

PROPOSALS FOR THE NATIONAL BUDGET 2011/2012

Submitted by the

Federation of Independent Trade Unions and NGOs

INTRODUCTION

The Federation of Independent Trade Unions and NGOs (FITUN) views the National Budget process as an integral element of the broader process of national planning which is vital to ensure that Trinidad and Tobago is able to pursue the path of sustainable development. In this regard, as has been FITUN's tradition, our proposals for the National Budget 2011/2012 are not restricted to labour specific issues, but seek to address broader macro-economic concerns. In our view, it is when these economic concerns are addressed, and the nation's overall macro-economic situation is secured and premised on the principles of equity and social justice that the interests of working people could be best defended and promoted.

FITUN is well aware that the country's economic situation has been and will continue to be impacted upon by the state of the international economy. It is well known that the traditional economic powerhouses of the United States and Western Europe continue to lurch from one crisis to another following the global economic and financial crisis of 2008. The recent difficulty that the United States government experienced in effecting a new debt ceiling; the resulting lowering of the US credit rating by Standards and Poor; the volatile stock and other markets throughout August 2011; the problems associated with government debt in Greece, Italy, Ireland, Spain and Portugal and the consequent impact on the Eurozone economies; the lack of growth throughout western economies; and stubbornly high unemployment in the US - all are manifestations of what is really a deep seated crisis of global capitalism.

While this is not the medium to address the nature of that crisis FITUN wishes to point out that there are other economies that, while not immune from the developments "up north", continue to grow at a rapid rate. What is significant about the high growth economies, and especially the BRIC countries (Brazil, Russia, India and China), is that this growth is due to increased output in the productive sector (the real economy) and not as a result of speculative activity in the financial sector. There is clearly a lesson for us in those experiences, even though those economies have vast internal markets, unlike ours.

Notwithstanding the continuing crisis in the global economy, Trinidad and Tobago has moved from a situation of two consecutive years of negative growth (2009 and 2010) to a forecast of growth in 2011, albeit that this growth is (a) not likely to exceed 2% and (b) it will not be large enough to return us to the 2008 GDP. However, it must be noted that getting out of a recession is not simply a matter of monetary and fiscal policy. One of the themes of Budget 2011/2012 to which stakeholders were asked to develop proposals

around – “deepening social cohesion” recognizes that the solutions are economic, social and political.

Furthermore, the objective of growth is meaningless unless there is an equitable distribution of the benefits of that growth. There is no doubt that during the period of very rapid growth (2001-2008), which itself was preceded by seven years of slower growth, the distribution of the pie was inequitable. At the end of the “boom” therefore, we had a society characterized by greater inequality. During the past two recessionary years, policies have worsened that inequality. This Budget must address this issue, while at the same time providing the basis for the transformation of the economy – an issue that FITUN identified in its Budget Memorandum last year.

In any period of economic transition, adjustments will be required. These adjustments could be because efforts at fundamental transformation are underway or because the economy is in recession or indeed a combination of both. We are in the latter situation. It is vital therefore that the adjustments be done in a manner that no sector bears all of the burden. It is well documented that the policies of orthodox structural adjustment designed, advocated and/or implemented by the International Financial Institutions resulted in the burdens of adjustment being borne by working people and the poor. That certainly was the case of Trinidad and Tobago during the period from 1981 to 1995.

It is absolutely critical that policies result in an equitable sharing of the burden of adjustment by all sectors within the economy and by all sections of the national community. Anything less would be unjust and therefore totally unacceptable to FITUN.

It is equally important to arrive at consensus on what those adjustments should be. No unilateral decision by the government will work. A process of dialogue and engagement with all the sectors and with the various communities throughout the country is therefore vital. This is what the country voted for on May 24th, 2010 – new governance. If the People’s Partnership Government is unable to effect such a process then the country will achieve neither a growth momentum nor the deepening of social cohesion. In fact we could well face social implosion.

Finally, FITUN is deeply concerned about the absence of a holistic plan for the country’s economic development. We are aware of the commitment for each Ministry to have developed its Strategic Plan. However, we are not aware of whether these sectoral or sub-sectoral Plans have either been unveiled to stakeholders/citizens generally or been merged into a coherent holistic plan for Trinidad and Tobago. The absence of such a longer term plan, with a clearly defined Vision, will make this and succeeding annual budgets relatively meaningless since we will have no way of measuring success over time.

BUDGET FRAMEWORK: *Building the Growth Momentum; Deepening Social Cohesion; Revenue Mobilization*

Three specific areas have been identified by the Ministry of Finance for the development of the 2011/2012 National Budget. These are:

- **Building the Growth Momentum;**
- **Deepening Social Cohesion;**
- **Revenue Mobilization**

Given Trinidad and Tobago's current economic positioning, answers must be developed and put forward for a number of questions related to the above stated key areas within the Budget Framework. In its Budget Proposals of last year, FITUN identified the following as the key objectives which the T&T economy should be placed to achieve:

1. Sustainable Growth
2. Sustainable and Decent Work/Employment
3. Economic Diversification

It would be appreciated that these objectives are directly related to the *key areas* of Revenue Mobilization, Deepening Social Cohesion and Building the Growth Momentum respectively. It is clear that the major economic goal of transformation therefore needs to be treated with in a comprehensive and urgent manner so that the nation's economic progress is no longer held back and significant steps towards sustainable development could be achieved within the upcoming fiscal period.

Therefore, the policies and measures of the 2011/2012 National Budget must be geared towards transforming the local economy. In this regard, FITUN wishes to put forward the following proposals and recommendations which are consistent with the framework which has been identified for this year's Budget.

Building the Growth Momentum

Stimulating Growth

While we must ensure that the local economy grows, it is absolutely necessary that this growth is sustainable. In the past, the PNM government placed all their growth eggs in one basket – the energy sector and more particularly the gas sub-sector. This strategy, while successful in stimulating growth, was in fact always going to be short lived as once we had maximized gas production, on the one hand and reached the upper levels of market prices, there was no more growth potential. Therefore, what is clearly required is an expansion of the productive base of the economy, by creating over the long term, productive capacity within the economy.

However, for this to happen, there needs to be sufficient confidence in the economy and its economic management. It must be noted, that it is Government's Macro-Economic policy which holds the key to securing this confidence. Over the past year, many business people, (both small and large), as well as economists and analysts have expressed the

view that that here has been stagnation within the economy and this has negative impacts for perceived confidence levels. Additionally, at present there is an ongoing major policy debate regarding which policies should be pursued to stimulate growth and balance budget deficits. On one side of the debate stand the neo-liberals who argue for tax cuts to large corporations and the wealthy, so that these firms and individuals could invest, thus stimulating growth. At the same time, they advocate reductions in expenditure and social programmes as the way to reduce the deficit. On the other hand social movements, the labour sector, community based organizations and other such groups advocate increased taxes on those who could afford it, and the state playing a key role in stimulating new productive capacity that would create sustainable decent jobs. FITUN stands with the latter position. It must be noted that as the incomes of working people are increased, their spending, specifically on domestic activity (construction, transportation etc.) would also tend to increase. This spending is an important contributor to stimulating economic activity and thus growth, and the resulting multiplier effect within the domestic economy is significant even taking into account losses on import spending. Additionally, given that small businesses are a significant contributor to employment within the economy the critical importance of driving this sector through the mechanism described above is fully appreciated.

The issue of what the government can and cannot afford as increases in wages and salaries and improved terms and conditions needs to be assessed in this broader perspective of using increased wages and salaries as a contributor to growth. One of FITUN's major concerns over the last year was the very slow start up of projects under the PSIP. Part if this was attributable to the long delay in appointing state boards, as well as political and/or bureaucratic delays in the release of funds for approved budgets. It goes without saying that if government capital expenditure comes both slowly and in small quantities it will not lead to a growth momentum as the inertia in the economy over the last three years can only be overcome by significant injections of money in the right projects.

Notwithstanding all of the above, there are still advantages if capitalized on urgently would ensure that all downward trends are reversed and that a certain degree of growth momentum is achieved and sustained. One of these advantages is the existence of *excess liquidity* within the system. This excess liquidity exists throughout the domestic financial sector and represents funds that are available for injection into the economy to stimulate the desired growth and development. However, caution must be expressed when implementing this measure as said mechanism could potentially lead to increased rates of inflation, if not carefully implemented. This is directly linked to the issue of revenue mobilization and would be specifically addressed in a later section.

Economic Diversification

The urgent need for the Trinidad and Tobago economy to be diversified away from the energy sector cannot be over emphasized. Reserves of oil and gas are finite and therefore this sector, though lucrative has a limited lifespan and as a result, alternative sources of sustainable revenue generation must be identified and developed. Furthermore, it is not prudent for an economy to be heavily dependent on a single sector, for when there is a

decline (in either output or price) in said sector, the entire economy follows a similar trend. It must also be noted that we are extremely vulnerable to external shocks, given the very nature of the markets for oil and gas. While initiatives have been undertaken to achieve economic diversification, much more progress is required in this area.

The options for this diversification are not limited, as in fact there are several viable options for economic expansion within the local economy. For this to happen what is required is not a series of incremental changes but specific bold transformative initiatives. Some key sectors within the local economy which could be targeted for development as part of a comprehensive diversification strategy include:

- Entrepreneurship

These initiatives must be geared towards the production of unique products which emerge from our cultural imagination. In this regard, Trinidad and Tobago undoubtedly has a comparative advantage and there is therefore significant potential for this sector to be very lucrative. One such initiative should seek to link our culture and creative imagination to certain manufactured goods which have as their essential inputs in the productive process, domestic agriculture and our local food. All of the activities along the value chain (production, marketing, distributing etc.) could all be undertaken by small and micro-enterprises, thus generating decent incomes for large numbers of people. Gourmet food items, such as jams and similar indigenous products, which could be sold at premium prices in niche markets abroad, are examples of this kind of product which are derived from and promote our local culture and have as their base, local raw materials, thereby facilitating several linkages throughout the local economy.

Additionally, so as to promote local film making and broadcasting, the existing CNMG should be converted to a Public Broadcasting Corporation with a clear mandate to purchase local and regional films, in a manner similar to the Canadian Broadcasting Corporation. In this way an entire industry could be developed around film production, broadcasting etc. Additionally, local content on radio stations should be mandatory, thereby securing a market for local artistes and thus aiding in allowing those involved in this industry to lead a sustainable livelihood and also promoting our own local culture and increasing the export potential of these products. These proposals would serve to stimulate the film and music industries. Given that there are many entrepreneurs within these sectors including musicians, studio technicians etc. this sector has tremendous potential, but what is lacking, and therefore must be established is a strong base market for these persons. Furthermore, by stimulating activity within this sector, once again opportunities for further linkages would be developed, and particularly within the sector of small and micro-enterprises - a sector which has tremendous potential, once the appropriate incentives are in place, to be an important driver within the local economy.

Another sector where emphasis should be placed is the fashion industry. Not only should efforts be made to support local designers but also the production of local fabrics. There is potential for a thriving and sustainable industry to be developed around Sea Island cotton within the region. Once both of these aspects are addressed the local and regional

fashion industry would be well placed for development, both in terms of design and material.

Key to ensuring that these sectors are simulated adequately and therefore develop into thriving sectors within the economy is the question of funding. In this regard, there is need for a more coordinated approach, with respect to existing structures that is akin to industrial policies which, once utilized efficiently could serve to propel this kind of economic activity. There is therefore an urgent need for maximizing and aligning such structures and agencies.

With respect to the development of the cultural sector, FITUN included in its budget proposals last year, the restoration of East Port-of-Spain into a Heritage City. This proposal was accepted and included in the 2010/2011 National Budget. Subsequent to this, FITUN engaged in a process of engagement with several stakeholders within the community of East Port-of-Spain, and specific proposals and recommendations were developed, which are attached as an appendix to this memorandum. The merit of this initiative, not only in an economic sense, but also in a social context are acknowledged and recognized. In order to guarantee the successful implementation of this initiative and the subsequent positive spinoffs, an injection of funds to initiate certain key foundation activities is required. This financial support would not be a constant requirement as the Heritage City, once developed appropriately would be self-sustaining.

- Manufacturing and Trade:

While this could be described as a significant sector within the local economy, there is still room for expansion and this expansion should be undertaken, geared towards creating a sustainable local business sector. As this is developed the local economy could become less dependent on imports, which in turn could lead to reduced outflows of foreign exchange. Additionally the issue of market expansion should be explored. While Trinidad and Tobago currently enjoys a significant share of the CARICOM market, other potential markets should be identified and explored. Of particular interest should be the neighbouring and expansive markets of Central and South America and those of the emerging economies of Brazil, China and India. In terms of markets there must be a focused shift away from the traditional markets of the global north towards these and other emerging markets. Particularly, in these times where the traditional markets in Europe and North America are experiencing economic downturns and as a result said countries would seek to use barriers to protect their sectors. Therefore the potential for securing a significant market share within such economies is not significant and efforts should not be misplaced behind securing these markets but rather the focus must be on the markets identified above as it is here that the potential for growth and expansion lies.

- Agriculture:

Development of the local agriculture sector is vital as the nation endeavours to pursue a path of sustainable development. As this is achieved, not only could the local food import bill and foreign exchange outflows be reduced, but employment could also be generated –

creating the possibility for the initiation of a positive multiplier effect as previously identified.

Key within the context of agriculture is the issue of food sovereignty. While it is recognized that specific efforts have been made on the part of the government, further action in certain key areas are still required. FITUN therefore calls for the urgent implementation of a comprehensive Land Use Policy, which policy would guide a process of land reform so as to ensure that specific areas of land are guaranteed for agricultural activity, thereby in effect, guaranteeing a local supply of agricultural products and food. Such a process is especially important now as agricultural land is being gobbled up by speculators and/or persons seeking to make profits in food and driving farmers off the land. This trend must be reversed through land reform, as guided by the Land Use Policy ensuring that land distribution is equitable and promoting land ownership and involvement in agriculture. Not only must those who have traditionally been involved in agriculture be targeted, but mechanisms must be developed and implemented to attract persons towards this important sector. Land ownership could be one of these such incentives. This land reform ought to be fairly easy as the government is the largest landowner, either directly or indirectly through the former Caroni Ltd. and Petrotrin.

In addition to land reform, another objective related to agriculture must be establishing *small farmers* as the 'back bone' of the agricultural sector. FITUN therefore supports initiatives to expand production in rice, cocoa, wheat, meat, fish etc. Price support is another policy option which must be seriously considered. This could be in the form of subsidizing the final price so that, farmers receive a price that is as close to market price as possible and consumers have access to economically priced, locally produced food. Key to this, in addition to the subsidy is reducing, and ultimately eliminating the 'middle men' who often engage in price gouging, so that maximum benefits could be derived by farmers and consumers, and by extension, the nation.

The Prices Council also has an important role to fulfill in dealing with fair prices of both imported and locally produced goods particularly items such as eggs, milk, bread etc. where there were substantial increases recently.

- Energy Sector

While diversifying away from the energy sector is essential for the reasons identified above, amongst others it must be noted that the energy sector has an important role to play in the key process. Firstly, further diversification within the energy sector, into downstream activities should be pursued. With respect to energy services, this represents another potential revenue earner. Over time, Trinidad and Tobago has developed and built its capacity in this field and is therefore in a position to export services in this area. Additionally, revenue from the energy sector should be channeled in a structured manner towards the development of other sectors, such as those identified above. In other words, rents from the 'offshore sector' (oil and gas etc.) ought to be utilized to propel the expansion of the 'onshore sector', such as agriculture and manufacturing etc.

Industrial Development – Growth Pole Initiatives

While initiatives were prescribed in the last National Budget to *build the growth momentum* specifically the Growth Pole Initiatives, little has been achieved thus far in this regard. This must be reversed and such initiatives ought to be actively pursued. With specific reference to the South-West Peninsula, the development of a ship building industry should be actively pursued which would guarantee business activity and job creation in this area of the country, an area which is characterized by high levels of unemployment. Additionally, policies must be developed for the LABDICO and other industrial estates in La Brea so that these communities and its people could derive the maximum benefits from these establishments. Furthermore, proposals by Community Based Groups in Chatham and other areas for the development of agriculture in the South West Peninsula must be considered and subsequently implemented. The proposal of developing ‘growth poles’ is in dire need of implementation, one year after having first been announced publicly.

Involving our Communities

The specific policies to be identified within the 2011/2012 National Budget would subsequently be implemented within our nation’s communities. To ensure public ‘buy-in’ of these policies, our communities ought to be directly involved in this implementation process. A particular level of commitment on the part of the communities to the specific projects could then be developed which could contribute to ensuring the success of the initiative in question.

FITUN proposes that one way of achieving community involvement while at the same time contributing to *building the growth momentum* is by transforming the current CEPEP and URP Programmes into **Cooperative Ventures**. Under the current arrangement whereby the projects within these programmes are carried out through contracts, it is the recipient of the contract and not the communities where the projects are being executed or the workers of the community who are carrying out the work that benefit the most. By establishing these programmes as Cooperatives this current problem could be eliminated and the benefits could be directly channeled towards both the communities and the workers. As a result, the workers could develop an increased commitment to the projects being undertaken within their communities, and in turn the community and by extension the country benefits and steps closer to attaining sustainable growth and development.

Community type projects such as the building of Community Centres; construction and repairs of roads and drains could also be undertaken by these cooperatives, thereby transforming the URP and CEPEP into productive organizations involved in both the construction and maintenance of facilities within our nation’s communities. Additionally, other skills would be developed and honed as these groups would be required to develop proposals for the projects which they wish to undertake.

Transforming these programmes to cooperatives would also have positive political spinoffs as the concept of political patronage could be eliminated and a culture shift could be achieved. Furthermore, by operating these programmes in this way and involving citizens directly the cycle of dependence which currently exists could be broken.

If these cooperatives are operated transparently it would mean that each community would have an appreciation, not only of their own needs, but also the needs of other communities and there would be an understanding for the need for prioritizing.

Deepening Social Cohesion

The process described above with respect to the undertaking of community projects would also assist in developing social cohesion.

It must be noted that social issues such as income security and social safety net arrangements not only have direct economic and financial implications, but are also key towards the development of a strong local economy. FITUN therefore considers it important to **establish a clear policy on minimising the use of contract labour**, so that this form of employment would be limited to only that which is needed to satisfy ‘just in time’ requirements which a permanent workforce cannot deliver. Furthermore, the Government must take the lead on this, by itself minimizing the use of contract labour in the public service, state enterprises and statutory bodies. Social security could best be afforded to citizens through permanent work and therefore steps need to be taken towards the re-establishment of a structure of permanent employment. From this, several benefits could be derived which include increased pools of financial resources as increased NIS and pensions contributions are collected as there are an increased number of permanent employees within the economy.

It must be noted that it is extremely difficult young people who are employed on a contract basis to obtain mortgage loans and therefore difficult to establish their own lives. Promoting social security in this sense is important as the significance of fostering a sense of ownership and allegiance is invaluable and one major and effective way of achieving this is through permanent employment.

Moving Forward with a Tri-Partite Arrangement

FITUN recognizes that a certain degree of cooperation is also required amongst government, labour and business if Trinidad and Tobago is to successfully pursue a path of sustainable growth and development. This cooperation amongst tripartite partners is absolutely essential in ensuring that a national environment where equity, social justice, sustainable growth and development is created. And in the current economic situation where adjustments are required, tripartite dialogue is particularly important. If there is to be consensus on how the burden of adjustment is to be shared, and what sacrifices are to be made, as well as the medium and long term benefits of those adjustments a process of dialogue is absolutely necessary.

FITUN was hoping that this approach would have been taken prior to the conclusion of the public sector negotiations. Through a process of dialogue, changes such as revised policies on wages, prices, profits as well as non-cash benefits to labour and business e.g. legislative reform, to facilitate the growth and expansion of the social partners could have been achieved. That this did not take place previously, has now led to a very volatile and conflicting relationship. It may be necessary to resolve outstanding negotiations before initiating the tripartite process.

An important issue to be addressed in the process of tri-partite dialogue is productivity. Incentives to increase productivity must be developed and implemented. This too must come about based on dialogue and the involvement of workers. In the recent past, workers have been consulted regarding decisions related to the functioning of enterprises and positive results have been achieved. Such discussions resulted in increased production by 10,000 barrels of oil per day at Trinmar and at WASA a decision to involve WASA workers and not contracted workers on a particular project resulted in savings of over \$180 million.

Transparency in Appointments to State Boards

FITUN is deeply concerned about the process by which members on State Boards were appointed, for several reasons. Firstly, the long delay caused important decisions to be postponed, as a result, opportunities were lost and good governance was compromised as management had no one to report to. Secondly, Board Appointments should not be seen as being the reward for supporting the party that wins the office of government. Trinidad and Tobago is too small a country, with too little resources to exclude on the basis of 'wrong party' - this applies to all parties. Additionally, political appointments often result in incompetent persons being appointed, and missteps, as has been seen, often take place, at the expense of the nation's advancement. This government should take the bold step to change this and within the next three years when boards are scheduled to be renewed, bona fide civil society organizations such professional associations and trade unions should be asked to provide nominees for various boards. In this way we can build state enterprises and statutory bodies that are seen as being owned by citizens, and not instruments of political patronage. Additionally, shifting away from the old practice would also serve to encourage service to nation rather than service to party.

Revenue Mobilization

In order to implement the above proposals and recommendations and other policies geared towards achieving sustainable growth and development resources need to be mobilized. In FITUN's view possible options for resource mobilization include the following:

Collection of Outstanding Tax Revenue

Unpaid taxes represent a significant source of potential resources. While the tax amnesty as proposed in the National Budget of 2010/2011 has proven to be successful in recouping some of these funds a significant level of uncollected taxes still remains, which when paid in would provide government with financial resources for the implementation of proposed policies. In this regard, all possible mechanisms for the collection of

outstanding taxes must be put into effect, including legal measures as set out in legislation. In FITUN's view, the implementation of the tax amnesty should in fact have taken the form of a *National Campaign* involving representatives of the major stakeholder groups within the country urging taxpayers to pay in all outstanding taxes. Utilizing such a campaign would have undoubtedly resulted in a much more significant amount of outstanding taxes being received by the state.

Land and Building Taxes

The Government of the People's Partnership committed to revoking the Property Tax which was proposed by the past PNM administration, and reverting to the previous regime of Land and Building Taxes. This required the Property Tax legislation to be repealed and the Land and Building Tax legislation to be reinstated. This did not take place in the last fiscal year and as a result the government failed to collect tax revenue from properties which amounted to some \$180 million. This represented a loss of potential revenue, a loss which could have hardly been afforded in these times of revenue constraints. For the upcoming fiscal year, the legislative requirements must be put in place so that revenue from tax on property, as per the previous land and building tax regime could be collected.

Review of the Rate of Corporate Tax

The intention behind previous decisions to reduce the tax rate - to stimulate increased spending by increasing net income, resulting from a reduced tax rate - has not proven to be effective, and therefore warrants review. FITUN's recommendation is that a tax rate of 30% (the rate from 2003 to 2005) should be levied on businesses above a certain size, as defined by specific criteria. However, should the business invest in defined areas which would contribute towards sustainable growth and development tax credits could be earned, to reduce the rate to the current level of 25%. The investment areas by which a business could earn tax such tax credits would include: - education and training (including re-training of workers), research and development, job creation and export promotion (or other such foreign exchange earning activity). Said last year;

Establishment of the National Development Fund

The current situation of limited growth, in times of excess liquidity, as previously described, represents a contradiction. This excess liquidity represents funds that could be channelled towards activities to stimulate economic growth. The establishment of a National Development Fund would constitute a pool of resources available for injection into the local economy and the excess liquidity in the system represents a potential source of resources available for investment into this fund. The resources within the National Development Fund ought to be administered by a government body which works around issues related to the economy and development such as the Economic Development Board which ought to be broader based and more transparent. Additionally, national consensus on the allocation of resources from this fund should be attained and investors could be drawn from institutional investors (e.g. pension funds, NIB and mutual funds), individual citizens and firms, as well as the diaspora community. Such an instrument has an important role to play as a financial intermediary in filling the existing investment gap

as the local financial services sector is generally risk averse and not inclined to lend to new and innovative economic activity

The Diaspora Community as Potential Investors

The Diaspora Community represents a group of potential investors of great significance as many nationals residing overseas, once presented with appropriate opportunities and options would be willing to invest in Trinidad Tobago. These opportunities and options therefore need to be created, with the required mechanisms for regulation and control in place. The proposed National Development Fund could be one such investment opportunity for members of the diaspora, however there are additional options, such as the expansion of the local stock market to include, for example foreign energy companies with operations in Trinidad and Tobago could be listed on the local stock exchange. Of course, such a measure would not be exclusively for the diaspora community and could also attract other local investors, yet another benefit.

State Owned Companies as Agents of Resource Mobilization

State owned and operated entities are sources of revenue generation and therefore need to be operated in an efficient manner so as to ensure that said entities are net revenue earners. This revenue can then be utilised for the implementation of policies and projects geared towards economic development. Given this, FITUN opposes the privatisation of key and strategic state enterprises. Government must resist the temptation to consider selling state companies to finance debt, as this would be a one off source of income, whereas maintaining state ownership would mean that these revenue earning organizations could continuously and consistently contribute to the state coffers, once operated efficiently. Additionally, such a move would promote an inequitable distribution of wealth.

However, one area of savings would be the winding up of a number of these special purpose companies and the reincorporation of these functions into the public service as the financing of these entities is quite costly, and there is a great tendency for them to become 'run away horses', draining resources from the economy but making no significant net contribution to the public coffers such as has been the case with UDeCOTT, EMBDC, and eTECK for example.

Encouraging Savings

Mechanisms and incentives to inculcate a culture of savings and to thereby increase savings the level of savings within the economy are required. Additional tax incentives such as allowances for owning credit union shares should be considered.

Utilisation of the Green Fund

The policy decision to facilitate community access to the Green Fund is positive but must be monitored to ensure that the funds are in fact going to projects that are of definite value and which would in turn add value, through their activities to the economy.

Additional Issues

- Fuel Subsidy

At present there are significant leakages within this subsidy system, with particular respect to diesel fuel. Several non-nationals (particularly shipping vessels) are benefiting from this subsidy, at the expense of taxpayers. This system must be rationalised to avoid these unnecessary losses. Furthermore, the Minister of Finance should make a decisive statement about the size of the loss with respect to diesel bunker fuel and call for a public investigation into this matter. Policy measures to stop this abuse are also required. And the false notion that Petrotrin is being subsidised must be dispelled.

- Effective Management of the Social Programmes

There needs to be a certain degree of rationalisation of these programmes to ensure that firstly, the right people receive these benefits, and that the system is not being abused. Secondly, these programmes must be geared towards reducing dependency so that overtime the number of persons who are dependent on these programmes is decreased as these persons are able to enjoy sustainable livelihoods. Success in this regard would be a measure of government's commitment to poverty eradication.

- Environmental Considerations:

In developing and implementing policies to address the pressing economic issues, considerations must be made of the environmental issues. While this may necessitate an outlay of financial resources, said outlays are likely to translate into savings in the long term and are therefore important investments that ought to be made. Given that a key element of development is sustainability, guaranteeing that not only current generations, but also future generations benefit from the nation's resources the importance of investing in 'green' technologies and policies to protect the environment and our natural resources is indisputable.

Submitted August 2011