



TWENTY-FIRST REPORT OF
THE
PUBLIC ACCOUNTS

(ENTERPRISES) COMMITTEE

FOURTH SESSION OF THE 11TH PARLIAMENT

Examination of the Audited Financial Statements of the
Trinidad and Tobago Free Zones Company Ltd (TTFZ)
for the years ended September 30, 2012 to 2017.



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	Vice-Chairman
Mrs. Jennifer Baptiste-Primus	Member
Mr. Fitzgerald Hinds	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	Member
Dr. Nyan Gadsby-Dolly	Member
Mr. Foster Cummings	Member
Ms. Amrita Deonarine	Member

Committee Staff

The current staff members serving the Committee are:

Ms Keiba Jacob	Secretary
Ms Hema Bhagaloo	Assistant Secretary
Mr Darien Buckmire	Graduate Research Assistant
Mr Justin Jarrette	Graduate Research Assistant
Ms Anesha James	Administrative Assistant
Ms. Natoya O’Neil	Clerk Typist I

Publication

An electronic copy of this report can be found on the Parliament website: www.ttparliament.org

Contacts

All correspondence should be addressed to:

The Secretary

Public Accounts (Enterprises) Committee

Office of the Parliament

Levels G-7, Tower D

The Port of Spain International Waterfront Centre

1A Wrightson Road Port of Spain Republic of Trinidad and Tobago

Tel: (868) 624-7275; Fax: (868) 625-4672

Email: paec@ttparliament.org

Table of Contents

MEMBERS OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE	5
EXECUTIVE SUMMARY.....	6
INTRODUCTION.....	8
Establishment	8
Mandate	8
Ministerial Response	8
State Enterprises Performance Standards	8
Election of the Chairman and Vice Chairman	8
METHODOLOGY.....	10
Determination of the Committee’s Work Programme	10
THE INQUIRY PROCESS	12
PROFILE – TTFZ.....	13
ISSUES, OBSERVATIONS AND RECOMMENDATIONS.....	14
CONCLUSION.....	23
APPENDIX I.....	25
Minutes of Meetings	25
APPENDIX 2	35
Attendees	35
APPENDIX 3	37
List of entities falling under the purview of the PAEC	388
APPENDIX 4	41
Verbatim Notes	41

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



Ms. Amrita Deonarine
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 **Audited Financial Statements of the Trinidad and Tobago Free Zones Company Ltd (TTFZ) for the years ended September 30, 2012 to 2017** and produced this report to highlight its findings and recommendations.

This report details the issues, endorsements and recommendations made by the Committee to improve the TTFZ's performance. The issues identified in this report were found during the period under examination (2012 to 2017).

During this inquiry, the following issues arose:

1. **Monitoring of Free Zones Enterprises**
2. **Free Zone Enterprise Audited Financial Statements**
3. **Internal Auditing**
4. **Alignment of the Free Zones Programme with Government Policy**
5. **Job Creation**
6. **The Special Economic Zones (SEZ) Policy**
7. **Line Ministry Oversight**
8. **Ease of Doing Business**
9. **Relationship with Similar Agencies**

In light of the Committee's findings, the following recommendations were made:

- *The TTFZ should consult with the Ministry of Trade and Industry (MTI) on the strengthening of existing Free Zones Programme provisions for ensuring FZE compliance and a more robust implementation of these provisions and report to Parliament by July 31, 2019;*
- *The MTI should explain the rationale for including the submission of audited financial statements to the TTFZ by FZEs among the provisions of the FZP by July 31, 2019;*
- *The TTFZ should report to Parliament on the feasibility of studying FZEs' audited financial statements in order to learn more about their activities and performance and whether this could help enhance the Company's monitoring of these Enterprises by July 31, 2019;*
- *The Ministry of Finance, Investments Division should establish a system whereby small State Enterprises below an agreed size can access the services of internal auditors and report to Parliament by July 31, 2019;*
- *The MTI should submit a report to Parliament explaining the challenges faced in achieving the alignment of the TTFZ with the Ministry's strategic goals and the efforts made to overcome these difficulties, by July 31, 2019;*

- *The TTFZ should submit a report on job creation setting out possible targets that could be set for FZEs, based on the Company's knowledge of relevant trends, by July 31, 2019;*
- *The MTI should submit a report to Parliament including the following by July 31, 2019:*
 - a. the timeline for the implementation of the SEZ Policy;*
 - b. the status of the SEZ Act;*
 - c. the measures in place to ensure that the SEZ Policy will not duplicate the errors of the FZP;*
 - d. the means whereby the effectiveness of incentives offered will be continually measured;*
 - e. the alignment of the SEZ Policy with the strategic objectives of the GORTT;*
 - f. the relevance of the SEZ Policy to the specific economic realities of Trinidad and Tobago;*
 - g. the linkages to be created with the wider Trinidad and Tobago economy;*
 - h. the role of the private sector in the SEZ Policy; and*
 - i. the systems being put in place to ensure the integration of the Single Electronic Window into the SEZ regime;*
- *The MTI should submit a detailed description of the monitoring and evaluation system to be used under the SEZ Regime, including the indicators to be used, by July 31, 2019;*
- *The MTI should provide a timeline for the operationalization of the Implementation Plan by July 31, 2019;*
- *The MTI should provide details of the ways in which the SEZ Regime will enhance the ease of doing business in Trinidad and Tobago, building on the legislative and other reforms already adopted, by July 31, 2019;*
- *The MTI should write to Parliament detailing the type of entity to be set up to run the SEZ Regime by July 31, 2019;*
- *The MTI should explain the ways in which the mandate and work of the prospective new SEZ entity will be unique and not duplicate the work of any other national investment / trade promotion agencies by July 31, 2019; and*
- *The MTI should indicate whether there are plans to set up a stakeholder database similar to the one planned by the TTFZ and when any such database would be created by July 31, 2019.*

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 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; and
- e) communicate with any other Committee on matters of common interest.

Ministerial Response

The Standing Orders¹ 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.²

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.

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

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

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.

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; and
- With effect from November 27, 2018, Ms. Amrita Deonarine replaced Mr. David Small as a Member of the Committee as a result of a decision made at a sitting of the Senate.

METHODOLOGY

Determination of the Committee's Work Programme

On January 13, 2016 during its second Meeting, the Committee agreed to prioritize thirty-three (33) State Enterprises to be examined in the Eleventh Parliament 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. Community Improvement Services Limited*
6. Education Facilities Company Limited (EFCL)
7. Estate Management and Business Development Company Ltd. (EMBDC)*
8. Evolving Tecknologies and Enterprise Development Co. Ltd (eTECK)*
9. Government Human Resource Services Company Limited (GHRS)*
10. National Commission for Self Help Limited*
11. National Entrepreneurship Development Company Ltd. (NEDCO)*
12. National Enterprises Limited (NEL)
13. National Flour Mills Limited*
14. National Gas Company of Trinidad and Tobago Limited (NGC)*
15. National Infrastructure Development Company Ltd. (NIDCO)*
16. National Insurance Property Development Company Ltd. (NIPDEC)
17. National Quarries Company Limited (NQCL)
18. National Schools Dietary Services (NSDSL)*
19. Palo Seco Agricultural Enterprises Ltd (PSAEL)
20. Petroleum Company of Trinidad and Tobago (PETROTRIN)
21. Point Lisas Industrial Port Development Corporation Ltd. (PLIPDECO)*
22. Port of Spain Waterfront Development Ltd.
23. Rincon Development Ltd.
24. Rural Development Company of Trinidad and Tobago Ltd.
25. Sport Company of Trinidad and Tobago (SportT)*
26. Telecommunication Services of Trinidad, Tobago (TSTT)*
27. Trinidad and Tobago Fashion Company Ltd.
28. Trinidad and Tobago National Petroleum Limited (NP)*
29. Tourism Development Corporation (TDC)
30. Union Estate Electricity Generation Company Limited(U EEGCL)*
31. Urban Development Corporation of Trinidad and Tobago (UDECOTT)
32. Solid Waste Management Company Limited (SWMCOL)*
33. Vehicle Management Corporation of Trinidad and Tobago (VMCOTT)

* Examined in the Eleventh Parliament of the Republic of Trinidad and Tobago

This was followed by a meeting held on February 17, 2016 during which the Committee added the following entity to be examined:

34. Trinidad and Tobago Mortgage Finance Company Limited (TTMF)*

Subsequently, at a meeting held on November 15, 2017 the Committee included the following entities:

35. The National Maintenance, Training and Security Company Limited (MTS)*

36. The National Training Agency (NTA)*

37. Youth Training and Employment Partnership Programme (YTEPP)*

At a meeting held on December 5, 2018, the Committee identified the following entities for examination in the Fourth Session of the 11th Parliament:

- i. National Petroleum Marketing Company Limited (NP);
- ii. Caroni (1975) Limited;
- iii. Cocoa Development Company of Trinidad and Tobago Limited;
- iv. Palo Seco Agricultural Enterprises Limited (PSAEL);
- v. Trinidad & Tobago Free Zones Company Limited;
- vi. Trinidad & Tobago Creative Industries Company Limited;
- vii. Export Import Bank of Trinidad and Tobago (EXIMBANK);
- viii. InvesTT;
- ix. Trinidad & Tobago International Financial Centre Management Company Limited;
- x. Rural Development Company of Trinidad & Tobago Limited (RDC);
- xi. Taurus Services Limited; and
- xii. Portfolio Credit Management Limited

THE INQUIRY PROCESS

The Inquiry Process outlines steps taken by the Committee to conduct the inquiry into the operations of the Trinidad and Tobago Free Zones Company Limited (TTFZ). The following steps outlines the Inquiry Process agreed to by the PA(E)C:

- I. Identification of issues in the Audited Accounts, Balance Sheets and other Financial Statements of the TTFZ for the financial years 2012 to 2017;
- II. Preparation of Inquiry Proposal for the TTFZ. The Inquiry Proposal outlines:
 - a. Background;
 - b. Objective of Inquiry; and
 - c. Proposed Questions.
- III. Questions were forwarded to the TTFZ on February 22, 2019. Written responses were received from the TTFZ on March 14, 2019;
- IV. Determination of the need for a Public Hearing based on the analysis of written submissions. In this instance, a public hearing was held on March 20, 2019.
- V. After the public hearing a written request for additional information was sent to the TTFZ on March 22, 2019. The responses were subsequently received on April 5, 2019.
- VI. Report the Committee's findings and recommendations to Parliament upon conclusion of the inquiry.

PROFILE – TTFZ

Background:

The Trinidad and Tobago Free Zones Company Ltd. (TTFZ) was incorporated in 1988 to administer the Trinidad and Tobago Free Trade Zones Programme under the Trinidad and Tobago Free Zones Act Chapter 81:07. The Free Zones Programme was designed to attract local and foreign investment in export-driven projects that create jobs, develop skills, create external markets for products, generate net foreign exchange earnings and deepen the country's technology base. This is part of the Government's drive to diversify the economy away from energy.

Line Ministry – Ministry of Trade and Industry

Minister – The Hon. Mrs. Paula Gopee-Scoon

Permanent Secretary – Ms. Frances Seignoret

Chairman– Mrs. Karen Tom-Yew Jardine

Consultant, Administration – Mrs. Anastacia Samuel-James

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

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

1) Monitoring of Free Zones Enterprises

In practice, the monitoring of Free Zones Enterprises (FZEs) has not been as stringent enough despite existing provisions. The Free Zones Programme includes penalties³ to be incurred under the Free Zones Act in cases of non-compliance with the Programme's provisions outline fines and imprisonment.

In response to a request by the Committee for a detailed list of any offences possibly committed inclusive of the nature of the offence, the value of fines paid by those involved and any cases of imprisonment, if any, from 2012 to 2017. The TTFZ indicated that it was not aware of any existing offences committed during the period 2012 to 2017. Additionally, no irregularities of any kind were detected in the annual inventory reports submitted by FZEs.

As a point of reference, the Organization for Economic Cooperation and Development (OECD) research found that, globally, a consequence of "light regulation and limited oversight"⁴ of free zones has been an increase in the trafficking of counterfeit goods. Though it is not impossible, it appears improbable that FZEs consistently achieved perfect compliance from year to year with the parameters of the Programme. It is possible that more robust enforcement of the regulations found in the TTFZ Guidebook as well as the Company's established set of penalties could lead to the discovery, correction and avoidance of irregular practices.

Recommendation:

- i. The TTFZ should consult with the Ministry of Trade and Industry (MTI) on the strengthening and implementation of existing Free Zones Programme provisions to ensure increase in compliance of these provisions and report to Parliament by July 31, 2019.*

2) Non- monitoring of Free Zone Enterprise Audited Financial Statements

The audited financial statements submitted by Free Zones Enterprises were not put to any identifiable use or analyse by the TTFZ and could be used to better monitor FZE activities. FZEs were required to provide the Free Zones Company with their annual audited financial statements according to the TTFZ Guidebook for the Free Zones Programme (FZP)⁵. However, nothing in the provisions of the Free Zones Programme indicates the purpose of acquiring these statements. In a written submission to the Committee, the TTFZ stated that they rely on the integrity of the audited

³ Trinidad and Tobago Free Zones Company Limited, *Offences and Penalties*, accessed on February 17, 2019: <http://ttfzco.com/wp-content/uploads/2015/06/penalties.pdf>

⁴ OECD, *Trade in Counterfeit Goods and Free Zones*, accessed on March 30, 2019:

<http://www.oecd.org/governance/trade-in-counterfeit-goods-and-free-trade-zones-9789264289550-en.htm>

⁵ Trinidad and Tobago Free Zones Company Limited, *The Free Zones Programme*, accessed on February 1, 2019: <http://ttfzco.com/TTFZ-Guidebook.pdf>

reports without the need for further examination. It can only be inferred that these audited statements were required by the TTFZ and the MTI for basic record keeping purposes.

Recommendations:

- i. The MTI should explain the rationale for including the submission of audited financial statements to the TTFZ by FZEs among the provisions of the FZP by July 31, 2019; and*
- ii. The TTFZ should conduct a feasibility study of analysing FZEs' audited financial statements to help enhance the TTFZ's monitoring of these Enterprises and also to learn more about their activities and performance and report to Parliament by July 31, 2019.*

3) Internal Auditing

In the absence of an internal audit function it is difficult to ensure the Company's effectiveness. The Ministry of Finance-Investments Division was of the opinion that the TTFZ which has never had an internal auditor needed to establish an internal audit function. The MTI recognized the importance of the internal audit function and highlighted the existence of an Audit Committee of the TTFZ's Board, the functioning of which is seen by the Ministry as fulfilling the equivalent of the internal auditor's role. Audit Committees are provided for by Section 157(1) of the Companies Act Chapter 81:01 and Section 2.2.6.3 of the State Enterprises Performance Monitoring Manual. However the Committee insisted on the necessity of having an internal auditor to ensure independence in the carrying out of that important function.

The TTFZ indicated that given the small size of the Company and the work done by the Audit Committee, an internal audit function to audit the processes and policies of the Company was not indispensable. The MTI stated that while the current organizational structure of the TTFZ did not provide for an internal auditor, this function would be included in the entity that will succeed the TTFZ under the SEZ Regime.

Pervasive Issue:

The absence of an internal audit function at small State Enterprises is a recurring issue. The TTFZ is the latest of several State Enterprises examined by the PA(E)C during this 4th Session of Parliament with the absence of an internal audit function and which cite the small size of the Company as the reason for this. The subsidiary companies of the Trinidad and Tobago Creative Industries Company Limited (CreativeTT) – MusicTT, FashionTT and FilmTT as well as the Cocoa Development Company of Trinidad and Tobago (CDCCTL) had the same problem.

Recommendation:

- i. The Ministry of Finance, Investments Division should establish a system to allow small State Enterprises below an agreed size to be provided with the ease of access to the services of internal auditors and report on this issue to Parliament by July 31, 2019.*

4) Alignment of the Free Zones Programme with Government Policy

One of the Ministry of Trade and Industry's mandates (MTI) is the development of a Knowledge Intensive Economy dictated to the necessary alignment of the TTFZ's Strategic Initiatives to those of the Ministry⁶.

The Committee enquired as to what were the MTI's programmes or policies to which the TTFZ's strategic initiatives were aligned.

The MTI indicated that the TTFZ was aligned to the following⁷:

- Goal 1: Diversified and Competitive Businesses;
- Goal 2: Increased Investment; and
- Goal 3: Expanded and Diversified Regional and International Trade.

In 2012, the World Bank released a Technical Report on the Trinidad and Tobago Free Zones Programme. One of the Report's findings was, the types of free zone enterprises that currently operate in Trinidad and Tobago, although non-energy related, do not best reflect the diversification thrust of the Government of the Republic of Trinidad and Tobago (GORTT). The OECD explained that it was crucial that "Economic Zone strategy is strongly linked to national development, investment and industrial strategies"⁸.

Recommendation:

- The MTI should submit a report to Parliament explaining the challenges faced in achieving the alignment of the TTFZ with the Ministry's strategic goals and the efforts made to overcome these difficulties, by July 31, 2019.*

5) Job Creation

The job creation goal of the Free Zones Programme is not structured. The creation of jobs by FZEs to whom incentives are given is one of the primary objectives of the FZP. One thousand two hundred and one (1,201) persons were employed by FZEs as at the end of 2017.

The Committee learnt that, although the TTFZ constantly monitored the number of jobs accounted for by FZEs by collecting quarterly jobs figures⁹, it did not actually set any specific job creation targets for the Enterprises. Given the incentives afforded to FZEs, it is reasonable that these Enterprises be held to some measurable standard for the benefits that they are expected to generate.

⁶ Trinidad and Tobago Free Zones Company Limited, *Overview*, accessed on February 1, 2019: <http://ttfzco.com/index.php/about-us/>

⁷ Ministry of Trade and Industry Written Submission, p 10.

⁸ OECD, *Designing Economic Zones for Effective Investment Promotion*, accessed on March 26, 2019: <https://www.oecd.org/mena/competitiveness/44866506.pdf>

⁹ Verbatim Notes, 37th Meeting of the PA(E)C p 17.

Recommendation:

- i. The TTFZ should submit a report on job creation setting out possible targets that could be set for FZEs, based on the Company's knowledge of relevant trends, by July 31, 2019.*

6) The Special Economic Zones (SEZ) Policy

The Free Zones Programme had many faults which must not be repeated with the SEZ Policy. The GORTT, by way of the MTI, was in the process of developing a Special Economic Zones (SEZ) Policy to replace the FZP. The MTI instructed the TTFZ not to pursue any new initiatives other than processing enterprise applications (if any were to be received) before the adoption of the new SEZ policy, so as to finally “ensure the coherence and alignment of its operations with the current Government policy”¹⁰ that was lacking under the FZP. In particular, the SEZ Policy is aligned with the Government's national development strategy, 2016 to 2030, *Vision 2030*, “Theme IV: Growing Globally Competitive Businesses”.

Weaknesses of the Free Zones Programme

Although “creating an SEZ is a very expensive undertaking”¹¹, the new Policy was necessary in light of the findings of a World Bank Group study of the Trinidad and Tobago FZP, notably that the FZP did not consistently attract investments despite its very liberal incentives and non-restrictive locational requirements.

The previously mentioned September 2012 World Bank Technical Report on the FZP concluded that free zones had not made a significant impact on the diversification of the country's economy. The Report identified an insufficient framework for policy, legal, regulatory and institutional issues, as well as poor zone performance as the principal problems affecting the Free Zones Programme. The development of SEZs was recommended to remedy these shortcomings¹².

The weaknesses and limitations of the FZP identified by the World Bank Technical Report were as follows:

- *Zone Structure* – the TTFZ regime is relatively small, lacks diversity and has performed poorly;
- *Ownership and developmental roles* – although under the Free Zones Act, the TTFZ is authorised to own, develop, regulate and facilitate free zones, this has never been the case in practice.
- *Zone administration* – the governing structure of free zone activities is centralized; and
- *Incentives and zone features* – the current incentives available to approved free zone enterprises are very generous, not time-bound and limited only to financial incentives which significantly undermine the country's revenue base.

¹⁰ Ministry of Trade and Industry, Responses to Questions for Additional Information, p 1.

¹¹ World Economic Forum, *How can Africa ensure success for Special Economic Zones?*, accessed on March 26, 2019: <https://www.weforum.org/agenda/2015/08/how-can-africa-ensure-success-for-special-economic-zones/>

¹² Ministry of Trade and Industry, *Special Economic Zones Policy*, p 3, accessed on April 20, 2019: <https://tradeind.gov.tt/sez-policy-trinidad-tobago/>

The Committee pointed out that data should have been kept on the forgone revenue associated with the financial incentives offered to FZEs in order to measure the extent to which the lost revenue was offset by the gains created by Free Zones activities.

According to the UNCTAD World Investment Programme, “the cost of investments in zone infrastructure and maintenance in many cases outweigh the benefits. Investors may also take advantage of tax breaks without delivering substantial employment or export earnings”¹³.

Aims & Characteristics of SEZ Policies

The aims of the National Special Economic Zone Policy being prepared by the MTI are as follows¹⁴:

- i. to modernize Trinidad and Tobago’s economic/free zone regime;
- ii. to increase the economic and social impact of economic zones in Trinidad and
- iii. Tobago;
- iv. to enhance the international appeal of Trinidad and Tobago’s economic zone regime; and
- v. to improve existing and advance new mechanisms and procedures to effectively develop and manage economic zones.

The Committee advised that the SEZ policy would need to focus on sectors where Trinidad and Tobago has a comparative advantage. This is echoed by the OECD, which explained that Export Processing Zones / Free Zones “were designed to attract investment by enabling countries to better exploit [...] comparative advantage”.

The OECD added the following conditions that should be fulfilled by SEZs:

- Different Economic Zones in one country are not fragmented development initiatives; they must complement each other;
- Private sector development & management of zones;
- Fully inclusive Single window & one stop shop services;
- Innovative development policy incentives linked to R&D, skills development, SMEs & regional development; and
- Less reliance on tax incentives and focus on regulatory and administrative incentives.

The OECD further affirmed that “the success of Economic Zones depends on the extent to which they create linkages with the local economy thereby generating employment and increasing transfer of know-how”. The Competitive Industries and Innovation Program (CIIP) – a joint project of the European Union, the World Bank Group and the African Caribbean and Pacific Group of States (ACP) similarly added that “typically, the success of a zone and its impact depend on factors both within and outside the zone: the SEZ program and its characteristics; the structure and layout of the

¹³ World Investment Forum 2018, *Special Economic Zones: Challenges and Opportunities*, accessed on March 26, 2019: <https://worldinvestmentforum.unctad.org/session/free-special-economic-zones-challenges-and-opportunities/>

¹⁴ Ministry of Trade and Industry, *Special Economic Zones Policy*, p 3, accessed on April 20, 2019: <https://tradeind.gov.tt/sez-policy-trinidad-tobago/>

zone; and regional and country contexts”¹⁵. The SEZ Policy must be fully relevant to the Trinidad and Tobago economic context.

Recommendation:

- i. The MTI should submit a report to Parliament including the following by July 31, 2019:*
 - a. the timeline for the implementation of the SEZ Policy;*
 - b. the status of the SEZ Act;*
 - c. the measures in place to ensure that the SEZ Policy will not duplicate the errors of the FZP;*
 - d. the means whereby the effectiveness of incentives offered will be continually measured;*
 - e. the alignment of the SEZ Policy with the strategic objectives of the GORTT;*
 - f. the relevance of the SEZ Policy to the specific economic realities of Trinidad and Tobago;*
 - g. the linkages to be created with the wider Trinidad and Tobago economy;*
 - h. the role of the private sector in the SEZ Policy; and*
 - i. the systems being put in place to ensure the integration of the Single Electronic Window into the SEZ regime.*

7) Lack of Oversight by the Line Ministry

The MTI did not play a sufficient monitoring and evaluation role under the Free Zones Programme. According to the State Enterprises Performance Monitoring Manual (SEPMM), “the Line Ministries’ role includes technical supervision of planning, monitoring and evaluating projects, plan and programme implementation and ensuring that State Enterprises adhere to the Sectoral policy guidelines of GORTT”¹⁶.

The World Bank study of the Free Zones Programme pointed out the inadequacy of existing reporting requirements. Provision for monitoring, reporting and compliance were not very robust. The MTI explained that with the TTFZ, it used the process monitoring provisions of the SEPMM. The MTI indicated that the reporting and monitoring procedures used in the case of the Free Zones Programme would be strengthened under the SEZ Regime.

For the SEZ Regime, the SEZ Policy document indicated that an Implementation Plan will be the basis for monitoring and evaluation¹⁷. The MTI planned to develop a monitoring and evaluation system based on agreed indicators. Policy implementation would be reviewed every three (3) years, and progress would be examined.

¹⁵ Competitive Industries and Innovation Program, *Special Economic Zones – an Operational Review of their Impact*, accessed on March 29, 2019: https://www.theciip.org/sites/ciip/files/documents/SEZ%20Report_2017.pdf

¹⁶ *State Enterprises Performance Monitoring Manual*, p 8.

¹⁷ Ministry of Trade and Industry, *Special Economic Zones Policy*, p 29, accessed on April 20, 2019: <https://tradeind.gov.tt/sez-policy-trinidad-tobago/>

Recommendations:

- i. The MTI should submit a detailed description of the monitoring and evaluation system to be used under the SEZ Regime, including the indicators for monitoring performance, by July 31, 2019; and*
- ii. The MTI should provide a timeline for the operationalization of the Implementation Plan by July 31, 2019.*

8) Ease of Doing Business

It is still not easy enough to start and run a business in Trinidad and Tobago. According to the UNCTAD World Investment Forum, SEZs “can improve the overall investment environment, [...] increasing the ease of doing business and streamlining administrative procedures, including the time required to set up operations”¹⁸.

The SEZ Policy mentioned Trinidad and Tobago’s EODB rating, saying that “while there have been many reforms implemented to improve the ease with which business is conducted, bureaucracy and costly procedures continue to inhibit investment and business activities in the country”¹⁹. The Policy emphasized SEZs as a means whereby ease of doing business could be improved to attract more investments.

An article²⁰ dated October 30, 2014, highlighted that Trinidad and Tobago was one of the countries implementing the most reforms aimed at making it easier to do business and that the country’s Ease of Doing Business Ranking was improving.

The World Bank Group’s annual *Doing Business* reports compare business regulations for domestic firms in one hundred and ninety (190) economies and rank countries according to how business friendly their policies are. Since 2015, countries have been assigned an Ease of Doing Business (EODB) score.

The criteria use are:

Starting a business	Dealing with construction permits
Getting electricity	Getting credit
Protecting minority investors	Paying taxes
Trading across borders	Enforcing contracts
Registering property	Resolving insolvency

¹⁸ World Investment Forum 2018, *Special Economic Zones: Challenges and Opportunities*, accessed on March 26, 2019: <https://worldinvestmentforum.unctad.org/session/free-special-economic-zones-challenges-and-opportunities/>

¹⁹ Ministry of Trade and Industry, *Special Economic Zones Policy*, p 3, accessed on April 20, 2019: <https://tradeind.gov.tt/sez-policy-trinidad-tobago/>

²⁰ *Trinidad and Tobago Advances in the World Bank’s Ease of Doing Business Ranking*, accessed on February 5, 2019: <http://www.news.gov.tt/content/trinidad-and-tobago-advances-world-bank%E2%80%99s-ease-doing-business-ranking#.XFnK4tJKgdU>

Since 2012, Trinidad and Tobago has ranked as follows²¹:

Year	EODB Score	CARICOM Rank	World Rank
2019	60.81	4	105
2018	60.68	4	102
2017	60.99	3	96
2016	62.58	3	88
2015	64.24	2	79
2014	N/A	2	66
2013	N/A	4	69
2012	N/A	4	68

Trinidad and Tobago's EODB score has consistently been in decline since 2015. In the 2019 report, Trinidad and Tobago was ranked 76th for starting a business, 125th for dealing with construction permits, 130th for trading across borders, 158th for registering property and 174th for enforcing contracts.

The TTFZ was unable to highlight any contributing factors to this trend, explaining that not all of the factors determining EODB were under its control and that it was particularly the MTI and InvestTT which were responsible for strengthening the country's business environment. According to the TTFZ, deterioration of EODB rankings did not negatively affect the activity of FZEs.

The MTI indicated that since 2012 it has undertaken a range of reforms to make doing business easier. These included legislative amendments and greater use of ICT for administrative procedures – notably via the Single Electronic Window (TTBizLink) which has won international acclaim.

Recommendation:

- i. The MTI should provide details of the ways in which the SEZ Regime will enhance the ease of doing business in Trinidad and Tobago, building on the legislative and other reforms already adopted, by July 31, 2019.*

9) Relationship with Similar Agencies

Without a clear distinction between the TTFZ or its successor SEZ entity and other trade/ investment promotion agencies, there is a risk of policy overlap. There are a number of other public entities serving as investment and/or trade promotion agencies in Trinidad and Tobago apart from the TTFZ. These include InvestTT, the Trinidad and Tobago International Financial Centre Management Company Limited (TTIFC) and ExportTT.

There are similarities between the goals of these related agencies as follows:

²¹ The World Bank Group, *Reports*, accessed on February 5, 2019:
<http://www.doingbusiness.org/en/reports/global-reports>

TTFZ mission	Leveraging our competitive advantage to provide an investment friendly environment that facilitates business activities to achieve our aims of national economic diversification, job creation and attractive investor returns.
TTIFC Road Map ²²	“...providing an efficient, business-oriented environment with transparent and principle-based legislation and regulations. The Trinidad and Tobago IFC will also leverage the modern and cost efficient infrastructure, skilled workforce...”

TTFZ vision	The “Gateway” to global business and investment opportunities, leveraging our competitive advantages to provide the investor friendly Zone of Choice .
TTIFC vision	To make Trinidad and Tobago one of the premier locations in the Caribbean and Latin America for financial services.

TTIFC mission	To attract & facilitate foreign direct investment in the financial services sector that would enhance the growth and diversification of the economy by creating sustainable employment and generating foreign exchange.
InvesTT mission	To attract , facilitate and retain investments in Trinidad and Tobago.

InvesTT provided promotion of Free Zones Programme services on behalf of the TTFZ from 2016 onwards. Having primary responsibility for facilitating the investment environment in the non-energy sector, InvesTT was involved in economic zones activities including industrial parks.

The TTFZ indicated that it planned on “building a database of key suppliers, relevant state and non-governmental agencies as well as complimentary services, to better serve existing and prospective clients”²³. An initial version was developed. Such a database would make it easy to see the agencies similar to the TTFZ or its successor entity and help prospective investors to differentiate among them.

Recommendations:

- i. The MTI should submit a report to Parliament detailing the type of entity to be set up to run the SEZ Regime by July 31, 2019;*
- ii. The MTI should explain the ways in which the mandate and work of the prospective new SEZ entity will be unique and not duplicate the work of any other national investment / trade promotion agencies by July 31, 2019; and*
- iii. The MTI should indicate whether there are plans to set up a stakeholder database similar to the one planned by the TTFZ and when any such database would be created by July 31, 2019.*

²² TTIFC, *Road Map*, accessed on March 25, 2019: <https://www.ttifc.co.tt/index.php/roadmap>

²³ Trinidad and Tobago Free Zones Company Limited, *Services*, accessed on February 17, 2019: <http://ttfzco.com/index.php/about-us/>

CONCLUSION

The number of economic zones around the world has continued to grow in recent years, specifically in developing countries²⁴. The TTFZ²⁵ was fully aware that some countries have had far greater success than Trinidad and Tobago with their Economic Zones policies.

World Bank Group²⁶ research has concluded that Export Processing Zones (EPZ) – of which Free Zones are one example – are “perhaps no longer fit-for-purpose, given the changing macroeconomic and regulatory environment in the global economy”, and that “some of the basic principles at the heart of traditional EPZs are no longer – or perhaps never were – sustainable sources of competitiveness”. As such, the Committee welcomes the move towards the new SEZ Policy, which will be a fresh start enabling Trinidad and Tobago to reach its full investment attraction potential.

One of the main findings of the SEZ policy was that “the current incentives available to approved free zone enterprises are very generous, not time-bound and limited only to financial incentives which significantly undermine the country’s revenue base”. CIIP research on Economic Zones found that “fiscal incentives create important tax revenue losses for governments” but explained that “these losses may be acceptable in a case in which the investments are additional and generate positive externalities”²⁷.

No data was kept concerning the cumulative value of the concessions granted to FZEs under the Free Zones Programme. Knowing the level of forgone revenue makes it possible to comprehensively gauge the return on GORTT’s investment in free zones. Recording such statistics and comparing them to the job creation, investment attraction and production benefits created by FZEs would have made it easier to appraise the net contribution of the FZP to the economy and to take steps to remedy the Programme’s shortcomings long before those shortcomings were highlighted by the World Bank Group’s 2012 Report. The MTI assured the Committee that this kind of data would be part of the upcoming Special Economic Zones regime and this is also welcomed by the Committee.

Finally, the Committee noted the emphasis placed on the importance of the TTBizLink Single Electronic Window by the MTI. At a time when another key investment promotion agency, InvesTT²⁸, has stepped away from the ‘one stop shop’ facility, it is crucial that entities like the TTFZ and its

²⁴ World Bank Group, *Special Economic Zones: What have we learned?*, accessed on March 28, 2019: <http://documents.worldbank.org/curated/en/275691468204537118/Special-economic-zones-what-have-we-learned>

²⁵ Verbatim Notes, 37th Meeting of the PA(E)C, p 13.

²⁶ World Bank Group, *Special Economic Zones: What have we learned?*, accessed on March 28, 2019: <http://documents.worldbank.org/curated/en/275691468204537118/Special-economic-zones-what-have-we-learned>

²⁷ Competitive Industries and Innovation Program, *Special Economic Zones – an Operational Review of their Impact*, accessed on March 29, 2019: https://www.theciip.org/sites/ciip/files/documents/SEZ%20Report_2017.pdf

²⁸ InvesTT Written Submission to PA(E)C, p 4 and Appendix A.1.7.

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.
Ms. Amrita Deonarine
Member

APPENDIX I

Minutes of Meetings

**THE PUBLIC ACCOUNTS ENTERPRISES COMMITTEE –
FOURTH SESSION, ELEVENTH PARLIAMENT
MINUTES OF THE THIRTY- SEVENTH MEETING HELD ON
WEDNESDAY, MARCH 20, 2019 AT 9:44 A.M.
IN THE ARNOLD THOMASOS (EAST) MEETING ROOM, LEVEL 6
AND IN THE J. HAMILTON MAURICE ROOM, 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
Dr. Tim Gopeesingh	-	Vice Chairman
Ms. Amrita Deonarine	-	Member
Mrs. Jennifer Baptiste-Primus	-	Member
Mr. Foster Cummings	-	Member
Mrs. Cherrie-Ann Crichlow-Cockburn	-	Member

Excused were:

Dr. Nyan Gadsby-Dolly	-	Member
Mr. Fitzgerald Hinds	-	Member
Ms. Keiba Jacob	-	Secretary
Ms. Hema Bhagaloo	-	Assistant Secretary
Ms. Vanna Jankiepersad	-	Procedural Officer Intern
Mr. Justin Jarrette	-	Parliamentary Intern

COMMENCEMENT

- 1.1 At 9:44 a.m. the Chairman called the meeting to order and welcomed those present. Mr. Fitzgerald Hinds and Dr. Nyan Gadsby-Dolly were excused from the meeting.

THE EXAMINATION OF THE MINUTES OF THE THIRTY- SIXTH MEETING

- 2.1 The Committee examined the Minutes of the Thirty- Sixth (36th) Meeting held on Wednesday March 13, 2019.
- 2.2 There being no omissions or corrections, the Minutes were confirmed on a motion moved by Ms. Amrita Deonarine and seconded by Mr. Foster Cummings.

MATTERS ARISING FROM THE MINUTES OF THE THIRTY- SIXTH MEETING

- 3.1 With reference to items 3.1, the Chairman reminded the Members that the Committee agreed to the review of the Work Programme for the Fourth Session of the Eleventh Parliament.
- 3.2 With reference to item 3.3, the Chairman informed the Members that the responses to the additional information from the Cocoa Development Company of Trinidad and Tobago (CDCTTL) were received by the Secretariat on March 19, 2019 and used to draft the Committee's Nineteenth Report.
- 3.3 With reference to item 4.1, the Chairman reminded the Members that the Committee agreed to review the Committee's Quorum.
- 3.4 With reference to item 5.1, the Chairman reminded the Members to confirm their attendance – Re: training session on Gender responsive budgeting no later than March 22, 2019.
- 3.5 With reference to item 6.5, the Chairman informed the Members that questions for additional information were sent to the Palo Seco Agricultural Enterprises Limited (PSAEL) and the Ministry of Agriculture, Land and Fisheries on March 18, 2019. The deadline for the submission of the responses is April 2, 2019.

REVIEW OF THE COMMITTEE'S QUORUM

- 4.1 The Committee agreed to the following:
- Defer the review of the quorum for committee's meeting to the next meeting; and
 - Members be informed in writing that a decision on the quorum for Committee's meeting will be taken at the next Meeting.

REVIEW OF THE WORK PROGRAMME FOR THE FOURTH SESSION

- 5.1 The Committee agreed to the following:
- Defer the review of the work programme for the Fourth Session to the next meeting; and
 - Members be informed in writing that a decision on the work programme will be taken at the next Meeting.

PRE-HEARING DISCUSSION RE: TRINIDAD AND TOBAGO FREE ZONES COMPANY LIMITED (TTFZ)

- 6.1 The Chairman reminded the Members that the purpose of the meeting was to examine the Audited Accounts, Balance Sheets and other Financial Statements of the TTFZ for the period 2012 to 2017 and to improve the TTFZ delivery of services in an efficient, effective and economic manner.
- 6.2 The 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 10:11 a.m.

THE TRINIDAD AND TOBAGO FREE ZONES COMPANY LIMITED (TTFZ)

7.1 The Chairman called the public meeting to order at 10:20 a.m.

7.2 The following officials joined the meeting:

Trinidad and Tobago Free Zones Company Limited (TTFZ)

- Ms. Karen Tom Yew-Jardine - Chairman
- Ms. Esther Le Gendre - Director
- Ms. Sharon Mohammed - Director
- Ms. Anastacia Samuel-James - Consultant, Administration

Ministry of Trade and Industry (MTI)

- Ms. Frances Seignoret - Permanent Secretary (Ag.)
- Mr. Randall Karim - Director, Policy and Strategy
- Mr. Dennis Scott - Senior Business Analyst
- Mr. Videsh Maharaj - Senior Economist (Ag.)

Ministry of Finance – Investments Division (MOF-ID)

- Ms. Chintamani Sookoo - Director (Ag.)
- Ms. Seeta Beedasic - Business Analyst (Ag.)
- Ms. Nisa Churaman - Senior Audit Analyst

7.3 Key Topics Discussed:

1. The transition from the Trinidad and Tobago Free Zones Programme (FZP) to the Special Economic Zones (SEZ) regime;
2. The status of the TTFZ during the transition;
3. The measures taken by the MTI to ensure the effectiveness of the TTFZ;
4. The need for a new legislative framework to implement the SEZ policy;
5. The timeline for the implementation of the SEZ policy;
6. The support provided by the TTFZ to both local and foreign investors enrolled and interested in the FZP;
7. The relationship between the TTFZ and the investTI;
8. The yearly value of the Free Zones Enterprises (FZE) activities;
9. The fluctuation in the TTFZ's revenue;
10. The fluctuation in the number of active FZE;

11. The integration of the Single Electronic Window into the SEZ regime;
12. The need for the SEZ policy to focus on sectors where Trinidad and Tobago has a comparative advantage;
13. The deficiencies identified in the report by the World Bank Group's International Finance Corporation with regard to the functioning and performance of the FZP;
14. The status of the TTFZ as a self-sustaining entity;
15. The status of the human resource capacity of the TTFZ;
16. The number of jobs created by the FZEs;
17. The status of the Free Zones initiatives in Tobago;
18. The status of the submission of the audited financial statements by the FZEs;
19. The reasons for not scrutinizing the audited financial statements of the FZEs;
20. The measures in place by the TTFZ to monitor and evaluate the performance of the FZEs;
21. The measures in place to ensure compliance with the FZP provisions;
22. The composition of the Audit Committee;
23. The absence of an internal auditor, internal audit unit and internal audit function at the TTFZ;
24. The urgent need for an internal auditor at the TTFZ;
25. The total revenue forgone by the GORTT by way of FZP incentives;
26. The correlation between the total revenue forgone and the benefits derived from the programme; and
27. The relevance of the TTFZ.

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

- 7.4 The Chairman thanked the representatives from the Ministry of Finance – Investments, the Ministry of Trade and Industry, the TTFZ, members of the media and the public for their attendance.
- 7.5 The Committee agreed that additional questions for written submission should be sent to the TTFZ and the Ministry of Trade and Industry.
[Please see Appendix 1]

ADJOURNMENT

- 8.1 The Chairman indicated that the Committee's next meeting would be held on **Wednesday April 3, 2019 at 9:30 a.m.**
- 8.2 There being no other business, the Chairman thanked the Members for their attendance and the meeting was adjourned.
- 8.3 The adjournment was taken at 12:02 p.m.

We certify that these Minutes are true and correct.

CHAIRMAN

SECRETARY

March 20, 2019

ADDITIONAL INFORMATION REQUESTED**Additional Questions arising from Meeting of the Public Accounts [Enterprises] Committee****TRINIDAD AND TOBAGO FREE ZONES COMPANY LIMITED (TTFZ)****Vacancies on the Organisational Structure**

1. What was the reason for the creation of the 'Consultant, Administration' post?
2. What was the reason for the post of CEO not being filled since January 2018?
3. What is the relationship between the duties and responsibilities of the two aforementioned posts?

Financial Management

1. What are the specific financial policies adopted by the TTFZ to ensure effective compliance and proper management of revenue and expenditure?
2. What are the specific policies pursued to do the following in accordance with the TTFZ's vision:
 - Deepening the country's technology base; and
 - Improving business synergies.

Submission of Audited Financial Statements by Free Zones Enterprises

1. What is the deadline for the submission of the audited financial statements of the Trinidad and Tobago Fine Cocoa Company for the years 2014 to 2018?
2. What systems are in place to ensure compliance regarding the submission of the audited financial statements and other reports by the Free Zones Enterprises?
3. What consequences are there for FZ enterprises failing to comply with this requirement as stated in the Guidebook?

Partnership with Other Agencies

1. What are the projects and/or other initiatives on which the TTFZ has partnered with agencies such as e-TecK, exporTT, invesTT or the TTIFC?
 - a. What is the status of these projects / initiatives;
 - b. How did these entities help the TTFZ to achieve its mandate?
2. What is the reason for the absence of a project management unit?
3. Given the 32% decline in revenue in the year 2015 as a result of the withdrawal of a major Free Zones Enterprise from the Free Zones Programme, provide the following information:
 - a. The name of the enterprise; and
 - b. The reason for the withdrawal.

4. Provide a list in chronological order of the dates on which FZEs joined and left (if applicable) the Free Zones Programme.
 - a. What accounted for the fluctuation in the number of active FZEs over the period 2012 to 2014?
5. Provide the following information:
 - a. The reason for the increases in revenue despite a decrease in the number of FZEs (2013);
 - b. The reason for the decreases in revenue although there was no change in the number of FZEs (2015-2017).
6. What was the reason for not setting yearly job creation targets for FZEs?

Special Economic Zones Regime

1. What is the reason for the need to develop a new Special Economic Zone (SEZ) environment?
2. What is the timeline for the implementation of the Special Economic Zones (SEZ) policy?
3. What measures are being taken to ensure that the upcoming SEZ policy has an explicitly stated procedure for the granting of the equivalent of “free zones status” under its new terms?
4. What will be the legal framework for the new SEZ model?
5. The TTFZ was requested to make no further expansion under the current program.
 - a. How has this affected the TTFZ’s strategic planning?

Free Zones Enterprises Compliance

The Free Zones Company of Trinidad and Tobago is not aware of any existing offences for the period 2012 to 2017.

1. What was the TTFZ’s procedure for monitoring free zones enterprises’ compliance with the Free Zones Act, bye-laws made under the Free Zones Act and Free Zone Orders?
2. To what extent were these procedures sufficiently robust?
3. What measures has the TTFZ put in place to monitor and evaluate the performance of the FZEs?

Risk Management

The Trinidad and Tobago Free Zones Company does not have a risk management policy in place, and this matter is engaging the attention of the Board of Directors.

1. What is the reason for the absence of a risk management policy?
2. What is the status and completion timeline of the development, approval and implementation of a risk management policy?
3. What are the risks that the Company is exposed to?
4. In the absence of a risk management policy, what are the existing internal controls to mitigate the risk faced by the Company?
5. Who is the external auditor engaged by the TTFZ?
6. What is the cost of engaging the services of the external auditor?

Internal Auditing

The current approved organisational structure of the TTFZ does not provide for the position of an internal auditor.

1. What is the status of the fulfilment of the recommendations from 2012, 2014, 2015 and 2016 which have not yet been implemented?
2. What is the reason for the delay in implementation?
3. What is the reason for not preparing a Charter of Internal Audit work for the fiscal year 2019?

Plant and Equipment

1. What is the reason for the absence of a fixed asset policy?
2. What is the timeline for completing the development of the fixed asset policy

Profitability / Operating Efficiency

1. How much net foreign exchange earnings did the TTFZ generate yearly from 2012 to 2017?
2. How much revenue is gained annually from payroll taxes paid by free zone enterprises?
3. What are the measurable values that show how effectively the TTFZ is achieving its key objectives?
4. What systems are in place to ensure accountability and transparency with respect to the collection of fees?
5. How does the TTFZ plan to increase revenue in the short and medium term?
6. What is the total forgone revenue for GORTT as a result of the Programme's incentives for each year from 2012 to 2017?
7. To what extent is this forgone revenue offset by the benefits of the Programme?

Fraud Policy

1. What is the reason for the absence of a fraud policy?
2. In the absence of a policy, what systems have been put in place to avoid cases of fraud?
3. What is the timeline for the development and implementation of a fraud policy?
4. The TTFZ currently has a staff complement of 2. In the absence of staff, a number of responsibilities have been absorbed by the Board Members. Having many responsibilities concentrated under one post creates a possibility for the risk of fraud.
 - What systems are in place to address the possibility of this risk?

Whistle-Blowing Policy

1. What is the reason for the absence of a whistle-blowing policy?
2. What is the timeline for the development and implementation of a whistle-blowing policy?

Conflict of Interest Policy

1. What is the reason for the absence of a conflict of interest policy?
2. What is the timeline for the development and implementation of a conflict of interest policy?

MINISTRY OF TRADE AND INDUSTRY (MTI)

1. What is the total forgone revenue for GORTT as a result of the Free Zones Programme's incentives to enterprises for each year from 2012 to 2017?
2. To what extent is this forgone revenue offset by the benefits of the Programme?
3. Briefly state the reasons for the directive given by the Ministry 'for no further expansion into the current program'.
4. In terms of your oversight role, how does the Ministry monitor and evaluate the operations of the TTFZ?
5. How does the Ministry ensure the effectiveness of the TTFZ in light of the absence of an internal auditor and internal audit unit and function?
6. What role does the Ministry play when it receives financial reports by the TTFZ?

APPENDIX 2

Attendees

Attendees

Trinidad and Tobago Free Zones Company Limited (TTFZ)

- Ms. Karen Tom Yew-Jardine - Chairman
- Ms. Esther Le Gendre - Director
- Ms. Sharon Mohammed - Director
- Ms. Anastacia Samuel-James - Consultant, Administration

Ministry of Trade and Industry (MTI)

- Ms. Frances Seignoret - Permanent Secretary (Ag.)
- Mr. Randall Karim - Director, Policy and Strategy
- Mr. Dennis Scott - Senior Business Analyst
- Mr. Videsh Maharaj - Senior Economist (Ag.)

Ministry of Finance – Investments Division (MOF-ID)

- Ms. Chintamani Sookoo - Director (Ag.)
- Ms. Seeta Beedasic - Business Analyst (Ag.)
- Ms. Nisa Churaman - Senior Audit Analyst

APPENDIX 3

Entities under purview of PA(E)C

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 ExporTT)
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. ExporTT (formerly BDC: Business Development Company Limited)
16. Evolving TecKnologies & 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. InvesTT
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 (TTMF)
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 NOTES

VERBATIM NOTES OF THE THIRTY-SEVENTH MEETING OF THE PUBLIC ACCOUNTS (ENTERPRISES) COMMITTEE HELD IN THE J HAMILTON MAURICE MEETING ROOM, MEZZANINE FLOOR, (IN PUBLIC), OFFICE OF THE PARLIAMENT, TOWER D, THE PORT OF SPAIN INTERNATIONAL WATERFRONT CENTRE, #1A WRIGHTSON ROAD, PORT OF SPAIN, ON WEDNESDAY, MARCH 20, 2019, AT 10.20 A.M.

PRESENT

Mr. Wade Mark	Chairman
Mrs. Cherrie-Ann Crichlow-Cockburn	Member
Mrs. Jennifer Baptiste-Primus	Member
Mr. Foster Cummings	Member
Ms. Amrita Deonarine	Member
Ms. Keiba Jacob	Secretary
Ms. Hema Bhagaloo	Assistant Secretary
Ms. Vanna Jankipersad	Procedural Officer Intern
Mr. Justin Jarrette	Parliamentary Intern

ABSENT

Dr. Tim Gopeesingh	Vice-Chairman
Dr. Nyan Gadsby-Dolly	Member
Mr. Fitzgerald Hinds	Member

MINISTRY OF FINANCE - INVESTMENTS DIVISION

Ms. Chintamani Sookoo	Director (Ag.)
Ms. Seeta Beedasia	Business Analyst (Ag.)
Ms. Nisa Churaman	Senior Audit Analyst

MINISTRY OF TRADE AND INDUSTRY

Ms. Frances Seignoret	Permanent Secretary (Ag.)
Mr. Randall Karim	Director of Policy and Strategy
Mr. Dennis Scott	Manager of Alliances
Mr. Videsh Maharaj	Senior Economist (Ag.)

TRINIDAD AND TOBAGO FREE ZONES COMPANY LIMITED

Ms. Karen Tom Yew-Jardine	Chairman
Ms. Esther Le Gendre	Director
Ms. Sharon Mohammed	Director
Ms. Anastacia Samuel-James	Consultant, Administration

Mr. Chairman: Good morning to all and welcome to the officials from the Ministry of Finance, Investments Division; the Ministry of Trade and Industry; the Trinidad and Tobago Free Zones Company Limited, as well as members of the media and the public. The Committee on Public Accounts (Enterprises) has a mandate to consider and report to the House 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;
- (b) The Auditor General's Report on any such accounts, balance sheets and other financial statements; and finally
- (c) Whether policy is carried out efficiently, effectively and economically, and whether expenditure conforms to the authority which governs it.

The purpose of this meeting of the Public Accounts (Enterprises) Committee is to examine the audited accounts, balance sheets and other financial statements of the Trinidad and Tobago Free Zones Company Limited for the period 2012—2017.

Our Committee is desirous of hearing about the challenges being faced by the key stakeholders at this company in an attempt to determine some of the possible solutions to these challenges.

The role of the Committee is to help, I want to emphasize, to help the Trinidad and Tobago Free Zones Company Limited improve its delivery of services in an efficient, effective and economic manner.

The meeting is being held in public and is being broadcast live on Parliament's Channel 11 and radio 105.5 FM and the Parliament YouTube Channel, *ParlView*. Viewers and listeners can send their comments related to today's topic via email, parl101@ttparliament.org; [Facebook.com/ttparliament](https://www.facebook.com/ttparliament); Twitter @ttparliament.

At this time, I would like to introduce members of the Committee that is before you. But before I do so, let me invite the officials of the Investments Division, followed by the Ministry of Finance, the Ministry of Trade and Industry, and the Trinidad and Tobago Free Zones, to please introduce themselves, to be followed ultimately by the members of this Committee. So can I invite, first of all, members of the Investments Division to introduce themselves?

[Introductions made]

Mr. Chairman: Can I now invite the Ministry of Trade and Industry?

[Introductions made]

Mr. Chairman: Thank you very much. My name is Wade Mark, Chairman of the PA(E)C. I will now invite my colleagues furthest from my right to introduce themselves, followed by the hon. Jennifer Baptiste-Primus.

[Introductions made]

Mr. Chairman: May I, at this time now invite members of the Trinidad and Tobago Free Zones Company to introduce themselves?

[Introductions made]

Mr. Chairman: Thank you all. May I, at this time, invite the Permanent Secretary of the Ministry of Trade and Industry to make a brief opening statement?

Ms. Signoret: Good morning, Mr. Chairman, distinguished members all of the Committee, colleagues, Ministry of Finance. The Trinidad and Tobago Free Zones Programme was designed, as you are aware, to encourage local and foreign investment in export-driven projects, to create

jobs, develop skills and create external markets products. The programme is in alignment with the Government's policy reducing dependence on the energy sector and further diversifying the economy.

In 2013, the Ministry sought to—the then Ministry of Trade, Industry and Investment—rationalize the Trinidad and Tobago Free Zones Company and as such indicated that the Government was in collaboration with the International Financial Corporation and the World Bank Group to develop the appropriate regulatory and institutional framework for new special economic zones in Trinidad and Tobago.

The Ministry of Trade and Industry is pursuing the establishment of this special economic zones regime having had its draft policy approved by the Cabinet in 2017. The move towards this regime is in alignment with the Ministry of Trade and Industry's strategic goals of diversified and competitive businesses, increased investment, expanded and diversified regional and international trade. This is against the backdrop of the Government's national development strategy, 2016 to 2030, *Vision 2030*, in particular “Theme IV: Growing Globally Competitive Businesses”.

The Trinidad and Tobago Free Zones Company remains in its current state and continues to operate in accordance with the governance framework as established under the State Enterprises Performance Monitoring Manual. The Ministry of Trade and Industry is appreciative of the opportunity to participate in this session of the PA(E)C and we look forward to the recommendations of the Committee in keeping with this mandate. Thank you.

Mr. Chairman: Thank you so very much, and may I, at this time, invite the Chairman or the CEO of the Trinidad and Tobago Free Zones Company to make a brief opening statement?

Ms. Tom Yew-Jardine: Good morning. Thank you again. The current three-member board of Trinidad and Tobago Free Zones Corporation was appointed in May 2016, and at that time, encountered an organization with an approved structure and complement of four permanent staff members, though at the time the persons in employment were three. The board was advised, as Trade would have just shared, that the Ministry was well advanced in transforming the strategy and formation of the existing company from its current remit to a broader one, which would involve the implementation of the new special economic zone.

As the PS would have indicated, this policy was approved in 2017. In light of this substantial impending change in scope, the current board had taken a conservative approach towards the running of the company and has focused on streamlining operations, cost savings, and maintenance of relationships with existing entities who had previously been designated free zone status.

The board oversaw the annual audits of 2015/'16 and '17 and, in an effort to maintain good corporate governance, streamlined operations, maintained alignment with the policies of the operations as outlined in the State Enterprises Performance Monitoring Manual and has maintained a profitable organization that has created well over a thousand non-entry level jobs in the non-energy related sectors of the economy. The company is financially self-sustaining and pays dividends to central government every year.

We are happy to be here to answer any questions put forward by this esteemed Committee and look forward to your recommendations.

Mr. Chairman: Madam Chair, thank you very much. Now, I would like to begin by clarifying a few matters or having the Ministry of Trade and Industry clarify a few matters. Could you briefly

state for this Committee the reasons for the directive issued in 2016, and which was given by the Ministry, for no further expansion into the current programme? Could you share with this Committee the reasons for this directive?

Ms. Seignoret: Thank you very much, Mr. Chairman. I think we may have to go back a little bit to 2013. In 2013, there was communication from the then Minister of Trade, Minister with responsibility for trade, speaking to the rationalization of the Trinidad and Tobago Free Zones Company, and in that correspondence, in 2013 as a review was being undertaken, the Free Zones Company, it was indicated that they should not engage in the recruitment of personnel and other aspects until further advised.

Just to put in context that this was in fact a journey that started in 2011, with the World Bank report and its recommendations being issued in 2012. What the Ministry of Trade and Industry proceeded to do was to develop or build on the recommendations of that World Bank report. And one of the recommendations of the report in fact spoke to the importance of special economic zones regime because of some deficiencies that were identified in the current system. And so, as the Ministry of Trade and Industry developed the Special Economic Zones Policy, which is now on our website, it was thought that for means of a transition, efficient transition, that the Trinidad and Tobago Free Zones Company should be careful, bearing in mind that there is a change that is due to come. I trust this might be able to clarify.

Mr. Chairman: Does the Ministry have or care to share with this Committee any possible time frame for this change to come?

Ms. Seignoret: Yes, thank you, Mr. Chairman. There has been a lot of success, I think we should recognize. The policy was developed. There was a lot of scrutiny including with the private sector and of course, interested stakeholders. It was approved by the Cabinet in 2017, and there is still a process that is ongoing but we are really hoping that by September of this year there would be even greater progress on this particular matter. We remain to be guided. I would not be able to say until receiving the mandate of the Cabinet.

Mr. Chairman: This takes me to the free zones and the special economic zones regime. Now, given that the Free Trade Zones Programme is due to be replaced by the special economic zones regime and that the company has a very small staffing infrastructure and that the promotion of its services has been or is being conducted by another government agency, namely InvesTT, could you tell us what support is being provided by the Trinidad and Tobago Free Zones Company to both local and foreign investors enrolled and/or interested in the free zone programme? Could you share with us?

Ms. Seignoret: InvesTT is conscious of the move towards an SEZ and it is my understanding that any discussions that they would be having with interested investors, they would be cognizant of that and share that information.

I think what is also crucial is that the work of InvesTT is such that they are the investment promotion agency of Trinidad and Tobago and must make available all tools, all opportunities, and those can take a variety of different forms. It may be in the area of a free zone, as currently exists, because the current Free Zones Act has not been repealed and as a result, what is, remains but there are also other aspects of interest that InvesTT has been exploring. There are industrial parks, for example, that InvesTT has also been promoting and in that respect, they have in fact been actively looking at for example, not just some of the 19 or so parks that currently exist but

also the Tamana InTech Park. They have recently closed a couple of investments there and other substantial local and foreign investments that they are looking at.

Mr. Chairman: The special economic zones regime, is that to be driven by the TTFZ? Who is driving and attracting at the same time, new investment opportunities within the framework of this new special economic zones regime? Is it the Ministry of Trade and Industry or is it the Free Zones Company? We would like to know because I am not too clear in my mind.

Ms. Signoret: Okay, the Special Economic Zones Policy has been approved. But for it to be implemented there needs to be a new special economic zones Act and other activities that we will have to be guided on by the Cabinet.

In terms of moving forward with the SEZ, once the legislation is in place, we would be aware as to the determination of the best framework for having the administrative support for the marketing, for other arrangements to be made in respect of the SEZ. So that is a work in progress. It is really very far advanced and we have an intention to submit that for further guidance to the pertinent authorities within the next couple of weeks. So we are quite hopeful that when that is done we can speak at greater length and with more surety that this is where we are at, this is the framework, the legislative framework, in which we are moving forward and there is a good bit of cooperation between the Ministry of Trade and Industry and other pertinent authorities towards that end and we are quite excited that that will in fact enhance the offerings that Trinidad and Tobago can make to foreign and local investors.

Mr. Chairman: All right, before I continue, I would like to ask member Amrita Deonarine to come in at this point.

Ms. Deonarine: Thank you, Mr. Chair. To the Free Zones Company, I have a quick question about this page 6 of your submission. Now, I see on page 6 of the submission between the years 2014—2015, there was a decline in the revenue received from the Trinidad and Tobago Free Zones Company enterprise. Can you indicate what would have attributed to this decline?

Ms. Tom Yew-Jardine: Thank you for the question. That decline was brought about primarily by the loss of one entity that was previously operating in the free zone. I would ask Ms. Samuel-James, if you would like, to give you the name of the entity, but it was the loss of one company. Would you like the name?

Ms. Deonarine: Yes, please.

Ms. Samuel-James: At the end of 2015, the decline showed for the loss of Bredero Shaw Middle East Limited. That company closed down and therefore they are no longer operating under the free zone.

Ms. Deonarine: When did they close down?

Ms. Samuel-James: That would have been in the year 2015.

Mr. Chairman: What specific time in 2015 did it close? When? Was it in August of 2015? September? When?

Ms. Samuel-James: I am sorry. I do not have the exact date that they closed but they were no longer operating within the free zone environment in the year 2015, so we were not receiving any fees from them.

Ms. Deonarine: So that would have accounted for an approximate 30 per cent decline in the revenue?

Ms. Samuel-James: Yes, that would have accounted for that.

Ms. Deonarine: Looking at the period 2012—2014, I see that there was a fluctuation in the number of active free zones. It moved from 16 to 15 and then it increased to 18. Can you give us some insight on the fluctuation in these figures?

Ms. Samuel-James: For those years in question, based on the document that we have before me, there was inclusion in 2015 of one, two—two free zone entities. Do I name the entities?

Ms. Deonarine: Yes, please.

Ms. Samuel-James: They were Avasant Trinidad and Tobago Consulting Limited and Trinidad and Tobago Fine Cocoa Company Limited. They were included in 2015. If you go a little further back, in 2013, where we went from 15 to 18, we had Operations and Shared Services Company Limited. They came on in 2013, and 2012, we had Oldendorff Carriers Trinidad and Tobago Limited. So those were the companies that were on boarded onto the free zone system then.

Ms. Deonarine: Okay, thank you. Would you be so kind to submit those in writing as well, please?

Ms. Samuel-James: Yes, I will.

Ms. Deonarine: Thank you. Now, I am looking at the employment by the enterprise and I see that there has been a fluctuation, well, a significant increase in the number of employment. Can you indicate what policies would have been implemented to facilitate that increase of employment by these enterprises?

Ms. Tom Yew-Jardine: Part of the onboarding process for gaining free zone designation ensures that certain level of high quality jobs are created. So the main contributor to the fluctuation would have been the onboarding of additional companies into the Free Zone Company.

Ms. Deonarine: Okay, thank you. I want to turn across to the Permanent Secretary in the Ministry of Trade and Industry. Now, I know the Special Economic Zones Policy is still at its very early stages. However, I have two comments and those are, when this policy is being created, I would like to recommend that focus be placed on determining the concentration of those companies that populate the special economic zones to ensure that they are in line with the country's comparative advantage, to ensure that we attain that level of diversification away from the energy sector that we are looking for. That is one recommendation or suggestion that can be taken into consideration.

Also, I want to ask as well, but maybe it might be too early to ask, but I am wondering about the integration of the special economic zone with the single electronic window system.

Ms. Signoret: Thank you so very much, Senator, for your questions. Perhaps I will ask Mr. Randall Karim, our Director of Policy, to speak specifically about the SEW and we thank you very much for your comments and we will take those on board. Thank you.

Mr. Karim: Okay, thank you PS. With respect to your first or your suggestion or recommendation, that is in fact one of the core areas in terms of realignment of the SEZ regime from the old free zone regime. If you look at when we undertook the review of the performance of the existing free zone regime, one of the observations we made or rather that the World Bank made was that the regime was not focused in promoting those levels of economic activities in specialized areas that were in alignment with the country's strategic development plan. So you would see, if you go to the SEZ Policy, which is on the Ministry's website, that very clear realignment where we are looking to promote and incentivize those areas of economic activity which is linked to the growth and the development of the non-energy sector, and in particular,

those sectors that the Government has identified under *Vision 2030* as going to promote or certainly accelerate economic diversification.

With respect to the integration of the SEZ regime with the single electronic window, again, part of the realignment in the new SEZ regime is enhanced reporting and monitoring of the activities that will take place within the special economic zones. The policy speaks to the use of information technology for those firms to report.

So we would make it a mandatory requirement for the electronic filing of all of the annual returns and all of the relevant documentation that the new entities in the SEZ to be reporting utilizing the single electronic window.

10.50 a.m.

Ms. Deonarine: Okay, thank you. I have one more question. Now, I know you all referenced the World Bank report that identified the deficiencies with the free zone model, can you indicate some additional deficiencies that were also highlighted in this World Bank report?

Mr. Karim: Yes, so as the Permanent Secretary indicated, this body of work actually began in the year 2011. As part of the portfolio of the then Ministry of Trade, Industry and Investment. We undertook a comprehensive review of all of the various institutional actors involved in trade and investment promotion to discern to what extent our existing arrangements were realizing the benefits that we had envisaged.

The then Ministry of Finance invited the World Bank group, specifically the International Finance Corporation, to look at the whole concept of the performance of the existing free zones regime. And in particular to what extent that the regime had realized what was envisaged in the 1980s. Because you would appreciate the economic underpinning of the free zone regime was a 1980s policy to promote exports through the use of these things called free zones.

The World Bank made a number of observations; the first is, what you astutely referred to in your recommendation that while we had the free zones regime there seemed to be no underlying economic strategy linked to how the free zone incentives, or the existing free zones programme was implemented. So a number of countries worldwide have sought to be very focused in their economic development agenda to incentivize very specialized areas of economic activity and ensure that whatever regulatory regime were linked to those sectors. So, one of the observations that I said that they saw that we had a free zones programme—and yes, while at Schedule I of the Act prescribes certain economic activities, it was very broad, and we needed to have a much greater level of clarity and focus in those sectors that we were seeking to promote.

The other areas of weaknesses related to the incentive arrangements. Part of the major deficiencies under the existing Trinidad and Tobago Free Zones Act, was once a company has been designated an approved enterprise, the incentives that are in the legislation are granted in perpetuity. So, the crafters of the legislation, I guess in that dispensation never—there is a sort of inability to roll back the incentives—that is, the Government's, or the State's ability to roll back the incentives once it has been given. Countries have looked at that and said, okay this does not make sense, your incentives should be tied to achieving certain economic targets. And that the whole concept of, and a company getting an incentive in perpetuity is not perhaps in the best interest of any country. So the World Bank highlighted the need for incentives to be very focused, time bound, and linked to economic targets.

The other weaknesses that the World Bank made were that the existing reporting

requirements under the existing Free Zones Act were very weak because, for example, when we were doing the review we found that monitoring and reporting and compliance were very weak within the existing legislation. So, it is really three broad areas: one is the incentives architecture; the lack of focus within the existing free zones regime; and the inadequate institutional arrangements. And those were the three broad areas.

I should say as well that part of the body of research that has been undertaken in the development of the new SEZ policy was looking to what extent other countries have benefited or been far more successful than Trinidad and Tobago has been. Because basically every country in the world has some form of free zone programme, or special economic zones programme. And we have seen from international comparisons, countries being far more successful than we have been. And that, of course, obviously pivots us to look and examine, “Well, what are they doing that we are not doing right?” And that was really one of the underlying reasons to do a critical examination of the free zones regime in 2011 to 2013 and in crafting the new strategies in the context of the SEZ regime.

Ms. Deonarine: Okay. Thank you very much, no further question. Thank you, Mr. Chair.

Mrs. Baptiste-Primus: Thank you kindly, Chairman. Madam PS, I sat here and I listened to you, and it appears that the Ministry is well on its way to creating a new platform from which to operate. And it clearly points to a strategic leadership being given in this regard, and I am very impressed with regard to the work that is being done. I have listened and I have heard the Chairman indicate that the company is a self-sustaining company. Not many companies come before this Committee which are not a burden on the Treasury. I also heard the creation of over a thousand jobs. To the Chairman of the board, could you share with this Committee, how the company attained that self-sustaining level? And how did you go about the methodology in creating a thousand jobs in our challenged economy?

Ms. Tom Yew-Jardine: Thanks for the question. The existing Trinidad and Tobago Free Zones Company and architecture is one that is set up to lend itself to self-sustaining performance and profitability from a purely business perspective. What the company has been able to do and continues to do is set quarterly fees in US dollars, mind you, at levels set, collect and ensure that we earn fees at the correct level very simply to cover the operating costs and as we said previously part of the mandate and part of the monitoring—however, you know, deficient it may have been in terms of the World Bank report—is to ensure that a certain minimum threshold of jobs are created and maintained; so part of our internal monitoring is to ensure that these jobs, you know, we get that information quarterly. And just to keep the operations as tight as possible.

We are a facilitatory body, as we are now, and bodies such as ours really ought not to have or require significant ongoing operational expenditure. So we have been able to maintain that: keep the fees coming in at the correct level; review the fee policies during our tenure to ensure that, you know, we are not giving the thing away; and ensure that the jobs continue to be maintained at the required level—very simply.

Mrs. Baptiste-Primus: But you spoke to the creation of a thousand jobs, how are those jobs spread?

Ms. Tom Yew-Jardine: The companies themselves are employers. So once a company is granted free zone status they have to come to the table with a certain number of permanent employees that are going to form part of their operations going forward. So the free zones company indirectly

supports—by granting the free zones status, we indirectly encourage external and local companies to set up and continue operations and produce and maintain the jobs.

Mrs. Baptiste-Primus: Coming back to the Permanent Secretary, you spoke about the Special Economic Zones policy being approved by Cabinet in 2017. Could you advise this Committee whether or not the Ministry has developed an implementation plan for that policy?

Ms. Seignoret: Yes, thank you very much, Minister, for the question. The Ministry has, based on the Cabinet decision, moved forward with some consultations. Those consultations were with a variety of different agencies, public and private, including the Chambers, we at the Bankers' Association. We actually have been advised that we do need to ensure that the legislative framework is in place so all of the work that has been done to date is feeding into the process towards that goal and once that goal is achieved we then will be able to implement.

But we are of the view at the Ministry of Trade and Industry that we have moved as far as we can perhaps about 95 per cent in reaching that particular objective. And we are hoping shortly to seek the guidance of the Cabinet, the mandate of the Cabinet, in moving forward with the legislative framework.

Mrs. Baptiste-Primus: So is it that the Ministry has in place some kind of framework timeline with regard to moving towards that legislative review?

Ms. Seignoret: We, at an international level, the Government Trinidad and Tobago has given a commitment of September 2019. Thank you, Chair.

Mr. Cummings: Thank you, Chairman. Ms. Seignoret, how long have you been Acting Permanent Secretary in the Ministry?

Ms. Seignoret: Probably about two and a half years.

Mr. Cummings: Two and a half years. I must say that when we do these meetings from time to time, and I am finding some way to commend you for your presentation. I thought you were well prepared, I do not usually do this but I just found that most of the questions I had, you sort of answered them before I asked them. So I want to on behalf of this Committee commend you for preparing for this meeting in a way that answered most of my questions. Yes.

The Chairman, I am looking at the organizational chart and I see that other than the board of directors you have CEO, administrative assistant, driver, clerk, accounting clerical officer. When I look at current executive management team, I am seeing you have one position there. Tell exactly what is happening, you have one person employed? What is it, what is the situation?

Ms. Tom Yew-Jardine: Thanks for the question. The org chart as presented is the actual existing approved org chart. The number of persons employed presently at the company are two. I will refer to the same correspondence that PS Seignoret would have quoted from when the company was written in 2013 by the Ministry of Trade, Industry and Investment and asked not to engage in the recruitment of personnel until further instructions were received from the Trade in light of the impending changes coming with the Special Economic Zone policy. With that as a context, when the board took office in 2016, at that time we would have met three persons: one would have been a CEO, who was on contract; an admin assistant, also on contract; and a permanent member of staff, the accounting clerk. As those contracts came to an end between 2017 and '18 and in conjunction and in collaboration with the Ministry of Trade and Industry, the company and the board took a decision to fill only one of the positions but not pitched at the same level as the CEO, given the scaled-down operations and the uncertainty going forward as to what shape and

form the new enterprise would take.

Mr. Chairman: Thank you, Mr. Foster Cummings. Mrs. Crichlow-Cockburn, is there any question you would like to raise?

Mrs. Crichlow-Cockburn: Thank you, Mr. Chairman. Like member Cummings, the Permanent Secretary would have answered a lot of the questions that I had. And one of the areas I wanted to look at was the whole human resources, but that has also been dealt with. In terms though of the daily operations of the organization, what are you guided by—because I am not seeing, I guess you would not have a strategic plan, given the state of flux that you are in—but what guides your operations on a daily basis?

Ms. Le Gendre: Madam, sorry, I cannot see your name from here, but I do recognize you. The board, on assuming duties in 2016, met a strategic plan in place which was going to be concluded in 2017. We looked at that plan and we focused on all of the areas of implementation which were not achieved and we brought those to fruition. Sorry, the other part of your question was how do we?—

Mrs. Crichlow-Cockburn: What guides you in your daily operations?

Ms. Le Gendre: We are guided by the *State Enterprises Performance Monitoring Manual*, we are guided by that strategic plan; we are also guided by the free zones policy because a lot of our interactions are with our free zones businesses and those interactions are prescribed by that policy document. So we have a number of areas of guidance in the operations.

Mrs. Crichlow-Cockburn: In terms of Tobago, in your submission I am seeing here that in 2015 the then CEO stated that insufficiencies in transport infrastructure, particularly port facilities in Tobago, limited the extent to which the company could be active there. So, I wanted to know how well developed are free zones in Tobago and to what extent have those deficiencies been addressed so that it would positively impact your operations in Tobago?

Ms. Tom Yew-Jardine: There has been in the last two-odd years no specific focus on changing, altering the operations of the company vis-à-vis the impending changes but what we can say is that the application for free zones status is equally available to any potential entity whether that entity chooses to operate in Tobago or in Trinidad. So there is nothing that precludes, and any applications that come before the board would be considered in the normal course.

Mrs. Crichlow-Cockburn: But is anything done to encourage these free zones organizations to operate in Tobago?

Ms. Tom Yew-Jardine: Again, the same level of incentives that exist as prescribed by the Act are available to any entity that chooses to operate in Tobago so if an entity in Tobago saw the benefit to apply for free zones status in light of the existing incentives, there would be a consideration given. The Act does not prescribe for any special or different treatment to be given to entities that would be domiciled and operating in Tobago, mind you.

Mrs. Crichlow-Cockburn: I understand that, but I was just wondering whether in the need, as with the creation of employment, if we felt there was need to have a special focus on Tobago and seek to encourage free zones companies to operate there.

Ms. Le Gendre: Madam, the Free Zones Company is a company in transition as we would have been describing earlier on, and so during this transition period we are really holding for the advent of the new legislation which will most probably change the direction of the company; so that, between 2016 and this time we have not actively pursued or promoted the companies into the free

zone, but as the Chairman explained Tobago has not been excluded in any way. We should explain as well that the development of, you know, a free zone enterprise is very much a voluntary effort of companies who see that they have a business advantage by operating out of a free zone so that we have not had our investors tend to be large, sometimes multinational corporations, who have the bulk, you know, of business and can take advantage of free zone status.

Mrs. Crichlow-Cockburn: Thank you very much. Mr. Chairman.

Mr. Chairman: Thank you very much. May I ask the following questions? We know that the free zones enterprises are required to provide the Trinidad and Tobago Free Zones Company with audited financial statements on an annual basis in accordance with your own guidebook—that is, the Trinidad and Tobago Free Zones Company Guidebook. All free zone enterprises apparently have followed the guidebook and have submitted their audited financial statements up to 2017 except—I do not know if this is a rogue one—the Trinidad and Tobago Fine Cocoa Company Limited, which has not submitted the requisite statements since 2014. We are dealing with the accounts of this company for 2012 to 2014. You have submitted financial statements for 2012 to 2017, but there is an entity called the Trinidad and Tobago Fine Cocoa Company Limited which has not submitted the requisite statements.

I want to ask the following question to the Trinidad and Tobago Free Zones Company and the Ministry through its Acting Permanent Secretary the following questions: What is status of the Trinidad and Tobago Fine Cocoa Company Limited audited financial statements since 2014? That is the first question. My second question on behalf of this Committee: What measures have been implemented by the Trinidad and Tobago Free Zones Company to secure provision of those financial audited statements from this company? And thirdly: What consequences, if any, are there for free zone enterprises failing to comply with the requirement as outlined in the Trinidad and Tobago Free Zones Guidebook. Those are my three questions on behalf of this Committee as it relates to this entity called the Trinidad and Tobago Fine Cocoa Company Limited. Madam Chair, you can start and then I will ask the Permanent Secretary to tell us what is going on.

Ms. Tom Yew-Jardine: Okay. I would start by saying that it is no small feat that we have been able to achieve 95 per cent compliance rate, based on the existing members and operating entities in the Free Zone Company. That has not happened by chance; that has been the outcome of concerted follow-up efforts on behalf of the company in the usual escalating manner: the initial telephone call, the visit, the meeting, the write, the letters. We have not had success with Trinidad and Tobago Fine Cocoa Company Limited despite continued documented follow-up with them. For the record we will add that the company's fees are current, notwithstanding the fact that they are in breach of a compliance regulation to provide the audited accounts. In terms of inducements, further inducements, the company has a policy whereby after certain time periods have lapsed and the company is deemed to still be recalcitrant, which they are, fines—we would have written them already; Ms. Samuel can confirm advising of penalties and fines that are applicable in light of their breach.

And to be abundantly clear, should there not be any traction, we do have the recourse of going to the courts which we have done for previous miscreant entities.

Mr. Chairman: But what time frame, Madam Permanent Secretary, is an entity provided because, remember, this entity that is in the free trade zone is given a lot of incentives, does not pay taxes or whatever arrangement you will be able—I am coming to that question in a short while—in

terms of revenues forgone by the people of Trinidad and Tobago to allow these companies to operate but they must operate in accordance with the law. And if they have a duty to submit their financial audited statements, and this company has refused to do it, and I compliment the Chairman on the 95 per cent achievement. What sanctions exist within a time frame—2014, 2015, 2016, 2017, four years this company has not complied—what sanctions have been imposed on this company to get in line, or you take action to get it out? What action? You cannot be enjoying all these benefits and you cannot monitor their finances. You need to monitor their finances; that is what these statements do when they are prepared and sent to you.

11.20 a.m.

Ms. Seignoret: Yes. Thank you very much, Mr. Chairman, a very pertinent question. We at the Ministry of Trade and Industry would rely on the board to follow up on a matter such as this, and take some of the steps that were outlined, and I believe the penalties are within the Free Zones Act—regrettably, I do not have that right before me—but we are very concerned that there are such breaches.

We note the action taken to date. We will continue to work with the Trinidad and Tobago Free Zones Company, urging for the next steps to be taken in accordance with the Free Zones Act. It is unfortunate that it has reached to this stage. And, Mr. Chairman, I think you have hit the nail on the head, in terms of the very generous benefits that are currently in train. So we would, again, want not to overstep our boundaries by taking on the work of the board, but we would be urging swift action.

Mr. Chairman: Well, may I on behalf of this Committee request that within two weeks we are given written correspondence from the Free Zones Company and the Ministry as to what specific steps will be taken to get this company in line and to give them a deadline for submitting their financial audited statements for the 2014 right up to 2018 fiscal year. We would like to have something in writing submitted to this Committee in the next two weeks, outlining what steps are being taken to rectify this serious deficiency that has occurred in the Free Zones under the supervision of both the Free Zones Company and the Ministry of Trade and Industry. That cannot continue.

The other area I would like to go to is this: How does the Free Zones Company, the Trinidad and Tobago Free Zones Company, financially scrutinize these enterprises to which it grants Free Zones status without examining any of the audited financial statements it receives from them? We have in your written submission, which is amazing, I must tell you Permanent Secretary and Chairman, that the system that is in place at the Free Zones Company is this. You do not analyze these financial statements that are submitted to the Trinidad and Tobago Free Zones Company from the entities that are in the Free Zones because you rely—that is, the Trinidad and Tobago Free Zones Company—on the integrity of such reports without the need for further examination. Now, explain that to this Committee and to Trinidad and Tobago.

You have a duty to examine financial audited reports so that nobody would be under reporting, so when you submit these financial statements, they are a true reflection of the reality taking place in the Free Zones. How can you and the external auditors provide this Parliament and the Ministry of Finance and the Ministry of Trade and Industry with a proper financial statement if the Free Zones Company is taking for granted and accepting these reports on the “integrity” of the companies that are submitting those reports? I would like that to be clarified for

this Committee. It does not make sense to this Chairman. I am confused.

Ms. Le Gendre: Thank you, Mr. Chairman. The written response indicates that only audited financial statements prepared by certified auditors in Trinidad and Tobago are accepted by the Trinidad and Tobago Free Zones. As such, an audited statement, a statement which is accepted and not qualified by an auditor operating under the laws and practising under the laws and regulations of Trinidad and Tobago, these are the reports we accept. And this is why we say that we can rely on the integrity of such reports, because these auditors are qualified and certified and they look at the financial statements of the companies that we are operating with, and because we only accept audited financials, we feel comfortable relying on the integrity of the auditor's report itself.

Mr. Chairman: Madam Chair?

Ms. Le Gendre: Yes, Sir.

Mr. Chairman: I want to tell you, Ms. Esther Le Gendre—

Ms. Le Gendre: I am not a Chair, Sir. I am just the Director.

Mr. Chairman: What?

Ms. Le Gendre: I am not the Chair.

Mr. Chairman: No. Well, I am saying, as a director—

Ms. Le Gendre: Yes.

Mr. Chairman:—as Chairman of this Committee, it is totally unacceptable for a company, even though you have certified accounts from those companies that operate in the Free Zones, you have a duty under the Companies Act of the Republic of Trinidad and Tobago, you have a duty under the State Enterprises Monitoring Enterprises Performance Manual, to analyze those reports so that you can be convinced that what is in those reports really and genuinely reflect what is stated.

If you just take those reports on face value, and you pass on those reports to your external auditors without scrutinizing them properly, the external auditors will take those reports and so reflect in his or her final reports. This is what we have before us. So I am asking, in accordance, if that is a practise, I believe it is a practice that we need to review.

Mr. Cummings: Mr. Chairman, I do not think those accounts—it might be a lil mixed up—have to go to the external auditors of the Free Zones Company. These are accounts for the companies functioning within the Free Zones, and I suspect they are attempting to see whether they are reporting accurately and so forth. In addition to which, Chairman, I am not sure that based on the organization structure that they have the capacity to determine to do that sort of assessment of the audited financial statements.

Mr. Chairman: No, I understand. I understand.

Mrs. Baptiste-Primus: Chairman, I think what is required here, I do not think—and I would invite the Acting Director of the Investments Division, if I were you, Chair—one can fault the rationale offered where you have certified audited accounts. You are not perusing it in a sense, but what I would what to get is whether or not the Free Zones Company looked at the recommendations made by the auditors, because once your accounts are certified, if there are any anomalies or weaknesses in the operations of the company, your management letter tells you, it tells the company: you need to look at A, B, C and D, you need to strengthen, you need to tweak here and you need to tweak there.

I share the view that is being expressed that there is no need to robustly go into the accounts, you can accept the integrity because the auditing is done by a certified accountant. But, to my mind, the Free Zones should look at whether or not the management letter is accompanied with the accounts and what that management letter says about the operations. I think that is the guideline for the board.

Mr. Chairman: Would you like to respond?

Ms. Le Gendre: Yes, Chair. As the hon. Minister and the other Senator explained, the accounts of the companies that are part of the Free Zones, they are separate entities from the Free Zones. They produce their financial statements. Their financial statements would then, as required by law, be audited by certified auditors. These auditors, as long as the auditors give an unqualified audit opinion, that means that the opinion that the external auditor gives, indicates to any user of those accounts that the financial statements are free of any material error.

If there are minor errors, those errors would be provided in a management letter as the Minister indicated which will be supplied to the company itself. It does not form part of the financial statements. What forms part of the financial statements are the statements of the company and the audit opinion which precludes the financial statements. And this is why, with all due respect, we indicate that, by law, we are not doing anything differently to let us say the banks or anywhere else.

When you have audited financial statements as opposed to unaudited, because some people provide—you know, we do not accept an unaudited financial statements. We accept only those that have been properly perused by a certified auditor and, therefore, we, like a bank or any other financial institution, we rely on those statements. But I do agree with you that there is room for further analysis of even the financial statements as we see it, so that we can see trends in the company's operations—whether there is growth, whether we see something strange happening. The board—I should say the management of the TT Free Zones will look at those statements to see what they tell us about the future of the organization. But, at the end of the day, the provision of those statements do not impact the fee paid by the organization, because these tend to remain fixed throughout the operational life of the organization.

We do hope that in the future some of the changes that would come with the introduction of the Special Economic Zones, would be able to give us that flexibility to review fee structures should the financial circumstances of organizations—as you can see from the financial statements—if there are material changes in the operations of an organization, we will be able to make, you know, some recommendations with respect to the fee structure.

Mr. Chairman: May I ask? Do you ask for management letters from these entities?

Ms. Le Gendre: No, we do not, Sir.

Mr. Chairman: You do not?

Ms. Le Gendre: No, because the management letter is not at all an external document. It is a hint to. It is observations by the external auditor to the head of finance of that particular company which would say, we would like to see you tighten up on this policy, or you know there is something happening with your assets—the tagging is not complete or something. Those are the kinds of things, but they are usually not material flaws in the financial statements. As long as the auditor is prepared to give an unqualified report, we feel happy supporting it.

Mr. Chairman: May I ask another question and maybe the Chairman can answer. How does the

company, that is the Free Zones Company, go about evaluating the performance of the entities that are in the Free Zones? Do you know why this particular entity left which seems to be a very—that entity that left, appears to me, used to make a very serious contribution, but it has disappeared, it is gone. Now, we have not asked you yet why that company left. So I am just asking for clarification: How do you go about evaluating the performances of entities under the Free Zones regime?

Ms. Tom Yew-Jardine: In terms of financial performance we would, as Ms. Le Gendre would have explained we would place reliance on the audited unqualified statements presented, because we believe that these represent a very fair and unbiased and an independent reflection and certification of the bona fide of the financial performance of the entities. We also do obtain from them quarterly updates on employees—the number of persons employed—which we monitor to ensure that there is no significant—certainly no significant negative deviation in those statistics. We ensure that site visits are performed by members of the company, management of the company—however small the team is—just to get a sense that there is, in fact, genuine economic activity taking place at these companies.

Mr. Chairman: You said that in terms of evaluating the performance, you look at the audited statements?

Ms. Tom Yew-Jardine: Well, I said that there are several different—I mean, performance is measured in many different ways, one of which is financial performance.

Mr. Chairman: Right. And you look at it?

Ms. Tom Yew-Jardine: Yes.

Mr. Chairman: Okay. Share with this Committee, in the absence of an internal auditor or an internal audit unit—this is directed to the Ministry of Trade and Industry—how does the Ministry ensure the effectiveness of the Trinidad and Tobago Free Zones Company? They do not have an internal auditor, they do not have an internal unit, which is something I will come to in the short while. How, therefore, would the Ministry go about ensuring the effectiveness of this company?

Ms. Signoret: Thank you very much, Mr. Chairman. We recognize that this is a lean machine, if you like, but there are certain aspects that we expect and we observed that these aspects are in train. So, for example, there is, if I am not mistaken, an audit committee of the board. We also receive from the company audited financial accounts. Those are also reviewed and, of course, that forms part of our submission to the Cabinet and then subsequently to the Parliament.

Right now we take on board—the new board, since coming in in 2016, they are seeking to put a lot of systems in place, bearing in mind that they are somewhat stymied in terms of the institutional capacity that they do have. But from a management point of view, and even from a board point of view, you are really looking after three members as against what I think is normally a larger cohort of board members. But, ultimately, one relies on the audit committee. We also rely on their audited financial statements and those, of course, are submitted subsequently.

Mr. Chairman: Could you give us the names of the three members? We know we have the Chairman here. Who are the other two members?

Ms. Signoret: Yes, all three are here this morning. We have the Chairman, Ms. Yew-Jardine, we have also Ms. Le Gendre and Ms. Sharon Mohammed from the Ministry of Finance.

Mr. Chairman: Right. Could you tell us who formed this audit committee? This audit committee is formed by the three persons who are here?

Ms. Signoret: Okay. The Chairman will respond or Ms. Le Gendre.

Ms. Le Gendre: Mr. Chairman, I chair the audit committee and I am supported by the Consultant, Administration and Ms. Mohammed just joined us one month ago, and she will be co-opted to that committee as well. I should say that originally, Mr. Punnett, who unfortunately is deceased was also a member of that committee.

Mr. Chairman: Madam Permanent Secretary, why is the membership of board, seeing that it falls under your preview, do you have any idea when it will be expanded? Because I find it very strange that since 2016, you only have three members. I know Mr. Wayne Punnett very well. May his soul rest in peace. He would have been a Director as well, but he has passed on.

Ms. Signoret: He has, indeed.

Mr. Chairman: And there has been no replacement for Wayne?

Ms. Signoret: Yes, Ms. Sharon Mohammed has replaced him.

Mr. Chairman: So there was always three members?

Ms. Signoret: Yes.

Mr. Chairman: What steps are being taken to address that situation in terms of the membership? And three is a quorum, right?

Ms. Signoret: Yes. Two is a quorum.

Mr. Chairman: Two is a quorum. But under the Act, how many members are supposed to be on the board not more than?

Ms. Signoret: The by-laws do allow for a maximum of 10.

Mr. Chairman: Ten?

Ms. Signoret: No minimum, I am advised by the Chair of the company, has been set.

Mr. Chairman: Now, will any steps be taken by the Ministry? I want to tell you, it is a very unusual situation for a company to be relying on a board. The board must have its audit committee—that is fine—but the board cannot be responsible for auditing the accounts of the company. You need an internal auditor who will be independent. These board members have been appointed. You want an internal auditor who is “independent”. That is the key operating word. Now the question here is: When is the Ministry going to take steps to ensure that there is an independent internal auditor on staff of the Free Zones Company? I do not think you can get away from that.

This company actually receives, based on fees, about \$3.2 million. They expend roughly about just under \$2 million in expenditure, expenses every year—about 1.7. I just round it off to two. So even though you have a small staff of two or three or four or five, you need to have an internal audit function, unless I have to be advised by the Auditor General on this matter, because I find it strange that we can just continue without an internal audit unit or if not just an auditor. You do not have to have a unit, but an internal auditor.

Ms. Signoret: Thank you very much, Mr. Chairman, again very pertinent points. I think just a glance at the current organization chart, there is no provision for that, but this is a golden opportunity to move beyond the audit committee structure that currently is in place. As indicated earlier, we are looking towards the next few months to transition. Again, we have to be guided by the Executive. But, perhaps, based on your particular recommendation that might be one of the aspects that can be looked at in terms of whatever body, whatever framework, whatever administration structure is put in place.

As it currently stands, we do rely on what exists, but your point is very well taken and I think we will look to bring that to the powers that be. It would be really at a level beyond ourselves to make the final determination as to increasing the number of members on the board, and we can consult and provide some sort of feedback in terms of what the thinking is at that level.

Mr. Chairman: May I ask the Investments Division to give us some guidance, because you oversee all these state enterprises? What is your advice to this Committee as it relates to the absence of an internal auditor and an internal audit function and the work of internal auditing is being conducted, at the moment, by members of the boards and that is then used as the basis for submitting to the Ministry, and I am sure, assisting the external auditor. Could you tell us what is the practice and what would you recommend in the circumstances?

Ms. Sookoo: Thank you, Chair. The Minister of Finance Investments Division is in support of an internal auditor—internal audit. It is outlined in the State Enterprises Performance Monitoring Manual and it is also re-enforced in the Companies Act. So the internal audit department is critical as far as the investment is concerned. So we strongly recommend that the company set up an internal audit.

Mr. Chairman: Permanent Secretary, I hope that you would take it on board. We will be writing, as a Committee, to you and to the Free Zones Company to take immediate steps to address this deficiency in the operations of the Trinidad and Tobago Free Zones. I think that you have been operating like this for, is it the last—how long you are without an internal auditor, Madam Chair? Is it three years now?

Ms. Tom Yew-Jardine: From inception in 1988.

Mr. Chairman: You never had an internal auditor?

Ms. Tom Yew-Jardine: The structure has never accommodated for one.

Mr. Chairman: That is amazing.

Ms. Le Gendre: May I approach the Chair?

Mr. Chairman: Yes, Madam.

Ms. Le Gendre: Can I speak? I want to begin by saying the board accepts the recommendation for stronger controls and I appreciate that the question comes from a place where the Chair—I hope I understand you—is looking at the internal operations of the Free Zones. When we say the internal audit function, we have to look at this in terms of the size of the organization and it is, I would not say an easy operation, but the audit committee of the board has put in place a number of controls. And just to be clear, the internal audit function is not a financial audit function.

The Chair will note that since 2016, and certainly prior to that, the Free Zones has always had good, clear, unqualified financial audits. So this is an assurance that we have been operating, again, with full integrity, with nothing that comes to the attention of an external auditor to suggest that there is any financial impropriety of any kind, I believe. But the internal auditor is more of a process auditing to ensure that policies are in place, that policies are being adhered to that systems and processes—this is the function of internal audit. It does not audit the financial statements of the company.

We do hear you, and it is our intention. We understand that certain other organizations who like us, are small, have hit upon a solution of outsourcing an internal function to support, and we are looking at that and we can certainly implement this very quickly.

11.50 a.m.

Mr. Chairman: I do not know to what extent the Investments Division of Ministry of Finance or the Ministry of Trade and Industry can help the Free Zones Company, in terms of the audit function, whilst you are seeking to outsource. Maybe they have some extra resources. They might be able to second somebody from the Ministry of Trade and Industry or from the Ministry of Finance, Investments Division, whilst you are seeking to either outsource or to actually have on your establishment, an internal auditor, however you all decide that. The reality is, it must be done. That is the problem. It cannot continue how it is going, and it is an oversight that this thing has been going on for all these years and nobody had—Mrs. Le Gendre, no one is questioning at all anybody's integrity. So I wanted to make that very clear. We just want to be clear that, in terms of the State Enterprises Performance Manual and the Companies Act of Trinidad and Tobago, an internal audit function is absolutely essential of any company. It is either you remain alive or you die. The company cannot say we have two persons or three persons and then you cannot have an internal function. It cannot operate like that. We either do it properly or we do not do it. So, I just wanted to make that point very clear.

Another area I want to clarify, as we move on, is this, could the Permanent Secretary tell this Committee what is the total revenue foregone or what is the total foregone revenue for the Government and people of Trinidad and Tobago, as a result of the programme's incentives for each year, 2012 to 2017? Can you provide that for us in writing, so that we will have an idea of what the State and Trinidad and Tobago is actually foregoing in exchange for these companies in the free zones?

Ms. Seignoret: We would be pleased to get that information to you, Mr. Chairman.

Mr. Chairman: Yes, and at the same time whilst you are getting that information to this Committee, could you indicate to us, to what extent is this foregone revenue offset by the benefits of the programme? So we want to know if that programme is making sense, or whether we should continue with the programme. So we need to know the revenue foregone, as opposed to the benefits in dollars and cents.

And I wanted to ask the Chairman of the Trinidad and Tobago Free Zones whether there are any plans, and what are your plans? You see, Cabinet has approved the Special Economic Zones regime since 2017. We are now in March of 2019. The Free Zones Company is operating under law, an Act. The question here is that whilst we are awaiting the final push, we have to continue to function, how does the Trinidad and Tobago Free Zones plan to increase revenue in the short and medium-term, or is the company, you cannot, or are you on a freeze literally, this company? Or is there any intention in the medium or short-term to address this solution?

Ms. Tom Yew-Jardine: Well, I will attempt to answer the question with focus on the short-term, defining short-term as within a 12-month period, given what Trade would have shared with the committee about the intended time frames for operationalization of the Special Economic Zone.

The company has not actively been soliciting new applicants, new registrants, to the free zone system. However, when, from time to time, suitable applications are made to the company they are assessed and treated with in a professional manner and in accordance, as you correctly said, with the existing legislation. So there has not been an active push in light of the impending very short-term change. We did not think it was prudent, because in all likelihood the new incarceration is going to be different and look different and operate differently. But any applicants, any enquiries made are dealt with. There has never been the conversation or communication from

the company to potential investors that we are not open for business, far from so.

Mr. Chairman: Madam Chairman, you are a very frank lady, and I would like to ask, frankly speaking, do you believe that the Trinidad and Tobago Free Zones Company would be closed and a new entity will replace it, hence the reason at this time everything is being done tentatively because this T&T Free Zones Company is about to go out of existence and a new entity to have it replaced?

Ms. Tom Yew-Jardine: No information to suggest that has been communicated with the company. So as at this point, I would say there has been nothing to suggest that.

Mr. Chairman: Any other member would like to—? If no other member, may I also raise? I guess the strat plan is part of that whole arrangement too, because you cannot really go into the future when you are uncertain or you are trying to determine your future.

Ms. Tom Yew-Jardine: That is correct.

Mr. Chairman: Mrs. Crichlow-Cockburn, do you have any final questions?

Mrs. Crichlow-Cockburn: No, Chairman.

Mr. Chairman: Mr. Foster?

Mr. Cummings: I am fine, Chairman.

Mr. Chairman: Okay, thank you. Well, I would like to bring the proceedings to a close at this time, and before doing so, I would like to call on the Permanent Secretary, Acting, in the Ministry of Trade and Industry to make brief closing remarks, to be followed by the Chairman of the Trinidad and Tobago Free Zones Company. So Madam Permanent Secretary, please.

Ms. Seignoret: Thank you very much, Mr. Chairman. On behalf of the Ministry of Trade and Industry we do want to express our deep appreciation to be able to participate in this session and to glean from yourself and the other distinguished members of the Committee, some very key perspectives and issues for immediate attention, which we guarantee will be followed up.

In particular, we take note of the issues of interest such as the need, as Sen. Deonarine indicated, for a clear determination of the companies coming into the new regime; Minister Crichlow-Cockburn's emphasis on employment generation, for example, Tobago. And of course job creation remains a key objective of the Government of Trinidad and Tobago.

We have also taken on board the request, Mr. Chairman, that you have asked for, for written communication on some very key pivotal matters concerning the operations of the company.

And I also would not want to end without responding to Sen. Foster Cummings' comment earlier on and to say this is really team MTI, team Ministry of Trade and Industry working together with team TTFZ, all towards team T&T. Thank you.

Mr. Chairman: Yes, Madam Chair.

Ms. Tom Yew-Jardine: What could you say after that? No, I mean the board, however small, has taken our responsibility seriously, and has enjoyed working closely with team MTI in furtherance of the Special Economic Zone Policy. We do see it as an important impetus for propelling the country forward, and we too have taken note of the deliverables coming out of the queries and concerns raised by the Committee. Thank you.

Mr. Chairman: Well, thank you so very much and before we end, may I, on behalf of the Public Accounts (Enterprises) Committee, record our thanks to officials from the Investments Division, Ministry of Finance; the officials who came from the Ministry of Trade and Industry, led by the

Permanent Secretary; and the officials who came from the Trinidad and Tobago Free Zones Company, led by its Chairman.

I would like to thank the public for listening in, the media for covering the proceedings. I would now like to adjourn this meeting. This meeting in now adjourned. Thank you very much.

12.02 p.m.: *Meeting adjourned.*