



Government of the Republic of Trinidad and Tobago

Ministry of Trade and Industry



TI: 4/4/94

05 August 2019

Mrs. Jacqui Sampson-Meiguel
Clerk of the House
Parliament of the Republic of Trinidad and Tobago
Levels G-7, Tower D
International Waterfront Centre
1A Wrightson Road
Port of Spain

Dear Mrs. Sampson-Meiguel

Re: Twenty-First Report of the Public Accounts (Enterprises) Committee on the 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

I wish to refer to correspondence dated 10 June 2019 on the captioned subject and enclose for your attention written responses to the recommendations relevant to the Ministry of Trade and Industry (MTI).

The MTI stands ready to provide any additional information or clarification.

Yours sincerely,

Frances Seignoret
Permanent Secretary (Ag)

Encl.



**Responses by the Ministry of Trade and Industry
re the 21st Report of the Public Accounts (Enterprises) Committee on
the Examination of the Audited Financial Statements of the
Trinidad and Tobago Free Zones Company Ltd. for the years ended
September 30, 2012 to 2017**

August 5, 2019

1) 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.

Response:

It is expected that the current Free Zones Programme will be replaced by the new Special Economic Zones regime. A major feature of the new SEZ regime is strict compliance to domestic and international best practice, especially as it relates to monitoring, evaluation and proper oversight of Zone activities.

2) 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

Response:

The requirement for FZEs to submit audited financial statements is aimed at providing the TTFZ with an appropriate means of verifying that the respective Free Zone Enterprises are remitting the relevant fees in accordance with the fee structure approved by the Board of Directors of the company and its proof of stated activity.

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.

Response:

A major feature of the new SEZ regime is the reporting of SEZ Enterprises through their audited financial statements to help enhance the monitoring of SEZ Enterprises to assess their activities and performance.

4) i. 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.

Response:

The main challenges faced by the MTI in achieving the alignment of the TTFZ with its strategic goals largely arise from the shortcomings in the current free zone regime. These shortcomings include:

- an ineffective policy framework – the development, promotion and management of economic zones in Trinidad and Tobago were not driven by an overarching policy or strategy;
- a weak legal and regulatory framework – the existing legal and regulatory framework for free zones is fragmented, weak and does not support a modern regime; and
- a weak institutional framework – regulatory approvals for investments are not efficient.

The development and implementation of the new Special Economic Zone Policy is aimed at modernizing the existing regime by overcoming the current shortcomings which will result in greater alignment of the new SEZ Authority (which will be responsible for the management of the new SEZ Regime) with the goals of the MTI to increase investment, expand and diversify regional and international trade and increase diversified and competitive businesses.

5) 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.

Response:

It is expected that when the new SEZ legislation is enacted by 30 September 2019, the TTFZ will be replaced by a SEZ Authority. Increased employment and competitiveness

will be at the foundation of the new SEZ regime which will seek *inter alia* to ensure job creation in various types of SEZs.

6) The MTI should submit a report to Parliament including the following by July 31, 2019:

Response:

a. the timeline for the implementation of the SEZ Policy;

In July 2019, the Cabinet of Trinidad and Tobago approved the Revised Special Economic Zones Policy for Trinidad and Tobago. The Government of the Republic of Trinidad and Tobago (GORTT) has given a commitment to enact the new SEZ legislation by 30 September 2019.

b. the status of the SEZ Act

A comprehensive legislative brief is currently with the Ministry of the Attorney General and Legal Affairs (CPC) for the drafting of the new SEZ Act. The Government of the Republic of Trinidad and Tobago (GORTT) has given a commitment to enact the new SEZ legislation by 30 September 2019.

c. the measures in place to ensure that the SEZ Policy will not duplicate the errors of the FZP

The new SEZ regime will have a new governance structure (SEZ Authority), a new incentive regime (incentives that are time-limited and specific to specific activities), increased private sector participation, and an increased emphasis on reporting, monitoring and evaluation of firms' activities.

d. the means whereby the effectiveness of incentives offered will be continually measured

All SEZ Enterprises and Single Zone Enterprises under the new SEZ Regime will be required to submit Operations Plans annually outlining:

- a detailed description of the core income generating eligible activities;
- estimates of an adequate amount of operating expenditures associated with the eligible activities;
- level and quality of the human resources to be employed;
- level and quality of investment to be undertaken in the Zone; and
- such other information that the Authority may require.

e. the alignment of the SEZ Policy with the strategic objectives of the GORTT

The objectives of the SEZ Policy are linked to the National Development Strategy – *Vision 2016-2030* and in particular, under Theme 4 (Building Globally Competitive Businesses).

f. the relevance of the SEZ Policy to the specific economic realities of Trinidad and Tobago

The SEZ regime is very relevant to Trinidad and Tobago, especially in light of the fact that there is an urgent need to attract investment in the non-energy sector, improve the competitiveness of domestic firms, and create additional economic spaces whereby *domestic and international investors* can channel funds to develop and export products and services, through increased research, development and innovation.

g. the linkages to be created with the wider Trinidad and Tobago economy

The SEZ regime will attract investments that will have significant positive spill-over effects in the communities in which they are located, especially in areas such as transportation, food and beverage, banking and insurance and the provision of other local inputs.

h. the role of the private sector in the SEZ Policy

The private sector will play a major role in the location of the SEZs, as well as their development, management and operation. Under the new SEZ Regime, an SEZ Operator can be either a public body or a private body, and/or public-private partnership.

i. the systems being put in place to ensure the integration of the Single Electronic Window into the SEZ regime

In addition to fiscal benefits, SEZ Enterprises, Single Zone Enterprises and Operators shall benefit from non-fiscal incentives which include an enhanced operating environment through harmonized and efficient regulatory approvals. The SEZ Authority will ensure access to available services on the national Single Electronic Window for Trade and Business Facilitation infrastructure—TTBizLink, as well as other information systems.

7) 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.

Response:

There will be multiple levels of reporting which will ensure that the monitoring and evaluation functions under the new SEZ Regime are robust and effective.

The SEZ Authority will report to the Minister of Trade and Industry, and will provide the necessary supervision and regulation of SEZs, and will be a critical part of the overarching governance of the new SEZ regime.

Each SEZ Enterprise or Single Zone Enterprise will be required to submit to the SEZ Authority for approval, an Annual Operations Plan. The Plan will have to include—

- a detailed description of the substantial activity and any complementary activities to be undertaken in the SEZ;
- estimates of operating expenditures associated with all substantial activities and any complementary activities to be undertaken in the SEZ;
- level and quality of the human resources to be employed in the SEZ;
- level and quality of investment to be undertaken in the SEZ; and
- such other information that the Authority may require.

Each SEZ Enterprise or Single Zone Enterprise will also be required to submit to the SEZ Authority the latest audited financial statements in accordance with international accounting standards or other best practice commercial standards within six months of the end of the financial year.

Each SEZ Enterprise or Single Zone Enterprise should also be required to submit to the Authority on an annual basis as the Authority may determine:

- such statistical data and other information on that SEZ Enterprise or Single Zone Enterprise's operations utilizing any information system which the Authority may determine; and
- information that the SEZ Enterprise or Single Zone Enterprise continues to meet the eligibility criteria (types of activities, physical presence in Trinidad and Tobago, initial investment, annual expenditure, employment)

ii. The MTI should provide a timelines for the operationalization of the Implementation Plan by July 31, 2019.

Response:

The Implementation Plan for the new SEZ Regime is currently being developed by the MTI and will be completed before the enactment of the new SEZ legislation by 30 September 2019.

8. 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.

Response:

One of the key recommendations of the SEZ Policy is “more streamlined operations”, which involves the increased adoption and utilization of information and communication technology (ICT) in the administration, operation and management of SEZs, especially through the Single Electronic Window infrastructure –TTBizLink. Additionally, the SEZ infrastructure will reduce the burden on the public infrastructure and administration by allowing firms to focus on their own growth and development, rather than dedicate resources and time towards acquiring regulatory approvals.

9) 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.

Response:

The SEZ Authority will provide the necessary supervision and regulation of SEZs, and will be a critical part of the overarching governance of the new SEZ regime. The Board of the Authority will comprise of representatives from the public and private sectors and shall be responsible for the general administration of the Authority.

Functions of the Authority

It is intended that the Authority shall perform the following functions:

- regulate and supervise Zones;
- advise the Minister on matters of general policy relating to Zones;
- recommend to the Minister the designation of Zones;
- grant or cancel Licences in accordance with the provisions of this Act;
- maintain a register of all Licences issued to all Operators as well as a listing of all approved SEZ Enterprises and Single Zone Enterprises; and
- perform such as other functions relating to the administration and operation of Zones as may be assigned to it under the legislation.

Powers of the Authority

It is intended that the Authority shall have the following powers:

- to raise capital to support the execution of its functions on a commercial basis to the extent practicable and to reduce its dependence on public resources;
- to issue guidelines and directions to Operators, SEZ enterprises and Single Zone Enterprises for the implementation of the legislation;
- consider applications by SEZ Enterprise or Single Zone Enterprise applicants;
- to review and assess the performance of all Zones in achieving the objectives of the legislation and report to the Minister on the performance of all such Zones;
- to review information provided by Operators, SEZ enterprises and Single Zone Enterprises under ongoing monitoring requirements to confirm whether eligibility criteria are still met; and
- make recommendations to the Minister as to the making of Regulations under the legislation.

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.

Response:

The SEZ Authority will be solely responsible for the regulating and supervision of SEZs.

Investment Promotion will continue to be the remit of invesTT as the National Investment Promotion Agency of Trinidad and Tobago. However, the new SEZ Authority will collaborate closely with invesTT and other sector specific entities in promoting Trinidad and Tobago as an investment destination.

Export/ trade promotion will continue to be the sole remit of exporTT. However, the SEZ Authority will collaborate closely with exporTT to ensure that the products and services of SEZ Enterprise and Single Zone Enterprises are promoted.

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.

Response:

The SEZ Authority will be responsible for creating and managing a register of all SEZ Enterprises and Single Zone Enterprises, which will be similar to a stakeholder database.

The Register will include all Licenses issued to all Operators under the Act, and a listing of all approved SEZ Enterprises and Single Zone Enterprises.

The following information is expected to be included in respect of each entry on the Register:

- the name, address and occupation or description of the person to whom the Licence or approval is issued;
- the date on which it was issued;
- the Zone to which the Licence or approval relates; and
- the benefits granted to any Operator, SEZ Enterprise or Single Zone Enterprise.



Trinidad and Tobago Free Zones Company Limited

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05 August 2019

Keiba Jacob

Procedural Clerk | Financial Scrutiny Unit

Parliament of the Republic of Trinidad & Tobago

G-7 Tower D, Port of Spain International Waterfront Centre

1A Wrightson Road, Port of Spain, Trinidad

Dear Ms Jacob

Re: Update on recommendations for the Trinidad and Tobago Free Zones by the PAEC .

The Trinidad and Tobago Free Zones Company Limited (TTFZ) acknowledge receipt of the twenty-first report of the Public Accounts Enterprise Committee on the examination of the audited financial statements of the TTFZ for the years ended September 30th 2012 to 2017.

Please find enclosed the recommendations of the PAEC and the updated progress of such.

Should you require further information, please feel free to contact me at 623-8363 or via email at anastacia.samuel@gov.tt

Yours respectfully,

Anastacia Samuel-James
Consultant, Administration

cc: Ms Frances Seignoret Permanent Secretary – Ministry of Trade and Industry



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Public Accounts (Enterprises) Committee: Recommendations

1. Monitoring of the Free Zones Enterprises:

Recommendation:

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

Update:

The Trinidad and Tobago Free Zone is in constant contact with the ministry, regarding the implementation of the New Special Economic Zones Programme.

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

Recommendation:

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.

Update:

The Terms of Reference [TOR] for the engagement of a Professional Accountant for the provision of financial services such as the review of business plans and financial statements of the Free Zone Companies. Quotations were received for the professional service and are being reviewed. The Accountant will be commissioned in September 2019.

3. Internal Auditing:

The Questions were raised surrounding the absence of an internal auditor and the importance of the function within an organisation such as the TTZ.

Recommendation:

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



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Update:

The Terms of Reference [TOR] for the engagement of an outsourced Internal Auditor for the provision of auditing services to review of business policies and process gaps within the Trinidad and Tobago Free Zones Company. Quotations were received for the professional service and are being reviewed. The internal outsourced internal Auditor will be commissioned in September 2019.

4. Job Creation

Recommendation:

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;

Update:

The TTFZ has not yet actioned this activity as it awaits the directive on the new Special Economic Zone Policy and legislation

Yours respectfully,

Anastacia Samuel-James
Consultant, Administration