

SENATE*Tuesday, April 06 1993*

The Senate met at 1.30 p.m.

PRAYERS[MR. PRESIDENT *in the Chair*]**MEDIA PUBLICATION**

Mr. President: Honourable Senators, the attention of the Chair has been drawn to certain statements published in the press and aired on radio and television, purporting to come from Members of this honourable Senate. Consequences will be decided upon in the near future.

**FINANCE (SUPPLEMENTATION AND VARIATION OF
APPROPRIATION) (1992) BILL**

Bill to supplement and vary the appropriation of the sum the issue of which was authorized by the Appropriation Act 1992; brought from the House of Representatives [*The Minister of Finance*]; read the first time.

Motion made, That the next stage of this Bill be taken at a later stage of the proceedings. [*Hon. W. Mottley*]

Question put and agreed to.

PAPERS LAID

1. Report of the Auditor General on the Accounts of the Legal Aid and Advisory Authority for the year ended December 31, 1990. [*The Minister of Planning and Development (Hon. Dr. Lenny Saith)*]
2. Report of the Auditor General on the Accounts of the Legal Aid and Advisory Authority for the year ended December 31, 1991. [*Hon. Dr. L. Saith*]
3. Report of the Auditor General on the Accounts of the Iron and Steel Company of Trinidad and Tobago Limited for the year ended December 31, 1987. [*Hon. Dr. L. Saith*]
4. Report of the Auditor General on the Accounts of the Iron and Steel Company of Trinidad and Tobago Limited for the year ended December 31, 1988. [*Hon. Dr. L. Saith*]

5. Report of the Auditor General on the Accounts of the Iron and Steel Company of Trinidad and Tobago Limited for the year ended December 31, 1989. [*Hon. Dr. L. Saith*]
6. Report of the Auditor General on the Accounts of the Iron and Steel Company of Trinidad and Tobago Limited for the year ended December 31, 1990. [*Hon. Dr. L. Saith*]
7. Report of the Auditor General on the Accounts of Overseas Service Aid Scheme for the year ended December 31, 1986. [*Hon. Dr. L. Saith*]
8. Report of the Auditor General on the Accounts of Overseas Service Aid Scheme for the year ended December 31, 1987. [*Hon. Dr. L. Saith*]
9. Report of the Auditor General on the Accounts of Overseas Service Aid Scheme for the year ended December 31, 1988. [*Hon. Dr. L. Saith*]
10. Report of the Auditor General on the Accounts of Overseas Service Aid Scheme for the year ended December 31, 1989. [*Hon. Dr. L. Saith*]

ORAL ANSWERS TO QUESTIONS

- 79.** *The following question stood on the Order Paper in the name of Sen. Everard Dean*

BCCI

(Transfer of)

- (a) Will the Minister of Finance state whether the Central Bank of Trinidad and Tobago had given permission to Bank of Credit and Commerce International to transfer funds from Trinidad and Tobago to the Cayman Islands and/or to Miami in 1989 or earlier?
- (b) If the answer is in the affirmative, will the Minister state when the transfer/s took place, in what amounts and on whose behalf?

Mr. President: The hon. Minister has requested that question No. 79, be deferred for one week.

Question, by leave, deferred.

BCCI

(Improper Activities)

- 80. Sen. Everard Dean** asked the Minister of Finance:

Could the Minister state:-

- (a) Whether he is satisfied with the startling revelations about the improper activities of Bank of Credit and Commerce International abroad?

- (b) Whether adequate precautions were taken in Trinidad and Tobago to avoid losses occurring to nationals here in Trinidad and Tobago?

The Minister of Finance (Hon. Wendell Mottley): Mr. President, in answer to part (a), when BCCI closed in July of 1991, the national and indeed the international financial community, as a whole, was startled by the evidence of widespread fraud at the BCCI Group in a number of jurisdictions.

Mr. President, in answer to part (b), yes, adequate precautions were taken. BCCI, Trinidad and Tobago, was closed on July 05, 1991, the very day that information was received from the Bank of England, with the authorities and a number of jurisdictions were in the process of taking action to secure control of Banks in the BCCI Group.

**Central Bank
(Lack of Protection for Depositors)**

81. Sen. Everard Dean asked the Minister of Finance:

Is the Minister of Finance satisfied that there were weaknesses in our system which prevented the Central Bank of Trinidad and Tobago from taking the necessary steps to protect depositors in Trinidad and Tobago before the collapse of Bank of Credit and Commerce International in Trinidad and Tobago?

The Minister of Finance (Hon. Wendell Mottley): Mr. President, the BCCI experience has brought home, forcibly, to regulatory authorities, worldwide, including Trinidad and Tobago, the urgent need to strengthen their individual financial legislations and to co-operate more effectively among themselves.

In the specific case of Trinidad and Tobago, the Central Bank was in a better position than many other countries to take immediate action, since BCCI, Trinidad and Tobago was a subsidiary company and not a branch. It should also be noted that I propose to introduce in Parliament shortly, a bill designed to strengthen the regulatory and supervisory powers of the Central Bank, which would further promote the stability of the financial system in general, and provide added protection to depositors in particular.

Moreover, unlike most of the developing countries affected by those events, Trinidad and Tobago had, since 1986, established a deposit insurance scheme for the protection of depositors. Depositors of that institution have been receiving deposit insurance payments under this scheme.

Sen. Dean: Mr. President, can the Minister say, what did the Central Bank do, and when did it know about the adverse financial reports on BCCI's viability emanating from the international financial mess and what steps it took in relation thereto?

Hon. W. Mottley: As a supplementary, Mr. President, the Bank of England circulated all Central Banks, and it is through the Bank of England that the Central Bank here got official notification of the problems with the BCCI.

BCCI
(Sale of Assets)

82. Sen. Everard Dean asked the Minister of Finance:

- (a) Will the Minister of Finance state whether any steps have been taken to sell the assets of the Bank of Credit and Commerce International in Trinidad and Tobago to another financial institution in order to avoid depositors losing their funds?
- (b) If the answer is in the negative, will the Minister of Finance state what is the current status of the assets of Bank of Credit and Commerce International and what steps have been taken by the Receiver to bring this matter to a conclusion and by what date the depositors would be informed?

The Minister of Finance (Hon. Wendell Mottley): Mr. President, steps were taken by the court liquidator, the Deposit Insurance Corporation to sell the assets of the BCCI to the Trinidad and Tobago Merchant Bank Limited, but the offers were considered to be particularly unattractive. Indeed, realization on the sale of assets to date by the liquidator has already surpassed the offers that had been received.

Sen. Dean: Could the Minister say whether the Mutual Bank was approached in this connection?

Hon. W. Mottley: No, Mr. President, I am not in a position to say at this stage but I can get that information for the hon. Senator. *[Interruption]* The Mutual Bank? In Barbados.

Adjournment Motion (Leave)

Tuesday, April 6, 1993

**ADJOURNMENT MOTION
(LEAVE)**

Sen. Surendranath Capildeo: Mr. President, pursuant to Standing Order 11, I wish to seek leave to move the adjournment of the Senate for discussing a definite matter of urgent public importance. I hereby notify you of my intention so to do.

The matter, Sir, involves the present terrifying situation of our Cedros fishermen and their families. It is definite, Sir, in that our fishermen are being arrested on the high seas, imprisoned under horrible conditions and there are alleged acts of piracy, theft, brutality and physical assault by foreigners.

1.40 p.m.

It is urgent, Sir, because the fishing population, the men, women, and their families at Cedros, live in fear of what may happen whenever the boats go out to sea.

It is of public importance, Sir, because allegations concern us as an island nation with an international treaty, with a neighbouring country which our citizens allege is flouting and breaking the terms of the treaty. To put it bluntly, the fishermen say that the passes issued to them are ignored and useless.

Mr. President, one of the bases on which this country's foreign policy must be predicated is the fact that we are an island nation—

Mr. President: Just a minute, Senator. At this stage you are only permitted to say why the matter is definite—

Sen. Capildeo: I was trying merely to—

Mr. President: —urgent and of public importance in your communication. You said it all very well and I was able to follow you almost word for word.

Sen. Capildeo: Well, there is no need for me to elaborate, Sir.

Mr. President: Not at all.

Sen. Capildeo: I am much obliged to you. I therefore, Sir, humbly seek your approval that you are satisfied that this is a matter which may properly be raised on a motion for adjournment in today's sitting of the Senate.

Thank you, Sir.

Adjournment Motion (Leave)

Tuesday, April 6, 1993

Mr. President: Having considered your request, I wish to advise you that the matter does not qualify under the Standing Order relating to definite matters of urgent public importance. But I would advise, as you actually suggested in the final paragraph of your letter, that the matter is one "which may be properly raised on a motion for the adjournment" of the sitting. Unfortunately, five days' notice will have to be given for that.

Sen. Capildeo: Mr. President, would you then, Sir, grant me leave—I am not walking out, Sir—to immediately depart for Cedros where they are awaiting the results of this application. So I seek your leave now to leave the Chamber.

Mr. President: You are excused.

Sen. Capildeo: Thank you, Sir.

**FINANCE (SUPPLEMENTATION AND VARIATION OF
APPROPRIATION) (1992) BILL**

The Minister of Finance (Hon. Wendell Mottley): Mr. President, I beg to move,

That a bill to supplement and vary the appropriation of the sum the issue of which was authorized by the Appropriation Act, 1992 be now read a second time.

The House of Representatives of the Republic of Trinidad and Tobago on March 19, 1993 debated the Finance (Supplementation and Variation of Appropriation) (1992) Bill, relating to the 1992 accounts which authorized supplementary expenditure in the sum of \$77,967,466, thus increasing the 1992 Appropriation from \$8.232 billion to \$8.310 billion. The increased sum of \$77,967.466 is reflected under Head 18, Ministry of Finance, and represents disbursements made under Loan Facilities for (a) Secondary Recovery of Oil and Refinery modernization and (b) equipment bought for the Eric Williams Medical Sciences Complex.

It would be recalled that during the debate on the First Supplementary Appropriation Bill (1992) which was laid in the House of Representatives on Friday, October 30, 1992, it was pointed out that although the loan, that is, this IDB loan co-financed by the Japanese EXIM Bank, is for onlending to the energy sector, it was necessary for an allocation to be included in the estimates since all drawdowns must be brought to account in the books of the Republic and credited as receipts under borrowing and all disbursements must be reflected as

expenditure under an Appropriation Account. This loan is to the Central Government although it is being onlent to the state oil companies for refinery upgrading and secondary oil recovery. At that time the estimated disbursement was \$218,450,000.

However, as at December 31, 1992, the actual disbursements came up—instead of \$218 million-odd—to \$268,197,755 to be exact, broken down as between the Inter-American Development Bank, \$257,119,937; and the European Investment Bank, \$11,077,818. Therefore the difference of \$49,747,755 which was disbursed to TRINTOC still had to be brought to book. It should be noted that the actual disbursement of \$268,197,755 is distributed as follows: \$121.2 million to the Secondary Recovery and \$147 million to Refinery Modernization. That is the breakdown in the disbursements of the loan so far.

The Comptroller of Accounts has also advised that the sum of \$28,219,711 which represents a disbursement under the Eric Williams Medical Sciences Complex Loan Facility for equipment was not brought to book in the Treasury in the year in which this was done—this goes back to 1990. It has now become necessary to bring the disbursement to account as receipts, and to make a corresponding entry in the books of the Treasury to regularize the public debt record.

Hon. Senators would appreciate that the amount of \$49,747,755 with respect to Secondary Recovery of Oil and Refinery Modernization, plus this amount with respect to the Mt. Hope Medical Sciences Complex of \$28,219,711 has resulted in the increase in the Appropriation by \$77,967,466. It should be emphasized that this increase would not result in any cash outflow since there are matching inflows and these are merely book entries for tidying-up purposes.

I move next, Mr. President, to the provision of supplementary funds to meet interest charges on overdraft facilities at the Central Bank—a more material matter. As was explained in the House of Representatives, a sum of \$155 million was provided in the 1992 Estimates of Expenditure to meet interest charges and overdraft facilities at the Central Bank. This provision proved inadequate, as the actual interest charged in 1992 came up to \$260.2 million, thus causing a shortfall of \$105.2 million which we now have to bring to account.

The main causes for the additional expenditure incurred for servicing the overdraft facility at the Central Bank were twofold. The first is an increase in the interest rate. You will remember that 1992 saw significant increases in bank rates

Finance Bill
[HON. W. MOTTLEY]

Tuesday, April 6, 1993

in Trinidad and Tobago. The rate of interest that we had calculated was 11.5 per cent, but actual interest rates were 13 per cent from January 15, 1992 to December 31, 1992. So the interest rates increase partially accounts for the additional sums.

Perhaps I had better digress for a minute, Mr. President, and for the benefit of hon. Senators, inform them that the statutory limit for the overdraft financing can be found in section 46 of the Central Bank Act, Chap. 79:02. The statutory limit as calculated for 1992 was \$1.153 billion. However, the actual utilization of that facility exceeded the statutory limit by \$939.4 million as at the end of December, 1992. The exact quantum of the overdraft at any point in time depends on the level of revenue and expenditure since it is a cash in and outflow basis. This running in excess of the overdraft facility is the second reason why we have exceeded the interest on this particular account. So it is twofold. One, because we exceeded the overdraft, certainly, as we had budgeted for; and secondly, because the interest rates were higher than had been budgeted for.

1.50 p.m.

In the last two budget exercises, the Ministry of Finance did not plan to further increase the overdraft from the Central Bank, and we had, in fact, hoped to reduce it. However, because revenues have not been up to scratch and expenditure restrictions are not easily achieved in the short run, there has been an increase in the level of the Central Bank overdraft. I might say that we did not exceed our expenditure on budget. In fact, we were quite considerably under expenditure in 1992, but not to the extent that we disappointed on revenue. Therefore, this accounts for the situation. It, perhaps, better dramatizes to Members in this House the constraints within the Ministry of Finance to finance many, very valuable projects that we would have otherwise liked to have financed.

Finally, it should be noted that the problem of excessive borrowing from the Central Bank is not one of recent vintage. The problem began in 1986 when oil prices collapsed and advances were made which were within the statutory limit. The weakness in oil prices and consequently Government revenues has continued, except from the respite provided just before the Gulf War. So that the overdraft with the Central Bank has, therefore, fluctuated above the statutory limit for every single year for the last five years, despite the strong adjustment efforts that have been made and continue to be made in the public sector, with all the pain that we see at present as a result of that strong effort to a fiscal discipline. But there are limits as to just how much we can constrict expenditure in the meantime, and at

the same time, there are clearly limits as to how much increased taxes the population can bear.

I move next to the financial restructuring of T&TEC. Cabinet agreed that the indebtedness of T&TEC as at May 31, 1992 of the Central Government, statutory boards and state enterprises and other agencies, should be set off against loans and advances received by T&TEC from Government as at May 31, 1992, and that the outstanding balance of Government's loans and advances to T&TEC as at May 31, 1992 be converted to equity.

The accounting arrangements to give effect to the set-off had to be worked out by representatives of the Ministry of Finance and T&TEC. The Treasury instructed that accounts to be settled on behalf of the ministries and statutory boards should be charged against their 1992 appropriation, while the indebtedness of state enterprises should be dealt with in a block vote for the purpose of effective settlement.

Instructions were issued to ministries and statutory boards to seek supplementary provisions where necessary. Government's indebtedness to T&TEC as at May 31, 1992, stood at \$88,322,137 and Cabinet agreed that this should be settled by the respective ministries and statutory boards.

Head 41—Ministry of Community Development, Culture and Women's Affairs. Mr. President, I am sure that Hon. Senators would recall that during the debate on the First Supplementary Appropriation (1992) Bill, it was disclosed that amounts of \$1.253 million and \$3.5 million were transferred from Goods and Services and Current Transfers and Subsidies to meet expenses for Carifesta V and Year of the Arts. Of the total sum of \$4.753 million, \$253,000 was for the Year of the Arts and \$4.5 million for Carifesta V which proved inadequate as there remained outstanding bills. The ministry was unable to source funds to settle these bills, so it was necessary for Cabinet to authorize the use of funds from the Contingencies Fund in the amount of \$1,096,777 on the understanding that the advances were to be retired. It should be noted that at December 31, 1992, the actual expenditure was as follows:

Carifesta V	\$4.5 million
Year of the Arts	\$1,861,975.

Head 44—Ministry of Public Utilities. It was necessary to provide supplementary funds to the Water and Sewerage Authority to enable it to meet its indebtedness to T&TEC and to make part payment of arrears of salary to its monthly-paid workers.

Finance Bill
[HON. W. MOTTLEY]

Tuesday, April 6, 1993

Among the conditionalities to be fulfilled for access to the second tranche of the World Bank Structural Adjustment Loan is that the indebtedness by Government and its agencies to T&TEC must not exceed 60 days. In discussions with the Ministry of Finance, T&TEC disclosed that WASA was owing \$11 million, but that a payment of \$7 million out of that \$11 million would be sufficient to bring the debt owed to T&TEC to below the target of 60 days set by the World Bank. Due to the extreme urgency to meet the payment due to T&TEC and to enable the drawdown of the second tranche of the World Bank loan, Cabinet authorized the advance of \$7 million from the Contingencies Fund to meet this particular payment. In fact, the second tranche of that World Bank loan was, in fact, received in two portions. The first portion came from the Japanese EXIM bank and was received on December 31, 1992 in the amount of US \$20 million, and the second tranche was actually received from the World Bank directly on January 11, 1993, also in the amount of \$20 million.

With respect to the payment of arrears of salary increase to its monthly-paid workers, it should be pointed out that on December 31, 1992, a settlement was reached in a dispute between WASA and the Public Service Association, and among the agreements concluded was the payment of part of the arrears of two per cent salary increase over the period 1987 to 1992 in the amount of approximately \$7 million. The Ministry of Public Utilities was only able to source \$3.8 million from savings that it had identified, and Cabinet authorized the advance of a further \$ 3.2 million from the Contingencies Fund. It has, therefore, now become necessary to retire the total sum of \$10.2 million advanced from the Contingencies Fund which is being met by a transfer of funds as indicated in the schedules attached.

The following are submitted for the information of Hon. Senators:

The provision of supplementary funds to meet interest charges on overdraft. The shortfall of \$105.2 million was met by savings under Head 19—Charges on Account of the Public Debt, in the amount of \$30,883,000. Savings there, Mr. President, have been realized because of low interest rates on the international money market as distinct from the domestic market.

Under Head 20—Pensions and Gratuities in the amount of \$8.2 million. Mainly responsible for savings here was the lower level of gratuities.

Under Head 24—Ministry of Legal Affairs, in the amount of \$10,884,000. Savings here are due to vacant posts not being filled and consulting and other

contracted services—Mr. Justice Crane and the Muslimeen matters—were not pursued through its stages as we had budgeted for, and projects not undertaken under the development programme.

2.00 p.m.

Under item 4 Head 25, Ministry of Agriculture, Land and Marine Resources, savings of \$5.4 million are identified. Mainly responsible for savings under this Head are funds that were not drawn down as anticipated under the Development Programme.

Head 26, Ministry of Education, \$26 million. This \$26 million is made up of library books for type A and C schools. A contract was not awarded in 1992 for the supply of library books for type A and C schools. During the course of the year, the books on that list which was prepared previous to 1992 were reviewed by competent people.

Head 36, Ministry of Housing and Resettlement, \$23,833,000. Savings were realized since there were delays in the construction of some projects. All of these totalled \$105.2 million.

Under other items, Mr. President, financial restriction of the Trinidad and Tobago Electricity Commission, provision of supplementary funds, debt due to T&TEC was met from savings under the Ministry of Health in the amount of \$83.439 million; savings being realized from vacant posts not being filled and from the contract for the supply of drugs. The tender was awarded later than anticipated. Savings were also realized from the late start of the San Fernando and Arima Hospitals.

Savings also under the Ministry of Housing and Resettlement in the amount of \$3 million due to the delays in the start up of social infrastructure works. Savings in the amount of \$1.882 million from the Ministry of Housing being realized from the curtailment of expenses with respect to the posting of personnel abroad

Mr. President, I now turn to the provision of supplementary funds to clear the Carifesta V, Year of the Arts account. Advances were made from the Contingencies Fund and warrants were retired under Head 41, Ministry of Community Development, Culture and Women's Affairs, from savings realized as follows: Industrial Court, in the amount of \$1,096,777. Provision was made in the 1992 estimates for the opening of the new office in San Fernando, but this did not materialize. Therefore, savings were realized.

Finance Bill
[HON. W. MOTTLEY]

Tuesday, April 6, 1993

Transfers of funds between subheads under the same Heads of Expenditure. From August 1, 1988, Cabinet delegated its authority to approve of transfers between subheads to the Ministry of Finance when it agreed as follows:

"Requests for transfer of funds between separate subheads under the same Heads of Expenditure should no longer be submitted to the Cabinet but can be decided by the Minister of Finance on the advice of the Budget Division."

Consequently, the Minister of Finance authorized the transfer of funds between subheads under the same Heads of Expenditure as shown in the Schedule. The transfers are approved by the Minister of Finance on the recommendation of the relevant ministers who reorganize their priorities in the light of changed circumstances.

In closing, Mr. President, I wish to reiterate that this Bill will increase the 1992 appropriation by \$77,967,466, so that the total amount to be appropriated for 1992 will now stand at \$8,310,935,963. Further, this increase of \$77,967,466 resulted from increased disbursements on the secondary recovery of oil and the Eric Williams Medical Sciences Complex, for equipment. However, the increased disbursements were matched by inflows under the proceeds from loans for specific projects.

Sen. Daly: Mr. President, before the Minister takes his seat, can he indicate whether a contributor to the increase in the overdraft at the Central Bank is foreign debt service?

Hon. W. Mottley: Yes, Mr. President. These are all amalgamations of the problem, but the foreign debt service was not unanticipated. We did anticipate and properly budgeted for it. The major cause has been a disappointment in revenue, where we were not able, correspondingly, to shrink expenditure to the same amount. We did substantially shrink expenditure in 1992, but not to the same extent as revenue disappointed.

I think hon. Senators will recall my concerns being expressed in Parliament, particularly, on account of lower than expected receipts on VAT; to a lesser extent on Customs revenues. Hon. Senators will be happy to know that we have made substantial progress since then—and in the course of administrative reforms we have been receiving, during this year, 1993—more or less on budget on Customs, and, in fact, slightly in excess.

Although the VAT collection is not yet quite on target, it must be remembered that the VAT target was considerably heightened in the 1993 Budget, clearly in anticipation of the anticipated administrative reform. I am reporting that those reforms are taking hold. Compared with the same period last year, we are doing much better, although not yet quite on target for VAT collections for 1993 as we have budgeted. It is an ongoing process. The administrative reforms are due to develop momentum in the course of the year, in particular, staff training, staff recruitment have been completed and we expect the results of that to be taking effect.

Hon. Senators will also see strenuous efforts being made by the Board of Inland Revenue, some of which are being reported in the press, to all extent to collect revenues due to them.

I beg to move.

Sen. Prof. Spence: Mr. President, I wonder if the hon. Minister would oblige me a question; I tried to get up just before he sat down. Are there any under-expenditures under any other Heads than those shown under the column "reduced expenditures"? If there were, why were they not added to the \$77 million?

Hon. W. Mottley: Mr. President, in many instances ministries have certain authorities and many items are moved within the public service jargon and virements are made. There are savings but they tend to be purely administrative transfers within a particular ministry that do not necessitate them coming to Parliament.

Question proposed.

Sen. Michael Mansoor: Mr. President, first of all, I would like to congratulate the Minister of Finance in observing this very important element of control over Government's finances for the year 1992. The presentation of the variations in the presentation of this Bill is intended to bring to the attention of Parliament all areas where Government's expenditure exceeded what was originally approved in the budget exercise, and as we have in this year of 1992, extra expenditure in the amount of \$77 million which was funded from external loans for Pointe-a-Pierre and the secondary recovery of oil.

Mr. President, at the start, one has to say that this is a control point in Government's financial affairs and any Government has to be commended for following it on time and within the strictures of the law.

2.10 p.m.

Having said that, however, one has to notice and to comment on the fact that the financial regulations, such as they are, permit deviations from the original budgets and those deviations amount to what is an effective breakdown in control.

For example, as the Minister said, an amount of \$88.3 million was owed to T&TEC by a variety of ministries. It would seem clear that this debt of \$88.3 million would not have been incurred in the year 1992. Clearly, this amount is a bill for electricity that was delivered in years prior to 1992. What is significant about this is, that in the prior years, 1990/1991, and maybe even prior to that, Government's expenditure was stated without reflecting these liabilities for electricity that would have been consumed prior to 1992. This is an inherent weakness in Government accounting in the sense that the accounts are kept on a cash basis and if bills are not paid in any given year they are just not accounted for.

We see, in this instance, the Government attempting to become current with its T&TEC's liability in the amount of \$88.3 million. What has been done, essentially, is that the Heads of Expenditure in some ministries have been reduced and others increased to cater for this \$88.3 million, possibly without any movement of cash. We are also told that the Government has forgiven its own debt to T&TEC by allowing them to convert its liability to Government to equity.

Although what has been done is within the strictures of the law, it is very clear that certain very subtle deviations or unhealthy practices have occurred and it can all be tidied up in this exercise. The first deviation being that expenses incurred in prior years have not been reflected properly and, therefore, the current surpluses and all the other statistics that we were told about in budget exercises were essentially wrong, because government accounts on a cash basis rather than an accrued basis.

While it has all the signs and attributes of serious and tight control, when one puts what has happened under the microscope it is very clear that all is not really well and the control system as such, can be circumvented and the errors in statistics of prior years can be covered over in an exercise like this. I do not blame the Minister of Finance for this. This is something that has happened and it is permitted within the structure of the financial regulations that govern Government's accounting.

The point I am trying to make is that these statistics and accounts do not capture the financial reality of Government's position at the end of any one financial year and when the chickens come home to roost, we have to adopt manoeuvres such as this to pay electricity bills and, indeed, other bills.

If I may leave the question of the \$88.3 million, and come to the extra interest on the Government's overdraft account or the exchequer account, the Minister has to be commended for the very detailed explanation which he gave for this extra interest expenditure.

The question of the exchequer account has been a topic of grave concern to many of us for several years. The Minister this afternoon, quite correctly, told us that the existing limit on the exchequer account would be in the order of \$1.153 billion, that being 15 per cent of the highest amount of capital and recurrent revenue that we had in the last few years. The Minister also correctly explained that in 1992 the exchequer account was overdrawn by amounts that he did not anticipate, and there was also an increase in interest rates. That explains what has happened. The real question is: should it happen? I have been making repeated requests in this Senate for several years that the relevant section of the Central Bank Act should be amended—I believe it is section 46, subsection 2.

The reason for this is that while we may have a very responsible Minister of Finance in office today, it is always possible and probable that in times to come, we will not have such responsibility exercised by ministers of finance. The fact that we have perpetually for the last five, six years disregarded this law of the Central Bank Act, means that administrations to come, ministers of finance to come, may be tempted in a year to exceed the amount of the limit in this account by amounts much greater than have occurred in the past.

Mr. President, it is possible, for example, that in an election year a government may decide to make extraordinary expenditures and the exchequer account can be quite irresponsibly used in that set of circumstances. This is why I have pleaded over several years that the statute be amended to cater for today's realities. A government to come, a minister of finance to come, can in an election year, increase the exchequer account from \$2 billion to maybe \$3 billion or \$25 billion, and leave it for the next administration to take care of. This all comes about because the Government has allowed itself to be in breach of the statute and go along with it in the hope that some day they would be able to bring the exchequer account within the limits prescribed by the law.

Finance Bill
[SEN. MANSOOR]

Tuesday, April 6, 1993

I remember very clearly on a previous occasion, a previous Minister acknowledged that this was a problem. He said he did not wish to increase the limit because if he did, all that would happen is that Government may proceed to exceed the increased limit once again in the future, and that he did not wish to do that at that time. The breach of the statute creates a severe temptation for the weak of heart and the irresponsible who may seek to exploit it at the times when there is much pressure on Government to, as it were, run the dollars.

While I accept and understand fully the reasons given by the Minister I urge him, as I have urged his predecessor in office, to consider carefully whether or not it is better to amend the statute and to run Government's finances within the strict requirements of that statute as opposed to the current situation which allows the exchequer account to exceed the limit prescribed by law, apparently with no consequences other than the fact that certain people may observe in the annual accounts put out by Government that the limit has, in fact, been exceeded.

Mr. President, an irresponsible Government—and I am not trying to suggest, I think we do have a very responsible Minister of Finance and I want to make that very clear—an irresponsible Minister or Government could use this account to essentially print money. This is why I believe in the Central Bank legislation. The amount of the overdraft limit was mandated by statute to prevent a government over-borrowing and spending money that it did not have or way in excess of what it has.

2.20 p.m.

I urge the Minister to consider whether or not it is not absolutely essential to put a limit on this account, not because of today's requirement necessarily, but because of what may happen in the future, because it represents a very severe temptation for Government to over-spend in times of political exigencies, or other exigencies which may not be to the best interest of the Republic of Trinidad and Tobago.

I ask the Minister to comment on this. I would point out to him that in other jurisdictions in the Caribbean, the limit is at the rate of 30 per cent. I think it is more important to have a higher limit and to live within it, than to have a lower limit and flaunt it. While I do not wish to allocate any blame, or to suggest that I could have run the finances any better—I am not at all suggesting that—I think that this is a matter that needs to be looked at because it is a very important matter.

I would also like to comment once again about the state of accountability. I was very alarmed to see in the notes for the Finance Committee some comments being made about the fact that bills would have to be paid with respect to the Carifesta V Festival, because threats of legal action and public demonstrations for payment of outstanding bills have become an issue.

I come back to the point again, that Government's finances are not correctly portrayed because of the fact that we do not know, Government does not record its liabilities at the end of its financial year. This is a severe constraint. It really makes a nonsense of Government's accounts. The accounts are essentially wrong.

Although it may be within the law, the fact of the matter is that financial regulations are all archaic and they do not address the realities of 1992. We need to amend these regulations to force the people who prepare these accounts to tell the public how much government owes at any one point in time. All that happens is that liabilities are carried from one year to the other; one Minister of Finance passes it on to another Minister of Finance, and we know the story.

On the appointment of every Minister of Finance that I can remember, we are always told that things are a lot worse than we thought they were. That is a common thing. I heard it in 1986 and 1987. I believe I heard it again in 1991 and 1992, and I imagine that other people will hear it in times to come. The reason for it is very simple. The accounts are really not correct because they do not reflect the liabilities of Government. It just reflects what happens to have been paid. If you owe millions of dollars with respect to the funding of the university, or the funding of whatever else, you prepare your account and pass it on to the next year; the next minister or the next generation.

While we have all these apparent controls, when you look at it carefully, there is really no control. The whole issue of accountability has nothing to do with corruption. That is a small part of it. The whole issue of accountability is making sure that Government's revenues are spent in the smartest and most efficient way, so that the public of Trinidad and Tobago is well served. Our accounts, accounting systems, financial regulations and a lot of the work of the Auditor General do not address that central issue. That is the central issue of accountability, not corruption. Corruption is another matter. It is a matter for the court and for jail.

Accountability has to do with whether or not taxpayers' dollars are being spent in an efficient way and whether the public is well served. Until and unless these

Finance Bill
[SEN. MANSOOR]

Tuesday, April 6, 1993

financial regulations are changed, and changed in a very generic way—changes are required to the Constitution, with respect to how the Public Accounts Committee and the Public Accounts (Enterprises) Committee work. Very important fundamental changes have to be made, not only to the Constitution, but also to the financial regulations.

If those things are not done, all of these exercises, like the one we have today, the Supplementation and Variation of the Appropriation Bill—it sounds good, but it does not amount to accountability. It is a sham. Governments will continue to operate within these strictures until the requirements of the Constitution force those in power to deal with these matters differently.

I am not allocating blame to the individual Ministers who are responsible for the affairs of 1992. I am saying we have a constitutional problem. The way that the Public Accounts Committee and the Public Accounts (Enterprises) Committee are structured is essentially wrong and that has to be changed. If it is not changed, we will continue to fool ourselves, for years to come, believing that we have accountability, when in fact we do not have any. These variations will come in one form or the other into the accounts for 1992, and the Public Accounts Committee will meet, and they will say, yes the money was spent, but we went to Parliament and it is all right.

No one in the Public Accounts Committee really has the time to analyze what happened and why. If the Public Accounts Committee continues to operate in the way that it does with part-time Senators and Parliamentarians with a very small staff, helped in some measure by an Auditor General's Department, which itself is under-staffed, that Public Accounts Committee essentially has no teeth. It has nothing to do with the government in power, but the way the Public Accounts Committee works under the Constitution. Very much the same can be said for the Public Accounts (Enterprises) Committee, except, some of us would remember that Committee produced more than ripples in the political life of this country a few years ago.

I urge the Minister and his Government to review all the financial regulations; the way the structures of accountability really work, because if that is not done, this type of debate will perpetuate itself for years to come. Just let me give you one example. If one looks at, I believe the notes of the Minutes, one would see that in addition to what we have said and the Minister has explained, there have been large numbers of movements of moneys spent from one head to another head, all within the main heading as they call it.

What permits and encourages it is that developmental expenditure, capital expenditure is reduced and recurrent expenditure increased. All of that could be done by ministries, as I understand it, on the approval of Cabinet. I do not believe that Cabinet has to specifically approve it. I believe the Permanent Secretaries can do that under the powers they have.

No one can argue with variation. There are thousands of headings of expenditure which we know about from the documentation that we get with the budget exercise. Therefore, you must have variations, and to criticize a government for variations is perhaps not sensible. When we allow—perhaps, without the knowledge of Cabinet, I do not know, certainly without the knowledge of the House—these changes to be made; capital expenditure to be reduced, and recurrent expenditure increased—all done with really no big fuss—we have to wonder how good is our accounting system.

2.30 p.m.

Again, I am not speaking about corruption. I am just talking about the way the system works, which allows these things to happen quite innocently, in my view. But, from year to year, we continue to spend less and less money on developmental expenditure, perhaps more on recurrent expenditure, and it is all done within the framework of a budget which we talk about for three or four days every year and which really is disregarded, essentially, without too much fuss.

Mr. President, on the question of accountability, I do not have any particular difficulty in understanding what the Minister has said. I see it as part of the overall economic climate where the Exchequer account is at a level about a billion dollars in excess of its limit, where we have to correct the situation that has been allowed to develop where one state enterprise or one utility owes Government or vice versa, and it goes on from year to year without correction or being brought into account.

So I understand all the reasons for this Supplementation and Variation of Appropriation Bill and I know how it has happened, and I do not think we can ascribe any blame. But the fact of the matter is that it has all been done within a structure that really permits us to forget the real accountability issues, not at the ministerial level, but other levels, at levels where people are served and not served.

I noted with a certain amount of concern the Minister speaking about savings, and he is right. There are savings to the extent that moneys were not spent under

Finance Bill
[SEN. MANSOOR]

Tuesday, April 6, 1993

that Head, but they are not necessarily good savings. They are savings which may have come about because somebody did not receive the pharmaceuticals he or she needed at one of our hospitals or one of our health centres; they are savings that have come about because we have not invested in a hospital or the construction of a school. So savings on this occasion are not necessarily good. They can, in fact, be quite bad. But therein lies the difficulty that this system of accountability permits.

Mr. President, if I may just proceed on another matter of accountability, because I think the entire Bill has to do with accountability. Government, perhaps quite rightly, is divesting; not only this administration, the last administration did it, too. I remember very clearly the concerns which were expressed by the PNM which was then in Opposition about the sale of Telco. I believe that most of us on this side of the Senate felt in that distant time—it seems like such a long time ago—that Parliament should have had some role, even if it was a post facto review of how the Cabinet of the day determined the price for the 50 or 49 per cent interest in Telco.

There is a lot of divestment today and, as I say, maybe it is the only option that we have, but there, again, is the issue of accountability. I feel certain that the people of this country got the best price that was possible. But it is most important for that to be demonstrated and that everyone knows that the Government did its best to get the best price at that particular time, and there is not a way of demonstrating that accountability which is required and mandated by the law.

I think it is important for those who may wish to know about the matter to find out about it, so that these comments which are passed from time to time and these remarks which are made and this distrust would be removed. As I say, it does not apply to what is happening now. It is an accountability issue which has spanned administrations, and it is most important that very much as we find it necessary to bring to Parliament the fact that there is a cash loss of \$1,200 in some Ministry or health centre or something, just as that is important to bring to Parliament, we should make it mandatory that in major financial transactions like this, Government on a post facto basis can demonstrate that it has acted responsibly and fairly in discharging its duties with respect to the divestment of assets.

So, Mr. President, while I have no incredible or major difficulty in understanding what the Minister has said, the news is not good, and I would like to, once again, make this plea for true accountability, real accountability, not the

sham, not something that may have been all right in 1976, but something that is linked to today's reality.

Mr. President, if I may end on the question of the \$77.4 million which the Minister has quite properly brought here, I would only say that in times gone past that may not have happened, because one of the very great lapses in accountability is that Parliament always approves increases in Government's borrowing limits. Many times those limits were increased without any details or accurate information as to what the proceeds of that borrowing were going to be used for.

On this occasion—I do not know what has caused it—we are now bringing within the ambit of the national budget the proceeds of the loan with respect to the Pointe-a-Pierre refinery and the Secondary Recovery Project. That is good. At least Parliament is looking at it. But it is completely possible within the law to go out and borrow money and it does not come within the purview of Parliament.

So while I understand what has happened here, and I wish to make a very urgent plea that Government sets up a committee or some body of people who would look at the accounting system of Government in a very radical and fundamental way, because many of the problems which this Government would have inherited, as the other Government inherited, come about because of the fact that the systems of accountability allow these festering wounds, if you will, to continue and nobody knows about them. We did not know last December that some \$88 million was owed to T&TEC by these Ministries. I think that is an important fact.

So, Mr. President, there is an urgent need for reform in our accountability systems. I thank you.

Sen. Prof. John Spence: Mr. President, I would like to continue on the path that Sen. Mansoor has charted, because I think that we can, in fact, have very severe changes in Government policy and very far-reaching effects on the economic scene and on the well-being of the population by these changes in expenditure which we may never even realize have occurred, even at this stage.

I use as an example, the situation with respect to the subsidy to farmers. Now, the subsidies to dairy farmers and coconut growers have not been paid for 1992—at least that is my information. This is having the very far-reaching effect that the farmers are not able to meet their repayments to the Agricultural Development Bank and, quite correctly, in my opinion, the bank is having to foreclose on those

Finance Bill
[SEN. PROF. SPENCE]

Tuesday, April 6, 1993

farmers. From the bank's point of view it is correct. Of course, it is not correct from the country's point of view.

Now, Mr. President, in looking at these changes in expenditure, I have looked for reduction in those Heads which would have occurred which would allow for subsidy payments to be made to farmers. But, in fact, these do not seem to occur on the reduced Heads. There is a reduction in the Ministry of Agriculture of some \$5 million, but, in fact, the reductions do not show under the Heads that would be for subsidy payments to farmers. This is why I posed the question to the Minister of Finance earlier on as to whether there might be reductions under various Heads which do not show up on the final balance in this way.

I can only assume, therefore, that there have been transfers within the Ministry of Agriculture which have allowed for transfer of payments which should have been made to farmers to some other Head. But this explanation seems to be not in accord with public statements which we have heard to the effect that the Ministry of Finance has not released the funds to the Ministry of Agriculture in order to pay the subsidies to farmers.

So here we have, in my opinion, a very confusing situation with respect to how the accounts are managed. Very disastrous consequences could follow because the results of the non-payment of subsidy to farmers, for example, in the case of dairy farmers, dairy farmers are now selling their cattle, their dairy cattle, their milking cows, for slaughter as meat in order to get cash to meet their payments to the Agricultural Development Bank.

This has a very serious long-term consequence to the country. Not very long ago, we paid hundreds of thousands of dollars to import Holstein cattle from Canada in order to increase the size of our dairy herd, and then through a lack of payment of subsidies, we are rapidly reducing the herd and, therefore, going against Government policy, because I assume Government policy is to build up its agricultural sector. Certainly that is said to be the case frequently.

In fact, a change in expenditure of that nature, which involves a very marked effect on the future of the country, does not appear in the changes that we are asked to approve in the final accounts. This is being done, presumably, unless the Minister of Finance is able to give some other explanation, by changes in Heads within the Ministry of Agriculture.

Now, to me, this is absolutely amazing, and so the questions that Sen. Mansoor asked as to whether this was done with Cabinet approval or by a

Permanent Secretary with the approval of his Minister, these are questions which I think we need to address severely. I am sure the same issues which I have mentioned with respect to Agriculture can be repeated in the other ministries.

In Health there is a very large reduction in expenditure, but yet we are told that, indeed, there is a crisis in the health services because we have not had lights for the operating theatre in stock. Why were they not in stock? So the issue of accountability, I agree entirely with Sen. Mansoor, goes far beyond the balancing of the books, or the figures which appear at this stage in this way.

Certainly, it seems to me that we are having a very serious effect on the economy of the country, because I think the agricultural sector is important; I assume the Government thinks that as well. If I am mistaken in that view, perhaps I can be put right. Here we have a relatively small expenditure compared to the large budget which we are spending annually, with respect to payment to farmers having a severe consequence, and the same thing applies to coconuts; coconut trees are being bulldozed out because the farmers do not have their subsidy and, therefore, they cannot meet their repayments to the bank.

It takes 15 years to grow a coconut tree, for it to come into full bearing, ten to 15 years. If we get rid of these trees now, we are, in fact, reducing our capital stock in the agricultural sector; and yet it does not show when we do our final accounting.

I certainly think we have a very serious issue with respect to how we expend our funds, what priorities we give to them and the effects that we have on our economy and on our citizens because I have no doubt that the agricultural sector in this country is in crisis, that we stand to lose any number of jobs and employment in that sector if we do not change the way we are approaching the matter of supporting the sector by way of subsidies.

Mr. President, I would agree entirely with Sen. Mansoor in what he has said about how we should account for our expenditure and how we should monitor what is occurring, not just overall in the Government, not just in the Ministry of Finance, but in the separate ministries and in the case which I cited, in particular my concern is with the Ministry of Agriculture. Thank you.

Sen. Roi Kwabene: Mr. President, at this point in time I would not be able to contribute to the Senate today, due to the fact that my colleague, Sen. Muntaz Hosein, who is supposed to lead off, has not been recognized by your good self.

Mr. President: So you do not want to speak on the debate.

Sen. R. Kwabene: I am willing to contribute, but I cannot contribute at this time unless, of course, my colleague—

Mr. President: Okay. You can sit down if you do not want to speak.

Sen. R. Kwabene: Thank you, Sir.

Sen. Hydar Ali: Mr. President, I am a little disappointed in that the last time we discussed a similar Bill, the Minister had given an undertaking that he would make greater use of the "remarks" column and I think it occurred when we were talking about the \$218 million which had to be included in the Appropriation Bill, and I see this time, that we have the same format, without additional comments being put in the remarks column. There are certain advantages which were mentioned before: In doing this, one can avoid certain repetitions and one can have debates which are more concise. That is the only general point I have to make on the Bill itself. I now turn to a few specific points.

I have taken the trouble to look through the Schedule, Mr. President, and I have looked at one particular item which occurs throughout, and that item concerns the increase which has been put for electricity under various Heads. These numbers are formidable, so I will just call out the percentage increases, at the end of which I will make my point:

- "President", there is a 30 per cent increase;
- "Judiciary", 85 per cent;
- "Office of the Prime Minister", 180 per cent;
- "Personnel Department", 10 per cent;
- "Ministry of Finance", 21 per cent;
- "Ministry of Planning and Development", there are two increases there, 50 and 207 per cent;
- "Ministry of National Security", 102 per cent;
- "Ministry of Agriculture", 105 per cent;
- "Ministry of Education", 347 per cent;
- "Ministry of Labour and Co-operatives", 18 per cent;

- "Ministry of Works and Transport", 3,665 per cent and there is also a decrease there of 31 per cent on another sub-item;
- "Ministry of Public Utilities", 26 per cent;
- "Ministry of Sport and Youth Affairs", 79 per cent.

Mr. President, there are two numbers there which I would like to repeat. One of them concerns the Ministry of Works and Transport, where there is an increase of 3,655 per cent. This is given on page 77, and I would read the figures: Head 43, sub-head 2, sub-item 04, the provision in the estimates (original supplemental) 1992, \$600,000 and revised provision, 1992, \$22,592,929.

Mr. President, if there had been some explanation in the remarks column, I, perhaps, would not have made these comments. But in the absence of those, I need to bring them out here because these are not attributable to ordinary increases. I checked with a reliable source which is the competent authority in this area to give an answer, and I was told that the increase for the average Ministry last year was in the range of 15 to 20 per cent. They were classified as rate B and, in one or two cases, where some of them were classified as industrial, the increase was 65 to 75 per cent.

Now, I did a quick average of these increases and I got 356 per cent, with a minimum of 10 per cent increase and a maximum of 3,655 per cent. Now, these two extreme values can bias the estimation, so I took them out. I took out the 10 per cent and I took out the 3,655 per cent, the maximum one in the Ministry of Works and Transport, and still there was an increase of 109 per cent.

Mr. President, the Minister has got to tell us how this increase has come about. It is certainly not due only to the fact that there has been a rate increase of 15 to 20 per cent in some Ministries and, in a few cases, a rate increase of 65 to 75 per cent. I do not want to offer answers, but there might be reasons, like a lot of new buildings have gone up and people have stopped taking off the lights and so on. But I think it is the job of the Minister to tell us why the increase has been so great and, in particular, why there has been an increase of over 3,000 per cent in the Ministry of Works and Transport.

The other couple of points I would like to make, Mr. President, concern the reduction in allocation in the Ministry of Education, Head 26 on page 27 of the Schedule to the Trinidad Public Library of 12 per cent and to the Carnegie Free Library of 3 per cent. Mr. President, these reductions are made in the face of

Finance Bill
[SEN. ALI]

Tuesday, April 6, 1993

overwhelming evidence of increasing illiteracy among our youth. I would just like to quote from the *Sunday Express* of April 4, 1993, an article entitled "CXC students who can't read", with a sub heading "A fifteen-year-old cannot even spell dog".

The article starts as follows:

"Sixteen-year-old Curtis is supposed to write his final exams in June this year, but he can barely read a Form One level book. His English teacher is now going through the alphabet with him. He can recognize letters, but he can't put them together to create words. She's trying to teach him two and three letter words like bat, cat and man. The next lesson will be on vowels."

Mr. President, the article goes on but I will not read the entire article; I will leave that for people's individual reading. The article continues, in which Fr. Gerry Pantin is quoted as saying:

"Pantin estimated that the functional illiteracy rate is closer to 40 per cent. In 1970 Pantin had put the illiteracy figures at around 15 per cent. He made these statements as a guest on Prime 106 FM's The Breakfast Club."

Mr. President, I think this number has been quoted for a long time in the last few weeks, that the functional literacy rate is closer to 40 per cent. But we have this document, *The Medium Term Policy Framework: From Stabilization to Growth, 1993—1995*, saying, on page 42, under "Education": "The country has achieved an adult literacy rate of 96 per cent."

Now, when one is comparing, one has to compare on the same level. One talks about "adult literacy", and the other term that Fr. Gerry Pantin uses is "functional illiteracy". If we were to use the complement of "functional illiteracy" and use 60 per cent as the rate of functional literacy, we still have a discrepancy between the 60 per cent functional literacy and the 96 per cent adult literacy rates and I think the correct figure, if there is a correct figure, ought to be given out, because this is causing some problems.

I make these comments in relation to the library because, again, in that article it mentions the value of reading and I will quote again:

"But at Mucurapo Junior Secondary School, some teachers say students are borrowing and reading more books, especially non-fiction science material, from the school library. The school is inviting the public to donate books to widen its present range of literature."

So here you have on the one hand people who cannot read, write or spell; people who cannot distinguish between capital and common letters, when to start the name with a capital, if to mix up a few capital letters in the names—and the name "Anthony" was given here, spelt with common and capital letters. There is an experiment in which it was shown that by reading one can become quite literate, which we all know, and this Variation of Appropriation has reduced the amount by—as I mentioned the public libraries, in most cases, are the only places the average person can get books—12 per cent and 3 per cent respectively. Mr. President, I think something ought to be done about that.

I would just like to quote from a personal example. When my first child entered the dreaded Common Entrance Examination, I went to my old teacher who is still alive and asked him what should we do in preparation for this Common Entrance Examination. He said, "Just let her read". And I said, "What should she read?" And he said, "Just let her read, read anything". And Mr. President, I have tried that three times and three times I have been successful. Now, I am still waiting. In June, I will know whether I have gone from the hat trick to the beaver trick. Perhaps next year, when this Bill comes again I will mention how successful I have been. But it really is important, and reading is the basis for success in all the subjects there. We cannot cut off these avenues, these are the only avenues—some of us can afford to buy books, others have to depend on the public library system.

The other point I would like to make, Mr. President, and the point has been alluded to briefly by Sen. Prof. John Spence, is that again this year, as we saw last year, there has been a big reduction in the allocation to the Health Services. I think this is, again, in the face of what we have been hearing about difficulties in obtaining operations and so forth. Ministries which need the money are just getting their allocation reduced and I think something ought to be done about that.

Mr. President, although there are several other things one could mention, I think these are the major points at this time.

Thank you very much.

Sen. Martin Daly: Mr. President, I, too, want to deal briefly with the structural weaknesses in the system of Government finances and accountability. I agree entirely with those who have spoken before me that we have a constitutional issue to deal with in this area of public life, as well. I think that the same zeal and enthusiasm which is being brought to bear on other relevant sections of the

Finance Bill
[SEN. DALY]

Tuesday, April 6, 1993

Constitution, such as the Service Commissions, needs to be brought to bear on the whole structure of Government finances and accountability.

I am not going to be as kind as Sen. Mansoor, and I am going to return to one of the themes which I have struck repeatedly in relation to these financial matters, and that is the role of Central Bank.

Mr. President, I think it is important for us to know whether overdraft facilities at the Central Bank are available to the Government on demand, because in his first budget presentation, this Minister of Finance spoke very strongly against the undesirability of excessive Central Bank financing. He spoke about it in the last budget debate, but in a little less stringent terms, no doubt, because by then he had begun to feel the knots into which this particular problem was tying him. However, we cannot, as has been said by other Senators, have a situation where a statutory provision is repeatedly being breached.

My second question is: What does the Central Bank intend to do about this overdraft on the part of the Government? I cannot get overdraft facilities from my bank manager on demand anymore, incidentally than I can get accommodation if I do not pay my electricity bill; my lights will be cut off. *[Interruption]* I never claim to have cash resources, even if I did, because the hapless Minister cannot protect me if I did have resources, so that I never claim to have cash resources. I am going to deal, too, with the effects of savings and I will, of course, mention my good friend, the Minister of National Security in due course. So he need not be alarmed that he is not getting attention immediately upon his return to the Senate.

I hope that the Minister of Finance and the Minister of Planning and Development will return to the Senate while this debate is going on with equal dispatch and courtesy.

Mr. President, I think it is very important to understand what is the role of the Central Bank in all of this and I have spoken about this before, and I am not going to go through the whole Act again. But what it tells me is that the same Central Bank which is the regulatory authority for other banks, who, incidentally, under the statute is banker to the Government, is the same Central Bank which is the regulatory authority.

Now, I begin to question if the Central Bank is lending too much money to the Government. If it is available on demand, where is the moral authority of the Central Bank to control a BCCI situation or commercial bank in the future?

3.00 p.m.

I am not going to be as reticent as Sen. Mansoor. If the Central Bank has no useful purpose to perform, and if it does not, in fact, have to perform its statutory objects, then, let us either cut it down to the puny size that is required or address these issues. Mr. President, it is not only the borrower who is at fault here, it is also the lender. I have repeatedly questioned, what is the role of the Central Bank. I have made suggestions as to how the Governor of the Central Bank should be appointed and I have sought to raise the issue, whether the Central Bank should, in fact, be given more autonomy. The point about it is, while we are on the subject of accountability, I do not know who is going to account to me, if the Central Bank is an imprudent banker to the Government. That is another area of accountability which these debates always raise.

You have that situation, Mr. President, which has to be looked at. The Minister is usually very candid and gives us very clear explanations. Put it in simple terms: What the financial situation of this country is, is this; I am not making enough money to pay my bills, so I have to borrow; so I borrow from the Central Bank and I have to make adjustments and bewail the fact that I am doing this. I have to find money to pay my electricity bills, so I have to make adjustments and come back to the Parliament.

Now, any ordinary citizen or any person doing business, Mr. President, anyone of these failures would have certain consequences. They would either become bankrupt; be put into receivership; go into liquidation; or have their lights cut off. Some sanction would be visited on the ordinary citizen. So what happens is, while T&TEC or WASA are owed large sums of money by state enterprises and other related bodies, there is no sanction. The ordinary citizen, if he owes the money, he gets his lights or his water cut off.

If the ordinary citizen is not earning sufficient to pay his bills, he certainly cannot go to his bank and raise money on demand. If you test it in a commonsense and simple way, what we really understand is that the country is in a situation where the ordinary citizen would be going bust. That is perhaps a very simple way of explaining why Sen. Mansoor is always telling us—and I think with great authority—that these debates do not disclose anything about financial reality.

We also have to come to grips with the fact, that insofar as this is an exercise corrective of figures that we were given in the budget, we not only have the situation where excessive reliance on Central Bank borrowing is going

Finance Bill
[SEN. DALY]

Tuesday, April 6, 1993

uncorrected—for whatever the reasons, whether good, bad or indifferent—but we also, apparently, have no growth in the economy. The budget which was entitled “Stabilization to Growth” and was predicated on some modest optimism about growth in the economy—I do not think that is being realized either. If I am wrong, no doubt the hon. Minister, or whichever one of his versatile colleagues he has deputed to deal with these points, will deal with them.

Sen. Kuarsingh: What was indicated was that first there will be stabilization and then growth. We are in stabilization now, soon you shall have growth.

Sen. M. Daly: Mr. President, may I just say for the record, I do not think things are at all stable if we have exceeded our overdraft facilities by nearly \$1 billion and the growth which is predicated for the future is not materializing. That is the situation in which we find ourselves. While I commend the Government for its efforts to get us out of our foreign debts, the fact is, we have a situation where the country is not making ends meet, and no amount of accounting or explanations are going to alter that fact.

Mr. President, it is very disturbing when we hear that revenues are not what they were anticipated to be. I know that this is not taken seriously by the Government when I suggest it, but I ask again: When is the Inland Revenue going on a collection drive against persons whom it is suspected are enjoying a lifestyle and increasing their income by the profits of the illicit drug trade?

The Minister smiles every time I raise that point. What I am getting around to is the fact that the ordinary forthright taxpayer and ratepayer in this country is constantly being squeezed. Big state enterprises do not have to pay their electricity bills, but small businesses have their rates increased by WASA and T&TEC. The Inland Revenue make grandiloquent statements about the fact that persons are making underhand arrangements with charitable organizations for a kickback. That is great, go after the charitable organizations for those underhand arrangements. I do not know what type of figures are thought to be involved, but while the charitable organizations are being hounded by the field auditors, the big fish, who have lifestyles that they cannot, on any basis, justify if they are subject to a source on application visit from a field auditor, will continue to roam around scot-free.

We have been told about the fact that we need to have more laws, we need to have more evidence of a justifiable quality, we need to have further investigations, but the Inland Revenue Department has all the authority that is required to take

some of the profits out of the illicit drug trade. No constitutional amendment is required for that, the laws are there already.

Mr. President, it makes me quite upset to hear these bland explanations about over-drawing with the Central Bank not paying electricity bills, and the ordinary taxpayer has to cough-up, and be forthright and continuously get the squeeze by increases being visited on him. The ordinary taxpayer has to have the threat of whatever little arrangement he has made with charitable organizations being looked into, on the basis that it has come to the Inland Revenue Department's attention that something underhand is going on.

Mr. President, I want to suggest that it must be a case of trying to do what you commend to others is the right thing. I get very concerned, Mr. President, when I see these things happening, because at the end of the day, the inefficiencies of the system which have been pointed out by my colleagues, and the inefficiencies to which I refer, result in things like—to pick up some of the examples—there being no lights in the hospital. We are told that we are locked into the system, and Sen. Spence asked: Why do you not have an appropriate inventory? We have not been doing operations by candlelight for a long time, as far as I know; so that is one saving. Sen. Hydar Ali points out, the result is that you have a false economy in the field of education. Last but by no means least, my good friend, the Minister of National Security, is driven to suggest that the Army be given power of arrest because he does not have the resources in order to employ the 4,000 additional policemen which he needs.

Mr. President, that is the overall effect of this imprudent behaviour on the part of Government. What is eventually going to happen is that we are going to get, relatively speaking, into the same position as the United States of America, where the amount by which we are overdrawing is going to be increasing and eventually it is going to become a fun thing for the media to say, while we were playing mas over the two days, the overdraft shot up by "X" amount more.

3.10 p.m.

We always see these comparisons about the American deficit that it is so much a minute, or while the President is out to lunch it has grown by so much. We are going to get into the situation where it is going to be a fun thing—perhaps I should just use a neutral word—that while we are dancing in the streets, Mr. President, over the two days of Carnival, the overdraft is going to be increasing by "X" amount. So it really is a very unsatisfactory situation, and I am suggesting that

Finance Bill
[SEN. DALY]

Tuesday, April 6, 1993

there are many more things that can be done in the collection drive to go after the people who really have the resources for which they are not accounting. And it is a theme, Mr. President, to which I will return repeatedly whenever the opportunity presents itself. I am very glad to hear the Minister say that collections in the Customs have improved, and I look forward to them improving further when the Minister of Trade's plans for computerization become fully effective.

Mr. President, the picture that really emerges from this debate and explanations given by the Minister, is one of a lazy and inefficient system; one that is sanguine about what the real law-breakers are doing in financial terms; and one that is always hurrying to squeeze what I call the honest or forthright taxpayer base. I would like these things to be reflected upon, as we look at these adjustments which the Minister is suggesting that we make. So, Mr. President, I have to say, as usual, I am taking a shot in the dark because I do not know everything that I should about these adjustments. I have made that point before.

I cannot, on the other hand, Mr. President, oppose the Bill—well, with or without my vote the country has to function and, therefore, I must give the Minister, particularly as he has come early with the Appropriations this year, my support. But the point is, "God spare life", as they say, Mr. President, and I have as long a stay in the Senate as Sen. Mansoor, I will be saying these things every year; and the figure will be just getting bigger, and I will buy my costume next year and while I am dancing in the streets the figure will be getting bigger.

Mr. President, I make those points because it is as though, as a country, we do not care that we are able to keep putting ourselves into a series of escape modes—whether it is "Lara mania", whether it is "Carnival mania", whether it is "Panorama mania" or what other "nine days wonder"—and somebody has to pay the bill, and it is usually the hypothetical creature that I have described as the forthright taxpayer.

I am not going to be very happy to hear about collection drives on the part of the Board of Inland Revenue if those drives are going to focus on the forthright taxpayer, on the relatively small taxpayer and on the charitable institutions. The Inland Revenue has these huge powers. No constitutional amendment required. And I have suggested to the Minister on a previous occasion, he might be in a position to lend the Central Bank money if he took my advice. I would not tell the Al Capone story again, Mr. President, but I do not ever want it to be lost sight of.

Mr. President, with those few remarks, I will support the passage of this Variation Bill. I just make the point, however, that I do think it is important that the Central Bank start taking some of its own medicine, that is to say, the medicine that it presumes to prescribe, and it has a statutory duty to prescribe, for other bankers.

Thank you, Mr. President.

Mr. President: I just want to advise hon. Senators—I should have done so a little earlier—that both the Leader of Government Business in the Senate, Sen. Dr. Lenny Saith, and the Minister of Finance, Hon. Wendell Mottley, have asked to be excused for the remainder of the sitting. They had to leave to attend to some very urgent business. During the absence of Dr. Saith, Minister Russell Huggins, Minister of National Security, will carry on the duties of Leader of Government Business in the Senate, and the Minister of Information, Sen. Gordon Draper, would reply on behalf of the Minister of Finance. Sen. Ainsley Mark?

Sen. Ainsley Mark: Mr. President. I rise this afternoon in support of the Finance (Supplementation and Variation of Appropriation) 1992 Bill. I listened very intently, as usual, to the contribution of Sen. Mansoor; and quite frankly, one cannot deny most of what Sen. Mansoor says. In fact, there is no doubt that we, on this side, agree with most of Sen. Mansoor's contribution that the structural weaknesses in Government finances, accounts, and reporting have, no doubt, to be addressed.

Mr. President, it is necessary that we put all of this into a certain context. We are looking at variations to the 1992 Appropriation Bill. We all know that a budget is a plan, expressed in monetary terms, that covers a specific period of time, in our case, one year. We expect variances, and one of the most critical aspects of the budgetary process is the identification of these variances and the reasons therefor.

All of us who are involved in any type of business activity, Mr. President, would recognize that the variation of some 2.4 per cent ought not to be considered unreasonable. In fact, what we are doing this afternoon is essentially, in accordance with our Constitution, cleaning up the accounts. We are closing the accounts to put them in a form that is auditable.

Mr. President, there is no doubt that we, on this side, are concerned that the existing system of Government accounting and reporting has not kept pace with financial developments; so that steps, no doubt, have to be taken to match the

Finance Bill
[SEN. A. MARK]

Tuesday, April 6, 1993

system of Government accounting and reporting with the level and complexity of public expenditure.

My colleague, Sen. Draper, in a previous contribution told this Senate of a committee of senior public servants which had been set up to address the issue of Government accounting and budgeting. I am certain that in his contribution this afternoon he will be speaking at greater length about the work of that committee. But we should appreciate that we are talking about a system that has been in existence for over a century; that generations of public servants have grown up with that method of accounting and budgeting; and that we, no doubt, would appreciate the tremendous task that lies ahead in terms of, as Sen. Mansoor puts it, making generic changes in the system—fundamental changes in the system of Government accounting and reporting.

I think it is necessary to point out, Sir, that Trinidad and Tobago is by no means unique in this respect. It appears to be an international phenomenon that, notwithstanding the growth in the size in operations in the public sector, accounting systems in Government do not appear to have received the attention they needed or deserved. So that we, on this side, Mr. President, are conscious of the fact—and this is why that committee has been set up—that there must be in place, accounting, reporting and financial management systems, processes and procedures, which have to be revised and must be updated to, in effect, meet the demands of modern-day public expenditures.

3.20 p.m.

There are, of course, three fundamental concepts that underlie legislative control of the public purse: appropriations, the Consolidated Fund, and cash accounting. All of these concepts are firmly embedded in the practices that are followed in Trinidad and Tobago.

Sen. Mansoor then dealt at length with the deficiencies of accounting on the cash basis, the fact that the records do not reveal accrued liabilities, neither does the system disclose our commitments. He is totally correct. We see, of course, the problems that arise when we keep our accounts under cash as distinct from the accrual basis, but again one must have an historical understanding of that approach to accounting.

Traditionally, because of its importance to parliamentary control, current government accounting has been primarily designed to measure and report compliance with appropriation authorities. The approach of utilizing as receipts,

cash that has actually been received, and as expenditure, cash that has actually been disbursed, as I have said, dates back to the 1800s at least. What is critical in this approach is that the budgetary control systems were primarily designed to keep expenditures within the limits of the cash authority, granted by the appropriations and within the objects of expenditure used for allotment control purposes.

Obviously, Mr. President, we, on this side, are aware that that system is, in fact, outmoded, and we believe that the emphasis must be shifted from simply ensuring that appropriations have not been exceeded, to, in fact, comparing the cost and benefits of various types of programmes and activities.

We are saying that the cash basis of accounting has to be modified to introduce practices that better allocate expenditures to the time periods in which the resources were used. Quite frankly, we are saying that when one considers the range of users of financial information published by Government—legislators, policy-makers, programme administrators, analysts, investors and so on—the objectives of these financial statements must be expanded from the traditional demonstrating of stewardship and compliance, to include, for example, displaying the state of the Government's finances in a more comprehensive way—which, I imagine is what Sen. Mansoor is primarily concerned with—but also facilitating the evaluation of the economic impact of various Government programmes, and also facilitating the evaluation of programme delivery choices and their management.

I am saying that we, on this side, are committed to a comprehensive study of the existing system of Government accounting and reporting as we believe that this must be undertaken to ensure that the needs of the 21st century are, in fact, met. We recognize that in the last decade of the 20th century, we are still operating a government accounting and reporting system, which was developed in the early decades of the 19th century.

We recognize also that the usefulness of reports depend on the timeliness with which data are submitted. We are certain that the widespread computerization that is being effected in the public service, will provide us with the capability to handle a greater volume of transactions with more speed in the compilation and retrieval of data.

In closing, Mr. President, we should recognize, though, that this is a task which involves considerable effort and cost. I would like to reiterate that this

Finance Bill
[SEN. A. MARK]

Tuesday, April 6, 1993

Government is committed to effecting this fundamental change in the system of government accounting and reporting.

I thank you.

Sen. Rev. Daniel Teelucksingh: Mr. President, the Supplementation and Variation of Appropriation Bill before this honourable Senate may preclude any amendments, being itself a report for the year 1992, the year already past. Nevertheless, being a Bill of tremendous significance with implications for this year, 1993, and possibly beyond, permit me to make certain observations on three sections of the accompanying schedule.

Firstly, under Head 28—Ministry of Health, page 64, I want to draw your attention to the decrease in grants to the Princess Elizabeth Home for Handicapped Children, decrease in grants to the Trinidad and Tobago Association for Retarded Children, the Lady Hochoy Home and the Tobago Council for Handicapped Children.

Secondly, I want to make a comment under Head 18, page 19, the Issue of Debt Servicing, and, thirdly, under Head 47, page 103, the Ministry of Foreign Affairs, I wish to make some comments in that area.

The decrease in grants to the Lady Hochoy Home, the Princess Elizabeth Home for Handicapped Children and the Tobago Council for Handicapped Children deserve some attention. This section of the schedule is most disappointing. I was really disappointed and sad to read of the decrease in Government's subventions to these institutions for special children. I think this is an act of cruelty. The advisors to the hon. Minister of Finance who recommended this decrease represent our growing callousness and insensitivity towards the underprivileged in this nation.

3.30 p.m.

Mr. President, let me share with you some information on only one of these institutions. The Lady Hochoy Home in Port of Spain has 150 mentally retarded children in residence and 265 as day students. There is a branch in the South, at Reform, which has 165 retarded children as day pupils. The Penal Day Centre for Retarded Children—another branch—has an enrollment of 47 pupils, and the Memisa Vocational Day Centre in Arima—a fourth branch—has 40 young men in residence and 35 day pupils, all special children, no longer called retarded, but it means the same.

Mr. President, I feel very sad about the decrease in Government's subventions to this and the other institutions. We must continue as a nation, to care for the

crippled, the blind, the deaf, the deformed or the mentally deficient among us. They are our special citizens, Sir, and they need special attention, love and care. I know the public has been making contributions towards the upkeep of these institutions, and certainly they can increase their concern; but I will most respectfully, today, plead with the hon. Minister of Finance to restore to these homes for special children, funds which have been withdrawn from them. I, at least, suggest that the 1993 allocations should be the original sum allocated in 1992.

Secondly, Mr. President, another concern arising out of my perusal of the Schedule is the question, so frequently debated in this country, of debt servicing as listed on page 19 and the following pages of the Schedule. Debt servicing has consumed vital funds originally allocated for essential ministries. There have been transfers and cutbacks in subventions to the Ministry of Agriculture; the Ministry of Education also lost approximately \$25 million to debt servicing, and the Ministry of Housing and Settlement was also denied substantial amounts. All of these transferred to the heading "debt servicing". Over \$105 million, as mentioned by the hon. Minister, were diverted from some of these ministries, to that national nightmare, debt servicing.

Mr. President, I feel very uncomfortable, and so too are many citizens of this country, with Government's obsession to meet debt servicing commitments; so much like "cutting your nose to spoil your face". What are the social consequences? There may be incalculable suffering and disadvantage due to reductions in subventions to the Ministry of Agriculture, Land and Marine Resources, the Ministry of Education and the Ministry of Housing and Resettlement, all in the name of debt servicing.

Mr. President, there is more to come in 1993. Let me make reference to the sale of Fertrin and the Trinidad and Tobago Urea Company to Arcadian Partners, to provide funds for external debt servicing. I think this may be the biggest blunder of the Government so far. It is a national error of great magnitude. It has to be one of the clumsiest decisions of the Government to dispose of such prized assets to pay our debts, which, I presume, some persons may support as a necessary move to prepare the way for further indebtedness. I shudder to think, Sir, what next is up for sale in the interest of paying our foreign debts.

My third concern, Mr. President, is under Head 47, page 103, which refers to estimates for the Ministry of Foreign Affairs. Unbelievable millions—\$65,999,994.

Finance Bill
[SEN. TEELUCKSINGH]

Tuesday, April 6, 1993

I am going to add six dollars to that and it becomes a total of \$66 million. Of this sum budgeted under the Ministry of Foreign Affairs, itemized in another document entitled *Details of Estimates of Recurrent Expenditure for 1993*, page 293 and following, under the heading "Overseas Missions", this will consume, in 1993, approximately \$40 million.

Further to this, on page 104, in the Schedule before us today, we have to add another \$5.5 million for allowances to overseas missions. Then, bringing these figures together, the total to maintain overseas missions for Trinidad and Tobago will be close to TT \$46 million.

Mr. President, we ought not to forget that our annual affiliation fee to the United Nations is about TT \$2 million—I just want to throw that in. Quite frequently, Sir, various public comments have been made, with worthwhile proposals too, on the phenomenal maintenance cost of our foreign connection, but no one seems to take notice, as we continue to funnel fantastic allocations to maintain foreign embassies in every nook and cranny of this planet.

Finally, I hope that from this year, we would begin to cut back and rationalize the very elaborate but amorphous overseas network, sections of which might have long outlived their usefulness.

Mr. President, as I close my contribution on the Bill before us, I would like to add a comment, with your permission. In all humility I say this. I crave your indulgence to appeal to the hon. Senators in the Opposition, and your most honourable person, to meet again, as early as possible, in order to heal the breach between the two parties which has created some uneasiness among us, and is certainly hurting this very special family, the Senate, of which I am a part. Whatever attempts have been made, and are being made, at reconciliation and understanding, I would strongly urge and pray that there should be no further delay. I feel very uncomfortable and very, very sad and unhappy as to the state of affairs that have continued among us for so long.

Thank you.

Mr. President: I thank you very much for your prayers, Senator, and the others for whom you have intended it for. I do not want to say anything more than is necessary at this stage.

The Minister of Public Administration in the Office of the Prime Minister (Sen. The Hon. Gordon Draper): Mr. President, let me join with my colleague, Sen. Ainsley Mark, to first thank the Senators on the other side who have made

their contributions this afternoon, and, indeed, say that most of the contributions from the Senators have really hinged on the issue of reform in the accounting and budgeting systems in the public service.

Sen. Ainsley Mark has already given Government's own commitment in this area. I myself, from time to time, in making other contributions in this Senate have pointed to the fact that much of our work in the area of reform will, indeed, treat with some of the issues which, for instance, Sen. Mansoor raised. It was interesting, in fact, that one of his very specific recommendations was a need for us to establish a committee to look at accounting systems in Government.

3.40 p.m.

We have already gone on record and Sen. Ainsley Mark has alluded to it, indicating that such a committee has, in fact, been established. They were indeed, due to report on March 31. They have asked for a couple weeks to finalize their own reports, and we expect that committee of Permanent Secretaries and senior managers in the Public Service to report to us within a few days, giving outlines and recommendations for a review of these systems.

We recognize as we approach this issue of reviewing the budgeting and accounting systems, that we do this against a background of a number of other countries like our own, coming out of similar systems, who themselves have had to go through the same kinds of systems and reforms. We note, for instance, some of the recent work done in New Zealand, where they have been able to move from a system of accounting and budgeting, similar to the one that we now have, to a system of accounting, closer to the one that Sen. Mansoor would have us move towards. I wish to give him the assurance that on this side we recognize the need to move away from what he himself described as a very archaic set of financial regulations and accounting systems, and move to a set of systems which bring us to this part of the 20th century.

Sen. Daly, perhaps in pushing even further than that, urged that some of the same vigour which seems to now be applied in the area of the service commission and human resource reforms generally, be applied to financial management and financial reforms. I say to him, through you, Mr. President, that particularly on the heels of the report which we expect from this working group, that we will be able to move with haste with these reforms.

Let me also in noting some of the comments made by Sen. Daly, recognize as he did, that the collections which have begun to improve in the area of the

Finance Bill
[HON. G. DRAPER]

Tuesday, April 6, 1993

Customs and Excise, for instance, have come precisely because of the holistic and concerted efforts in that division which include training, computerization, and putting in new systems and new structures—and we are beginning to see the results of that. In like manner, I will say, therefore, that the administrative reforms now beginning to take hold in the Inland Revenue Division will also bear the kind of fruit that he himself has been asking for. We recognize that that kind of fruit is borne after we have taken some time to nurture the plant to put in the kinds of support systems and structures that are required. Our commitment, therefore, in this area of reform in the Inland Revenue Division, as more generally in the area of accounting and budgeting, is to treat it seriously, holistically and to ensure that we do, in fact, allow our systems to become relevant for management at this time in our country's life.

Let me also say that some of the comments that Sen. Mansoor made with respect to the ineffectiveness of the Public Accounts Committee and the Public Accounts (Enterprises) Committee relating to some of their support work—I sense to some of the lateness of some of the reports which come to them—will also in our view be treated partly through some of the reforms we have already announced with regard to the auditing of the accounts of state enterprises in the case of the PA(E)C, and some of the reforms currently being looked at in the context of administrative reform in the Auditor General's Department. Again, it is an issue with which we are at one, a recognition that the whole process and structure for accountability needs to be addressed, a recognition that we have taken account of in our varying reforms across the Public Service reform.

Sen. Prof. Spence touched on some of the related areas talking about what I have translated to be authorities for virements, and the fact there are authorities which allow permanent secretaries to do some virements within subheads and the Ministry of Finance to do theirs. These, too, if I heard what he said, will need to be addressed as we look at the general area of financial regulations to determine what is now appropriate and what things need to come to the Parliament so we can exercise some scrutiny.

Sen. Prof. Spence: I was also making the point that these virements seem to be made on things which affect Government policy. I was asking whether they would at least be done with Cabinet's approval or whether they were done by the Ministry. I think that is a very significant issue.

Sen. The Hon. G. Draper: Mr. President, to answer that very specific question I will need to go and look at the particular Heads or sub-heads to which

Sen. Prof. Spence referred. Some of the virements is delegated to the Minister of Finance for him to deal with. Some would be done within the Ministry by the permanent secretary. We can perhaps, review the specific case and I would then be able to provide Sen. Prof. Spence with an answer.

I am sure that my colleague, the Minister of Finance, will take note of Sen. Daly's concern with regard to the role of the Central Bank. I would not wish at this stage to make any specific comments on that. Sen. Rev. Teelucksingh raised a number of issues that I wish to make some comment on.

His concerns with regard to decreases in grants to the Lady Hochoy Home and some of the other homes are well taken. In many cases what we are seeing here relates to some balances in provisions which were not released. Some of it had to do with the stringency in terms of finances and cash flow in the year. His concerns are taken on this side. We have, over the last couple of months, received many inquiries, comments and treaties from, not only these homes, but a number of other organizations who carry out social services of this sort—I know that the Minister of Finance is conscious and sensitive to it and that we will attempt to provide as much as we can to all of these. The issue of course has to do with how do we share the pie. A number of agencies including these had to take some decreases during 1992 and even during 1993 as you saw in the budget. But it does not come out of an insensitivity nor of a lack of concern on the part of the Government for the work that is being done and that has to be done in these agencies. We continue to monitor and to attempt to provide as much as we could to these agencies.

I would also say, that as part of Government's general directions in terms of its social services, there is increasingly the move to recognize the contribution of NGOs. The Minister of Consumer Affairs and Social Services in her own programming is moving more and more to ensuring that NGOs, some of which were mentioned here this afternoon, get their full due and play their rightful roles in the affairs of social service delivery in Trinidad and Tobago. I give you the assurance Senator that we are mindful of that.

With regard to debt servicing I need to point to the importance of Trinidad and Tobago taking its debt-servicing, both foreign and domestic debt servicing, seriously. While there are those who may be concerned that perhaps, we are paying too much out or, that we ought to be going for some measures relating to re-scheduling of debt forgiveness, the Minister of Finance has repeatedly made the

Finance Bill
[HON. G. DRAPER]

Tuesday, April 6, 1993

point that Trinidad and Tobago, operating as we do in an international environment where so much of our life—if we look at our petroleum sector—our life generally is dependent on our interrelationship with the outside world. We need to be very conscious of how we ourselves relate and how we are seen, perceived and accepted by the international community. We are painfully aware of the effects on many countries who have attempted to back away from payment of their international obligations: embargoes, seizures of different sorts, tremendous hardship witnessed on countries like our own, who felt that they were in a position to buck the international financial community. We do not intend to go that route. We intend to honour our foreign and domestic debt obligations because our very survival as a citizen of the world depends on it.

3.50 p.m.

With regard to our domestic debt, for those who may feel that it is somewhat different, let us recognize that much of that relates to debt to local financial institutions such as insurance companies and banks that have really taken money invested there, to lend to the Government, and who would be utilizing pension funds and things like that for loans to the Government. Any move on the Government's part to reschedule or to back away from those payments will have tremendous implications for the local financial community. Therefore, the issue of debt repayment is not one that we can take lightly and this Government will continue to do all in its power to honour all of our local and international debt payments.

Sen. Teelucksingh will see that this will continue to be a central part of Government's policy and direction.

Sen. Teelucksingh: I would like to ask the hon. Minister to what extent is the Government looking at the honouring of the foreign debt repayment and social consequence? Has it been balancing the two? Has it been holding the two in proper perspective? Or is it just concerned with the deadline it has to meet, and at all cost it is going to meet that deadline?

Sen. The Hon. G. Draper: Mr. President, let me give the hon. Senator the assurance that Government is sensitive to the balancing to which he refers, and continues to recognize the need to provide in our society the social supports necessary for ensuring that the social consequences, which may be attendant to the difficult economic times that we now have, would be minimized.

For instance, you would see that being developed in the programmes which would emerge, and have been emerging from the Ministry of Consumer Affairs and Social Services, and some of the programmes that my colleague, Sen. Yuille-Williams has been pursuing in the Ministry of Community Development. Indeed, even this morning, as we met for the first time in tripartite arrangements with the trade union movement and the business community, we recognized in there, the need to focus on the issue of social service reform and that has been placed on the agenda for those discussions.

The concerns which he raised are ours as well. While we come here and say that we have this commitment to our international and domestic debt, it is not without sensitivity to the social considerations and the need for that balance. We are proceeding to ensure that balance is put in place.

Sen. Teelucksingh raised concerns about divestment and spoke, in passing, about the sale of—he did not quite use the words "a jewel," but I thought he may have alluded to Fertrin and Urea in that vein. May I just point out to him that the accumulated losses of Fertrin was somewhere in the region of TT \$300 million and Urea, TT \$150 million, so that we may wish to reconsider our view of these state enterprises that we have divested.

We recognize, as any society does from time to time, that one needs to look at one's pool of assets, if you will, state enterprises and make some decisions. The Government has been making decisions with regard to divestment of these and some other enterprises. We stated that when we came into office in December 1991, and we will continue in that vein. I think Sen. Mansoor made the point in passing, that he thought we had sold it for a good price. I thought he said something like that; I am not sure. I would withdraw it if I did not quote him correctly.

Sen. Teelucksingh touched on the issue of the cost of foreign embassies, and perhaps was alluding to the need for us to treat with the whole business of reform, if you will, of the foreign services. As part of the Government's policy itself, last year, we commissioned a study, a task force which looked at the foreign policy which is now being reviewed by the Cabinet. Part of the issues here would have to do with how we use foreign embassies, for instance, as an important part of our own economic activity, trade, export marketing, the penetration of some markets.

We cannot simply look at the dollar figure. Again, we are looking at balance. We need to ask what kinds of things we must do to make sure that we maximize

Finance Bill
[HON. G. DRAPER]

Tuesday, April 6, 1993

the returns from these embassies and other representations abroad. That is a task that is now coming out of that Foreign Policy Report which was presented last year to Cabinet.

We take the comments that have been made. We recognize that in many cases they are pointing to reforms in the accounting and budgeting system and with regard to the approaches to accountability. They are reforms which we accept and embrace. We take the issues and concerns raised by Sen. Teelucksingh, particularly, and the need for the social net. We accept that and we give the assurance to this honourable Senate that we are pursuing that and we will be pursuing our debt payments.

To Sen. Daly, I give the assurance that issues relating to Inland Revenue Department, particularly—I am not speaking about the Central Bank to you this afternoon—are being treated within the context of the administrative reform, that the Minister of Finance pointed to in his 1993 budget. I am sure you will see, in short order, the same results that you are now seeing in the Customs and Excise Division.

With these comments, I beg to move that this Bill be now read a second time.

Question put and agreed to.

Bill accordingly read a second time.

Sen. The Hon. G. Draper: Mr. President, in accordance with the provisions of Standing Order 63, I beg to move that the Bill not be committed to a committee of the whole Senate.

Question put and agreed to.

Question put and agreed to, That the Bill be now read a third time.

Bill accordingly read the third time and passed.

Motion made and question proposed, That the Senate do now adjourn to Tuesday, April 20, 1993 at 1.30 p.m. [Hon. R. Huggins]

Question put and agreed to.

Senate adjourned accordingly.

Adjourned at 4.00 p.m.