



MINISTRY OF AGRICULTURE, LAND AND FISHERIES
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Ref: AGR 5/3/5 Vol. III

August 15, 2019

Ms. Jacqui Sampson-Meigual

Clerk of the House

Level G - 9, Tower D

The Port of Spain International Waterfront Centre

1A Wrightson Road

Port of Spain

Dear Ms. Sampson-Meiguel,

Re: The Nineteenth Report of the Public Accounts (Enterprises) Committee (PA(E)C) on the Examination of the Audited Financial Statements of the Cocoa Development Company of Trinidad and Tobago Limited (CDCTTL) for the years ended September 30, 2014 to 2016

Your letter **Parl.:5/4/110** dated **June 10, 2019** refers.

I submit for your information the following:

- responses to the recommendations of the PA(E)C directed to the Ministry of Agriculture, Land and Fisheries (MALF) at **Appendix I**; and
- responses to the recommendations of the PA(E)C directed to the Cocoa Development Company of Trinidad and Tobago Limited (CDCTTL) at **Appendix II**.

Sincerely

PERMANENT SECRETARY

MINISTRY OF AGRICULTURE, LAND AND FISHERIES

**Responses on the Recommendations of the (PA(E)C) directed to the Ministry of
Agriculture, Land and Fisheries (MALF)**

1) Audited Financial Statements

Recommendation:

The MALF should write to all entities under its purview explaining the need to avoid such breaches of procedure by July 31, 2019.

Response:

The MALF has issued letters to all State Entities.

2) Strategic Plan

Recommendation:

The MALF should provide an update on the Cabinet Minute and resultant Cabinet approval for the Draft CDCTTL Strategic Plan, by July 31, 2019.

Response:

The Strategic Plan for the CDCTTL cannot be submitted for Cabinet's approval due to the following:

- A National Plan for the Cocoa Industry has been prepared by the CDCTTL. This Plan has to be approved before the Strategic Plan of the CDCTTL is approved;
- The MALF is working with the CDCTTL on the submission of a Budget for the National Plan for the Cocoa Industry. Once this is submitted, the National Plan for the Cocoa industry would be submitted for approval; and
- A budget is also to be submitted for the CDCTTL Strategic Plan. Once this budget is submitted by the CDCTTL, the Strategic Plan would be submitted for approval.

Responses on the Recommendations of the (PA(E)C) directed to the Cocoa Development Company of Trinidad and Tobago Limited (CDCTTL)

1) **Audited Financial Statements**

Recommendations:

- i. **The CDCTTL should ensure that all staff are aware of the regulations governing the publication of audited financial statements and write to Parliament detailing initiatives taken to achieve this by July 31, 2019.**

Response:

CDCTTL validated with the Ministry of Finance, Investment Division, the regulations governing publication of audited financial statements and all relevant staff have been made aware.

2) **Internal Auditing**

Recommendation:

- i. **The CDCTTL's Board should meet with the MALF to determine how to go about setting up an internal audit function at the Company and have it fully staffed and report to Parliament by July 31, 2019.**

Response:

The CDCTTL Board has been made aware of this recommendation and arrangements are being made for meeting Ministry of Agriculture, Land and Fisheries.

Recommendation:

- ii. **The CDCTTL should provide a more precise timeline for completion of the internal controls review and commit to a date of submission of the conclusions of the review to Parliament by July 31, 2019.**

Response:

CDCTTL is currently outsourcing services for assistance to develop and implement key policies and procedures to ensure that key internal controls are in place. This exercise will be completed by February 2020. The first audit will be done by August 2020.

3) **Strategic Plan**

Recommendation:

The CDCTTL should provide a timeline for the development of all of the previously mentioned policies, which were not prepared before due to the Board's prioritization of drafting the Strategic Plan, by July 31, 2019.

Response:

CDCTTL has identified the following list of policies for development:

- Procurement
- Financial Accounting and internal controls
- Fraud
- Whistle Blowing
- Ethics (including conflict of interest)
- Employee Handbook which would include but not limited to:
 - (i) Standards of conduct
 - (ii) Asset Disposal
 - (iii) Gifts
 - (iv) Illegal activity
 - (v) Alcohol and drugs
 - (vi) Workplace violence
 - (vii) Grievance and complaints
 - (viii) Discrimination
 - (ix) Harassment
 - (x) Leave
 - (xi) Workmen's compensation
- Overseas travel
- Credit cards
- Occupational Health and Safety
- Internet and email
- Computer systems use (including back-up storage)
- Document retention
- Data security

Development of these policies will commence in September 2019. This exercise will be completed in February 2020.

4) Vacancies of Key Positions

Recommendation:

- i. **The CDCTTL should explain the origin of its financial inability where recruitments are concerned and provide a roadmap for correcting this deficiency by July 31, 2019.**

Response:

The origin of CDCTTL's financial inability where recruitments are concerned resides in the budgetary allocations made for the past three years. CDCTTL will continue to hold discussion with the Ministry of Agriculture, Land and Fisheries to determine the way forward on this matter.

5) **Rental Arrangements for CDCTTL Office Premises**

Recommendation:

- i. **The CDCTTL should explain the following:**
 - a. **The reasons for which the previous Board gave up one of the two floors occupied at the Yard Street location in spite of the Company's space needs, thereby increasing the need to find a new location.**

Response:

The Yard Street location originally housed the now defunct Cocoa and Coffee Industry Board (CCIB) on both floors. Available information indicates that the previous CDCTTL Board rehired two members of the CCIB staff and surrendered the ground floor until appropriate alternative accommodation could be found for the new Company.

Recommendation:

- b. **The rationale for seeking the amount of space provided at Mulchan Seuchan Road knowing in advance that there would be excess space that would need to be subleased in order to be worthwhile.**

Response:

The current Board inherited the upper floor of a converted dwelling house, at 17 Yard St. Chaguanas. The available space of 1,500 sq ft was entirely inadequate for the CDCTTL's mandate. It was determined that 6,000 sq. ft would be needed to accommodate the Company's operations. This guided a diligent search for a more appropriate, alternative accommodation which lasted more than two years – an exercise that was reinforced by the fact that the venue was not OSHA compliant.

Potentially suitable properties reviewed in the Chaguanas environs were:

Location	Time Viewed	Space Sq ft	Cost Vat Inclusive -\$-	Estimated Cost of Outfitting. -\$-
1.Max Murphy St.	Dec. 2016/Mar 2017	5,000	56,250	1.2 m
2.Ramsaran St.	Apr/Jun 2017	10,000	125,000	1.3 m
3.Montrose	Oct/Dec 2017	4,500	40,000	1.0m
4.Edinburgh	Nov 2017/Apr 2018	7,450	65,250	1.5m
5.Mulchan Seuchan Road	Apr/May 2018	9,900	72,000	0.6m

Property #2 was way off budget. Negotiations in respect of properties #1, 3 and 4 were stymied due to the absence of statutory approvals. This fact apart, as highlighted in the table

above, considerable capital outlay would have been required to outfit and make the space office-ready. Property #5 came to attention in April 2018. It was previously occupied by the recently disbanded Government Human Resources Agency (GHRA). Two floors (approx. 5 – 6,000 sq ft) would have been adequate for current CDCTTL operations and were available for \$65,250 VAT inclusive. The additional floor (another 3,000 sq ft) was available for \$6,750.

CDCTTL determined that tenancy of the building at Mulchan Seuchan Road offered a cost-effective proposition, given:

- a. The marginal cost of the extra floor;
- b. The flexibility to sublet the additional space;
- c. The inordinately long time in finding appropriate accommodation and the constraints on staff recruitment and acquiring required facilities to pursue CDCTTL's mandate;
- d. The readiness for immediate occupancy and the substantially reduced costs of outfitting; and
- e. The need to vacate the existing building rented on a month-to-month basis with indications of increased rental for accommodation that is not OSHA-compliant.

Recommendation:

- c. The reason for not seeking further rental options.**

Response:

CDCTTL pursued several further rental options as indicated above.

Recommendation:

- d. Specific examples of the ways in which the premises currently occupied enables the Company to better achieve its mandate. This explanation should be submitted by July 31, 2019.**

Response:

This premises currently occupied enables CDCTTL to serve as the Cocoa Hub – a one-stop shop - facilitating better coordination of the wide range of technical support agencies to provide an expanded suite of services and adequate facilities for:

- Training and technically supporting valued added entrepreneurs;
- Providing back office business development support (record keeping, financial accounting/management, merchandising etc) for stakeholders along the cocoa value chain;
- Establishing a dynamic, knowledge-rich Cocoa Information Centre;
- Space for the display of cocoa products; and
- A Cocoa Museum.

6) Certification of Cocoa

Recommendation:

- i. **The CDCTTL should submit a report to Parliament on the feasibility of streamlining the dual Certification Mark / Certificate of Origin system into one fulfilling the functions of both, as is the case in Cote d'Ivoire. This would make certification easier to understand and appreciate for consumers. This report should be submitted to the Parliament by July 31, 2019.**

Response:

The Certification Mark is a mark of Quality which attests that the cocoa beans so certified are grown and processed according to a specified set of food safety and quality standards resulting in a finished product of guaranteed quality. These Standards are the ISO Standards, and those adopted by the Trinidad and Tobago Bureau of Standards, (TTBS) and may eventually be supported by the CARICOM Regional Organization for Standards and Quality (CROSQ). The CDCTTL Certification Mark accords with these standards and is registered at the Intellectual Property Office (IPO), Trinidad and Tobago.

The Certificate of Origin certifies cocoa beans grown in Trinidad and Tobago. Farmers already understand the difference between these Certificates as a result of training conducted by CDCTTL's Cocoa Development Officers over the last eighteen months. The Certificate of Origin assures beans exported from Trinidad and Tobago are not contaminated by beans sourced outside the country.

Consultation with the Intellectual Property Office (IPO), Trinidad and Tobago, reveals that the laws of Trinidad and Tobago would not allow an amalgamation of certificates as might be the practice elsewhere. Moreover, Cote d'Ivoire is a producer of cheap Bulk/Ordinary cocoa, whereas Trinidad and Tobago is a 100 percent producer of Fine/Flavour cocoa beans. The Certification Mark is specifically developed to project that distinction.

Recommendation:

- ii. **The CDCTTL should report to Parliament on the feasibility of establishing partnerships with the major importers of 4T cocoa for the purpose of much needed strengthening and development of production, by July 31, 2019.**

Response:

4T cocoa constitutes the Fine/Flavour cocoa beans exported from Trinidad and Tobago to the following importing countries: France, Germany, Japan, Switzerland and USA. CDCTTL had already initiated discussions with some of the traditional importers (buyers) in Switzerland and USA to alert about impending Certification Mark and inform about quality improvements in cocoa beans being exported. The principal concern was to ensure retention of export markets.

Additionally, CDCTTL has approached micro-lot buyers – artisan chocolatiers – who constitute expanding niche market opportunities for our small scale cocoa producers. Already, three such entities have visited the country. Currently, CDCTTL is developing a

more programmatic approach to identify key importers with whom the Company can forge strategic partnerships to ensure sustainable markets for local cocoa beans.

Recommendation:

- iii. **The CDCTTL should report to Parliament on the status of progress regarding the incorporation of genetic finger-printing into its Certificates of Origin by July 31, 2019.**

Response:

The fingerprinting exercise undertaken to certify the origin of cocoa bean is a collaborative initiative between CDCTTL and the Cocoa Research Centre, which is providing the expertise and laboratory facilities for same. The requirements for incorporating genetic fingerprinting into the Certificate of Origin are as follows:

- a. Samples of cocoa beans from different agro-ecological zones in the country;
- b. Similar samples from neighbouring countries; and
- c. Conduct of appropriate laboratory tests to determine the unique genetic characteristics for use as reference of files.

The process of analyzing bean samples from Trinidad and Tobago has started and expected to be completed by mid-2020. Arrangements are not yet finalized for obtaining bean sample from neighbouring countries.

Recommendation:

- iv. **The CDCTTL should report to Parliament on the potential for getting regional backing from the CROSQ for its Certification Mark by July 31, 2019.**

Response:

CDCTTL has not yet considered this matter. However, the Company will consult with the Trinidad and Tobago Bureau of Standards (TTBS), a member of CROSQ, while continuing work preparatory to the launch of the Certification Mark.

Recommendation:

- v. **The CDCTTL should inform Parliament whether 4T cocoa has GI product by the IPO by July 31.**

Response:

The 4T logo is assigned to all Trinitario cocoa produced in Trinidad and Tobago. This is a branding feature to distinguish TT Trinitario cocoa beans from Trinitario cocoa beans originating elsewhere. GI or Geographic Indication is awarded to cocoa beans of specific terroir or area, which is uniquely different especially in the flavour profile. GI is not awarded merely to a brand or trade name. In Trinidad and Tobago, so far, only cocoa beans produced by the Montserrat Cocoa Farmers' Cooperative Society Limited enjoy GI status. It is to be noted that not all the beans from this Cooperative are Trinitario. The latter refers to a special type of cocoa bean.

Recommendation:

- vi. The CDCTTL should report on the possibility of including the Certification Mark on the labels of products containing certified 4T cocoa by July 31, 2019.**

Response:

The possibility of including the Certification Mark on the labels of products containing certified 4T cocoa could be considered in a Phase II roll out of the Certification Mark. Currently, the focus of attention is on firstly certifying and assuring the quality of the cocoa beans, which are the foundation of the cocoa industry. This means working with the fermenters and the 660 active farmers. Later on, consideration would be given to the value-added sub-sector. This would necessitate examining an entirely different complex of quality parameters.

7) Development of Local Chocolatiers

Recommendation:

- i. The CDCTTL should report to Parliament on the conclusions of its workshops and panel discussions and how these conclusions have been incorporated into Company policy to the benefit of local value-added producers by July 31, 2019.**

Response:

The referred workshops and panel discussions are:

- i. August 2018 – Leveraging True T&T cocoa for highest returns – Blockchain with Ernst and Young;
- ii. December 2017 – Agri-Business Innovators Panel at Tobago Youth Empowerment Forum.

The Blockchain workshop was intended to sensitize stakeholders along the cocoa value chain of the need for developing an industry-wide traceability system. This is an increasingly stringent requirement for marketing and trade of cocoa and cocoa products. A robust traceability system is critical for assuring food safety and quality. It also enhances marketability by providing useful background information on the origins of product(s) traded. CDCTTL used this workshop as a platform to explore in more detail how best to institute an effective traceability system for the cocoa industry satisfactory to all stakeholders along the value chain. This is a work in progress.

CDCTTL also supported the Tobago Youth Empowerment Forum as part of the Company's outreach activities to interest young people in the cocoa industry. Involvement in the Forum informed the Company's development of a broader programme targeting school-leavers on careers and business opportunities in the industry.

Recommendation:

- ii. The CDCTTL should write to Parliament to report on efforts to encourage prospective or already active local chocolatiers to participate in the Planting Seeds contest by July 31, 2019.

Response:

CDCTTL has not pursued efforts to encourage chocolatiers to participate in the Planting Seeds Contest.

8) Training Programmes

Recommendation:

- i. The CDCTTL should report to Parliament on plans for the development of the CEPEP - related training programme and other training initiatives by July 31, 2019.

Response:

CDCTTL developed a detailed labour utilization initiative/training programme involving the National Training Agency and the CEPEP Company as a companion document to the National Cocoa Industry Strategic Plan. Three training activities on basic cocoa rehabilitation were undertaken in collaboration with CEPEP in Rio Claro, Tabaquite and Siparia.

Recommendation:

- ii. The CDCTTL and CEPEP should consult with the Trinidad and Tobago office of the UNDP on effective agricultural training programmes and report on advice received by July 31, 2019.

Response:

CDCTTL met and shared information with the UNDP on ideas for labour utilization and training for the cocoa industry in Trinidad and Tobago. This matter will be followed up.

Recommendation:

- iii. The CDCTTL should seek avenues to improve programme participants' chances of finding post-training employment or entrepreneurship opportunities. This could be done through collaboration with other government agencies such as the National Entrepreneurship Development Company Limited (NEDCO) or the entrepreneurship and employment programmes of the Ministry of Labour and Small Enterprise "Development and a progress report should be submitted to Parliament by July 31, 2019.

Response:

This matter is not within CDCTTL's current work programme. It will be examined in the 2019-2020 programme of work.

9) Cocoa Exports

Recommendation:

- i. **The CDCTTL should report to Parliament on how the prospect of approaching regional or local authorities in chocolate producing countries in Europe or elsewhere where there is market penetration or development potential for fine or flavor cocoa to explore the strengthening of trade linkages for 4T cocoa by July 31, 2019.**

Response:

CDCTTL aims to develop a comprehensive marketing strategy for cocoa and cocoa related products within the first quarter of 2019-2020.

10) Donations and Sponsorship

Recommendation:

- i. **The Company should write to Parliament explaining the economic rationale for its 2016 spending on donations and sponsorship, any further sums allocated to this item of expenditure, any outstanding commitments and the positive effects of these initiatives by July 31, 2019.**

Response:

The data recorded as donations and sponsorships were wrongly classified. CDCTTL supported two major initiatives related to cocoa industry development involving rural communities.

Firstly, the Company partnered with the Alliance of Rural Communities of Trinidad and Tobago (ARCTT), an NGO, supporting engagement of rural women and youth from cocoa-growing communities in entrepreneurial activities along the cocoa value chain – chocolate-making, other cocoa-value-added processing and cocoa tourism. The programme covered six communities – Brasso Seco, Biche-Cushe, Grand Riviere, Las Cuevas, Matelot and Los Atajos. Key activities relate to the development of chocolate-making, marketing/merchandizing and business skills. A major spin off was rural community empowerment. Eighty-seven (87) members of these communities were coached and mentored over a period of approximately two years.

CDCTTL also supported The South West Local Economic Development (SWLED) Initiative, located in the South West peninsula. The specific activity was conduct of a bean-bar cocoa development/chocolate-making programme over a one-month period involving 17 participants.

Recommendation:

- ii. **The CDCTTL should report on its plans to scale back or suspend its spending on donations and sponsorship at the end of the current financial year. This report should be submitted by July 31, 2019.**

Response:

The community initiatives indicated above are intrinsic to the strategy for developing the cocoa industry. Moreover, they fall within CDCTTL's mandate as catalyst and driver for resuscitating the cocoa industry. CDCTTL will ensure that reporting on these activities are more accurately reflected and categorized.

11) Online Presence

Recommendation:

- i. **The CDCTTL should report to Parliament on the development of an official website which would greatly enhance "the much-needed visibility that the status of Trinidad and Tobago's fine cocoa necessitates when dealing with gaining the trust from foreign investors" referred to in the Company's written submission. This report should be sent by July 31, 2019.**

Response:

CDCTTL has invited quotations for website development, web hosting and maintenance of the CDCTTL website. Bids close on August 30, 2019.

Recommendation:

- ii. **The CDCTTL should approach AgriNeTT to explore possibilities of collaboration along the lines of what has been done with NAMDEVCO and provide a status report by July 31, 2019.**

Response:

- AgriNeTT was contacted and one meeting was held, where more information was provided to the CDCTTL for the development of various apps for cocoa across the value chain. Adaptations of other apps designed for farmers by AgriNeTT to monitor cost of production are being examined.
- Discussions have also taken place with the Cocoa Research Centre at UWI and similar apps have already been used and tested by them with 40 cocoa farmers.
- A decision in this regard will be taken in the first quarter of 2019-2020 fiscal year.