facilitating the advance of monies from the Contingencies Fund to the Ministries responsible for disaster relief. The policies and guidelines used to compensate affected citizens are determined by the Ministries responsible for disaster relief and is not the remit of the Ministry of Finance.

x. With respect to recommendation (b), Ministries currently receive allocations for programmes that may mitigate the severity of a natural disaster or provide immediate assistance in the event of a natural disaster; if this is insufficient then additional funding is sourced from the Contingencies Fund. Therefore, the existence of such a Fund eliminates the need for Ministries to receive a standard allocation specifically for natural disasters.

MINISTRY OF FINANCE

APPENDIX 1

Establishment of Contingencies Fund. [8/1962].

16. (1) The Minister may establish a Contingencies Fund by issues from the Consolidated Fund not exceeding in the aggregate one million five hundred thousand dollars or such greater sum as Parliament may by resolution approve, to defray unforeseen expenditure.

(2) If the Minister is satisfied that—

(*a*) certain expenditure is likely to be incurred in a financial year upon a service—

(i) thereby causing an excess on the sum provided for that service by the Appropriation Act for that year; or

(ii) which, being in respect of a new service, was not provided for by the Appropriation Act relating to that year; and

(*b*) the circumstances are such that the expenditure cannot without injury to the public interest be postponed until adequate provision is made by Parliament,

the Minister may authorise such expenditure to be met by an advance from the Contingencies Fund.

(3) For the purpose only of enabling the sum referred to in subsection (1) to be withdrawn from the Consolidated Fund for the purpose of defraying unforeseen expenditure in accordance with this section, that expenditure is hereby charged on the Consolidated Fund.

(4) Where any advance is made in accordance with subsection (2), a supplementary estimate shall be presented and a supplementary appropriation Bill shall be introduced as soon as possible for the purpose of replacing the amount so advanced.

Treasury deposits. [8/1962].

17. (1) Pending repayment or application to the purposes for which they were deposited, the Minister may authorise use of the balances held on deposit in respect of any special funds established by Act or otherwise or of any other deposits (other than trust funds or the balances of the Consolidated Fund) to make advances—

(*a*) on behalf of, and recoverable from other Governments;

(*b*) to or on account of trusts or other funds administered by the Government, or to, or on behalf of, public bodies, institutions or individuals, where