



TRINIDAD AND TOBAGO

June 2024

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR TRINIDAD AND TOBAGO

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Trinidad and Tobago, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 8, 2024 consideration of the staff report that concluded the Article IV consultation with Trinidad and Tobago.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 8, 2024, following discussions that ended on March 8, 2024, with the officials of Trinidad and Tobago on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 23, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Trinidad and Tobago.

The documents listed below have been or will be separately released:

Selected Issues

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International Monetary Fund
Washington, D.C.



IMF Executive Board Concludes 2024 Article IV Consultation with Trinidad and Tobago

FOR IMMEDIATE RELEASE

Washington, D.C. – June 5, 2024: On May 8, 2024, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Trinidad and Tobago.¹

For the first time in a decade, Trinidad and Tobago is undergoing a gradual and sustained economic recovery. Real Gross Domestic Product (GDP) is estimated to have further expanded by 2.1 percent in 2023, reflecting a strong performance of the non-energy sector. Inflation has declined sharply, mainly due to decelerating global food and imported goods prices. Banks' credit to the private sector continues to expand and the financial sector appears sound and stable. The current account is estimated to remain in a surplus in 2023, and international reserve coverage is adequate at 8.3 months of prospective total imports. The fiscal deficit in FY2023 continued supporting the recovery and was better than budgeted, while public sector debt remained below the authorities' soft debt target.

Economic growth is projected to gain momentum in 2024, supported by the non-energy and energy sectors, and inflation is projected to remain low. The current account surplus will narrow mainly due to a decline in energy prices and energy exports and is estimated at 5.7 percent of GDP in 2024. International reserve coverage is expected to remain adequate at 7.5 months of prospective total imports. External public buffers in the Heritage and Stabilization Fund are large at about 20 percent of GDP. The fiscal position is projected to remain adequate, reaching a deficit of 2.7 percent of GDP in FY2024. This reflects lower energy revenues, increased capital spending, and a higher wage bill—due to the long-standing public wage settlement with some unions.

The balance of risks is tilted to the downside in the near term but there are upside risks in the medium term. In the near term, downside risks stem from external factors affecting energy markets (e.g., an abrupt global slowdown) and domestic sources such as disappointments in energy production (e.g., delays to new projects, or unexpected disruptions to current production). In the medium term, upside risks stem from new natural gas projects and the implementation of planned structural reforms which could boost growth.

Executive Board Assessment²

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Trinidad and Tobago's sustained economic recovery, sharp decline in inflation in 2023, and strong external position. Directors considered that, while the outlook is favorable, the balance of risks is tilted

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing up can be found here:

<http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

to the downside in the near-term and to the upside in the medium term. Going forward, they emphasized the need for reforms to strengthen the economic recovery, rebuild buffers, and secure a more diversified, green, resilient, and inclusive economy.

Directors highlighted that strengthening the medium-term fiscal position would help rebuild fiscal buffers and maintain public debt well below the authorities' soft debt target. They agreed that developing a rules-based fiscal framework and a sound debt management strategy would help strengthen fiscal management and mitigate macro-financial risks. Directors underscored the need to address fiscal risks from the pension system and energy transition and commended the proclaimed Procurement Act, which should help improve the efficiency of public spending. Directors also emphasized the importance of continued efforts to mobilize revenue, particularly from the non-energy sector.

Directors underscored the importance of maintaining sound and consistent macroeconomic policies to support the current exchange rate arrangement. They encouraged the authorities to remain vigilant and stand ready to increase the monetary policy rate should potential capital outflow risks intensify. Directors stressed that addressing foreign exchange (FX) shortages remains a priority and encouraged adopting a more efficient and market-clearing infrastructure for allocating FX. They noted that removing all restrictions on current international transactions and greater exchange rate flexibility over the medium term would help meet the demand for FX.

Directors recognized the financial system's resilience, while emphasizing vigilance against potential vulnerabilities. They welcomed the progress achieved and encouraged further efforts toward implementing the 2020 FSAP recommendations. Directors commended the authorities' progress in strengthening the financial integrity and international tax transparency frameworks and encouraged them to continue strengthening the domestic tax administration and AML/CFT frameworks in line with international best practices. Enhancing fintech, promoting financial inclusion, and strengthening the regulatory and supervisory guidance of e-money and cybersecurity will also be key.

Directors welcomed the authorities' commitment to diversifying the economy, attracting investment, promoting private sector engagement, and increasing trade integration. They encouraged the authorities to further enhance the business environment, tackle insecurity, and strengthen the efficiency of trade logistics. Directors commended the authorities' actions to advance their climate and energy transition agenda and emphasized the importance of building climate resilient infrastructure.

Directors welcomed the authorities' efforts to improve the quality, timeliness, and coverage of macroeconomic statistics, which should be sustained.

It is expected that the next Article IV consultation with Trinidad and Tobago will be held on the standard 12-month consultation cycle.

Trinidad and Tobago: Selected Economic Indicators, 2019–24

GDP per capita (US\$, 2022)	19,692	Adult literacy rate (2010)	99			
Population (millions, 2022)	1.53	Unemployment rate (2023Q3)	3.2			
Life expectancy at birth (years, 2021)	73.0	Human Development Index (2021, of 191 economies)	57			
Under-5 mortality rate (per thousand, 2021)	16.3					
	2019	2020	2021	2022	Est. 2023	Proj. 2024
	(Annual percentage change, unless otherwise indicated)					
National income and prices						
Real GDP	0.4	-9.1	-1.0	1.5	2.1	2.4
Energy	-1.6	-13.1	-3.2	0.0	-3.1	1.1
Non-energy 1/	1.3	-7.2	-0.1	2.1	4.2	2.8
GDP deflator	-3.8	-3.8	19.1	20.8	-8.3	-1.5
CPI inflation (end-of-period)	0.4	0.8	3.5	8.7	0.7	2.2
CPI inflation (period average)	1.0	0.6	2.1	5.8	4.6	1.5
Unemployment rate	4.3	5.6	5.4	4.9	...	...
Real effective exchange rate	1.7	0.9	-3.1	3.8	0.8	...
	(In percent of fiscal year GDP, unless otherwise indicated) 2/					
Central government finances						
Central government primary balance	-0.5	-8.3	-5.2	2.9	1.8	-0.1
<i>Of which:</i> non-energy primary balance 3/	-14.7	-19.3	-17.0	-19.0	-18.9	-17.5
Central government overall balance 4/	-3.7	-11.8	-8.3	0.3	-1.1	-2.7
Budgetary revenue	26.8	23.3	22.8	27.8	28.7	26.2
Energy	10.9	7.8	7.8	15.5	15.1	12.9
Non-energy	15.9	15.5	15.0	12.4	13.6	13.3
Budgetary expenditure	30.5	35.1	31.1	27.5	29.8	29.0
<i>Of which:</i> current expenditure	29.0	32.4	29.2	25.9	27.6	27.2
<i>Of which:</i> interest expenditure	3.1	3.5	3.1	2.5	2.9	2.7
<i>Of which:</i> capital expenditure	1.5	2.7	2.0	1.7	2.2	1.8
Central government debt 5/	45.3	60.6	60.0	50.7	54.3	56.0
Public sector debt 6/	61.9	81.5	79.6	67.0	70.9	73.4
Heritage and Stabilization Fund assets	26.1	26.6	23.1	17.5	19.2	20.0

Trinidad and Tobago: Selected Economic Indicators, 2019–24 (Concluded)

(In percent of GDP, unless otherwise indicated)

External sector

Current account balance	4.3	-6.5	11.0	17.9	9.1	5.7
Exports of goods (annual percentage change)	-18.5	-31.5	84.6	50.6	-37.4	-7.7
Imports of goods (annual percentage change)	-8.8	-16.8	26.9	17.8	-12.2	1.9
Terms of trade (annual percentage change)	-1.7	-2.5	0.9	4.1	-3.2	-0.3
External public sector debt	17.0	23.0	19.1	15.9	18.3	19.1
Gross official reserves (in US\$ million)	6,929	6,954	6,880	6,832	6,258	5,758
In months of prospective imports of goods and services	12.3	9.7	7.7	9.3	8.3	7.5

(In annual percentage change)

Money and credit

Net foreign assets	-6.4	5.9	0.2	1.5	-12.0	-9.8
Net domestic assets	18.3	10.2	2.7	2.9	20.3	11.9
<i>Of which:</i> private sector credit	4.4	-0.3	1.9	6.4	8.2	3.0
Broad money (M3)	2.9	7.1	1.7	1.9	0.6	3.0

Memorandum items:

Nominal GDP (in TT\$ billion)	160.6	140.5	165.6	203.0	190.0	191.5
Share of non-energy sector (in percent)	79.1	85.0	74.0	64.1	72.5	75.0
Share of energy sector (in percent)	20.9	15.0	26.0	35.9	27.5	25.0
Public expenditure (in percent of non-energy GDP)	38.9	42.1	40.7	41.5	42.4	38.9
Exchange rate (TT\$/US\$, end of period)	6.77	6.73	6.77	6.73	6.75	...
Holdings of SDRs, in millions of U.S. dollars	334	349	1080	1028	1033	1029
Crude oil price (US\$ per barrel) 7/	61.4	41.8	69.2	96.4	80.6	78.6
Henry Hub natural gas price (US\$ per MMBtu) 8/	2.5	2.1	3.7	6.5	2.7	2.3

Sources: Trinidad and Tobago's authorities, World Bank, UN Human Development Report, WEO, and IMF staff estimates and projections.

1/ Includes taxes less subsidies on products.

2/ Data refer to fiscal year, for example 2023 covers FY2023 (October 2022-September 2023).

3/ Defined as non-energy revenue minus expenditure (net of interest payments) of the central government, as a share of non-energy GDP.

4/ The fiscal overall balance excludes sales of assets proceeds which are part of financing sources

5/ Excluding debt issued for sterilization, public bodies' debt, and borrowing from the Central Bank of Trinidad and Tobago (CBTT).

6/ Includes central government debt and guaranteed debt of non-self-serviced State-Owned Enterprises (SOEs) and statutory authorities.

7/ World Economic Outlook (WEO) simple average of three spot prices: Dated Brent, West Texas Intermediate, and Dubai Fateh.

8/ WEO price reported as a reference. Trinidad and Tobago has a broader energy export market in the Americas, Europe, and East Asia each of which has different benchmarks.



TRINIDAD AND TOBAGO

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

April 23, 2024

KEY ISSUES

Context. The economy continues to recover while inflation is low. Banks' credit is expanding, and the financial sector appears sound and stable. The current account is in surplus and international reserve coverage is adequate. The fiscal position in FY2023 was better than budgeted, while public debt remained below the authorities' soft debt target.

Outlook and risks. Real GDP is expected to expand in 2024. Inflation is projected to remain low, mirroring international prices. The balance of risks is tilted to the downside in the near term (e.g., external factors affecting energy markets, disruptions to domestic energy production) but to the upside in the medium term (e.g., new natural gas projects, implementation of structural reforms).

Policy Recommendations

Fiscal. Maintain fiscal discipline and strengthen the medium-term fiscal position to rebuild fiscal buffers to respond to potential shocks. Additional revenue mobilization and expenditure restraint are recommended to keep debt below the authorities' soft debt target. Adopting a rules-based fiscal policy framework and addressing the pension system and energy transition risks would help preserve fiscal sustainability.

Monetary and exchange rate. Maintain sound and consistent policies to support the current exchange rate arrangement. The central bank is encouraged to remain vigilant and stand ready to increase its policy rate to mitigate potential capital outflow risks. A more efficient foreign exchange (FX) infrastructure and greater exchange rate flexibility over the medium term would help address FX shortfalls and improve the business environment.

Financial. Remain vigilant to potential vulnerabilities in the financial system. Progress in implementing the 2020 Financial Sector Assessment Program's (FSAP) recommendations has strengthened the resilience of the financial system. Further progress is encouraged on finalizing the implementation of Basel II/III standards; ensuring an orderly transformation of the investment funds from constant to variable net asset value; enhancing the consolidated supervision of conglomerate groups; providing the central bank with explicit macroprudential authority and tools; and strengthening supervisory resource and independence in line with international best practices. Efforts to enhance the financial integrity and international tax transparency frameworks should continue.

Structural. Sustain structural reform momentum to secure a more diversified, green, resilient, and inclusive economy. It is important to foster private sector participation and promote economic diversification. Accelerating the country's low-carbon transition agenda could help address issues raised by border carbon adjustments. Enhancing institutional capacity will improve the quality and timeliness of macroeconomic statistics.

Approved By
Ana Corbacho (WHD)
and S. Jay Peiris (SPR)

The team comprised Camilo E. Tovar (head), Ali Al-Sadiq, Alexander Amundsen, Olga Bepalova, Peter Nagle, and Ilya Stepanov (all WHD). Discussions took place in Port of Spain in Trinidad and Tobago during February 26–March 8, 2024. The mission held discussions with Minister of Finance Mr. Colm Imbert, Central Bank governor Dr. Alvin Hilaire, and their teams, and other public and private sector representatives. Reshma Mahabir (OEDBR) participated in the discussions. Diego Gutiérrez provided research analysis and Brett Smith (all WHD) assisted with the preparation of this report.

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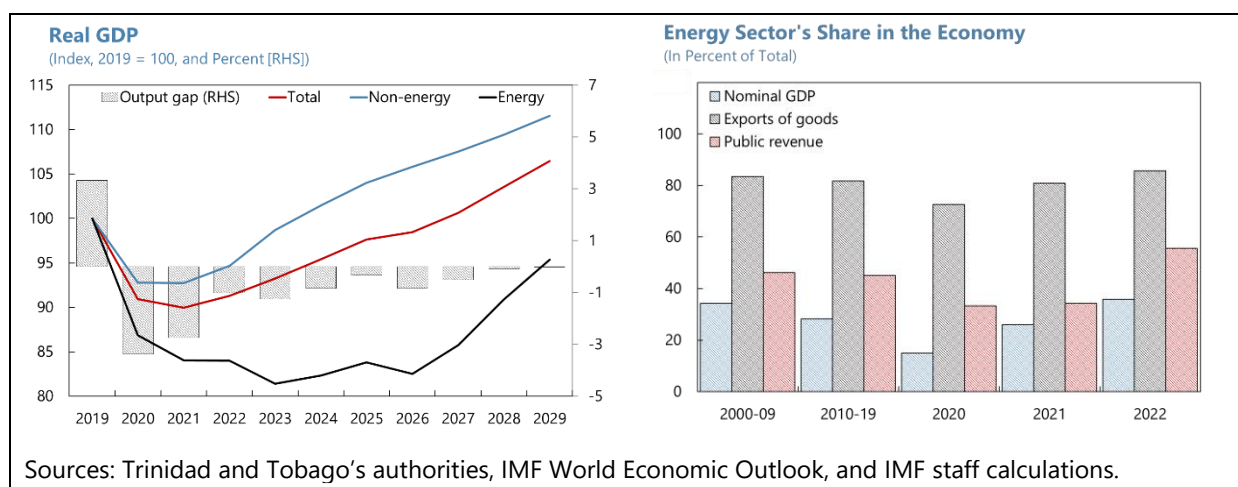
Glossary

AEOI	Automatic Exchange of Information
ACH	Automated Clearing House
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ARA	Assessing Reserve Adequacy
ATM	Automatic Teller Machine
BCA	Border Carbon Adjustment
BEPS	Base Erosion and Profit Shifting
BO	Beneficial Ownership
CA	Current Account
CARTAC	Caribbean Regional Technical Assistance Center
CBAM	Carbon Border Adjustment Mechanism
CbCR	Country-by-Country Reporting
CBTT	Central Bank of Trinidad and Tobago
CFATF	Caribbean Financial Action Task Force
CIS	Collective Investment Schemes
CIAT	Inter-American Center of Tax Administrations
COVID-19	Coronavirus Disease 2019
CROS	Companies Registry Online System
CRS	Common Reporting Standards
CSO	Central Statistical Office
D-SIB	Domestic Systemically Important Banks
DIC	Deposit Insurance Corporation
EMI	E-Money Issuers
EOIR	Exchange of Information on Request
EU	European Union
EximBank	Export-Import Bank of Trinidad and Tobago
FATF	Financial Action Task Force
FHTP	Forum on Harmful Tax Practices
FSAP	Financial Sector Assessment Program
FX	Foreign Exchange
GDP	Gross Domestic Product
GHG	Greenhouse Gas

GTMI	GovTECH Maturity Index
HSF	Heritage and Stabilization Fund
ICAAP	Internal Capital Adequacy Assessment Program
ICT	Information and Communication Technologies
IFRS	International Financial Reporting Standards
LAC	Latin America and the Caribbean
LNG	Liquefied Natural Gas
MAAC	Convention on Mutual Administrative Assistance in Tax Matters
MoF	Ministry of Finance
MTFF	Medium-Term Fiscal Framework
NAV	Net Asset Value
NDC	Nationally Determined Contribution
NGC	National Gas Company
NIIP	Net International Investment Position
NIS	National Insurance System
NPL	Non-Performing Loan
NSI	National Statistical Institute
OECD	Organization for Economic Cooperation and Development
OTC	Over-the-Counter
PIM	Public Investment Management
POS	Point of Sales
RTGS	Real-Time Gross Settlement System
SEC	Securities and Exchange Commission
SEZ	Special Economic Zones
SME	Small- and Medium-Sized Enterprise
SOE	State-Owned Enterprise
SRDSA	Sovereign Risk and Debt Sustainability Assessment
SRDSF	Sovereign Risk and Debt Sustainability Framework
TA	Technical Assistance
TTIFC	Trinidad and Tobago International Finance Center
TTSEC	Trinidad and Tobago Securities and Exchange Commission
VAT	Value-Added Tax

CONTEXT

1. For the first time in a decade, Trinidad and Tobago is undergoing a gradual and sustained economic recovery. Real Gross Domestic Product (GDP) rebounded in 2022 and is estimated to have further expanded in 2023 but has yet to return to its pre-pandemic level. The non-energy sector has become the main driver of economic growth while the mature energy sector continues to struggle. The country's external and fiscal positions were affected by energy price declines in 2023, compounded by weaker energy production. Nonetheless, international reserve coverage remained adequate. In FY2023 the fiscal deficit was better than budgeted and helped support the recovery, while public debt remained below the authorities' soft debt target.



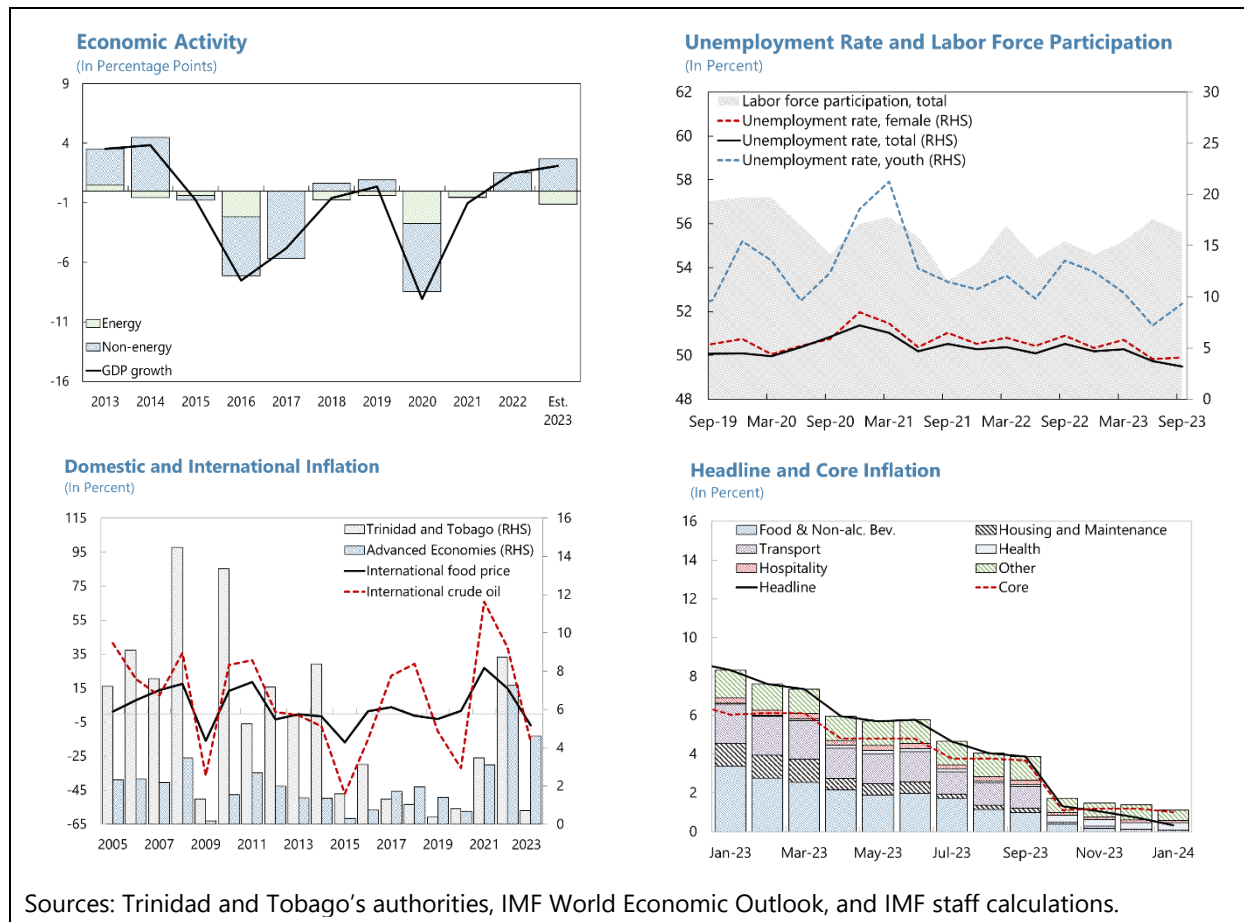
2. Going forward, the country needs to strengthen the resilience of its economy and secure long-term sustainability. In the near term, this requires completing the recovery, by ensuring the energy sector remains productive, competitive, and green; continue fostering private sector development to promote *vertical* and *horizontal* diversification; and using policy space prudently and effectively, while maintaining fiscal discipline and rebuilding buffers. These efforts should be anchored on sound and consistent macroeconomic policies, including a strong fiscal framework, a credible monetary and exchange rate regime, and a resilient financial system. Over the medium term, it is important to accelerate the transformation to a greener economy to reduce greenhouse gas (GHG) emissions while preserving and developing comparative advantages. Sustaining structural reform momentum will help improve business conditions, advance the green agenda, and embrace Fintech and the digital economy, while fostering inclusion.¹

RECENT DEVELOPMENTS

3. The economic recovery is estimated to accelerate in 2023. Real GDP is estimated to have expanded by 2.1 percent compared to 1.5 percent in 2022. The non-energy sector performed strongly (4.2 percent) which was partially offset by a contraction in the energy sector (-3.1 percent),

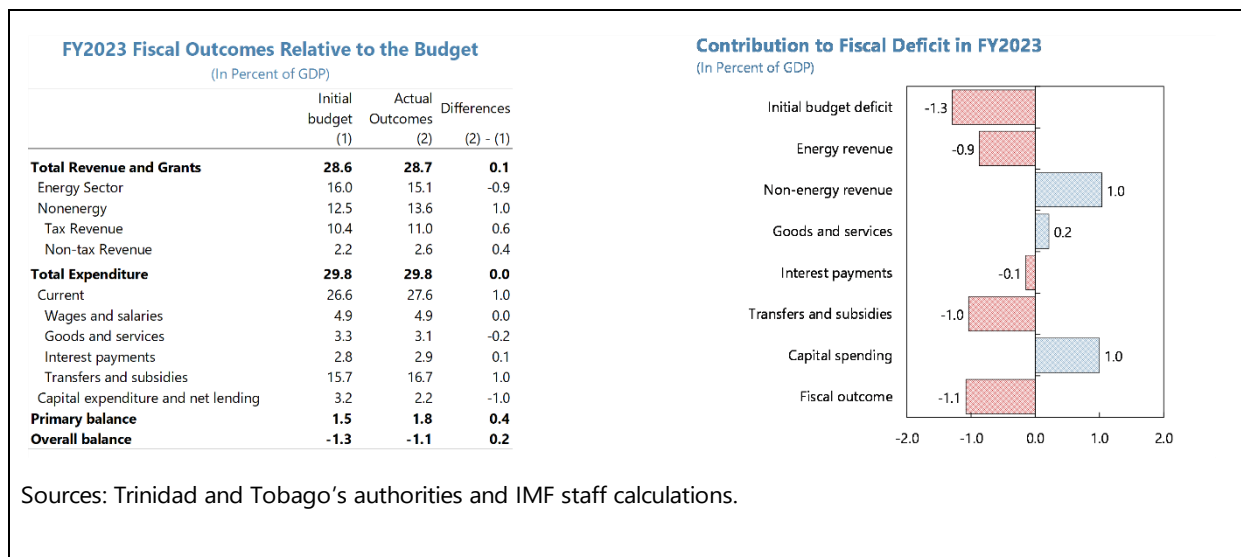
¹ See Annex I—Implementation of recommendations from the 2023 Article IV consultation.

which struggles with logistical and infrastructure challenges. After peaking at 8.7 percent in December 2022, headline inflation has declined to 0.3 percent in January 2024, mainly due to declining food and imported goods inflation. Core inflation has also declined (1.0 percent in January 2024). The unemployment rate decreased to 3.2 percent in 2023Q3 after peaking at 7.2 percent in 2020Q4. Female unemployment exceeds the national average (4.1 percent), and youth unemployment although elevated (9.3 percent) is below its peak of 21.3 percent in 2021Q1.

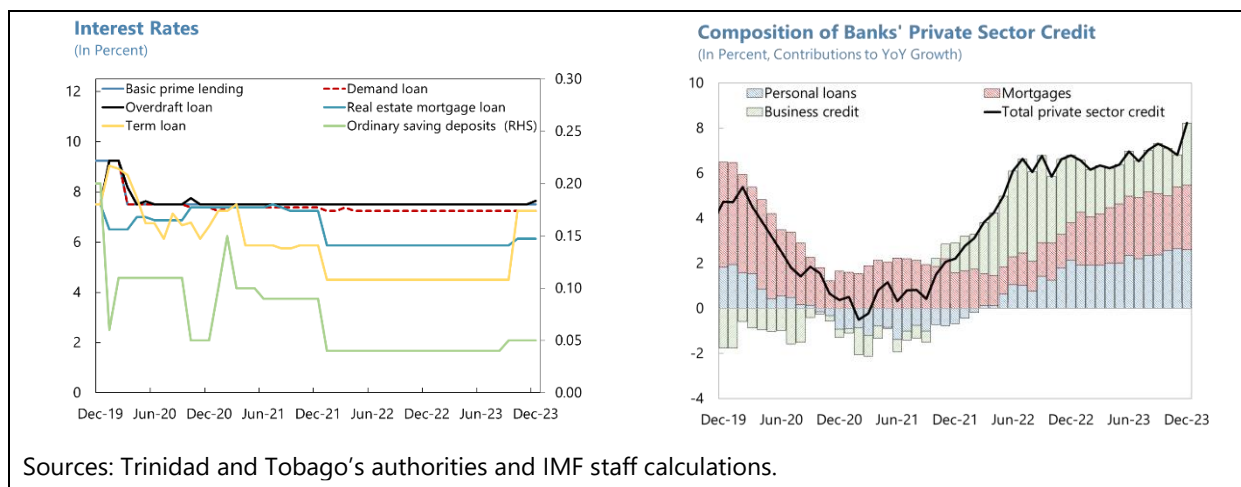


4. The fiscal balance in FY2023 was broadly in line with the budget. The overall fiscal deficit is estimated at 1.1 percent of GDP in FY2023, 0.2 percentage points better than budgeted. This reflects higher revenues and lower than budgeted capital spending. Central government debt increased to 54.3 percent of GDP in FY2023 (50.7 percent in FY2022), while public sector debt reached 70.9 percent of GDP in FY2023 (67.0 percent of GDP in FY2022)—below the authorities' soft debt target of 75 percent of GDP.²

² Public debt includes central government and guaranteed debt of non-self-serviced state-owned enterprises (SOEs) and other statutory bodies. Prior to FY2023, the authorities' soft debt target was 65 percent of GDP, but it was increased to 75 percent of GDP to accommodate the public investment program.

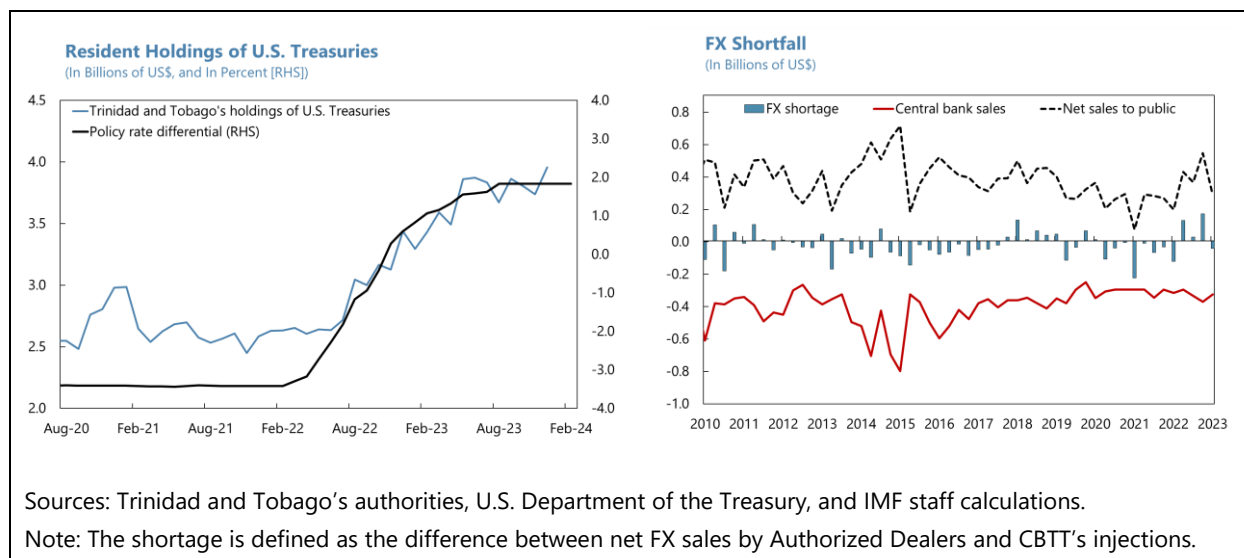


5. Domestic financial conditions have remained accommodative. The Central Bank of Trinidad and Tobago (CBTT) has kept the policy repo rate at 3.5 percent since March 2020 to support the economic recovery. This together with excess liquidity in the banking system (2.4 percent of GDP at end-2023) has helped keep lending rates low. Banks’ credit to the private sector continued to expand (8.2 percent (y/y) in December 2023), driven by business, consumer, and mortgage loans.



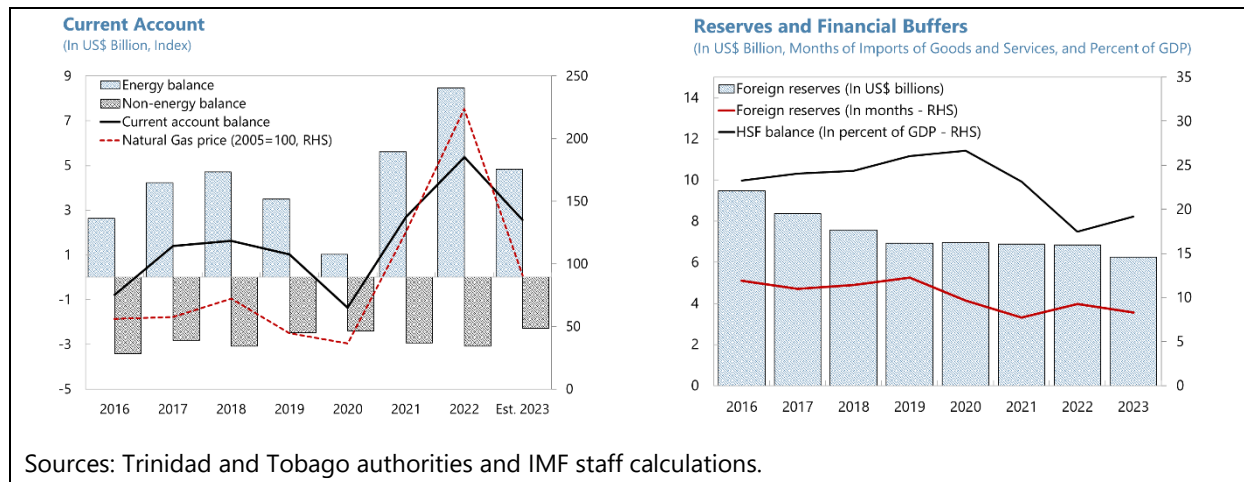
6. The financial system appears sound and stable. Banks’ capital is well-above the regulatory minimum, standing at 16.7 percent in September 2023. Non-performing loans (NPLs) remained stable at 3.0 percent, with specific provisioning at 77.3 percent of impaired loans. The insurance sector remains well capitalized, liquid, and profitable. Most insurers report regulatory capital ratios above 300 percent, double the 150 percent regulatory minimum.

7. Liquidity in the foreign exchange (FX) market remains tight. FX shortages increased in mid-2023, reflecting higher FX demand and a temporary decline of energy companies' repatriations of FX revenues (which supply about $\frac{3}{4}$ of FX) due to value-added tax (VAT) refunds. Also, with positive US-TT interest rate differentials, resident holdings of U.S. Treasuries have increased by about US\$1.3 billion between mid-2022 and end-2023. To help alleviate the FX shortfall, the CBTT has continued its bi-monthly US\$50 million FX interventions, made a one-time US\$50 million intervention in September, and provided US\$91.9 million to Authorized Dealers through the *FX Liquidity Guarantee Facility*.

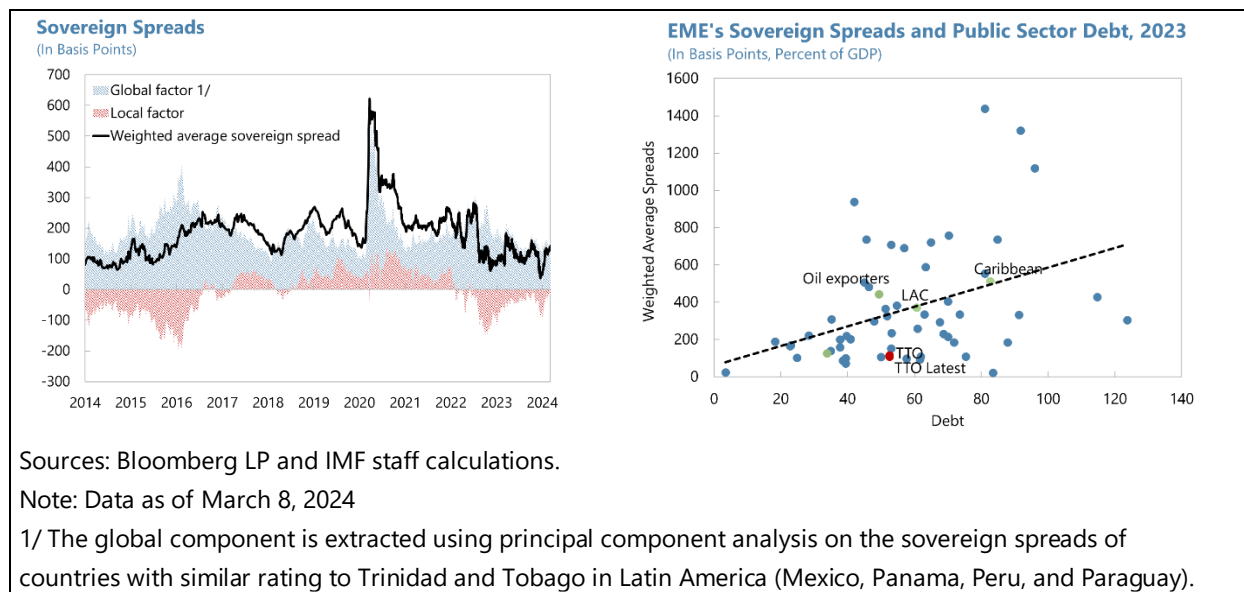


8. The current account (CA) balance remained in surplus but international reserves declined. The CA surplus is estimated at 9.1 percent of GDP in 2023 (down from 17.9 percent of GDP in 2022). This reflects a decline in exports, due to lower global energy prices and domestic energy production, which was partly offset by weaker imports due to lower global food and energy prices and transport costs. International reserves declined to US\$6.3 billion at end-December 2023, but coverage remains adequate—8.3 months of prospective imports and 114 percent of the *Assessing Reserve Adequacy* (ARA) metric. The country also has large financial buffers in the sovereign *Heritage and Stabilization Fund* (HSF)—estimated at US\$5.5 billion (19.2 percent of GDP) in assets at end-September 2023.³

³ About US\$160 million was withdrawn from the HSF in December 2023 for budget support.

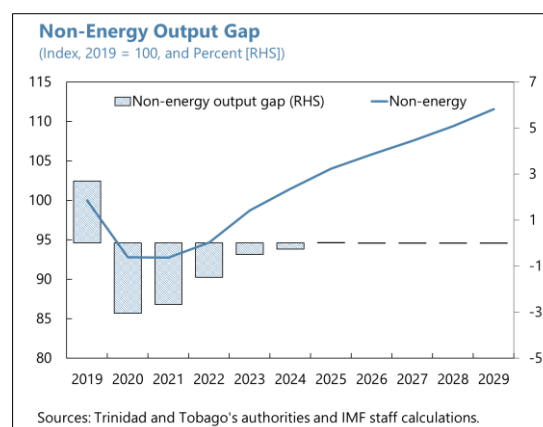


9. The market’s appraisal of the sovereign credit remains strong. Trinidad and Tobago has investment grade rating with Standard and Poor’s (BBB-) and Moody’s upgraded its outlook (Ba2) to positive last July. Market access conditions are better than the country’s peers. Last September, the government placed a US\$560 million long-term international bond at about 170 bps over the corresponding U.S. Treasury Bill. Moreover, sovereign spreads over U.S. Treasuries have remained below its emerging market peers, averaging 113 bps in 2023.



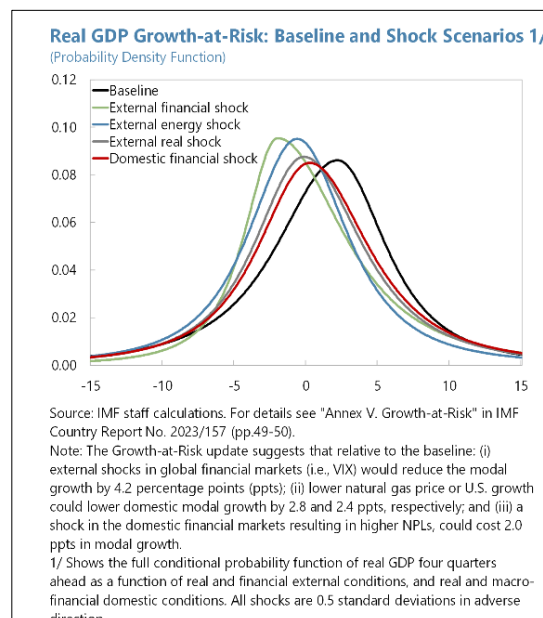
OUTLOOK AND RISKS

10. Economic growth is projected to gain momentum in 2024. Real GDP is expected to expand by 2.4 percent in 2024, supported by the non-energy sector and new energy projects coming onstream—helping offset the structural decline in energy production. In the near term, non-energy sector output will remain below its potential, reflecting the incomplete recovery of some sub-sectors after the pandemic (e.g., agriculture and trade and repairs). Over the medium term, several planned natural gas projects are expected to boost the energy sector, while supporting economic activity in the non-energy sector (Annex II). Inflation is projected to hover around two percent, in line with international prices. Nonetheless, the recent increase in the minimum wage, the new property tax, and the public sector wage negotiation settlement with some unions could add pressures on domestic prices.



11. Staff assesses the country's external position in 2023 as stronger than the level implied by fundamentals and desirable policies. The CA gap is estimated at 2.8 percent of GDP (Annex III). Over the medium term, the CA surplus is projected to stabilize at above 6 percent of GDP, supported by new energy projects. International reserve coverage is expected to remain adequate (6.6 months of prospective imports and 96 percent of the ARA metric in 2029).⁴

12. The balance of risks is tilted to the downside in the near term but to the upside in the medium term. In the near term, downside risks arise from a complex external environment due to commodity price volatility, which could put pressure on the fiscal position; an abrupt global slowdown; systemic global financial instability; monetary policy miscalibration in advanced economies resulting in higher-for-longer global interest rates; and geopolitical tensions. Potential disappointments in domestic oil and gas production caused by delays to new projects, or by disruptions to production from existing wells pose a further risk. The *Growth-at-Risk methodology* suggests that economic activity is vulnerable to external and energy shocks. In the medium term, upside risks stem from new natural gas projects (e.g., Dragon field) and the successful implementation of planned structural reforms which



⁴ The authorities will continue to hold their allocated Special Drawing Rights (SDRs) as international reserves.

could boost growth. Downside risks stem from a faster-than-expected global transition to net-zero emissions (Annex XIII).

Authorities' Views

13. The authorities broadly agreed with staff's assessment of the economic outlook and notably the fact that the balance of risks is tilted upwards for the medium term. They expected stronger growth, supported by the non-energy sector, and were more confident that the new energy projects would come onstream as planned. While acknowledging the uncertainty surrounding their mature energy sector, the volatility in global energy markets, and other regional geopolitical factors, the authorities highlighted the existence of promising oil and gas projects in the medium term.

POLICY DISCUSSIONS

A. Maintaining Fiscal Discipline While Strengthening the Fiscal Framework

14. The near-term fiscal stance is appropriate, given the negative output gap. Staff projects the fiscal deficit at 2.7 percent of GDP in FY2024, consistent with a slightly countercyclical and adequate fiscal stance. This reflects lower energy revenues due to declining prices and domestic production, increased capital spending, and a higher wage bill—due to the long-standing public wage settlement with some unions. The planned capital spending would help address the country's infrastructure needs and boost growth. The proclamation of the Procurement and Disposal of Public Property Act in April 2023 will enhance the legal and institutional framework for transparent and competitive public procurement. It will also help improve the efficiency and quality of public spending (¶17).

15. Over the medium term, the fiscal deficit is expected to gradually narrow and balance by FY2027. This is consistent with the expected improvements in energy revenue. Central government debt is projected to peak at 56.3 percent of GDP in FY2026 before gradually declining to 49.8 percent of GDP by FY2029. Public debt is expected to reach 68.1 percent of GDP in FY2029, remaining below the authorities' soft debt target of 75 percent of GDP throughout the period.

Central Government Accounts (In Percent of GDP)			
	Actual FY2023	Approved budget FY2024	IMF staff projections FY2024
Total Revenue and Grants	28.7	26.3	26.2
Energy Sector	15.1	12.9	12.9
Corporation tax	8.4	7.4	7.4
Non-energy	13.6	13.4	13.3
Tax Revenue	11.0	11.3	11.2
Non-tax Revenue	2.6	2.1	2.1
Total Expenditure	29.8	29.9	29.0
Current	27.6	27.7	27.2
Wages and salaries 1/	4.9	5.6	5.1
Goods and services	3.1	3.5	3.5
Interest payments	2.9	2.7	2.7
Transfers and subsidies	16.7	16.0	16.0
Capital expenditure and net lending	2.2	2.2	1.8
Capital spending	2.2	3.3	2.8
Net lending	0.0	-1.1	-1.1
Overall balance	-1.1	-3.6	-2.7
<i>Memorandum items:</i>			
Primary balance	1.8	-1.0	-0.1
Non-energy primary balance 2/	-18.9	---	-17.5
Central government debt	54.3	---	56.0
Public sector debt	70.9	---	73.4

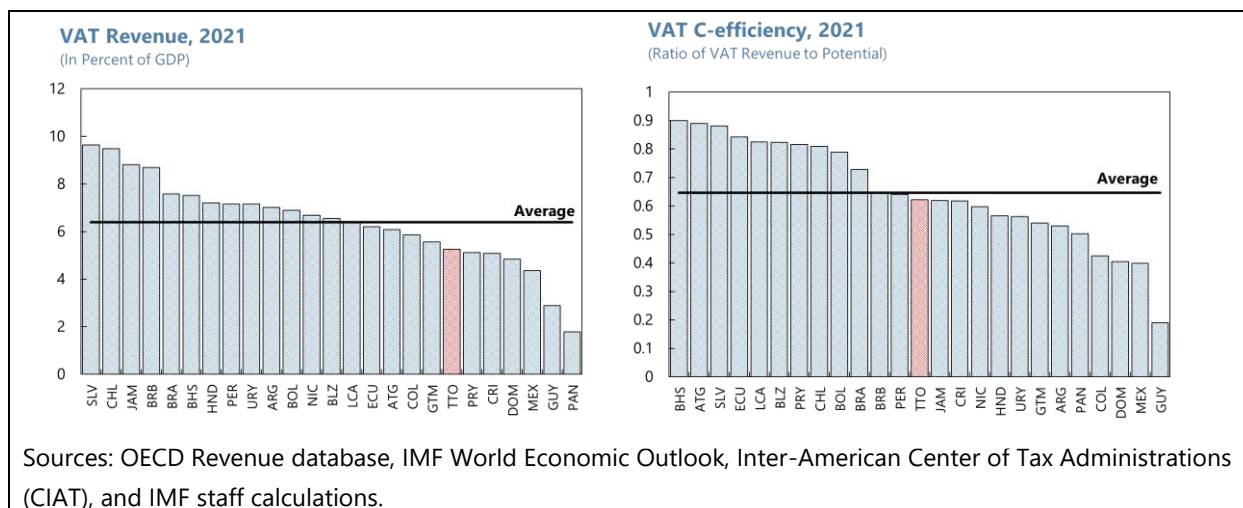
Sources: Trinidad and Tobago's authorities and IMF staff estimates.
 1/ Four unions have accepted the government's offer of a 4 percent wage increase for public servants covering 2014-19. This has resulted in fiscal cost of TT\$1 billion (0.5 percent of GDP) in back pay and further TT\$360 million (0.2 percent of GDP) in annual salaries. Additional costs would occur if an agreement is reached with the remaining public service and the state sector. These would add a total of TT\$4.75 bn (2.5 percent of GDP) in back pay and an additional cost of TT\$730 million in annual salaries (0.4 percent of GDP). In line with the 2014 GFSM, the cost of back pay (i.e., TT\$1 billion) is recorded under capital expenses.
 2/ In percent of non-energy sector GDP.

16. However, the medium-term fiscal position should be strengthened to rebuild buffers to respond to potential shocks. The *Sovereign Risk and Debt Sustainability Assessment (SRDSA)* shows that the debt level will stabilize in the medium term. However, vulnerabilities exist from global energy price volatility, contingent liabilities from state-owned enterprises (SOEs) and other public bodies, and natural disasters (Annex V). With risks looming in the near and medium term (T12), staff estimates that maintaining public debt well below 70 percent of GDP is important to ensure the country can withstand future shocks and safeguard the sustainability of public finances.

17. Building a sound, sustainable, and more resilient fiscal position would require further measures. There is scope to enhance revenue mobilization and cut non-priority expenditure to help maintain debt levels well below the soft debt target. The pace and composition of this adjustment should preserve the spending for the most vulnerable, support growth-friendly expenditure, and protect essential capital spending. Staff recommends:

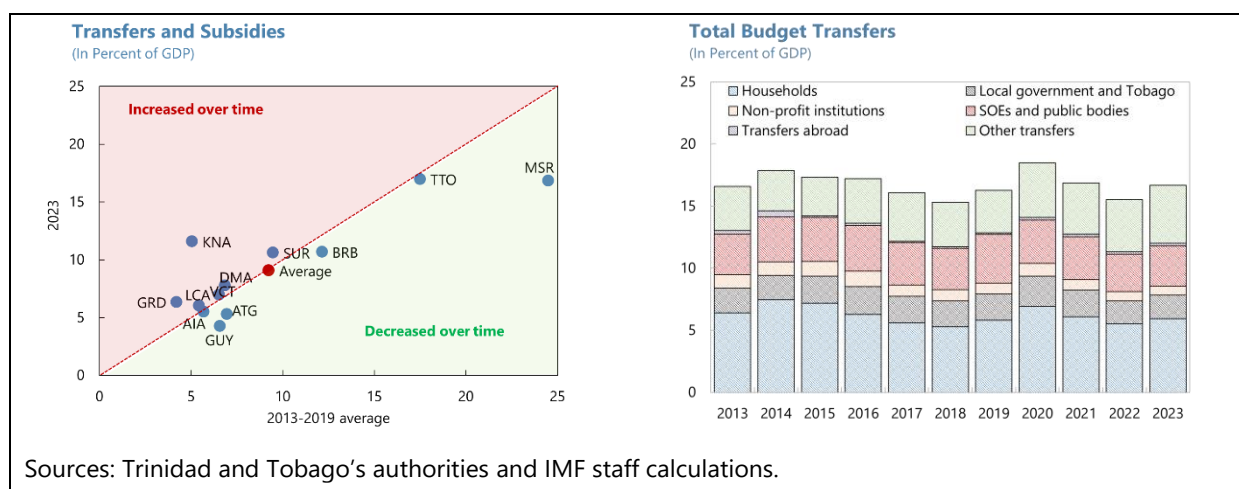
On the Revenue Side

- *Enhancing the energy sector’s fiscal regime.* Staff welcomes the authorities’ continued efforts to enhance the fiscal regime in recent years. However, further reforms to align it with the objectives of developing off-shore deep-water gas and marginal fields on-shore and in shallow-waters would help increase revenue by unlocking investment and production.
- *Mobilizing additional tax revenues.* Boosting non-energy revenues is essential, given the projected decline in energy revenues. This could be achieved by stepping up the efforts to operationalize the *Revenue Authority* and the *gambling tax*. In this regard, staff welcomes the rollout of the property tax. Also, a comprehensive *VAT reform* to eliminate extensive zero-ratings, exemptions, and selective tax incentives could yield substantial revenues. Addressing weaknesses in tax compliance and administration, in line with IMF technical assistance (TA) recommendations remains a priority—e.g., establishing a reliable taxpayer register; auditing the stock of VAT refunds (at about 3.4 percent of GDP as of end-January 2024); and improving filing, payments, and arrears management.



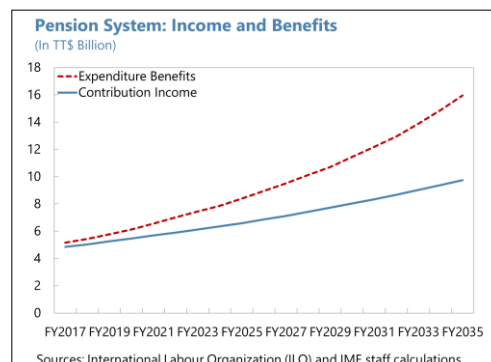
On the Expenditure Side

- *Phasing out remaining fuel, electricity, and water subsidies.* The planned electricity and water tariffs adjustment would relieve some fiscal pressures while promoting efficient energy and other utility usage. This would also support the country’s GHG emissions reduction targets. Staff encourages the authorities to finalize the adjustment of electricity and water and sewerage tariffs, while strengthening and better targeting the social safety net.
- *Speeding up the reforms of SOEs and other public bodies.* This will help strengthen the government fiscal position through an impact on revenue and spending—i.e., transforming the sector from a burden relying on budget transfers, to an asset generating revenues for the government. This will also reduce fiscal risks and enhance corporate governance.



- *Improving the efficiency and quality of public investment.* This could be achieved by developing a strong public investment management (PIM) framework to better prioritize and select projects required for supporting potential growth.

18. Advancing the pension system reform is crucial to ensure long-term sustainability. The National Insurance System (NIS) has been running a deficit since FY2013. With an aging population and generous benefits, the gap between benefits spending and contribution revenue, is expected to widen over the medium term, exhausting reserves assets by the mid-2030s (Annex V). Staff welcomes the authorities’ proposal to increase the retirement age by five years to 65 years. The authorities are encouraged to consider other measures to ensure the pension system’s sustainability, including increasing the contribution rate.⁵



⁵ See Annex X in the IMF Country Report No. 2023/157 (p. 73).

19. Global actions to tackle climate change and the energy transition create additional challenges for fiscal policy. The global transition to low-carbon economies is expected to reduce demand for fossil fuels. This will impact the viability of fossil fuel extraction and result in lower government revenues. It also exacerbates intertemporal policy trade-offs regarding resource wealth consumption and saving.

20. A sound fiscal framework would help strengthen fiscal management in a highly uncertain global environment. Staff welcomes the authorities' efforts to strengthen the budget process, formulate medium-term fiscal projections, and increase transparency. These efforts could be further complemented with:

- **Medium-term fiscal framework (MTFF).** Adopting a rules-based MTFF with clear objectives will enhance fiscal discipline and credibility by limiting fiscal policy procyclicality by de-linking expenditures from energy revenue fluctuations; improving the government's assessment of the short- and medium-term impact of new policies; and enhancing the early warning signals about fiscal sustainability and looming fiscal risks. To enhance transparency and credibility, the authorities could communicate how developments in central government debt remain consistent with the soft target on public debt. Moreover, it is important to broaden the fiscal data coverage of SOEs and other public bodies, which would also strengthen the assessment of the government's impact on the economy and any attendant risks.
- **Fiscal anchor.** Adopting a formal fiscal rule would strengthen the MTFF (Annex VI). Consideration could be given to a well-calibrated medium-term debt anchor with operational multiyear fiscal targets. This would support the accumulation of adequate financial buffers during periods of high energy prices and delink expenditure from energy revenue volatility, while ensuring the transfers of funds in and out of the HSF are integrated with the MTFF. To preserve flexibility, pre-determined escape clauses that suspend the fiscal rule for unexpected events (e.g., natural disasters and pandemics) could be incorporated, and an independent fiscal council established to monitor its implementation.

21. Staff encourages the authorities to develop a debt management strategy to preserve debt sustainability. This would help evaluate cost and risks of alternative financing options for the government; identify and manage key financial risk; and facilitate coordination between fiscal and monetary authorities. Staff underscores the importance of adopting a sovereign asset-liability management framework. This is crucial to monitor sovereign balance sheet exposures and guide financing decisions (e.g., debt composition).

Authorities' Views

22. The authorities reiterated their commitment to ensuring fiscal discipline and rebuilding buffers. They indicated that they are carefully managing their energy revenues in a highly uncertain global environment. Also, they are focusing on improving public spending efficiency and protecting capital spending while preserving support for the most vulnerable. They underscored that increased capital expenditure is needed to meet the country's infrastructure needs,

create jobs, and stimulate economic growth. The authorities highlighted their commitment to implementing reforms to preserve fiscal sustainability, including the rollout of the property and gambling taxes, and the operationalization of the Revenue Authority. Also, they plan to adjust their electricity and water tariffs.

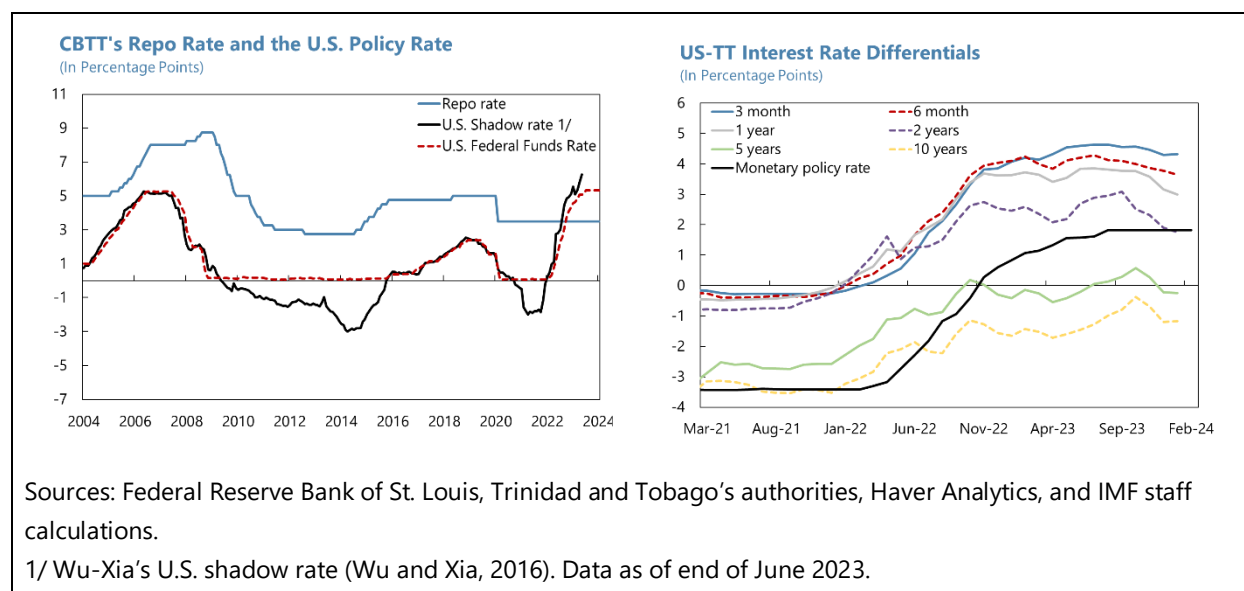
23. The authorities concurred on the importance of strengthening the fiscal framework.

They emphasized their efforts to strengthen the fiscal accounts, increase the transparency of fiscal reporting, and explore options to further develop their fiscal framework. They acknowledged that adopting a fiscal anchor could help maintain fiscal discipline. However, the authorities underscored that any fiscal rule should not place undue constraints on their ability to pursue growth-enhancing policies. They welcomed the recent engagement with the IMF TA on developing a fiscal rules framework for the country and looked forward to further support.

B. Maintaining Consistent Monetary and Exchange Rate Policies

24. The authorities are encouraged to maintain consistent policies to support the current exchange rate arrangement. Staff is cognizant of the authorities’ determination to maintain the current exchange rate system and encourages the authorities to maintain sound and consistent policies to support the current de facto pegged exchange rate arrangement.⁶

25. The CBTT should remain vigilant and stand ready to increase its policy rate. The CBTT has kept its repo policy rate fixed at 3.5 percent since March 2020 to support the economic recovery. Together with the U.S. monetary policy tightening, the US-TT interest rate differentials widened. While these differentials have narrowed more recently, they incentivize potential capital outflows. Although capital outflows currently remain contained, the CBTT is encouraged to remain vigilant and stand ready to increase its policy rate if this risk intensifies (¶17).



⁶ Trinidad and Tobago’s de jure exchange rate arrangement is floating but de facto it is a stabilized arrangement.

26. Addressing FX shortages remains a priority. Although the CBTT's additional FX intervention helped restore confidence and stabilize the FX market in 2023 (¶7), it does not address the underlying structural FX shortfall. Staff notes the authorities' initiative to provide FX to small- and medium-sized enterprises (SMEs) through a new facility at the Export-Import Bank of Trinidad and Tobago (EximBank). Moving towards a more efficient and market-clearing infrastructure for allocating FX would help create a more conducive business environment for the private sector to invest and diversify the economy. The removal of all restrictions on current international transactions and greater exchange rate flexibility over the medium term would help meet the demand for FX, reduce the need for fiscal policy adjustments to restore external balance, and create room for countercyclical monetary policy.⁷

Authorities' Views

27. The authorities reaffirmed their commitment to maintaining the current exchange rate regime. They reiterated that their current exchange regime has helped shield the economy from external volatility and contain inflation (0.7 percent at the end of 2023 and 0.3 percent in January 2024).

28. The CBTT emphasized that keeping its repo policy rate unchanged since March 2020 was appropriate. The CBTT officials stated that their accommodative stance has underpinned the expansion of credit and supported the economic recovery. Also, the sharp decline in inflation reduces the need to increase the policy rate. Furthermore, they noted that the US-TT interest rate differential has narrowed recently and may continue narrowing as the U.S. policy interest rate is likely to decline, thus reducing capital outflow risks. Nonetheless, they agreed on the need to monitor and analyze international and domestic developments and stand ready to manage domestic financial conditions should risks intensify.

29. The authorities expressed their continued efforts to address the FX shortfall. They indicated that the CBTT continues supporting the FX market and noted that the current EximBank facilities have effectively provided FX to productive sectors. Also, they stressed their intention to support underserved market segments through a new EximBank window for small and medium-sized enterprises. Moreover, they are exploring potential strategies to increase the repatriation of FX earned overseas by local and foreign businesses operating in the country.

C. Toward a Modern and Resilient Financial Sector

30. The authorities need to remain vigilant to potential vulnerabilities in the financial system. While the financial system appears sound and resilient, it faces potential vulnerabilities emanating from high sovereign exposures and from interconnectedness. The CBTT stress-tests show that banks would withstand shocks to the interest rate, exchange rate, credit, and liquidity. Also, that

⁷ Trinidad and Tobago previously maintained two multiple currency practices. In line with the revised MCP policy that became effective as of February 1, 2024, all MCPs maintained by members under the previous MCP policy are considered eliminated as of February 1, 2024 (see the Informational Annex for further details).

the insurance sector remains robust to adverse shocks, albeit with susceptibility to capital, asset quality, and sovereign risks. Banks are exposed to liquidity calls stemming from market and redemption risks in investment funds from the same group. Although systemic risks remain contained, closely monitoring financial sector risks is warranted, including those related to climate and cyber-security.

31. The authorities continue enhancing the financial regulatory and supervisory framework in line with the [2020 Financial Sector Assessment Program \(FSAP\)](#)

recommendations (Annex VII). The CBTT has strengthened banks' regulation and supervision with the implementation of Basel II/III standards. The *Internal Capital Adequacy Assessment Process* (ICAAP) submissions are ongoing, and the *leverage ratio*, the *domestic systemically important banks* (D-SIB) add-on, and the *capital conservation buffer* have been rolled out. The modernization of the insurance sector continues with the adoption of *International Financial Reporting Standards (IFRS) 17* and the implementation of the *2018 Insurance Act* and its 2020 amendment. The *market conduct guideline* will further promote an efficient and fair insurance market. Trinidad and Tobago Securities and Exchange Commission (TTSEC) is working toward strengthening the regulatory framework for investment funds. The new *Collective Investment Schemes (CIS) By-Laws* will enhance the oversight and allow issuing guidelines for the industry. Finally, the crisis management framework for financial institutions has been strengthened with a new *Recovery Plan Guideline*.

32. Staff reiterates the importance of further enhancing the financial system's resilience to mitigate systemic risk buildups. Staff recommends prioritizing (i) strengthening banks' regulation and supervision by finalizing the implementation of Basel II/III standards, including the liquidity coverage ratio; (ii) strengthening the resilience of the investment fund sector by ensuring the orderly transformation from constant to variable Net Asset Value (NAV) funds; (iii) enhancing the consolidated supervision of conglomerate groups to ensure the resilience of the interconnected financial sector; (iv) providing the CBTT with explicit macroprudential authority and tools to help contain potential vulnerabilities and encourage banks to limit sovereign and foreign currency exposures; and (v) strengthening supervisory resources and independence in line with international best practices.

33. The authorities' steady but cautious approach to Fintech is welcome. So far, Fintech developments mainly relate to e-money and payment services providers (Annex VIII). Staff welcomes the authorities' efforts to strengthen the regulatory and supervisory guidance of e-money issuers (EMIs), promote e-money and foster financial inclusion, and raise awareness and strengthen cybersecurity practices. The CBTT has adopted an entity-based regulation approach to ring fence e-money businesses from a licensee and finalized an internal exit policy for the orderly wind-down of weak EMIs. Also, they have revised transaction limits and wallet sizes to promote e-money and foster financial inclusion. Staff encourages to finalize the *Payments System Services Bill*. Finally, the CBTT has been proactive in raising awareness and strengthening cybersecurity practices. It has strengthened its internal information technology security operations and disaster recovery tests, while issuing *cybersecurity guidelines* for financial institutions.

34. Staff commends the authorities for the progress made in strengthening financial integrity and the international tax transparency frameworks (Annex IX). The authorities are encouraged to continue advancing legislative, administrative, and operational actions to strengthen their domestic tax administration in line with international standards of tax transparency, good global governance, and anti-money laundering and combating the financing of terrorism (AML/CFT) standards. Efforts should continue focusing on enhancing the *Exchange of Information on Request (EOIR)*, *Automatic Exchange of Information (AEOI)*, *Inclusive Framework on Base Erosion and Profit Shifting (BEPS)*, *Country-by-Country Reporting (CbCR)*, and the *beneficial ownership (BO)* information framework. These actions will help comply with the European Union (EU) governance and the Organization for Economic Co-operation and Development (OECD) Global Forum requirements and prepare the country for the 2026 Caribbean Financial Action Task Force (CFATF) mutual evaluation.

Authorities' Views

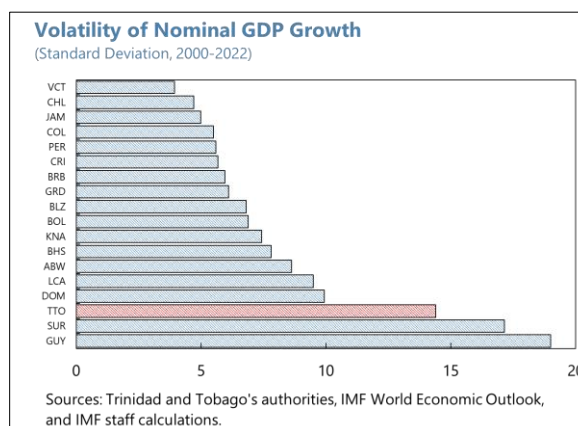
35. The authorities are committed to strengthening the financial system's supervision and regulation. They concurred that the financial sector is sound and resilient. They highlighted their progress in strengthening supervision and regulation of banks, insurance, and mutual funds. Also, they emphasized their work on enhancing supervision and regulation of EMLs, improving cybersecurity awareness and practices, and modernizing the payments system legislation. They expressed appreciation for the continued IMF TA support. They agreed on the need to continue monitoring potential risks and noted progress towards assessing potential impacts of climate risks on the financial sector.

36. The authorities underscored the considerable progress made to comply with international standards on tax transparency and integrity. In collaboration with international bodies, they updated their legislative framework, and have been implementing a comprehensive action plan. They expressed readiness for the EOIR peer-review scheduled for 2024Q2. They already have requested to join the Convention on Mutual Administrative Assistance in Tax Matters (MAAC) and expect a peer review of the AEOI in 2025. Moreover, they indicated significant improvements towards implementing the BEPS framework, including adopted legislation to address BEPS Action Item 13 – CbCR, and also made significant steps towards proclaiming the Special Economic Zones (SEZ) and abolishing the preferential tax regime (Free Zones). They are optimistic that the continued implementation of the action plan will ensure the country's compliance with the international standards and best practices, placing them in a favorable position to exit the EU list of the non-cooperative tax jurisdictions.

D. Advancing Structural Reforms to Address Long-Term Challenges

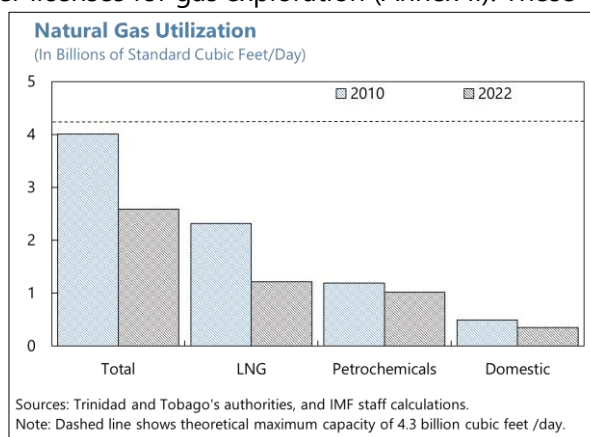
37. Trinidad and Tobago needs all its engines to boost growth and secure a more diversified, green, resilient, and inclusive economy.

The energy sector will remain a key contributor to growth in the near and medium term. However, it is critical to continue vertical and horizontal diversification efforts to help shield the economy from the volatility of global energy markets and the risks of the green energy transition. It will be important to strike a balance between leveraging the maturing energy sector, and providing conditions to promote the non-energy sector.



38. The authorities' efforts to foster the competitiveness of the energy sector and boost future natural gas production will help support growth and provide financial resources needed to transition to a low-carbon economy.

Noteworthy are the restructuring of the country's main liquified natural gas (LNG) facility, reaching agreements with key stakeholders to produce and export natural gas, and awarding new deepwater licenses for gas exploration (Annex II). These developments will boost natural gas production and LNG exports, improve the pricing and revenue received by the country, and enhance the efficiency of the LNG trains and other petrochemical plants, lowering their emissions-intensity of production.⁸ Also, they will help catalyze additional energy investment and strengthen the country's external and fiscal positions. Reducing domestic consumption of natural gas used for electricity generation by increasing renewable electricity would help maintain supplies for LNG and petrochemicals. In the medium term, taking advantage of growing global demand for green hydrogen will help rebalance the country's energy matrix (Annex X).⁹



39. The authorities are advancing initiatives to promote economic diversification in line with the Vision 2030.

⁸ Stakeholders indicated that reducing petrochemical production from full capacity to a minimum operational threshold can increase emissions per unit of product by over 10 percent.

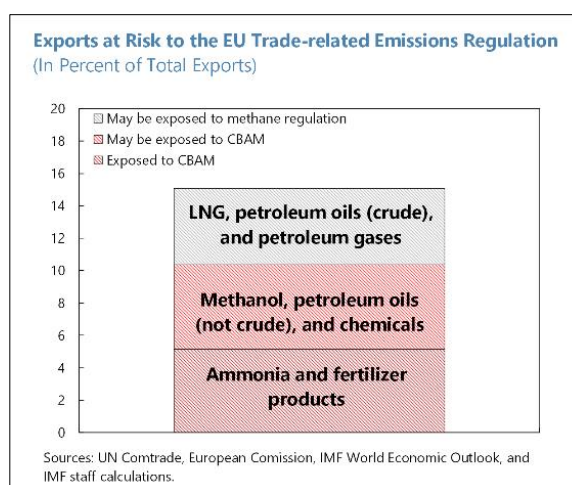
⁹ See Annex XIV, IMF Country Report No. 2023/157 (p. 87).

training and apprenticeship programs), and further trade integration (e.g., preferential agreements)—Annexes XI and XII. The authorities are also leveraging the digital economy to improve efficiency and inclusion. For instance, by enhancing the delivery, quality, and efficiency of government services; facilitating the ease of doing business; improving the access and connectivity to the digital economy (e.g., e-business and e-commerce); and promoting the collaborative development of open-source programs and applications of interest to the Government (e.g., Developers Hub)—Annex VIII.

40. Structural reforms geared toward removing obstacles to foster private sector participation remain a priority. The focus should be placed on enhancing the business environment, tackling insecurity, and strengthening the efficiency of trade logistics (e.g., customs and transport infrastructure). This would improve the country's competitiveness on export markets and secure reliable and affordable imports of goods. Clearing the remaining VAT refund arrears would enhance firms' liquidity positions. Finally, building resilience to climate change and natural disasters (e.g., climate-resilient infrastructure) would help sustainable growth.

41. The authorities continue to advance their climate and energy transition agenda. Although Trinidad and Tobago's contribution to global absolute GHG emissions is negligible (0.075 percent), the country's emissions intensity is high (1.6 kg CO₂-equivalent per US\$ in 2021) due to its large energy sector (Annex XIII). The authorities' ongoing efforts to reduce GHG emissions continue through efficiency programs (e.g., the Green Manufacturing Initiative), solar energy (e.g., the 92 MW BPTT and Shell solar plant), assessing the potential for carbon capture utilization and storage, and plans to become a regional leader on green hydrogen. Moreover, Trinidad and Tobago has joined the *Global Methane Pledge* aiming to reduce methane emissions. These steps will help achieve the country's target of a 15 percent reduction in emissions relative to a business-as-usual baseline by 2030. The authorities are encouraged to adopt appropriate regulatory and administrative frameworks for overseeing and monitoring the implementation of the decarbonization strategy.

42. The authorities are encouraged to further advance the country's decarbonization and transition agenda (Annex XIII). About 10 percent of Trinidad and Tobago's total exports are at risk due to the recently announced EU's Carbon Border Adjustment Mechanism (CBAM). The CBAM entails a charge on EU importers of certain products for the carbon emissions embedded in their imports starting in 2026. To address the impact of CBAM on Trinidad and Tobago, it is important to increase the efficiency and reduce the carbon intensity of the country's most exposed industries (e.g., ammonia and fertilizers). The authorities could re-evaluate their strategy for managing transitional risks including the emissions



pathway in the next submission of the *Nationally Determined Contribution* (NDC) to the *United Nations Framework Convention on Climate Change*; and a carbon pricing policy.

Authorities' Views

43. The authorities are committed to implementing reforms to diversify the economy.

They emphasized actions on multiple fronts to support the non-energy sector, including by improving the business environment, advancing new trade agreements, and adopting green manufacturing practices. They also highlighted their efforts to promote a more efficient and inclusive economy by embracing the digital economy.

44. The authorities reiterated their commitment to addressing climate risks and managing the green energy transition.

They stressed that the country's GHG emissions have declined over the past 15 years, in contrast to global trends, and reaffirmed their commitment to meeting the NDC targets. The authorities highlighted their progress in expanding renewable energy and implementing the roadmap to a green hydrogen-based economy. They concurred on border carbon adjustment (BCA)-related risks. But they stated that the use of BCAs should consider the unique circumstances and capabilities of small commodity-based economies. The authorities expressed interest in exploring a carbon pricing mechanism.

E. Enhancing Statistics Adequacy

45. The authorities' sustained efforts to improve the quality, timeliness, and the coverage of macroeconomic statistics are welcome.¹⁰

While data coverage is broadly adequate for surveillance, efforts are needed to enhance coverage and granularity of fiscal, debt, and external statistics (Annex XIV). Transforming the *Central Statistical Office* (CSO) into an independent *National Statistical Institute* (NSI) would help strengthen the country's institutional capacity. Additional efforts should be taken to address the large errors and omissions in the balance of payments. Macro-financial data gaps also need to be addressed following the 2020 FSAP recommendations (e.g., real estate price index). The authorities are encouraged to collect and disseminate comprehensive climate- and GHG emissions-related data, including at the industry level.

Authorities' Views

46. The authorities continued their efforts to produce high-quality macroeconomic statistics.

They agreed that greater comprehensive and high-quality macroeconomic data are necessary to foster decision-making. They noted that the work on the joint *Household Budget Survey and Survey of Living Conditions* would conclude by mid-2024 and that the NSI legislation is under revision. The authorities agreed on the need to enhance the quality of emissions data and highlighted ongoing work to address the errors and omissions in the balance of payments.

¹⁰ The CSO recently revised annual (2012-21) and quarterly (2012Q1-2023Q1) nominal and real GDP, with limited impact on macroeconomic ratios (Annex XIV).

STAFF APPRAISAL

47. Trinidad and Tobago's economy continues to recover. In 2023, real GDP is estimated to have expanded, inflation declined sharply, and the external position was assessed stronger than the level implied by fundamentals and desirable policies. The economy is expected to continue growing and inflation to remain low in 2024. The balance of risks is tilted to the downside in the near term but to the upside in the medium term.

48. The FY2024 budget envelope is appropriate to support the economic recovery and address infrastructure needs. Staff recognizes that the proclamation of the Procurement Act will enhance the legal and institutional framework for transparent and competitive public procurement. It will also improve the efficiency and quality of public spending.

49. Strengthening the medium-term fiscal position would help rebuild buffers to respond to potential shocks. There is scope to mobilize revenues by adjusting the energy sector's fiscal regime, boosting non-energy revenue, and strengthening tax compliance and administration. It is advised to continue gradually phasing out subsidies while protecting the most vulnerable, streamlining transfers to SOEs, and improving the efficiency and quality of public spending. These measures would help strengthen the fiscal position and maintain public debt well below the authorities' soft debt target.

50. Addressing potential fiscal risks stemming from the pension system and the global energy transition would ensure long-term sustainability. Staff welcomes the authorities' proposal to increase the retirement age to 65 years and encourages to increase the contribution rate to ensure the system's sustainability. To avoid disruptive policy adjustments due to energy transition risks, it is important to design a sustainable long-term fiscal strategy.

51. Developing a sound rules-based fiscal framework would help strengthen fiscal management. This would strengthen policy formulation, help avoid procyclical spending, and mitigate fiscal risks. To enhance transparency and credibility, the authorities could clearly communicate how developments in central government debt remain consistent with the soft target on public debt. A sound debt management strategy would help mitigate macro-financial risks.

52. Staff encourages the authorities to maintain sound and consistent policies to support the exchange rate arrangement. The US-TT interest rate differentials have widened and while they have recently narrowed, they incentivize potential capital outflows. Although this risk remains contained, the CBTT is encouraged to remain vigilant and stand ready to increase its policy rate if this risk intensifies.

53. Addressing FX shortages remains a priority. A more efficient and market-clearing infrastructure for allocating FX would help create a more conducive business environment for the private sector to invest and diversify the economy. The removal of all restrictions on current international transactions and greater exchange rate flexibility over the medium term would help

meet the demand for FX, reduce the need for fiscal policy adjustments to restore external balance, and create room for more countercyclical monetary policy.

54. The authorities need to remain vigilant to potential vulnerabilities in the financial system. While the financial system appears sound and resilient, it faces potential vulnerabilities emanating from high sovereign exposures and from interconnectedness. Closely monitoring financial sector risks is warranted, including those related to climate and cyber-security.

55. Staff welcomes the authorities' progress toward enhancing the financial system's resilience in line with the 2020 FSAP recommendations. The authorities are encouraged to finalize the implementation of Basel II/III standards; ensure the orderly transformation of the investment fund sector from constant to variable net asset value; enhance the consolidated supervision of conglomerate groups; provide the CBTT with explicit macroprudential authority and tools; and strengthen supervisory resource and independence in line with international best practices.

56. The authorities' steady but cautious approach to Fintech is welcome. Staff recognizes the progress in leveraging new technologies to improve the delivery of financial services, boost financial inclusion, and modernize the payment system. Staff also welcomes the authorities' efforts to strengthen the regulatory and supervisory guidance of e-money issuers, promote e-money, raise awareness and strengthen cybersecurity practices.

57. Staff commends the authorities' progress made in strengthening the financial integrity and international tax transparency frameworks. The authorities are encouraged to continue strengthening their domestic tax administration and AML/CFT framework in line with international best practices. These actions will help comply with the EU governance and the OECD Global Forum requirements and prepare the country for the 2026 CFATF mutual evaluation.

58. Trinidad and Tobago needs all its engines to boost growth and secure a more diversified, green, sustained, and inclusive economy. The authorities' efforts to foster the competitiveness of the energy sector and boost future natural gas production will help support economic growth and provide the financial resources needed for the transition to a low-carbon economy. However, it is important to strike a balance between leveraging the country's maturing energy sector and actively providing conditions to promote the non-energy sector to shield the economy from global energy market volatility and green energy transition risks.

59. Advancing structural reforms is key to fostering private sector participation and promoting economic diversification. Staff welcomes the authorities' commitment to diversifying the economy, attracting investment, promoting employment, and increasing trade integration. The authorities are encouraged to further enhance the business environment, tackle insecurity, and strengthen the efficiency of trade logistics.

60. Staff welcomes the authorities' continued effort to advance their climate and energy transition agenda. This will help achieve the country's NDC target of a 15 percent reduction in GHG

emissions by 2030 and increase the use of renewable energy. The authorities are encouraged to continue accelerating the country's low-carbon transition agenda, including to promote the development of the green-energy sector and address risks raised by BCAs.

61. The authorities' sustained efforts to improve the quality, timeliness, and the coverage of macroeconomic statistics are welcome. Transforming the CSO into an independent NSI would help strengthen the country's institutional capacity. Staff encourages the authorities to make additional efforts to address the large errors and omissions in the balance of payments and collect and disseminate comprehensive climate- and GHG emissions-related data.

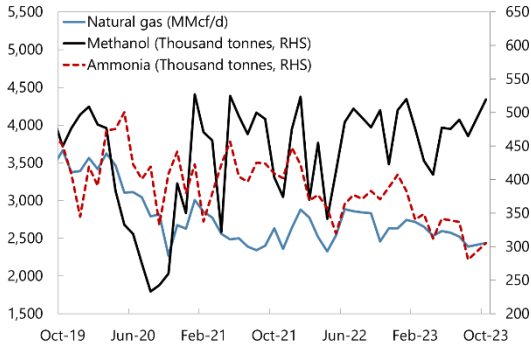
62. Staff proposes the next Article IV consultation remains on a 12-month cycle.

Figure 1. Trinidad and Tobago: Real Sector Developments

Domestic production constraints continue to weigh on energy activity...

Energy Indicators

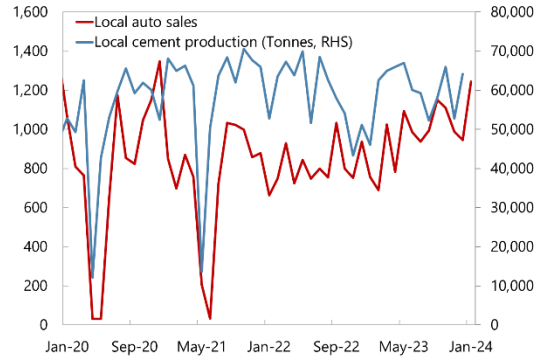
(In Mmcf/d, Thousand Tonnes)



...while the non-energy sector remains dynamic.

Non-Energy Indicators

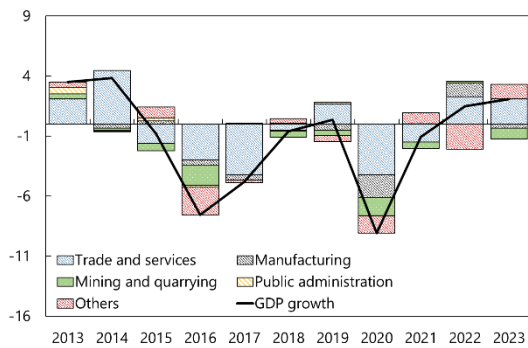
(Unit, Tonnes)



For the first time in a decade economic growth is sustained.

Real Growth: Sectoral Contributions

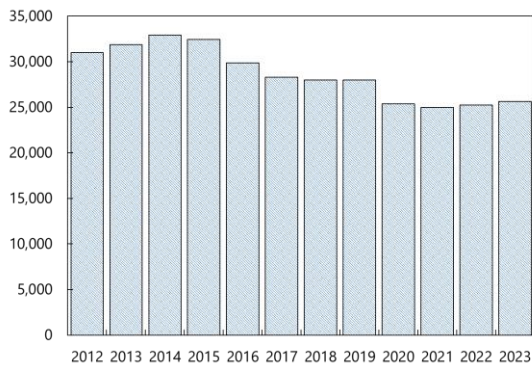
(In Percentage Points)



The recovery continues to improve living standards, gradually displaying gains on GDP per capita.

Real GDP per Capita

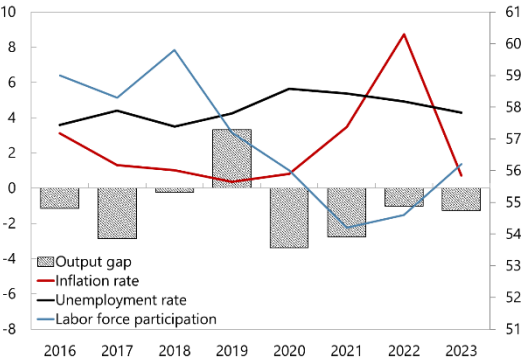
(Purchasing Power Parity, 2017 International Dollars)



The output gap persists as the energy sector struggles, although the labor market has strengthened.

Cyclical Position

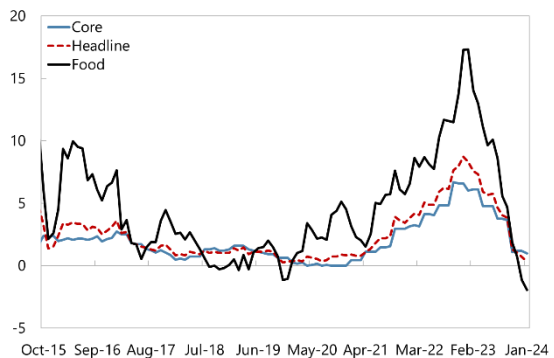
(In Percent)



Headline and core inflation have decelerated significantly.

Inflation: Headline, Core, and Food Prices

(In Percent, YoY)



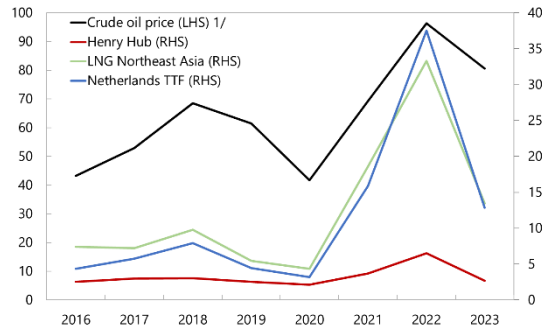
Sources: Trinidad and Tobago's authorities and IMF staff calculations.

Figure 2. Trinidad and Tobago: Energy Sector Developments

Natural gas and crude oil prices fell sharply in 2023 after spiking in 2022, but remain above pre-pandemic levels.

Oil and Gas Prices

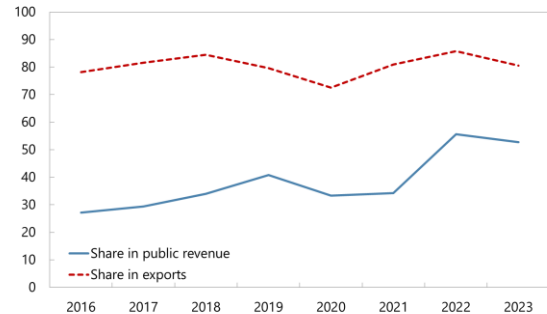
(US\$ per Barrel [LHS], and US\$ per MMBtu [RHS])



Lower energy prices resulted in somewhat weaker export and fiscal revenue.

Role of Energy in Fiscal Revenues and Exports

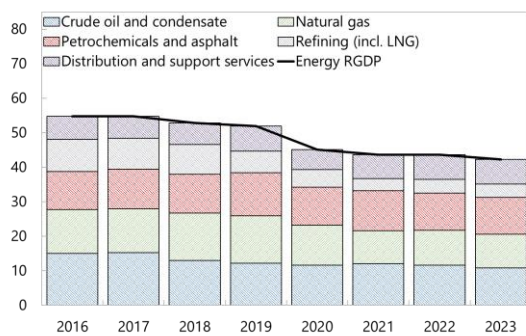
(In Percent)



The energy sector dragged on growth in 2023, with small declines in most subsectors.

Contributions of Energy Sector to Real GDP

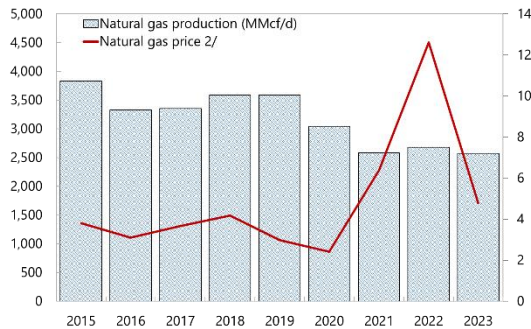
(In TT\$ Billions)



Natural gas production eased alongside a sharp decline in global prices...

Production and Prices of Natural Gas

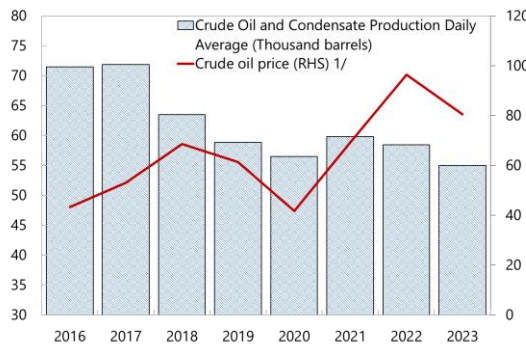
(In Mmcf/d and US\$ per MMBtu)



...crude oil production also declined, as did oil prices...

Production and Prices of Crude Oil and Condensate

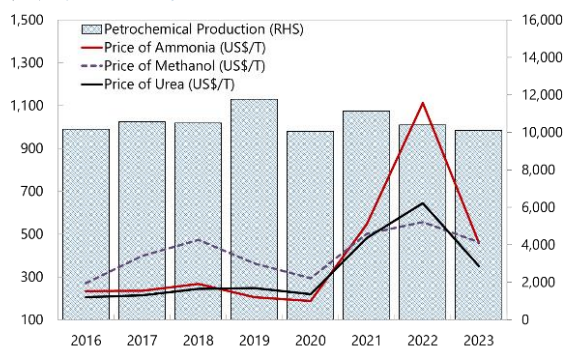
(In Thousand Barrels, US\$ per Barrel)



...with petrochemicals also seeing a modest fall in production and a drop in prices.

Production and Prices of Petrochemicals

(US\$/ton, In Constant TT\$)



Sources: Trinidad and Tobago's authorities and IMF staff calculations.

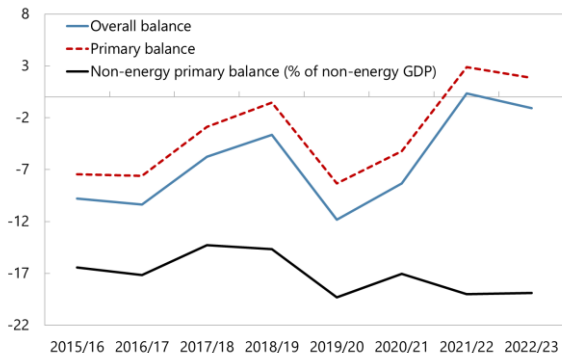
1/ WEO simple average of three spot prices: Dated Brent, West Texas Intermediate, and Dubai Fateh.

2/ Weighted average of Netherlands TTF, LNG Northeast Asia, and Henry Hub.

Figure 3. Trinidad and Tobago: Fiscal Sector Developments

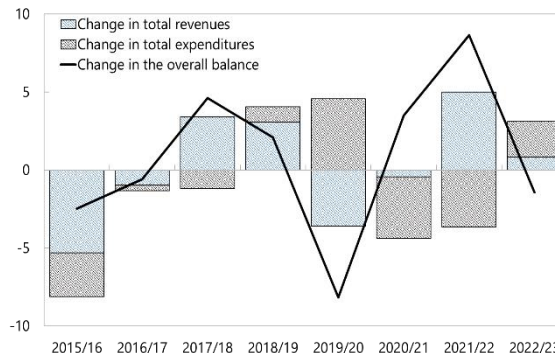
The fiscal position turned into a deficit following a small surplus...

Fiscal Stance
(In Percent of GDP)



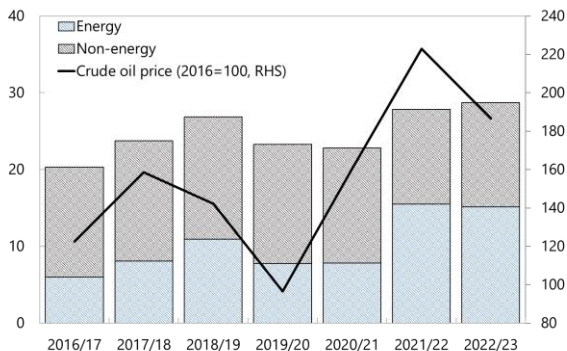
...as revenues declined and spending increased.

Contribution to Change in the Fiscal Balance
(In Percent of GDP)



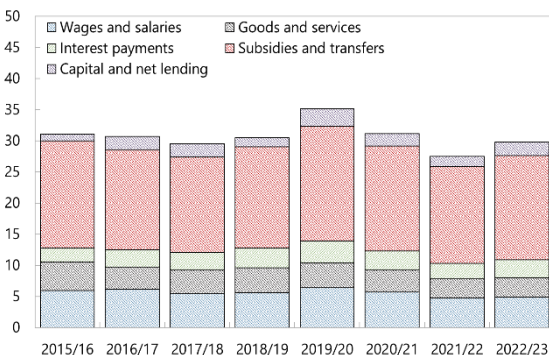
The decline in energy prices has dented energy revenue ...

Total Revenues
(In Percent of GDP)



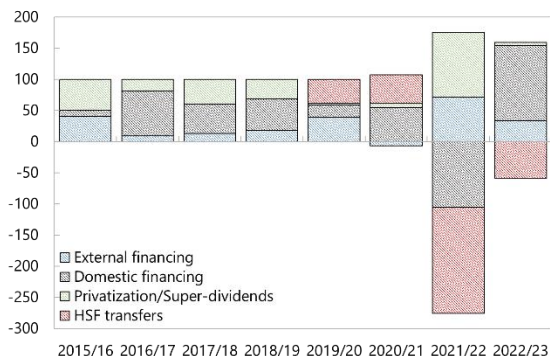
...and there has been an increase in transfers and subsidies.

Total Expenditures
(In Percent of GDP)



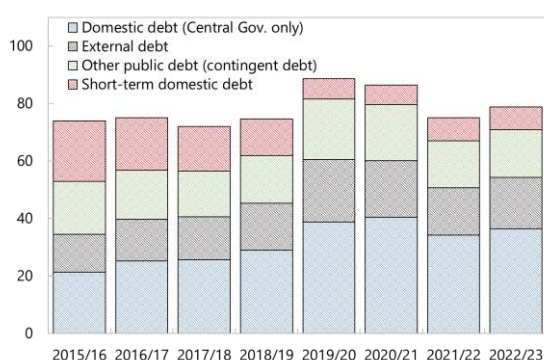
Gross financing needs have been largely met from domestic sources...

Sources of Financing
(In Shares of Total)



...and public debt has increased.

Public Sector Debt
(In Percent of GDP)

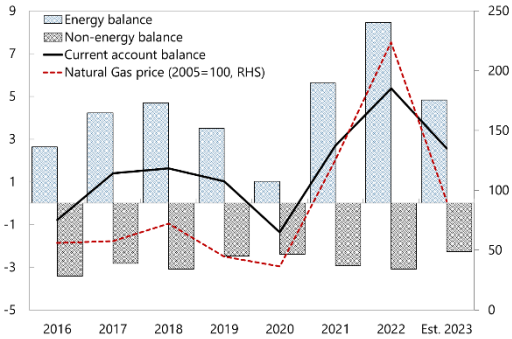


Sources: Trinidad and Tobago's authorities and IMF staff calculations.

Figure 4. Trinidad and Tobago: External Sector Developments

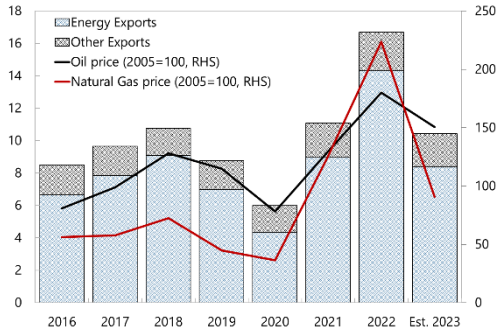
The current account surplus diminished in 2023 as energy prices declined.

Current Account
(In US\$ Billion, Index)



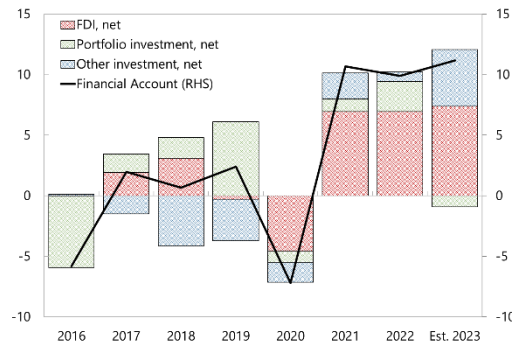
Energy exports fell significantly, and non-energy exports also weakened.

Exports of Goods
(In US\$ Billion, Index)



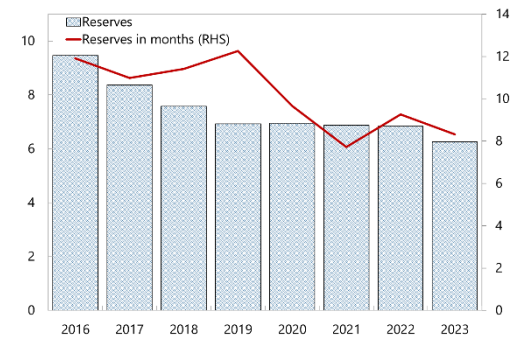
The financial account continues to see outflows, largely due to direct investment...

Contribution to the Financial Account
(In percent of GDP)



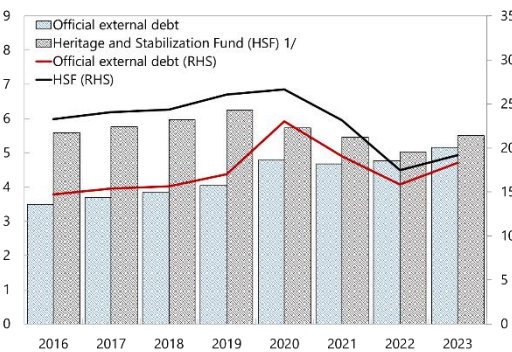
...contributing to a decline in international reserves, although their coverage remains adequate.

Gross International Reserves
(In US\$ Billion, Months of Imports of Goods and Services)



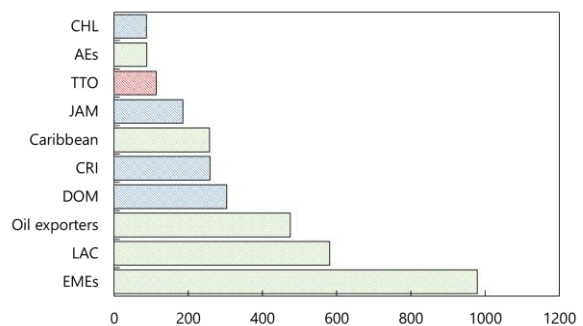
The value of the Heritage and Stabilization Fund recovered from the losses in 2022 and increased in 2023.

Official External Debt
(In US\$ Billion, In Percent of GDP)



Sovereign spreads have declined and are among the lowest in the region, reflecting favorable fundamentals.

Sovereign Spreads, 2023
(In Basis Points)



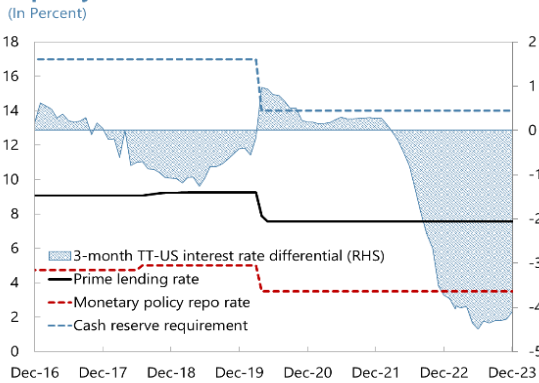
Sources: Bloomberg LP, Trinidad and Tobago's authorities, and IMF staff calculations.

1/ Data on the Heritage and Stabilization Fund refers to a fiscal year (e.g., 2023 refers to FY2023, which corresponds to October 2022–September 2023).

Figure 5. Trinidad and Tobago: Monetary and Banking Sector Developments

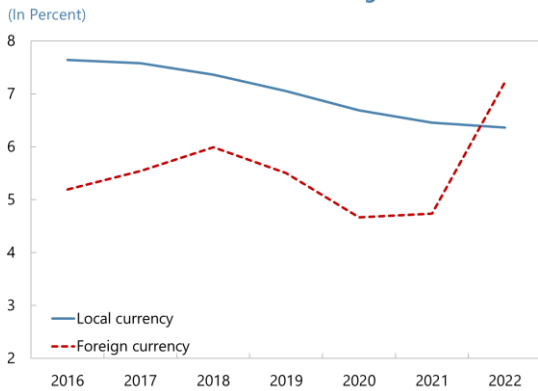
The CBTT continues to support the recovery by maintaining easy domestic financing conditions.

Liquidity and Interest Rates



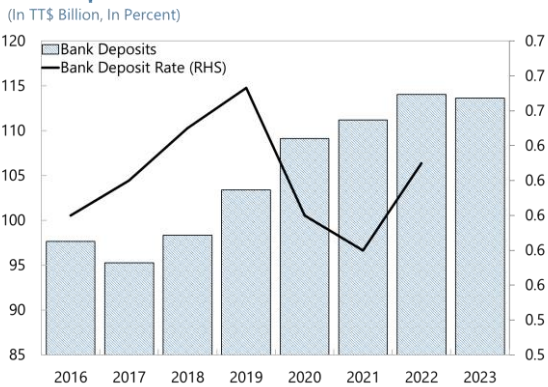
...narrowing local currency interest rate spreads...

Commercial Banks: Interest Rate Margins



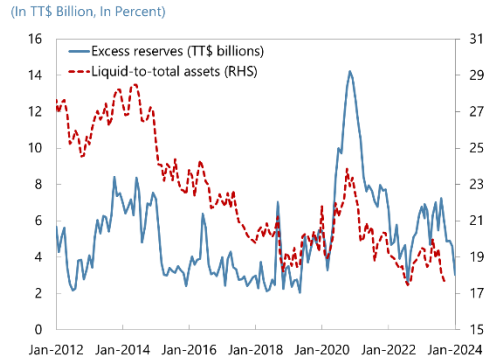
However, bank deposits declined marginally, reducing funding.

Bank Deposits



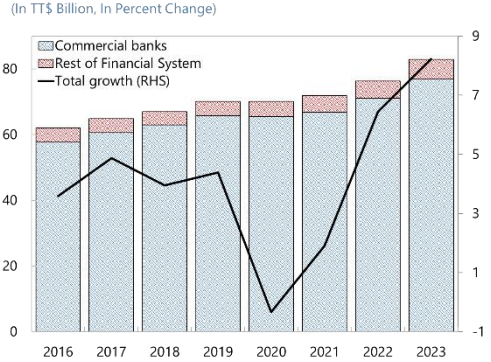
The banking system's excess reserves and liquidity ratios have declined but remain ample ...

Excess Reserves



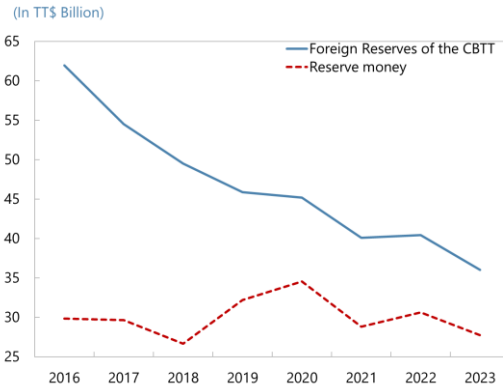
...and helping support private sector credit growth.

Credit to Private Sector: Composition



The central bank's reserve money has declined.

Central Bank Balance Sheet

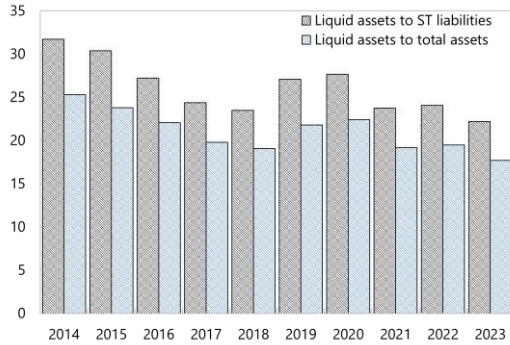


Sources: Trinidad and Tobago's authorities and IMF staff calculations.

Figure 6. Trinidad and Tobago: Financial Soundness Indicators

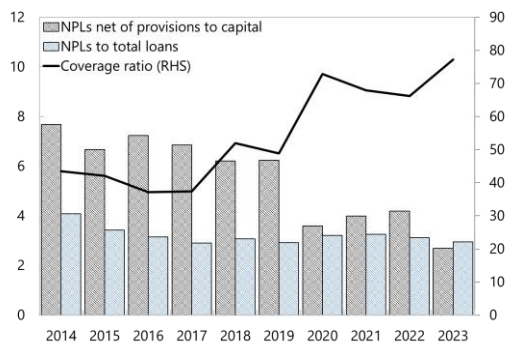
Banks remain highly liquid...

Liquid Assets Indicators 1/
(In Percent)



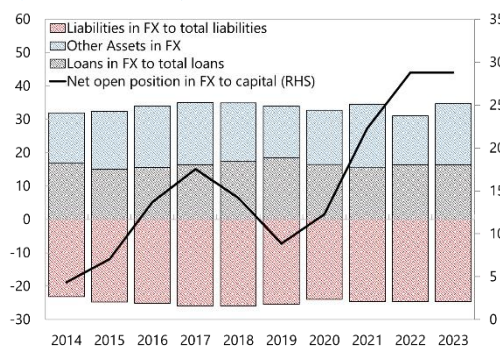
Banks' asset quality remains stable.

Non-performing Loans (NPLs) 1/
(In Percent)



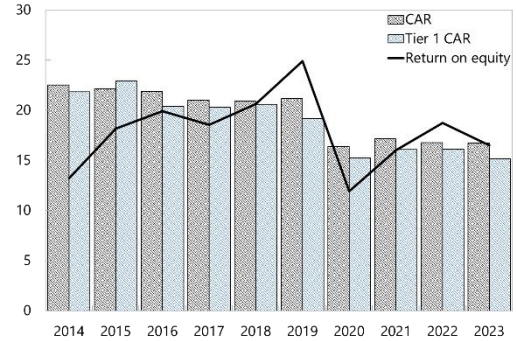
Banks' net FX position remained high.

Banks Exposure to FX 2/
(In Percent of Total Assets)



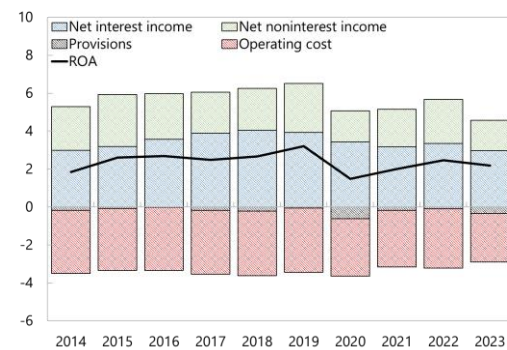
...and solvent, with capital buffers well above the regulatory requirements.

Capital Adequacy Ratios 1/
(In Percent)



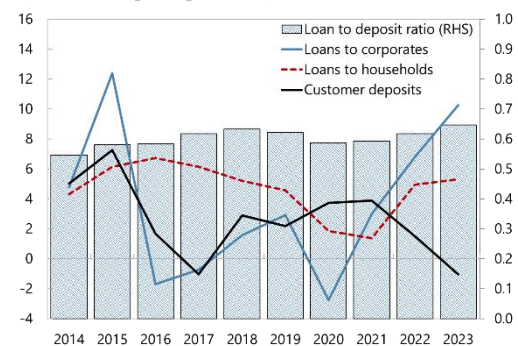
Banks remain profitable compensating lower income with savings on operational costs.

Decomposition of Income 2/
(In Percent of Assets)



Funding ratios declined amid a strong credit recovery.

Loans and Deposits Growth 1/
(Annual Percentage Change, In Percent)



Sources: Trinidad and Tobago's authorities and IMF staff calculations.

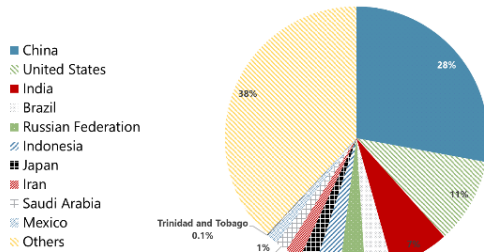
1/ IMF's Financial Soundness Indicators, as of September 2023 which is based on the CBTT's statistics.

2/ 2023 corresponds to 2023Q3 from IMF's Financial Soundness Indicators.

Figure 7. Trinidad and Tobago: Greenhouse Gas (GHG) Emissions and Emissions Intensity

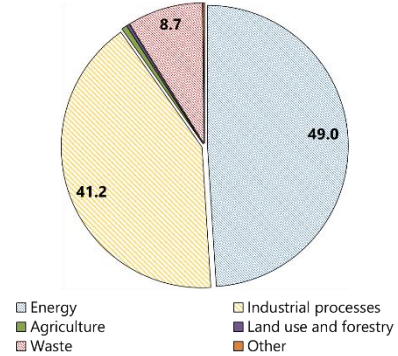
Trinidad and Tobago's contribution to global GHG emissions is negligible.

Share in Global GHG Emissions, 2021
(In Percent of Global GHG Emissions)



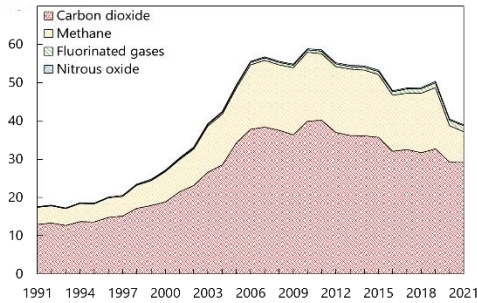
The country's GHG emissions mainly originate in the energy sector.

Emissions by Sector, 2021
(In Percent of Total)



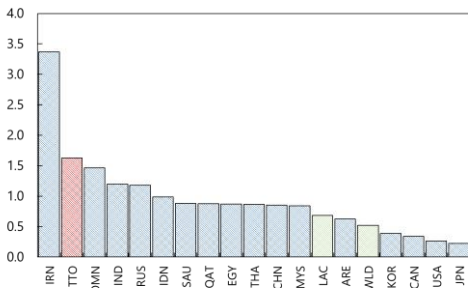
The country's GHG emissions have declined by a third since 2010.

Historical Emissions by Type
(In Metric Tons of CO₂-equivalent)



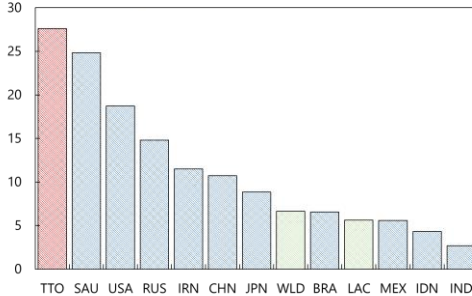
...and with a high emission intensity of GDP, the exposure to transitional risks is high.

Emissions Intensity of Petrochemical Exporters, 2021
(Kg of CO₂-equivalent per US\$)



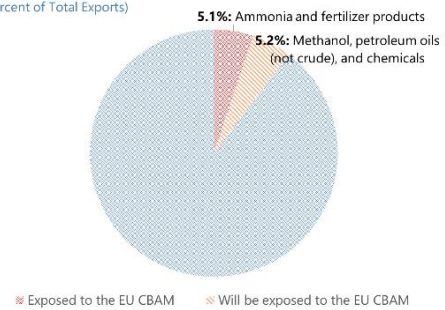
However, given its small population emissions per capita remain high...

Emissions Per Capita, 2021
(In Metric Tons of CO₂-equivalent/Total Population)



Over 10 percent of the country's total exports are exposed to the EU's Carbon Border Adjustment Mechanism (CBAM).

Exports Exposed to the EU CBAM
(In Percent of Total Exports)



Sources: IMF Climate Change Indicators Dashboard, IMF World Economic Outlook, and IMF staff calculations.

Table 1. Trinidad and Tobago: Selected Economic Indicators

GDP per capita (US\$, 2022)	19,692					Adult literacy rate (2010)						99
Population (millions, 2022)	1.53					Unemployment rate (2023Q3)						3.2
Life expectancy at birth (years, 2021)	73.0					Human Development Index (2021, of 191 economies)						57
Under-5 mortality rate (per thousand, 2021)	16.3											
						Est	Projections					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	(Annual percentage change, unless otherwise indicated)											
National income and prices												
Real GDP	-0.6	0.4	-9.1	-1.0	1.5	2.1	2.4	2.3	0.9	2.2	2.9	2.8
Energy	-3.5	-1.6	-13.1	-3.2	0.0	-3.1	1.1	1.8	-1.5	3.9	6.0	5.0
Non-energy 1/	0.8	1.3	-7.2	-0.1	2.1	4.2	2.8	2.5	1.8	1.6	1.8	2.0
GDP deflator	2.7	-3.8	-3.8	19.1	20.8	-8.3	-1.5	1.7	1.0	0.4	0.4	0.4
CPI inflation (end-of-period)	1.0	0.4	0.8	3.5	8.7	0.7	2.2	2.1	2.0	1.9	1.8	1.8
CPI inflation (period average)	1.0	1.0	0.6	2.1	5.8	4.6	1.5	2.2	2.0	2.0	1.9	1.8
Unemployment rate	3.9	4.3	5.6	5.4	4.9	...	...	...	...	...	...	...
Real effective exchange rate	-1.4	1.7	0.9	-3.1	3.8	0.8	...	...	...	...	...	...
	(In percent of fiscal year GDP, unless otherwise indicated) 2/											
Central government finances												
Central government primary balance	-2.9	-0.5	-8.3	-5.2	2.9	1.8	-0.1	0.8	1.4	2.7	3.3	3.6
Of which: non-energy primary balance 3/	-14.3	-14.7	-19.3	-17.0	-19.0	-18.9	-17.5	-17.7	-16.5	-15.8	-15.4	-15.5
Central government overall balance 4/	-5.8	-3.7	-11.8	-8.3	0.3	-1.1	-2.7	-1.9	-1.4	0.0	0.7	1.1
Budgetary revenue	23.7	26.8	23.3	22.8	27.8	28.7	26.2	27.7	27.6	28.8	29.2	29.4
Energy	8.1	10.9	7.8	7.8	15.5	15.1	12.9	14.1	13.9	14.7	15.0	15.3
Non-energy	15.7	15.9	15.5	15.0	12.4	13.6	13.3	13.6	13.7	14.0	14.2	14.1
Budgetary expenditure	29.5	30.5	35.1	31.1	27.5	29.8	29.0	29.6	29.0	28.8	28.4	28.3
Of which: current expenditure	27.4	29.0	32.4	29.2	25.9	27.6	27.2	26.8	26.7	26.5	26.1	26.0
Of which: interest expenditure	2.9	3.1	3.5	3.1	2.5	2.9	2.7	2.7	2.8	2.7	2.6	2.5
Of which: capital expenditure	2.1	1.5	2.7	2.0	1.7	2.2	1.8	2.8	2.3	2.3	2.3	2.3
Central government debt 5/	40.5	45.3	60.6	60.0	50.7	54.3	56.0	56.2	56.3	54.9	52.6	49.8
Public sector debt 6/	56.5	61.9	81.5	79.6	67.0	70.9	73.4	73.7	74.1	73.0	70.8	68.1
Heritage and Stabilization Fund assets	24.4	26.1	26.6	23.1	17.5	19.2	20.0	19.9	20.1	20.2	20.2	20.1
	(In percent of GDP, unless otherwise indicated)											
External sector												
Current account balance	6.6	4.3	-6.5	11.0	17.9	9.1	5.7	6.5	6.1	6.1	6.3	6.9
Exports of goods (annual percentage change)	11.5	-18.5	-31.5	84.6	50.6	-37.4	-7.7	4.8	-0.8	1.1	2.8	4.4
Imports of goods (annual percentage change)	2.6	-8.8	-16.8	26.9	17.8	-12.2	1.9	1.2	0.6	1.0	1.8	2.1
Terms of trade (annual percentage change)	1.3	-1.7	-2.5	0.9	4.1	-3.2	-0.3	1.2	0.8	0.4	0.2	-0.3
External public sector debt	15.6	17.0	23.0	19.1	15.9	18.3	19.1	19.0	19.1	18.6	17.8	16.9
Gross official reserves (in US\$ million)	7,575	6,929	6,954	6,880	6,832	6,258	5,758	5,574	5,347	5,153	5,227	5,469
In months of prospective imports of goods and services	11.4	12.3	9.7	7.7	9.3	8.3	7.5	7.2	6.9	6.5	6.4	6.6
	(In annual percentage change)											
Money and credit												
Net foreign assets	-6.5	-6.4	5.9	0.2	1.5	-12.0	-9.8	-4.0	-5.1	-4.6	1.9	5.9
Net domestic assets	18.4	18.3	10.2	2.7	2.9	20.3	11.9	8.4	6.7	7.0	4.0	1.7
Of which: private sector credit	4.0	4.4	-0.3	1.9	6.4	8.2	3.0	3.0	1.8	2.6	3.3	3.2
Broad money (M3)	1.2	2.9	7.1	1.7	1.9	0.6	3.0	3.0	1.8	2.6	3.3	3.2
	(In annual percentage change)											
Memorandum items:												
Nominal GDP (in TT\$ billion)	166.4	160.6	140.5	165.6	203.0	190.0	191.5	199.2	202.8	208.1	214.9	221.7
Share of non-energy sector (in percent)	76.1	79.1	85.0	74.0	64.1	72.5	75.0	74.9	75.8	75.9	75.6	75.1
Share of energy sector (in percent)	23.9	20.9	15.0	26.0	35.9	27.5	25.0	25.1	24.2	24.1	24.4	24.9
Public expenditure (in percent of non-energy GDP)	38.5	38.9	42.1	40.7	41.5	42.4	38.9	39.5	38.3	37.9	37.6	37.6
Exchange rate (TT\$/US\$, end of period)	6.78	6.77	6.73	6.77	6.73	6.75	...	...	...	...	...	...
Holdings of SDRs, in millions of U.S. dollars	337	334	349	1080	1028	1033	1029	1032	1034	1037	1039	1039
Crude oil price (US\$ per barrel) 7/	68.5	61.4	41.8	69.2	96.4	80.6	78.6	73.7	70.6	68.7	67.8	67.5
Henry Hub natural gas price (US\$ per MMBtu) 8/	3.1	2.5	2.1	3.7	6.5	2.7	2.3	3.4	3.7	3.8	3.7	3.7

Sources: Trinidad and Tobago's authorities, World Bank, UN Human Development Report, WEO, and IMF staff estimates and projections.

1/ Includes taxes less subsidies on products.

2/ Data refer to fiscal year, for example 2023 covers FY2023 (October 2022–September 2023).

3/ Defined as non-energy revenue minus expenditure (net of interest payments) of the central government, as a share of non-energy GDP.

4/ The fiscal overall balance excludes sales of assets proceeds which are part of financing sources.

5/ Excluding debt issued for sterilization, public bodies' debt, and borrowing from the Central Bank of Trinidad and Tobago (CBTT).

6/ Includes central government debt and guaranteed debt of non-self serviced State-Owned Enterprises (SOEs) and statutory authorities.

7/ WEO simple average of three spot prices: Dated Brent, West Texas Intermediate, and Dubai Fateh.

8/ WEO price reported as a reference. Trinidad and Tobago has a broader energy export market in the Americas, Europe, and East Asia each of which has different price benchmarks.

Table 2. Trinidad and Tobago: Central Government Operations 1/

						Est.		Projections				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
(In millions of Trinidad and Tobago dollars)												
Total revenue and grants	39,308	43,482	33,843	36,364	53,914	55,455	50,111	54,599	55,729	59,518	62,186	64,658
Energy	13,372	17,725	11,286	12,450	29,972	29,217	24,716	27,720	28,017	30,495	31,995	33,579
Corporate	7,851	9,406	5,429	7,193	19,111	16,324	14,174	16,200	16,472	17,870	18,758	19,707
Royalties	2,288	4,091	2,835	2,004	5,802	7,445	6,077	6,731	6,720	7,700	8,097	8,506
Other	3,233	4,228	3,022	3,252	5,058	5,448	4,465	4,789	4,825	4,925	5,141	5,365
Non-energy 2/	25,936	25,757	22,558	23,914	23,942	26,237	25,394	26,878	27,712	29,023	30,191	31,079
Tax revenue	21,226	20,219	18,278	19,953	19,426	21,229	21,358	22,912	23,651	24,864	25,904	26,655
Income tax	9,353	9,792	7,642	7,651	9,855	9,271	9,119	9,721	10,029	10,807	11,418	11,719
Goods and services tax	8,726	7,307	8,017	9,671	6,562	8,864	9,055	9,559	9,900	10,245	10,559	10,885
International trade tax	2,733	2,672	2,301	2,287	2,608	2,754	2,723	2,811	2,877	2,947	3,038	3,135
Property tax	4	50	2	2	2	1	152	502	518	530	543	560
Other	410	398	317	342	399	339	309	319	327	334	345	356
Non-tax revenue	4,692	5,467	4,267	3,933	4,510	5,001	4,031	3,961	4,055	4,153	4,282	4,418
Other	18	70	12	28	6	8	5	5	5	6	6	6
Expenditure	48,834	49,411	51,048	49,608	53,261	57,539	55,335	58,399	58,503	59,497	60,640	62,176
Current	45,374	46,987	47,081	46,482	50,062	51,991	52,883	53,332	53,857	54,739	55,734	57,113
Wages and salaries	9,094	9,137	9,248	9,094	9,149	9,429	9,730	9,874	10,076	10,273	10,466	10,790
Goods and services	6,102	6,426	5,862	5,571	5,912	5,994	6,606	6,819	6,981	7,149	7,370	7,606
Interest payments	4,787	5,046	5,062	4,938	4,927	5,647	5,128	5,413	5,563	5,626	5,590	5,498
Transfers and subsidies	25,391	26,378	26,910	26,880	30,074	32,263	30,527	30,777	31,237	31,692	32,308	33,219
Fuel subsidies	0	228	492	189	131	85	0	0	0	0	0	0
Transfers to households	8,741	9,169	9,595	9,508	10,568	11,408	11,377	11,019	11,244	11,464	11,679	12,041
Transfers to SOEs and utilities	4,810	5,656	4,422	5,099	5,255	5,651	5,557	5,736	5,872	6,014	6,200	6,398
Transfers to local government and Tobago	3,424	3,425	3,527	3,418	3,586	3,623	3,583	3,699	3,786	3,878	3,998	4,126
Transfers to statutory authorities	727	658	343	442	598	594	603	616	628	641	653	673
Other	7,689	7,242	8,530	8,224	9,936	10,903	9,406	9,708	9,706	9,696	9,778	9,981
Capital expenditure and net lending	3,459	2,424	3,967	3,126	3,199	4,207	3,344	5,515	4,646	4,758	4,906	5,062
Capital expenditure	3,492	3,791	3,978	3,135	3,213	4,216	5,353	5,525	4,656	4,769	4,916	5,073
Net lending	-33	-1,367	-11	-10	-13	-9	-2,009	-10	-10	-10	-11	-11
Non-energy balance	-22,898	-23,653	-28,490	-25,694	-29,318	-31,302	-29,940	-31,520	-30,791	-30,474	-30,449	-31,096
Overall balance 2/	-9,526	-5,928	-17,205	-13,244	653	-2,085	-5,224	-3,800	-2,774	21	1,546	2,482
Primary balance	-4,739	-883	-12,143	-8,306	5,581	3,562	-96	1,613	2,789	5,646	7,136	7,981
Non-energy primary balance	-18,111	-18,608	-23,428	-20,755	-24,391	-25,656	-24,812	-26,107	-25,228	-24,849	-24,859	-25,598
(In percent of fiscal-year GDP, unless otherwise indicated)												
Total revenue and grants	23.7	26.8	23.3	22.8	27.8	28.7	26.2	27.7	27.6	28.8	29.2	29.4
Energy	8.1	10.9	7.8	7.8	15.5	15.1	12.9	14.1	13.9	14.7	15.0	15.3
Corporate	4.7	5.8	3.7	4.5	9.9	8.4	7.4	8.2	8.2	8.6	8.8	9.0
Royalties	1.4	2.5	1.9	1.3	3.0	3.9	3.2	3.4	3.3	3.7	3.8	3.9
Other	2.0	2.6	2.1	2.0	2.6	2.8	2.3	2.4	2.4	2.4	2.4	2.4
Non-energy 2/	15.7	15.9	15.5	15.0	12.4	13.6	13.3	13.6	13.7	14.0	14.2	14.1
Tax revenue	12.8	12.5	12.6	12.5	10.0	11.0	11.2	11.6	11.7	12.0	12.2	12.1
Income tax	5.7	6.0	5.3	4.8	5.1	4.8	4.8	4.9	5.0	5.2	5.4	5.3
Goods and services tax	5.3	4.5	5.5	6.1	3.4	4.6	4.7	4.8	4.9	5.0	5.0	4.9
International trade tax	1.7	1.6	1.6	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Property tax	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.3	0.3	0.3	0.3
Other	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Non-tax revenue	2.8	3.4	2.9	2.5	2.3	2.6	2.1	2.0	2.0	2.0	2.0	2.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	29.5	30.5	35.1	31.1	27.5	29.8	29.0	29.6	29.0	28.8	28.4	28.3
Current	27.4	29.0	32.4	29.2	25.9	27.6	27.2	26.8	26.7	26.5	26.1	26.0
Wages and salaries	5.5	5.6	6.4	5.7	4.7	4.9	5.1	5.0	5.0	5.0	4.9	4.9
Goods and services	3.7	4.0	4.0	3.5	3.1	3.1	3.5	3.5	3.5	3.5	3.5	3.5
Interest payments	2.9	3.1	3.5	3.1	2.5	2.9	2.7	2.7	2.8	2.7	2.6	2.5
Transfers and subsidies	15.3	16.3	18.5	16.9	15.5	16.7	16.0	15.6	15.5	15.3	15.2	15.1
Fuel subsidies	0.0	0.1	0.3	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to households	5.3	5.7	6.6	6.0	5.5	5.9	6.0	5.6	5.6	5.5	5.5	5.5
Transfers to SOEs and utilities	2.9	3.5	3.0	3.2	2.7	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Transfers to local government and Tobago	2.1	2.1	2.4	2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Transfers to statutory authorities	0.4	0.4	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other	4.6	4.5	5.9	5.2	5.1	5.6	4.9	4.9	4.8	4.7	4.6	4.5
Capital expenditure and net lending	2.1	1.5	2.7	2.0	1.7	2.2	1.8	2.8	2.3	2.3	2.3	2.3
Capital expenditure	2.1	2.3	2.7	2.0	1.7	2.2	2.8	2.8	2.3	2.3	2.3	2.3
Net lending	0.0	-0.8	0.0	0.0	0.0	0.0	-1.1	0.0	0.0	0.0	0.0	0.0

Table 2. Trinidad and Tobago: Central Government Operations (Concluded) 1/

	2018	2019	2020	2021	2022	Est.	Projections					
						2023	2024	2025	2026	2027	2028	2029
(In percent of fiscal-year GDP, unless otherwise indicated)												
Non-energy balance	-13.8	-14.6	-19.6	-16.1	-15.1	-16.2	-15.7	-16.0	-15.2	-14.7	-14.3	-14.1
Non-energy balance (In percent of non-energy GDP)	-18.0	-18.6	-23.5	-21.1	-22.9	-23.1	-21.1	-21.3	-20.2	-19.4	-18.9	-18.8
Overall balance 2/	-5.8	-3.7	-11.8	-8.3	0.3	-1.1	-2.7	-1.9	-1.4	0.0	0.7	1.1
Primary balance	-2.9	-0.5	-8.3	-5.2	2.9	1.8	-0.1	0.8	1.4	2.7	3.3	3.6
Memorandum items:												
Non-energy primary balance (percent of non-energy GDP)	-14.3	-14.7	-19.3	-17.0	-19.0	-18.9	-17.5	-17.7	-16.5	-15.8	-15.4	-15.5
Central government debt (percent of GDP) 3/	40.5	45.3	60.6	60.0	50.7	54.3	56.0	56.2	56.3	54.9	52.6	49.8
Gross public debt (percent of GDP) 4/	56.5	61.9	81.5	79.6	67.0	70.9	73.4	73.7	74.1	73.0	70.8	68.1
Crude oil price (US\$/barrel, FY)	64.6	63.2	46.7	62.4	89.6	84.5	79.1	74.9	71.3	69.2	68.0	67.6
Henry Hub natural gas price (US\$ per MMBtu, FY)	3.1	2.7	2.2	3.3	5.8	3.6	2.4	3.1	3.6	3.8	3.7	3.7
Nominal GDP (in billions of TT\$, FY)	165.5	162.0	145.5	159.3	193.6	193.2	191.1	197.2	201.9	206.8	213.2	220.0

Sources: Trinidad and Tobago's authorities and IMF staff projections.

1/ Data refer to fiscal year, for example 2022 covers FY2022 (October 2021-September 2022).

2/ The fiscal overall balance excludes sales of assets proceeds which are part of financing sources.

3/ Excluding debt issued for sterilization, public bodies' debt, and borrowing from the CBTT.

4/ Includes central government debt and guaranteed debt of non-self serviced SOEs and statutory authorities.

Table 3. Trinidad and Tobago: Balance of Payments

	2018	2019	2020	2021	2022	Est.		Projections				
						2023	2024	2025	2026	2027	2028	2029
(In millions of U.S. dollars unless otherwise indicated)												
Current account balance	1,626	1,020	-1,356	2,695	5,382	2,572	1,606	1,905	1,827	1,867	1,996	2,256
Goods and services	2,426	1,605	-345	2,906	6,889	2,747	1,788	2,150	2,038	2,060	2,183	2,467
Goods balance	4,138	2,732	984	4,712	9,181	3,849	2,918	3,296	3,168	3,209	3,367	3,679
Credit	10,756	8,764	6,003	11,082	16,687	10,441	9,633	10,094	10,009	10,117	10,399	10,856
Petroleum crude and refined	2,934	2,016	1,288	2,239	2,991	2,345	2,242	2,292	2,276	2,299	2,344	2,399
Gas	2,899	2,350	1,243	2,322	4,785	2,702	2,044	2,577	2,617	2,632	2,700	2,857
Petrochemicals	3,257	2,607	1,827	4,402	6,529	3,362	3,208	3,019	2,844	2,842	2,946	3,115
Other	1,666	1,791	1,646	2,120	2,382	2,032	2,138	2,206	2,272	2,344	2,409	2,485
Debit	6,617	6,032	5,019	6,370	7,506	6,592	6,715	6,798	6,841	6,909	7,031	7,178
Fuel imports	1,755	1,222	723	1,161	1,863	1,332	1,317	1,252	1,205	1,188	1,193	1,209
Capital	1,408	1,233	1,192	1,584	1,424	1,389	1,417	1,468	1,486	1,503	1,547	1,593
Other	3,454	3,577	3,104	3,625	4,220	3,871	3,980	4,079	4,151	4,217	4,292	4,375
Services (net)	-1,712	-1,126	-1,329	-1,806	-2,291	-1,102	-1,130	-1,146	-1,130	-1,149	-1,184	-1,212
Primary income (net)	-700	-607	-1,056	-326	-1,584	-276	-289	-352	-325	-311	-307	-319
Secondary income (net)	-100	22	44	115	77	100	107	108	115	118	120	108
Capital and financial account (net)	168	581	-1,494	2,627	2,978	3,147	2,106	2,090	2,054	2,062	1,921	2,015
Capital account	2	10	0	7	0	0	0	0	0	0	0	0
Financial account	165	571	-1,495	2,620	2,978	3,146	2,105	2,090	2,054	2,061	1,921	2,014
Direct investment (net)	765	-70	-958	1,702	2,086	2,076	757	795	759	776	808	835
Assets	65	114	98	768	1,172	990	876	930	914	920	948	993
Liabilities	-700	184	1,056	-935	-914	-1,086	119	135	155	144	140	159
Portfolio investment (net)	418	1,454	-185	256	754	-260	395	420	412	415	428	476
Of which: Official, medium- and long-term (net)	183	162	984	-134	69	103	258	188	137	-1	-76	-123
Disbursements	285	288	1,137	46	241	272	769	387	1,386	431	223	121
Amortization	103	127	153	179	171	169	511	199	1,249	432	299	244
Financial derivatives	5	0	-9	137	-100	10	10	10	10	10	10	10
Other investment (net)	-1,023	-813	-344	524	238	1,320	943	866	873	861	675	694
Change in reserve assets	-784	-644	4	-48	14	-575	-499	-185	-227	-194	75	242
Net errors and omissions	-2,247	-1,103	-135	-130	-2,390	0	0	0	0	0	0	0
Gross official reserves	7,575	6,929	6,954	6,880	6,832	6,258	5,758	5,574	5,347	5,153	5,227	5,469
(In percent of GDP, unless otherwise indicated)												
Memorandum items:												
Current account balance	6.6	4.3	-6.5	11.0	17.9	9.1	5.7	6.5	6.1	6.1	6.3	6.9
Energy 1/	19.2	14.7	5.0	22.9	28.2	17.2	13.8	14.3	13.7	13.5	13.5	13.9
Non-energy	-12.5	-10.4	-11.5	-11.9	-10.3	-8.1	-8.1	-7.9	-7.6	-7.4	-7.2	-7.0
Exports of goods	43.8	36.9	28.8	45.2	55.5	37.1	34.0	34.2	33.3	32.8	32.7	33.1
Energy exports	37.0	29.3	20.9	36.6	47.6	29.9	26.4	26.7	25.7	25.2	25.1	25.5
Non-energy exports	6.8	7.5	7.9	8.7	7.9	7.2	7.5	7.5	7.6	7.6	7.6	7.6
Imports of goods	26.9	25.4	24.1	26.0	25.0	23.4	23.7	23.0	22.8	22.4	22.1	21.9
Gross official reserves (in months of prospective imports of goods and services)	11.4	12.3	9.7	7.7	9.3	8.3	7.5	7.2	6.9	6.5	6.4	6.6
Crude oil price (US\$/barrel) 2/	68.5	61.4	41.8	69.2	96.4	80.6	78.6	73.7	70.6	68.7	67.8	67.5
Henry Hub natural gas price (US\$ per MMBtu) 3/	3.1	2.5	2.1	3.7	6.5	2.7	2.3	3.4	3.7	3.8	3.7	3.7
Net international investment position	15.0	17.7	10.8	21.9	24.9	...	...	...	...	...	...	...
Exchange rate (TT\$/US\$, end of period)	6.78	6.77	6.73	6.77	6.73	6.75	...	...	...	...	...	...
Exchange rate (TT\$/US\$, average)	6.77	6.75	6.75	6.76	6.75	6.75	...	...	...	...	...	...

Sources: Central Bank of Trinidad and Tobago, Central Statistical Office, and IMF staff projections.

1/ Includes goods and services for the energy sector.

2/ WEO simple average of three spot prices: Dated Brent, West Texas Intermediate, and Dubai Fateh.

3/ WEO price reported as a reference. Trinidad and Tobago has a broader energy export market in the Americas, Europe, and East Asia each of which has different price benchmarks.

Table 4. Trinidad and Tobago: Monetary Survey

	2018	2019	2020	2021	2022	Est.		Projections				
						2023	2024	2025	2026	2027	2028	2029
	(In millions of Trinidad and Tobago dollars)											
Net foreign assets	69,613	65,182	69,016	69,177	70,244	61,813	55,786	53,556	50,819	48,480	49,380	52,298
Official net foreign assets	49,499	45,868	45,178	40,095	40,445	36,008	32,638	31,392	29,862	28,554	29,057	30,688
Commercial bank's net foreign assets	20,114	19,314	23,838	29,083	29,799	25,806	23,148	22,165	20,958	19,926	20,323	21,610
Net domestic assets	38,505	45,535	50,181	51,525	53,017	63,776	71,353	77,366	82,517	88,312	91,875	93,429
Net credit to public sector	11,408	17,291	23,664	24,464	20,816	29,305	34,538	38,189	41,833	45,472	46,249	45,011
Central government	1,183	5,821	13,052	14,647	11,082	18,935	19,512	20,093	20,464	20,995	21,681	22,368
Rest of the public sector	10,225	11,470	10,612	9,817	9,734	10,370	15,026	18,096	21,369	24,477	24,568	22,643
Credit to private sector	62,964	65,727	65,512	66,766	71,069	76,919	79,263	81,625	83,131	85,288	88,074	90,866
Other items (net)	-35,866	-37,484	-38,995	-39,706	-38,868	-42,448	-42,448	-42,448	-42,448	-42,448	-42,448	-42,448
Liabilities to private sector (M3)	107,342	110,437	118,305	120,290	122,536	123,234	126,989	130,773	133,186	136,641	141,104	145,577
Currency in circulation	7,889	4,779	6,729	7,503	7,551	7,724	7,921	8,157	8,308	8,523	8,802	9,081
Demand deposits	36,444	40,662	45,011	45,476	48,703	46,691	48,008	49,439	50,351	51,657	53,345	55,036
Other deposits	63,008	64,995	66,565	67,311	66,281	68,621	71,059	73,177	74,527	76,461	78,958	81,461
Nonliquid liabilities	777	280	892	413	725	2,356	150	150	150	150	150	150
	(In annual percentage change)											
Net foreign assets	-6.5	-6.4	5.9	0.2	1.5	-12.0	-9.8	-4.0	-5.1	-4.6	1.9	5.9
Credit to private sector	4.0	4.4	-0.3	1.9	6.4	8.2	3.0	3.0	1.8	2.6	3.3	3.2
Liabilities to private sector (M3)	1.2	2.9	7.1	1.7	1.9	0.6	3.0	3.0	1.8	2.6	3.3	3.2
Memorandum items:												
M3 velocity	1.5	1.5	1.2	1.4	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5

Sources: Central Bank of Trinidad and Tobago and IMF staff projections.

Table 5. Trinidad and Tobago: Financial Soundness Indicators

	2016	2017	2018	2019	2020	2021	2022	2023 1/
	(In percent)							
Core FSIs								
Regulatory capital to risk weighted assets	21.9	21.0	20.9	21.2	16.4	17.1	16.7	16.7
Regulatory Tier 1 capital to risk-weighted assets	20.4	20.3	20.6	19.2	15.3	16.1	16.1	15.1
Non-performing loans net of provisions to capital	7.2	6.8	6.2	6.2	3.6	4.0	4.2	2.7
Non-performing loans to total gross loans	3.1	2.9	3.1	2.9	3.2	3.3	3.1	3.0
Return on assets	2.5	2.4	2.6	3.1	1.4	2.0	2.5	2.2
Return on equity	19.9	18.5	20.6	24.9	11.9	16.0	18.7	16.5
Interest margin to gross income	65.2	67.0	66.4	63.7	69.9	65.4	64.6	67.5
Non-interest expenses to gross income	63.3	61.6	59.9	56.2	74.6	65.8	62.1	65.8
Liquid assets to total assets	22.1	19.8	19.1	21.8	22.4	19.2	19.5	17.7
Liquid assets to short-term liabilities	27.2	24.4	23.5	27.1	27.7	23.7	24.0	22.2
Net open position in FX to capital	12.2	15.4	13.3	8.4	11.4	20.7	26.5	16.8
Sectoral distribution of loans								
Domestic residents	97.1	95.7	95.0	93.2	93.3	93.1	91.9	92.3
Households	46.0	46.6	47.2	47.2	48.3	48.0	47.3	46.9
Financial sector	13.9	15.5	15.8	16.2	16.1	16.0	16.5	15.9
Oil and gas sector	3.7	3.2	5.2	5.0	4.3	4.5	4.2	4.4
Construction	6.6	4.7	4.1	2.5	3.6	3.6	4.2	4.7
Transport and communication	2.7	2.8	3.1	2.1	1.8	1.8	2.1	1.7
Other	24.0	22.9	19.6	20.1	19.3	19.3	17.6	18.6
Nonresidents	2.6	3.4	5.1	6.9	6.9	7.1	8.3	8.0
Additional FSIs								
Capital to assets (leverage ratio)	11.2	11.3	11.1	11.3	10.6	11.6	11.7	12.1
Trading income to total income	10.5	9.1	10.5	9.5	9.3	10.9	11.0	8.9
Personnel expenses to total income	43.9	43.1	38.7	43.1	42.5	43.1	39.7	39.0
Customer deposits to total non-interbank loans	148.7	138.7	135.4	132.3	142.4	142.8	135.1	128.4
FX loans to total loans	15.6	16.3	17.5	18.4	16.5	15.7	16.3	16.0
FX liabilities to total liabilities	25.1	25.8	25.8	25.4	23.9	24.7	24.6	23.8

Source: Central Bank of Trinidad and Tobago.

1/ Data as of 2023Q3.

Table 6. Trinidad and Tobago: Indicators of External and Financial Vulnerability

	2018	2019	2020	2021	2022	Est. 2023
	(In percent, unless otherwise indicated)					
External indicators						
Exports (percent change, 12-month basis in US\$)	11.5	-18.5	-31.5	84.6	50.6	-37.4
Imports (percent change, 12-month basis in US\$)	2.6	-8.8	-16.8	26.9	17.8	-12.2
Terms of trade (annual percentage change)	1.3	-1.7	-2.5	0.9	4.1	-3.2
Current account balance (in percent of GDP)	6.6	4.3	-6.5	11.0	17.9	9.1
Capital and financial account balance (in percent of GDP)	-9.9	-7.0	6.6	-12.2	-18.4	-7.0
Gross official reserves (in US\$ millions)	7,575	6,929	6,954	6,880	6,832	6,258
Official reserves in months of prospective imports of goods and services	11.4	12.3	9.7	7.7	9.3	8.3
Ratio of reserves to broad money	47.8	42.5	39.6	38.7	37.5	34.6
Ratio of total central government external debt to exports of goods and services	31.5	38.9	67.6	48.8	26.8	40.6
Ratio of central government external interest payments to exports of goods and services	1.23	1.61	2.37	1.55	0.81	1.62
Ratio of central government external debt service to exports of goods and services	2.1	2.9	4.6	3.4	1.8	3.0
REER (CPI-based, appreciation (+)/depreciation (-), percent change)	-1.4	1.7	0.9	-3.1	3.8	0.8
Foreign currency debt rating, (Moody's, end of period) 1/	Ba1	Ba1	Ba1	Ba2	Ba2	Ba2
Foreign currency debt rating, (Standard & Poor's, end of period) 2/	BBB+	BBB	BBB-	BBB-	BBB-	BBB-
Financial indicators 3/						
90-day treasury bill, average discount rate	1.5	1.9	1.3	0.4	0.6	0.8
90-day treasury bill, real rate	0.5	0.9	0.7	-1.6	-5.2	-5.4
Capital adequacy						
Regulatory capital to risk-weighted assets	20.9	21.2	16.4	17.1	16.7	16.7
Regulatory Tier I capital to risk-weighted assets	20.6	19.2	15.3	16.1	16.1	15.1
Regulatory Tier II capital-to-risk-weighted assets	0.3	2.0	2.2	2.2	1.7	2.6
Banking sector asset quality						
Nonperforming loans-to-gross loans	3.1	2.9	3.2	3.3	3.1	3.0
Nonperforming loans (net of provisions)-to-capital	6.2	6.2	3.6	4.0	4.2	2.7
Specific provisions-to-impaired assets	52.0	48.9	72.9	67.9	66.2	77.3
Specific provisions-to-gross lending	1.6	1.4	2.3	2.2	2.1	2.3
Banking sector earnings and profitability						
Return on equity	20.6	24.9	11.9	16.0	18.7	16.5
Return on assets	2.6	3.1	1.4	2.0	2.5	2.2
Interest margin-to-gross income	66.4	63.7	69.9	65.4	64.6	67.5
Spread between average lending and deposit rates	7.4	7.1	6.7	6.5	6.4	6.0
Banking sector liquidity						
Liquid assets-to-total assets	19.1	21.8	22.4	19.2	19.5	17.7
Liquid assets-to-total short-term liabilities	23.5	27.1	27.7	23.7	24.0	22.2
Foreign currency liabilities-to-total liabilities	26.2	25.8	24.4	25.1	24.9	24.2

Sources: Central Bank of Trinidad and Tobago, Moody's, Standard and Poor's, and IMF staff estimates.

1/ Bonds with ratings Baa3 and above are considered as investment grade.

2/ Bonds with BBB- and above are considered as investment grade.

3/ Data as of 2023Q3 and includes commercial banks only.

Recommendations	Status
<ul style="list-style-type: none"> • Clear VAT refund arrears. <p>Strengthen fiscal policy framework:</p> <ul style="list-style-type: none"> • Adopt a rule-based medium-term fiscal framework, including the consideration of a fiscal anchor. • Improve the efficiency, quality of public investment, and capacity to appraise, select, and monitor projects. • Embrace a sovereign asset-liability management strategy to guide financing decisions. • Reform the National Insurance System (NIS) to ensure its adequacy and sustainability. • Broaden fiscal data coverage of SOEs and other public bodies. 	<p>Ongoing. Cash refunds and VAT bonds were issued to help clear arrears, but outstanding VAT refunds remain.</p> <p>Ongoing. TA from the Fiscal Affairs Department (FAD) on fiscal rules took place in January in 2024. The Ministry of Finance is reviewing the mission’s draft report.</p> <p>Ongoing. The <i>Procurement Act</i> was legislated with further refinements made in 2023.</p> <p>Ongoing. The Monetary and Capital Markets (MCM) department provided TA in June 2023 to assist the authorities in assessing the institutional arrangement, functioning and performance of the <i>Heritage and Stabilization Fund</i> (HSF), and to contribute to the development of a sovereign asset and liability management framework.</p> <p>Ongoing. The authorities plan to increase the retirement age from 60 to 65 years. Other parametric adjustments are being considered.</p> <p>Ongoing. The authorities publish the fiscal operations of the statutory board and other public bodies. The digitization of manual systems for recording data received from SOEs is ongoing with modules being developed. The Cash Statement of Operations Module was completed in 2023 and work is ongoing on the Quarterly Returns Report Module.</p>
Monetary and Exchange Rate Policy	
<ul style="list-style-type: none"> • Increase the policy repo rate to maintain sound and consistent policies to support the current exchange rate arrangement. • Reform the foreign exchange (FX) market to eliminate shortfalls. 	<p>No progress. The CBTT has kept its policy rate fixed since March 2020 to support the economic recovery. Interest rate differentials with the U.S. monetary policy rate remain wide but have recently declined.</p> <p>No progress. The CBTT provides FX to the market through regular and ad-hoc interventions. Still, a structural FX shortage remains. The existing EximBank windows (for manufacturers and importers of essential goods) help to generate net FX revenues. A new facility to ease FX shortages for small- and medium-sized enterprises will be established in 2024.</p>

Recommendations	Status
Financial Sector	
<ul style="list-style-type: none"> • Strengthen the AML/CFT framework, including measures required to improve compliance with beneficial ownership requirements and resolve tax transparency and exchange of information deficiencies related to the EU and the Global Forum. • Strengthen regulation and supervision in line with the 2020 Financial Sector Assessment Program (FSAP). • Continue efforts to build expertise on central bank digital currencies (CBDCs), cybersecurity, and the regulation and supervision of Fintech. 	<p>Ongoing. The authorities are actively addressing these issues. They are completing the second national AML/CFT risk assessment with the assistance of the World Bank and are implementing the action plan developed in collaboration with the Global Forum (see Annex IX for details).</p> <p>Ongoing. See Annex VII about the status of the implementation of FSAP recommendations.</p> <p>Ongoing. The authorities are actively working on these efforts, leveraging IMF TA, see Annex VIII.</p>
Structural Reforms	
<ul style="list-style-type: none"> • Implement structural reforms to improve the business environment and support non-energy sector growth. • Continue advancing the work on renewable energy projects and the new green hydrogen strategy. • Upgrade climate-resilient infrastructure. 	<p>Ongoing. The authorities have outlined several initiatives in the FY2024 Budget Statement, including supporting the manufacturing and agriculture sectors, promoting non-energy exports diversification, addressing skill gaps, youth unemployment, financial inclusion of SMEs, and strengthening safety and security in the country. In July 2023, they launched the <i>One FinTech Avenue</i>, and in January 2024, the <i>Phoenix Park Industrial Estate</i> opened. Operationalization of the <i>Special Economic Zones</i> is planned for 2024.</p> <p>Ongoing. The authorities are encouraging energy-efficiency through the <i>Green Manufacturing Initiative</i>, developing solar energy, and launched a strategy for wind power generation.</p> <p>Ongoing. The authorities are establishing a more resilient and robust drainage system to mitigate the effects of climate change and a coastal defense system to protect against coastal flooding and shoreline erosion.</p>
Statistics	
<ul style="list-style-type: none"> • Further improve economic statistics and institutional capacity. 	<p>Ongoing. The authorities received TA from CARTAC for improving the national accounts, and the external and balance of payments statistics. The authorities plan to increase the coverage and speed of national accounts releases. The authorities are also planning to receive TA on macroeconomic programming and analysis, and to build capacity in medium-term macro-fiscal forecasting. The Joint Household Budget Survey</p>

Recommendations	Status
<ul style="list-style-type: none"> • Operationalize the independent National Statistical Institute. • Address macro-financial data gaps in line with the 2020 FSAP recommendations. 	<p>and Survey of Living Conditions is planned for completion in mid-2024.</p> <p>Ongoing. Efforts to create the National Statistical Institute continue. The Bill is currently with the Cabinet for approval, before laying it down in the Parliament.</p> <p>No progress.</p>

Annex II. Recent Developments in Natural Gas in Trinidad and Tobago's Energy Sector¹

The restructuring of the Atlantic liquefied natural gas (LNG) contract, production agreements with Venezuela, and planned new deepwater projects have the potential to revert Trinidad and Tobago's steady decline of natural gas production. This annex provides a brief overview of these developments and their implications. It also outlines a few policy options to deal with the natural gas production decline in the near term before these new projects come onstream.

1. Natural gas production is a key component of Trinidad and Tobago's economy. Natural gas is exported as LNG, used to produce petrochemicals for export, and used domestically including to generate electricity. However, natural gas production has been on a long-term decline since its peak in 2010, resulting in significant excess capacity for petrochemicals and LNG (Figure 1). The country has the theoretical capacity to utilize 4.3 billion standard cubic feet per day (bscf/d) but in 2023 it only used an estimated 2.5 bscf/d.² As a result of this excess capacity, since December 2020, one of the four trains (i.e., liquification units) of the Atlantic LNG facility and several petrochemical plants have closed.³ Further, the remaining petrochemical plants are running below their maximum capacity, reducing their efficiency, and increasing both the cost of production and the greenhouse gas (GHG) emissions associated with their production. The latter could become increasingly relevant with the start of the European Union's (EU) Carbon Border Adjustment Mechanism in 2026 (Annex XIII).

2. Recent developments have the potential to boost future natural gas production in Trinidad and Tobago. The government has been very active in recent years to reach new agreements to boost future production. These include the restructuring of the Atlantic LNG contract, negotiating production agreements with Venezuela, and a new round of deepwater bids.

Atlantic LNG Restructuring

3. In December 2023, the government of Trinidad and Tobago announced the restructuring of the Atlantic LNG contract. The new contract of this LNG producing company—one of the world's largest in operation—establishes:

- *New ownership structure.* Previously, each of the existing four LNG trains had different ownership structures and commercial arrangements. Under the new arrangement, the ownership of the four individual LNG trains is unified under a single entity, thus facilitating the export of LNG. The new shareholders of Atlantic LNG are Shell and British Petroleum (BPTT)—each with 45 percent

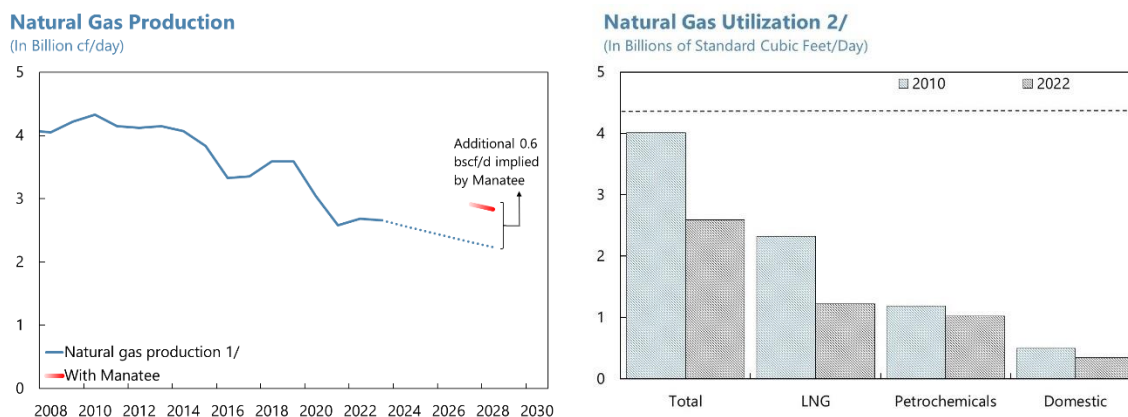
¹ Prepared by Peter Nagle (WHD).

² See Ministry of Energy and Energy Affairs 2015 "[Trinidad & Tobago Gas Master Plan](#)".

³ Nutrien and Yara have both closed ammonia plants. Methanex recently announced plans to idle its Atlas methanol plant and reopen its smaller, formerly shuttered Titan plant. Low global petrochemical prices have also played a role in reducing the profitability of petrochemical plants.

of the equity—and the National Gas Company (NGC).⁴ The NGC’s share is increased to 10 percent of the equity and therefore increases the country’s revenue derived from Atlantic LNG operations.

Figure 1. Trinidad and Tobago: Natural Gas Production and Utilization



Sources: Trinidad and Tobago’s authorities and IMF staff calculations.

1/ Dashed line indicates a passive scenario for natural gas production assuming production falls at the same average growth rate as 2010–23. The gradient of the red line reflects the uncertainty surrounding the timing of the project coming on stream.

2/ Dashed line shows theoretical maximum capacity of 4.3 billion cubic feet/day.

- *New commercial framework.* The new commercial arrangement changes the market pricing formula from one being based on the Henry Hub benchmark, to one based on a combination of regional gas benchmarks: Europe’s Dutch Title Transfer Facility (TTF), Asia’s Japan-Korea-Marker (JKM), UK’s National Balancing Point (NBP), and the Brent crude oil price.⁵ The commercial structure also raises the possibility of enabling other natural gas companies to export their gas through the Atlantic LNG facility, thus providing these companies the certainty, attractiveness, and incentives to invest in Trinidad and Tobago—e.g., Woodside’s deepwater Calypso gas field (see below).

Finally, the restructuring of Atlantic LNG has other beneficial side effects. It will increase operational efficiency and facilitate investment into the plant, which could help improve its energy efficiency and reduce its carbon emissions.

Production Agreements with Venezuela

4. Trinidad and Tobago and Venezuela have reached agreements on two natural gas projects. The first is the Loran-Manatee field which spans both countries and is estimated to contain

⁴ The NGC is fully owned by the government. The Chinese Investment Corporation, which had owned a 10 percent share of Train 1, no longer holds shares in Atlantic LNG.

⁵ The exact weighting and benchmarks are confidential but have been consistently higher than the Henry Hub price.

10 trillion standard cubic feet (tscf) of natural gas, of which 2.7 tscf belongs to Trinidad and Tobago (Manatee) and 7.3 tscf belongs to Venezuela (Loran). For comparison, at end-2020, Trinidad and Tobago's P1 + C1 natural gas technically recoverable resources (formerly called proved) were estimated at 10.2 tscf.⁶ The two countries executed an agreement in 2019 to delink the fields, which allows Trinidad and Tobago to independently develop its share of the field. The Manatee field is being developed by Shell, and production is expected to start in 2027 or 2028 and ramp up to 500-600 mmscf/d, equal to approximately 19-23 percent of total production in Trinidad and Tobago in 2023.

5. The second project is the Dragon natural gas field located within Venezuela's territorial waters near the northwest border with Trinidad and Tobago.⁷ The field is estimated to contain up to 4.2 tscf of natural gas. Development of the field first started in 2013, but a lack of capital as well as U.S. sanctions on Venezuela delayed the project and could delay it further. In January 2023, the U.S. issued a two-year authorization to Trinidad and Tobago's authorities to allow for the joint development of the Dragon field (the authorization was amended in October 2023 to allow for cash payments to Venezuela). In December 2023, Venezuela issued a 30-year production license to Shell and NGC to develop the field. Venezuela and its national oil company PDVSA will receive cash or a portion of the gas production as royalties. The field is expected to produce natural gas which would be transported via a new pipeline to Shell's Hibiscus platform in Trinidad and Tobago.⁸ While it has been suggested that the project could start producing gas by 2027, the current license from the U.S. expires in October 2025, and so this would need to be renewed.

Deepwater Projects

6. New deepwater projects could also unlock additional natural gas production. The Calypso gas field is a deepwater field that is being developed by Woodside, with British Petroleum owning a 30 percent share of the project. While the project is in early stages, it is estimated to contain 3.2 tscf of natural gas. In addition, in 2023, Shell and BPTT jointly signed production sharing agreements to explore and develop fields in three additional deepwater blocks.

Near-Term Challenges and Policy Options

7. The recent developments are positive for Trinidad and Tobago's future natural gas production, but these projects will take several years to boost production. In the interim, production is likely to continue declining as maturing fields face steep decline rates, further reducing the gas available for LNG or petrochemicals. In turn, this will lead to a decline in fiscal and export revenue. To mitigate the decline in natural gas production, Trinidad and Tobago could take measures to reduce domestic consumption of natural gas through higher energy efficiency standards and incentives to reduce energy consumption—the forthcoming changes to domestic

⁶ Updated audits of natural gas reserves have been conducted and are expected to be released in 2024.

⁷ See [Trinidad and Tobago's energy map](#).

⁸ Although some estimates suggest that production could increase to 350 mmscf/d.

electricity tariffs should help in this regard. Incentivizing the installation of renewable energy projects, such as the utility-scale solar project being developed by BPTT and Shell, would also reduce natural gas use in electricity generation. The government could also require energy companies to capture natural gas that is currently being flared or vented. Finally, while the government has recently made changes to the fiscal regime to incentivize additional investment in oil and gas exploration and production—e.g., introducing a higher threshold for the Supplementary Petroleum Tax of \$75/bbl for shallow water producers and lowering the Petroleum Profits Tax rate for companies engaged in deep-water exploration from 35 to 30 percent—it could investigate other measures to encourage investment and production in smaller onshore and shallow water fields such as a reduced royalty rate for fields with a low daily rate of production.

Annex III. External Sector Assessment¹

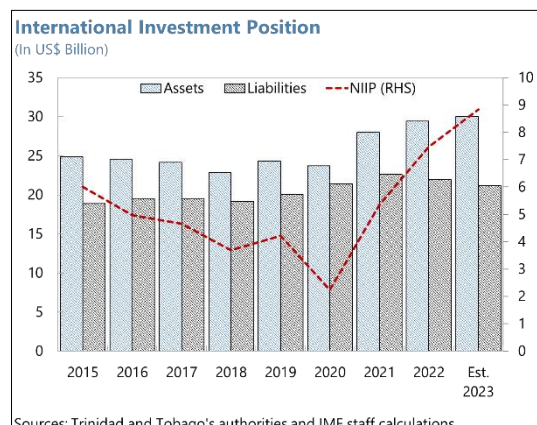
Overall Assessment: *Trinidad and Tobago's external position in 2023 was stronger than the level implied by fundamentals and desirable policies settings, based on the results of the IMF's EBA-lite current account model.² The assessment in 2023 is the same as in 2022. While the current account surplus was smaller than in 2022, reflecting lower global oil and gas prices and domestic production, it remains large, supporting an improvement in the country's net creditor position. International reserve coverage remains adequate under all metrics and is complemented with large external liquid assets in the Heritage and Stabilization Fund (HSF). Large errors and omissions in the financial account constrain a more comprehensive external sector assessment.*

Policy Responses: *External sustainability is not a concern in the near term, particularly given the country's large current account (CA) surplus and net international investment position (NIIP). Nonetheless, it is critical to continue to rebuild external buffers given the uncertain outlook for global energy markets, weak domestic energy production in the near term, and the challenges posed by the global transition to low carbon emissions. This requires fiscal prudence and the steadfast implementation of structural reforms that promote greater private investment to sustain higher growth rates and diversify the exports base. This would also help adopt less carbon-intensive technologies and electricity generation and ensure a smooth transition to a greener and decarbonized economy.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The NIIP remains positive and strong. After bottoming at US\$2.2 billion (10.8 percent of GDP) in 2020, the NIIP improved to US\$7.5 billion (24.9 percent of GDP) in 2022 and is estimated to have increased to around US\$8.8 billion (31.4 percent of GDP) in 2023. The improvement in the NIIP in 2022 and 2023 was driven by current account surpluses and reflected both an increase in foreign assets and a decline in foreign liabilities. In 2022, the country's asset position was adversely affected by valuation effects. These particularly affected the HSF which suffered US\$913.5 million in losses in FY 2022 due to the volatility in global equity markets. However, in 2023 the HSF recovered in value and was also bolstered by the prudent management of the energy windfall as reflected by the US\$345 million in deposits made by the government into the HSF during 2022. The total net asset value of the HSF was estimated at US\$5.5 billion as of end-FY2023, well above the US\$5.1 billion at end December 2022. The authorities withdrew about US\$160 million in December 2023 for budget support.

Assessment. The NIIP is and will remain strong over the medium term, driven by projected current account surpluses. This will help mitigate risks, including those associated with the volatility in global energy prices. An



¹ Prepared by Peter Nagle (WHD).

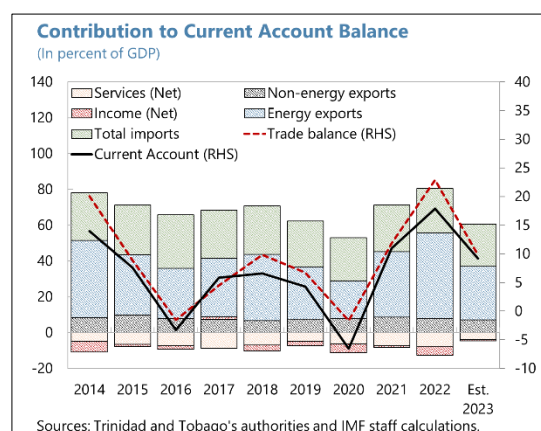
² The external sector assessment is based on staff's estimates.

adequate sovereign asset and liability management framework is needed to mitigate the impact of valuation effects arising from the increased volatility in global financial markets.

2023 estimate (% GDP)	NIIP: 31.4	Gross Assets: 106.7	Debt Assets: 57.0	Gross Liabilities: 75.3	Debt Liabilities: 55.2
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Current Account

Background. In 2023, the CA surplus declined to an estimated 9.1 percent of GDP after reaching a decade high of 17.9 percent in 2022. The decline in the CA surplus was driven by weaker exports— which reflected the normalization of energy and petrochemical prices after their surge in 2022—compounded by weaker energy and petrochemical production. The decline in exports was partially offset by lower imports driven by a decline in global food and energy prices and a moderation in transportation costs. The primary income account deficit narrowed substantially due to reduced repatriation of profits by non-resident energy companies. The current account surplus in 2023 reflected large private sector net savings estimated at 10.2 percent of GDP, while the central government ran a deficit of -1.1 percent of GDP.



Trinidad and Tobago: EBA-lite Model Results, 2023 (in percent of GDP)

	CA model 1/ (In percent of GDP)	REER model 1/ (In percent of GDP)
CA-Actual	9.1	
Cyclical contributions (from model) (-)	0.4	
Additional temporary/statistical factors (-) 2/	2.0	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	6.8	
CA Norm (from model) 3/	4.0	
Adjusted CA Norm	4.0	
CA Gap	2.8	-0.5
o/w Relative policy gap	2.9	
Elasticity	-0.3	
REER Gap (in percent)	-9.4	1.9

1/ Based on the EBA-lite 3.0 methodology.

2/ Additional adjustment to account for statistical factors due to large errors and omissions. Staff's analysis of historical revisions to the BoP suggests that the CA in 2023 will be likely be revised as new data is incorporated, notably revisions to primary income flows arising from energy companies' profits.

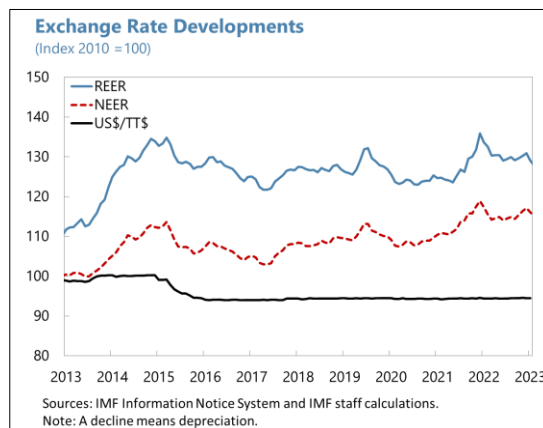
3/ Cyclically adjusted, including multilateral consistency adjustments.

Assessment. Trinidad and Tobago’s cyclically-adjusted CA is estimated at 6.8 percent of GDP after accounting for cyclical contributions and statistical factors. The 2023 EBA-lite estimates a CA norm of 4.0 percent of GDP, which when compared to the cyclically-adjusted CA, results in an estimated CA gap of 2.8 percent of GDP. Thus, staff concludes that the current account is stronger than the level implied by fundamentals and desirable policies. The relative policy gap in the EBA-lite model largely reflects Trinidad and Tobago’s primary fiscal surplus in 2023, particularly in comparison with the rest of the world.

Real Exchange Rate

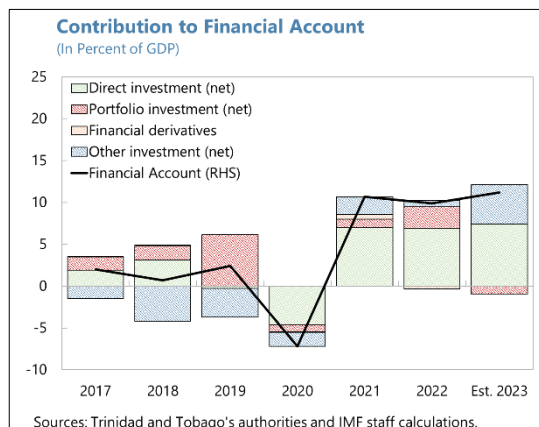
Background. The real effective exchange rate (REER) depreciated, through December 2023, by 3.6 percent relative to December 2022. The nominal effective exchange rate (NEER) was broadly stable over the past year. The exchange rate vis-à-vis the U.S. dollar has been stable due, in part, to the regular and extraordinary interventions by the Central Bank in the FX market.

Assessment. The EBA-Lite REER model estimates a moderate overvaluation of 1.9 percent. Based on a staff elasticity of -0.3 percent of the trade balance to the REER, the REER gap under the CA model is -0.5 percent.



Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account recorded very large net outflows in 2022 primarily driven by direct investment (almost entirely accounted for by energy companies). Portfolio investment (e.g., investments in debt securities held abroad mainly by domestic financial institutions), and other investment (e.g., currency and deposits) also saw outflows. The capitalization of the HSF contributed to the outflows and the increase in external assets. Outflows in the first three quarters of 2023 continued, led by direct investment, with an increase in assets and a decline in liabilities, again driven by energy companies.



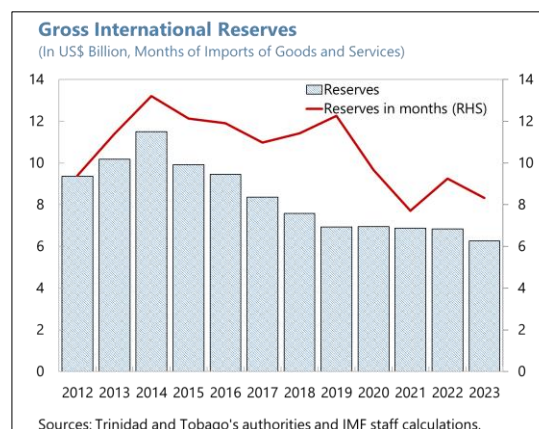
Assessment. Direct investment inflows associated with new investments by energy companies are expected to support the capital and financial account over the medium term, however, Trinidad and Tobago is expected to remain a net capital exporter with substantial portfolio and other investment outflows.

FX Intervention and Reserves Level

Background. Trinidad and Tobago's exchange rate is classified as a stabilized arrangement and the country maintains an exchange restriction subject to the Fund's approval under Article VIII, Section 2(a) (see Informational Annex, page 4). Gross international reserves were broadly stable between 2019–2022 at about US\$6.9 billion. This was supported by external borrowing, the 2021 general allocation of Special Drawing Rights (SDR), the 2022 positive terms of trade shock, and fiscal consolidation following the pandemic. However, reserves in 2023 declined by US\$575 million to US\$6.26 billion. This reflects a weakening of the current account surplus and the FX

interventions by the CBTT. Despite this decline, reserve coverage remains adequate at (22.2 percent of GDP or 8.3 months of prospective imports of goods and services). Liquidity in the domestic FX market is largely driven by FX inflows from energy companies which supply about three-quarters of FX earnings. FX shortages widened in 2023 due to reduced oil and gas revenues following the normalization of energy prices. This was compounded on a temporary basis by reduced repatriation of FX revenues by energy companies due to the refunding of value-add tax (VAT) payments by the government. To help alleviate the FX shortfall, the CBTT has continued with its bi-monthly US\$50 million FX interventions. It also made a one-time US\$50 million intervention in September and provided US\$91.9 million to Authorized Dealers through the FX Liquidity Guarantee Facility.

Assessment. Gross international reserves are adequate under all metrics. They stand at 114 percent of the IMF's composite reserve adequacy (ARA) metric and exceed the benchmark of 6-months of prospective imports of goods and services for commodity exporters, and 20 percent of broad money and short-term debt falling due within one year. In the short term, reserves may see a further decline as oil and natural gas production softens. However, over the medium term, increased energy production and external borrowing will help to keep reserves steady. Thus, staff assess the current level of reserves to be adequate. It is also important to highlight that reserve coverage is complemented with large external assets in the HSF, which are estimated at US\$5.5 billion (19.2 percent of GDP) at end-FY2023. If counted together with reserves, the authorities' usable liquid FX assets would be more than 200 percent of the ARA metric.



Annex IV. Risk Assessment Matrix^{1,2}

Source of Risk	Likelihood/ Time Horizon ³	Expected Impact	Policy Response
<p>Commodity prices volatility. A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDE, cross-border spillovers, and social and economic instability.</p>	<p>High</p> <p>ST, MT</p>	<p>High</p> <ul style="list-style-type: none"> • Volatile energy prices would affect the external and fiscal positions and liquidity conditions in the banking system, with potential spillovers on credit growth and asset quality. • Changes in commodity prices affect domestic prices with potential second-round effects on non-food inflation. 	<ul style="list-style-type: none"> • Accelerate fiscal reforms to boost non-energy revenue collections and offset the decline in energy revenue. • Adopt a medium-term fiscal framework with a fiscal anchor to reduce the procyclicality of fiscal policy. • Monitor closely liquidity in the banking system and its impact on asset quality in line with the 2020 FSAP recommendations. • Implement structural reforms to support private sector development and the diversification of the economy to reduce the impact of energy price volatility. • Ensure a smooth transition to a greener economy.
<p>Intensification of regional conflict(s). Escalation of regional conflict(s) or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.</p>	<p>High</p> <p>ST, MT</p>	<p>High</p> <ul style="list-style-type: none"> • The spillover on Trinidad and Tobago's economy would depend on the nature of the event. • If the shock translates into lower global energy prices or production, the impact would be detrimental for Trinidad and Tobago's economy. • An adverse confidence shock could trigger capital outflows, which would weigh on asset prices. 	<ul style="list-style-type: none"> • See the recommended response to rising commodity prices above. • Enhanced surveillance of the financial system would help identify systemic risks or liquidity pressures early on. • Monetary and prudential measures can be deployed to address capital outflows if they occur.

¹ Prepared by Olga Bespalova (WHD).

² The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability of 30 percent or more). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Source of Risk	Likelihood/ Time Horizon	Expected Impact	Policy Response
<p>Abrupt global slowdown. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.</p> <ul style="list-style-type: none"> • China: Sharper-than-expected contraction in the property sector weights on private demand, further amplifies local government fiscal strains, and results in disinflationary pressures and adverse macro-financial feedback loops. • Europe: Intensifying fallout from the war in Ukraine, supply disruptions, tight financial conditions, and real estate market corrections exacerbate economic downturn. • U.S.: Amid tight labor markets, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction. 	<p>Medium ST, MT</p> <p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>High</p> <ul style="list-style-type: none"> • Sharp global growth downturn could reduce demand for energy and other commodities. This would reduce exports and fiscal revenues which would slow growth. • Sharp tightening of global financial conditions could lead to higher risk premia, fiscal pressures, and capital outflows. 	<ul style="list-style-type: none"> • Provide temporary and targeted spending to shield the most vulnerable. • Build external and fiscal buffers to safeguard macroeconomic stability. • Accelerate fiscal reforms to boost non-energy revenue collections. • Press forward with structural reforms to diversify the economy and improve the competitiveness of the non-energy sector.
<p>Monetary policy miscalibration. Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted causing abrupt adjustments in financial markets and weakening the credibility of central banks.</p>	<p>Medium ST, MT</p>	<p>Low</p> <ul style="list-style-type: none"> • Should the U.S. and other advanced economies keep tight interest rates for longer, the wide interest rate differential with the domestic policy rate would increase pressures on capital outflows, increasing FX shortages and pressures on the exchange rate and international reserves. Should the CBTT tighten interest rates to reduce capital outflows, it could deter the economic recovery. • Depreciation (appreciation) of the U.S. dollar could improve (deteriorate) competitiveness vis-à-vis non-US trade partners. 	<ul style="list-style-type: none"> • The CBTT needs to maintain adequate interest rate differentials with the U.S. and advanced economies across the different segments of the yield curve to support the exchange rate regime. • Adhering to the medium-term fiscal plan would help reduce the risk of higher financing costs.

Source of Risk	Likelihood/ Time Horizon	Expected Impact	Policy Response
<p>Systemic financial instability. High interest rates and risk premia, and assets repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger markets dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.</p>	<p>Medium</p> <p>ST, MT</p>	<p>Medium</p> <ul style="list-style-type: none"> Reduced economic activity in affected countries abroad may lead to lower demand and higher volatility in commodity markets. Tighter financial conditions domestically could cause stressed balance sheets and debt services for both private and government sectors. The interconnected financial system could suffer losses from regional exposures. 	<ul style="list-style-type: none"> Strengthen monitoring systemic risks and crisis preparedness framework in the financial sector in line with the 2020 FSAP. Develop macroprudential policy framework. Develop a Sovereign Asset-Liability Management Framework to identify and manage the financial risk exposure of the public sector, to preserve sound balance sheets and ensure fiscal and debt management objectives are achieved.
<p>Sovereign debt distress. Domino effects from high global interest rates, a growth slowdown in AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, and loss of market access</p>	<p>Medium</p> <p>ST, MT</p>	<p>Low</p> <ul style="list-style-type: none"> Sovereign debt distress in some EMDEs could lower demand and prices in commodities markets, reducing fiscal and export revenues, and growth prospects. It could also incentivize capital flight away from EMDEs, and reduce liquidity in international bond markets, lower private sector lending and economic growth. Still, the country is likely to preserve favorable market access. 	<ul style="list-style-type: none"> Continue implementation of the medium-term fiscal framework to create fiscal space and lower debt to GDP ratio. Accelerate diversification and growth of non-energy sectors. Continue accumulation of HSF. Maintain investment grade credit rating.
<p>Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), worsening inequality, and disrupted elections, cause social unrest and detrimental populist policies. This exacerbates imbalances, slows growth, and leads to policy uncertainty and market repricing.</p>	<p>Medium</p> <p>ST, MT</p>	<p>Low</p> <ul style="list-style-type: none"> Social unrest spreading globally is not likely to significantly impact Trinidad and Tobago but rising domestic inflation and declining incomes could stoke social tension domestically. 	<ul style="list-style-type: none"> Ensure that social welfare and transfer programs are well targeted and reach the most vulnerable. Develop a clear communication and engagement strategy with the affected communities, while considering their direct and indirect distributional effects in policy decisions.

Source of Risk	Likelihood/ Time Horizon	Expected Impact	Policy Response
Deepening geo-economic fragmentation. Broader conflicts, inward-oriented populist policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	High ST, MT	Low <ul style="list-style-type: none"> Deeper geo-economic fragmentation could disrupt trade flows and hamper economic diversification attempts. The country could nevertheless benefit in the short term if there is, an increase in energy prices. 	<ul style="list-style-type: none"> Accelerate diversification and economic resilience through well-timed and sequenced implementation of the reforms outlined in the <i>Vision 2030</i>, and measures to strengthen the fiscal and monetary policy frameworks.
Cyberthreats. Cyberattacks on physical or digital infrastructure and service providers (including digital currency and crypto assets) or misuse of AI technologies trigger financial and economic instability.	Medium ST, MT	Medium <ul style="list-style-type: none"> Cyberattacks on critical physical or digital infrastructure could trigger financial instability and disrupt economic activities and payment systems. This could weaken confidence, reduce consumer spending, or trigger withdrawals from the financial system. 	<ul style="list-style-type: none"> Improve spending on cyber-security; enhance digital security of payment and financial system, improve public awareness, and prepare a contingency plan. Strengthen information security and data protection; business continuity procedures; routine off-site tests; and the payment system following the 2020 FSAP recommendations. Map financial and technological networks to identify critical risk concentrations.
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe than damage to infrastructure, supply disruptions, lower growth, and financial instability.	Medium ST, MT	Medium <ul style="list-style-type: none"> While outside of the hurricane belt, the country can suffer from storm surges, floods, droughts, and devastating winds affecting key infrastructure and disrupting trade. Severe events could disrupt economic activity, increase prices, and incur fiscal costs. The financial sector is exposed to the region through the banking and insurance sectors. Large disasters can impose costs directly or through higher reinsurance premiums. 	<ul style="list-style-type: none"> Continue efforts to build resilience and limit disruptions caused by natural disasters, focusing on three areas: structural, financial, and post-disaster resilience. Accelerate economic diversification, including advancing renewable energy projects. Undertake a comprehensive risk assessment and integrate material aspects of climate change and environmental risks into financial sector supervision in line with the 2020 FSAP.
Disorderly energy transition. A disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	Medium MT, LT	High <ul style="list-style-type: none"> Lower investments and energy production would reduce economic growth, employment, exports, and fiscal revenues. 	<ul style="list-style-type: none"> Accelerate structural reforms to boost the non-energy economy and renewable energy projects. Continue building buffers in the HSF.
3/ ST, MT, and LT stand for medium, short, and long term, respectively.			

Annex V. Sovereign Risk and Debt Sustainability Assessment¹

Trinidad and Tobago's public debt (central government) is projected to stabilize over the medium term.² The debt-to-GDP ratio increased to 54.3 percent of GDP in FY2023—up from 50.7 percent in FY2022—reflecting a deterioration in the fiscal position due to a decline in energy revenues and higher current expenditures. Under the baseline, moderate fiscal deficits will persist, contributing to marginal increases in public debt, which will peak at 56.3 percent in FY2026 before gradually declining to 45.0 percent by FY2033. Debt dynamics remain vulnerable to volatile global energy prices, energy production delays, and the realization of contingent liabilities from state-owned enterprises (SOEs) and statutory bodies. However, these vulnerabilities are mitigated by the country's large fiscal buffers and a strong debt profile—i.e., a low share of foreign currency debt and a medium- to long-term maturity. Maintaining fiscal discipline, rebuilding fiscal buffers, and advancing structural reforms to diversify the economy will be important to ensure fiscal sustainability and resilience from future shocks.

- 1. The SRDSA debt perimeter encompasses only the central government sector.** This is due to the lack of consolidated general government and public sector data. Also, the analysis excludes short-term debt issued for open market monetary policy operations. These instruments were equivalent to about 2.6 percent of GDP at end-FY2023 and were matched by corresponding “frozen” government deposits in the domestic banking system.
- 2. Trinidad and Tobago's public debt increased in FY2023.** After sharply declining in FY2022, public debt increased by 3.6 percentage points to 54.3 percent of GDP in FY2023.³ This reflects a deterioration in the fiscal position (moving from a surplus of 0.3 percent of GDP in FY2022 to a deficit of 1.1 percent of GDP in FY2023), due to lower energy revenues. Despite the decline in FY2022, the current level of public debt remains above its pre-COVID-19 level by about 9 percentage points of GDP.
- 3. Public debt displays a resilient structure.** Public debt is mostly denominated in domestic currency, with just 32.9 percent being denominated in foreign currency. Roll-over risks are mitigated by a maturity structure that is mostly medium- to long-term, with a share of 27.1 percent and 61.5 percent, respectively.
- 4. The baseline scenario of this SRDSA reflects the medium-term macroeconomic assumptions and policies under staff's projections.** Staff's baseline scenario is based on the approved FY2024 budget and the macroeconomic outlook and assumes a continuation of current

¹ Prepared by Alexander Amundsen and Ali Al-Sadiq (WHD).

² The analysis is based on the [Sovereign Risk and Debt Sustainability Framework](#) (SRDSF) for market access countries.

³ Trinidad and Tobago has been hit by multiple adverse shocks over the past decade, including the 2014 collapse in global energy prices, disruptions to domestic energy production, and the 2020 COVID-19 pandemic. Real GDP declined in 2015-18 and in 2020-21, incurring a cumulative GDP loss of 21.7 percent. The economic recovery is ongoing, and the economy is expected to have a third year of continuous growth in FY2024. As the economy recovers, debt is expected to stabilize and start declining.

policies with gradual progress on the reform agenda. It excludes revenue or spending targets that are not underpinned by concrete measures. The assessment is based on the following assumptions:

- *Macroeconomic assumptions.* Real GDP is estimated to expand by 2.1 percent in 2023 and 2.4 percent in 2024. This is followed by strong growth of 2.9 percent and 2.8 percent in 2028 and 2029, respectively, as new energy projects come onstream. In the long term, growth is projected to converge toward its potential of 1.3 percent. After peaking at 8.7 percent in December 2022, on the back of higher global food and energy prices, inflation has declined substantially to 0.3 percent in January 2024. The current account surplus is projected to moderate due to lower global energy prices and domestic energy production but will remain large in 2023 (9.1 percent of GDP) and is expected to remain relatively stable over the medium term.
- *Fiscal path.* The fiscal deficit is expected to widen to 2.7 percent of GDP in FY2024, following a deficit of 1.1 percent of GDP in FY2023. This reflects a public sector wage settlement, lower energy revenues, and higher capital spending. The deficit is expected to gradually narrow over the medium term and balance by FY2027. The primary balance is projected to remain in a surplus over the medium and long term.
- *Gross financing needs (GFNs).* GFNs are expected to increase to 6.8 percent of GDP in FY2024 and peak at 9.3 percent of GDP in FY2026, driven largely by increasing debt service. In the long term, GFNs will average around 4.3 percent of GDP. About two-thirds of the GFNs will be

covered by medium- and long-term domestic debt, with the remaining part being covered by external borrowing. The authorities made use of “one-off”

One-Off Financing Measures (In percent of GDP)								
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Withdrawals from HSF	1.5	1.1	0.0	0.0	4.6	3.8	-0.6	-0.6
Sale of fixed assets	2.2	0.8	0.5	0.6	0.4	0.6	0.4	0.1
Super-dividends	2.6	1.2	1.8	0.6	0.0	0.0	0.0	0.0

Sources: Trinidad and Tobago's authorities and IMF staff calculations.

financing measures and withdrawals from the Heritage and Stabilization Fund (HSF) sovereign wealth assets in the last several years to limit the debt accumulation.⁴ However, there is some uncertainty regarding the realization of “one-off” financing given legal complexities in unwinding some assets and questions about the sustainability of “super-dividends.”

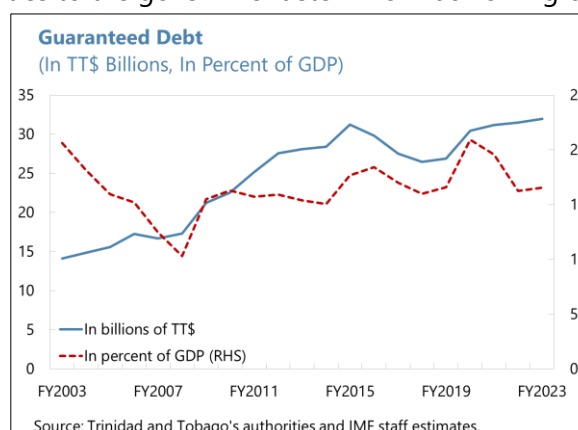
5. Under the baseline scenario, public debt is projected to remain at moderate levels through the medium term. Under staff's baseline scenario, debt-to-GDP is projected to increase in FY2024 to 56.0 percent of GDP as the adverse real interest rate would offset the favorable impact of the continued economic recovery. Public debt is projected to peak at about 56.3 percent of GDP in FY2026 and gradually decline to 45.0 percent by FY2033, driven by the growth-interest rate differential and a large primary surplus.

⁴ In December 2023, the authorities withdrew about TT\$1 billion (0.5 percent of GDP) from the HSF for budget support.

6. Some uncertainty surrounds the baseline assumptions and projections. Forecast errors point to optimism in staff's projections regarding the difference between the real interest rate and economic growth. The projected fiscal adjustment and debt reduction are within the normal historical range observed in peer countries. The maximum adjustment over any three years for the cyclically-adjusted primary balance is an outlier, which reflects the improvement in the balance since the impact of the COVID-19 pandemic in 2020.

7. The fan chart illustrates uncertainty about the evolution of public debt over the medium term. The debt fan chart—measuring medium-term solvency risks—points to substantial uncertainty surrounding the baseline projections. There is wide dispersion in the distribution of possible debt paths, owing to the volatility of energy prices and GDP that has historically affected the country.

8. Sizeable contingent liabilities from the public bodies also pose additional risks to the debt path if they materialize. Contingent liabilities to the government stem from borrowing by public bodies (i.e., SOEs and statutory bodies), where central government guarantees are initially issued in the form of a letter of comfort and are eventually replaced by formal guarantees. As of end-FY2023, guaranteed debt, which is denominated primarily in domestic currency, reached 16.6 percent of GDP. The exposure of domestic banks to public bodies, their reliance on government support,⁵ and the high sovereign-bank nexus sets up for a negative feedback loop that could amplify macroeconomic shocks and weaken debt sustainability and macroeconomic stability.



9. Long-term scenarios suggest moderate risks related to climate change and natural resource depletion, and high risks to the pension system.

- Climate-related expenditures are manageable and will have a limited impact on debt sustainability. In the long term under climate change adaptation, the customized scenario assumes a long-term primary balance impact of 0.9 percent of GDP and an increase of 0.5 percent in GDP growth related to capital spending addressing climate risks. GFNs and public debt will increase relative to the baseline but are sustainable. Under climate change mitigation, elevated GFNs and public debt will occur, but public debt would be on a downward trajectory over the 20-year horizon.

⁵ The central government pays the interest and principal of guaranteed debt of non-self-serviced SOEs and statutory bodies through budget transfers. As of end-FY2023, transfers to SOEs and statutory bodies amounted to about 3.2 percent of GDP.

- The decline in natural resources is likely to erode the fiscal revenue base and widen the primary deficit. Nevertheless, GFNs and public debt will remain at a manageable level supported by sustained growth in the non-energy sector.
- Pension expenditures under the current system would lead to larger GFNs and an upwards public debt trajectory in the long term. This points to the need to undertake parametric reforms to the public pension system.

10. Fiscal risks are mitigated by the country's large fiscal buffers and strong debt profile.

Although the country remains exposed to the uncertainty and volatility of global energy prices, and the realization of contingent liabilities from public bodies, these vulnerabilities are mitigated by the country's large fiscal buffers in the sovereign HSF, which are estimated at 19.2 percent of GDP in FY2023, the medium-and long-term maturity profile, and a moderate foreign currency share of outstanding debt. Maintaining fiscal discipline and rebuilding fiscal buffers will be important to ensure fiscal sustainability and resilience from future shocks.

Figure 1. Trinidad and Tobago: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium- and long-term horizons.
Near term 1/			
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate. Although the Fanchart suggests high risks, this is due to the volatility of macroeconomic indicators in the past. This is mitigated by low risks from the GFN, reflecting fiscal restraint and increasing fiscal revenues.
Fanchart	High	...	
GFN	Low	...	
Stress test	...	...
Long term	...	Moderate	Long-term risks are moderate reflecting climate change and natural resource depletion, which would increase the debt to a higher but sustainable level. Pressures from the pension system could surface. However, the authorities are working to address these risks through reforms, including boosting gas and renewable energy production and increasing the retirement age.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Not applicable
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Public debt equaled 54.3 percent of GDP in FY2023 reflecting a deterioration in the fiscal position due to a decline in energy revenues. Moderate fiscal deficits will persist, increasing public debt to a peak of 56.3 percent in FY2026 before gradually declining to 45.0 percent in FY2033. Trinidad and Tobago is at moderate risk of sovereign stress and public debt is projected to stabilize in the medium term. Debt dynamics are vulnerable to uncertain and volatile global energy prices and the realization of contingent liabilities from state-owned enterprises and statutory bodies. However, these vulnerabilities are mitigated by the country's large fiscal buffers and strong debt profile.

Source: IMF staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Trinidad and Tobago: Debt Coverage and Disclosure

1. Debt coverage in the DSA: 1/						CG	GG	NFPS	CPS	Other	Comments	
1a. If central government, are non-central government entities insignificant?											No	
2. Subsectors included in the chosen coverage in (1) above:												
Subsectors captured in the baseline											Inclusion	
CPS	NFPS	GG: expected	CG	1	Budgetary central government						Yes	
				2	Extra budgetary funds (EBFs)						No	Not applicable
				3	Social security funds (SSFs)						No	
				4	State governments						No	Not applicable
				5	Local governments						No	
				6	Public nonfinancial corporations						No	
				7	Central bank						No	
				8	Other public financial corporations						No	
3. Instrument coverage:						Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/		
4. Accounting principles:						Basis of recording		Valuation of debt stock				
						Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/		
5. Debt consolidation across sectors:						Consolidated		Non-consolidated				

Color code: chosen coverage Missing from recommended coverage Not applicable

Reporting on Intra-Government Debt Holdings

Issuer		Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total		
CPS	NFPS	GG: expected	CG	1	Budget. central govt							0	
				2	Extra-budget. funds								0
				3	Social security funds								0
				4	State govt.								0
				5	Local govt.								0
				6	Nonfin pub. corp.								0
				7	Central bank								0
				8	Oth. pub. fin. corp								0
Total			0	0	0	0	0	0	0	0	0		

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

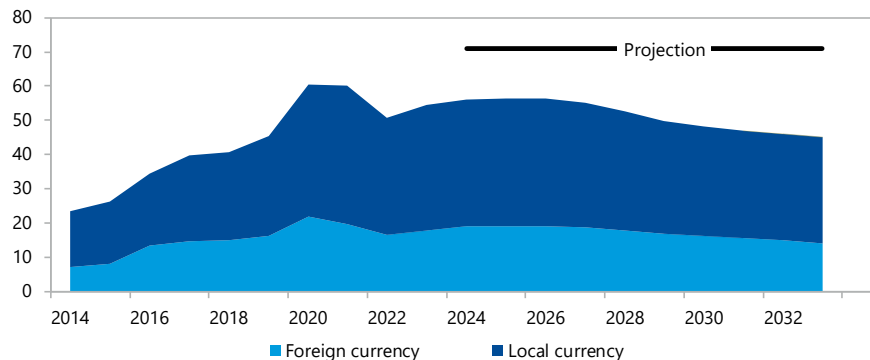
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The debt perimeter only covers the central government sector due to lack of consolidated general government and public sector data. Contingent liabilities to the government stem from borrowing by public bodies (i.e., state-owned enterprises and statutory bodies). As of end-FY2023, guaranteed debt, which is denominated primarily in domestic currency, reached 16.6 percent of GDP.

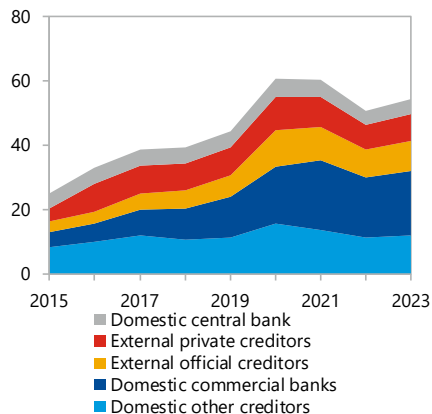
Figure 3. Trinidad and Tobago: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



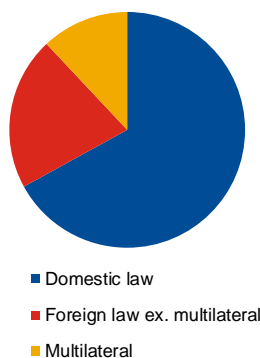
Note: The perimeter shown is central government

Public Debt by Holder (Percent of GDP)



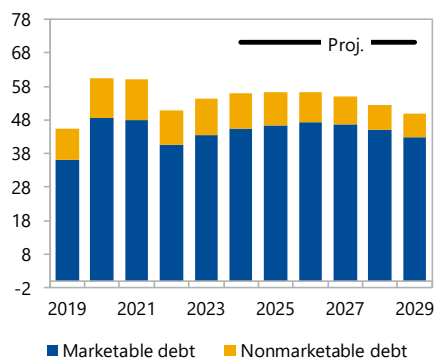
Note: The perimeter shown is central government

Public Debt by Governing Law, 2023 (percent)



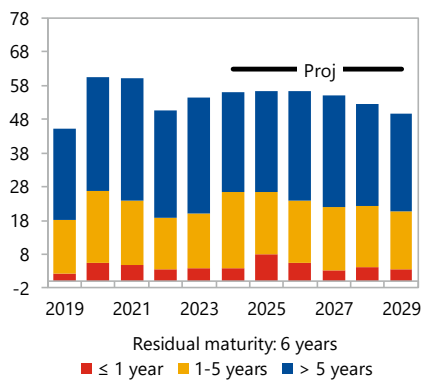
Note: The perimeter shown is central government

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is central government

Commentary: Domestic debt stood at 36.4 percent of GDP at end-FY2023 while external debt is relatively low at 17.9 percent of GDP. Mitigating factors are the debt profile of Trinidad and Tobago is dominated by medium- and long-term maturities, and a moderate foreign currency share of outstanding debt.

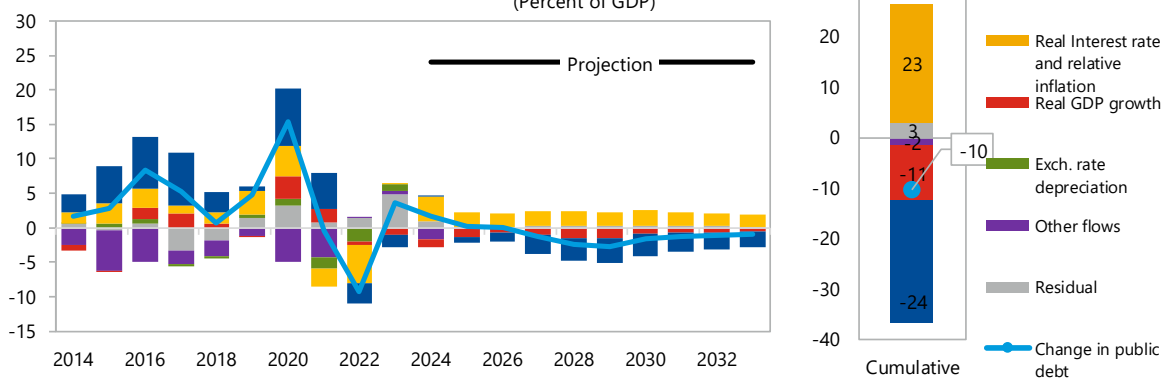
Figure 4. Trinidad and Tobago: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection							Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Public debt	54.3	56.0	56.2	56.3	54.9	52.6	49.8	48.3	47.1	46.0	45.0	
Change in public debt	3.6	1.7	0.2	0.1	-1.3	-2.4	-2.8	-1.5	-1.2	-1.1	-1.0	
Contribution of identified flows	-1.2	0.7	0.0	-0.1	-1.6	-2.6	-3.0	-1.8	-1.4	-1.3	-1.2	
Primary deficit	-1.8	0.1	-0.8	-1.4	-2.7	-3.3	-3.6	-3.2	-2.8	-2.5	-2.3	
Noninterest revenues	28.7	26.2	27.7	27.6	28.8	29.2	29.4	29.1	28.8	28.5	28.4	
Noninterest expenditures	26.9	26.3	26.9	26.2	26.1	25.8	25.8	26.0	26.0	26.0	26.1	
Automatic debt dynamics	0.1	2.3	0.8	1.3	1.2	0.7	0.6	1.4	1.3	1.2	1.1	
Real interest rate and relative inflation	0.1	3.5	2.1	2.0	2.2	2.2	2.1	2.3	2.1	1.9	1.7	
Real interest rate	1.1	4.5	2.3	2.1	2.4	2.4	2.3	2.5	2.3	2.1	1.9	
Relative inflation	-0.9	-1.0	-0.2	-0.1	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	
Real growth rate	-1.0	-1.2	-1.3	-0.7	-1.0	-1.5	-1.4	-0.9	-0.7	-0.7	-0.6	
Real exchange rate	0.9	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.6	-1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other transactions	0.6	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contribution of residual	4.8	1.0	0.2	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2	
Gross financing needs	3.3	6.8	5.7	9.3	5.6	2.9	3.4	3.6	5.8	4.7	5.5	
of which: debt service	5.2	6.8	6.5	10.6	8.4	6.2	7.0	6.8	8.6	7.2	7.8	
Local currency	4.6	4.0	4.8	5.4	5.7	4.1	5.2	3.5	5.2	5.3	6.0	
Foreign currency	0.6	2.8	1.7	5.2	2.6	2.1	1.8	3.3	3.4	1.9	1.8	
Memo: 1/												
Real GDP growth (percent)	1.9	2.3	2.3	1.2	1.9	2.7	2.8	1.8	1.5	1.4	1.3	
Inflation (GDP deflator; percent)	-2.1	-3.3	0.9	1.1	0.5	0.4	0.4	0.4	0.4	0.4	0.5	
Nominal GDP growth (percent)	-0.2	-1.1	3.2	2.4	2.4	3.1	3.2	2.2	1.9	1.9	1.9	
Effective interest rate (percent)	0.0	4.9	5.1	5.0	5.0	4.9	4.9	5.6	5.2	5.0	4.6	

Contribution to Change in Public Debt

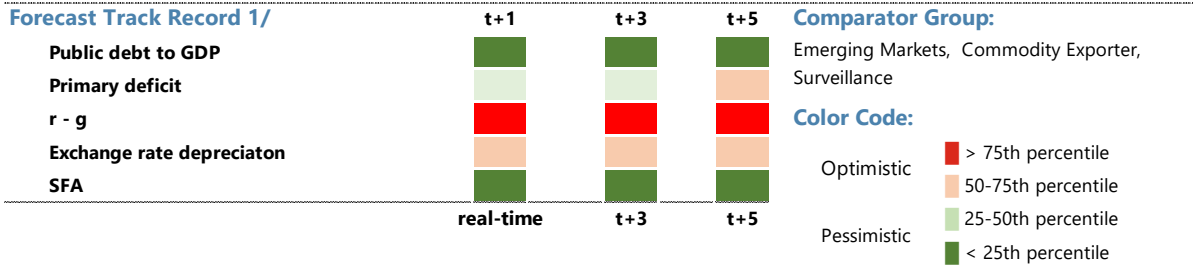
(Percent of GDP)



Commentary: Public debt stood at 54.3 percent of GDP in FY2023 and its projected trajectory is expected to largely follow developments of Trinidad and Tobago's energy sector. Debt is expected to peak in FY2026 before it starts to decline again due to the expected increase of energy revenues. GFNs would peak in FY2026 due to high debt service but then will hover around an average of 4.3 percent of GDP in the long-term. Public debt is highly sensitive to changes in real interest rates.

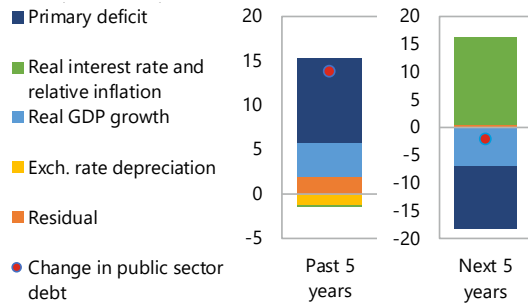
1/ Real GDP growth as well as inflation are based on fiscal year representations.

Figure 5. Trinidad and Tobago: Realism of Baseline Assumptions



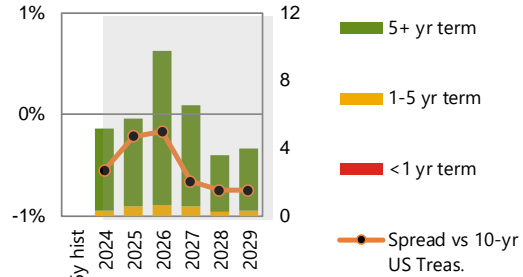
Public Debt Creating Flows

(Percent of GDP)



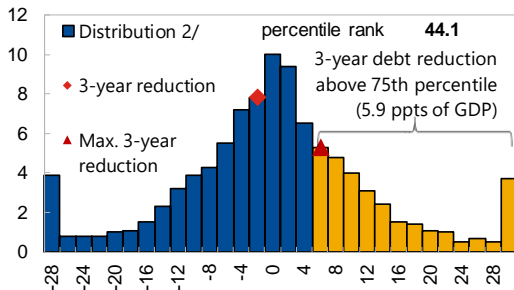
Bond Issuances (Bars, debt issuances (RHS,

%GDP); lines, avg marginal interest rates (LHS, percent)



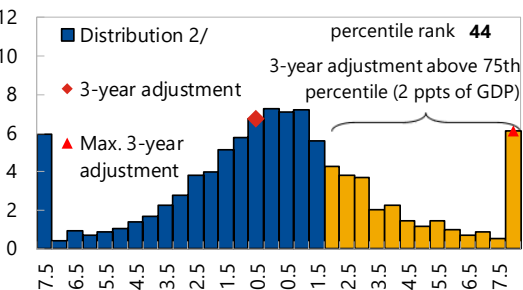
3-Year Debt Reduction

(Percent of GDP)



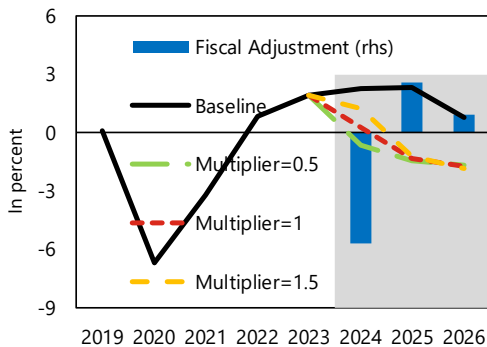
3-Year Adjustment in Cyclically-Adjusted

Primary Balance (Percent of GDP)



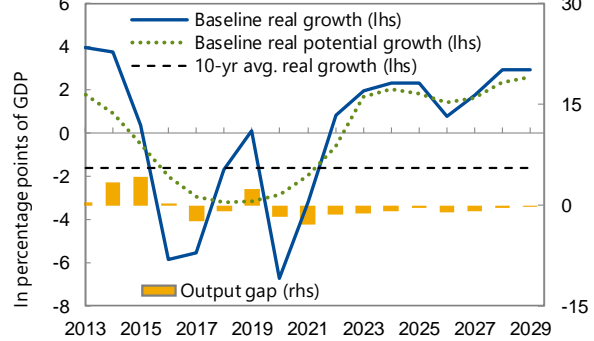
Fiscal Adjustment and Possible Growth Paths

(Lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(In percent)



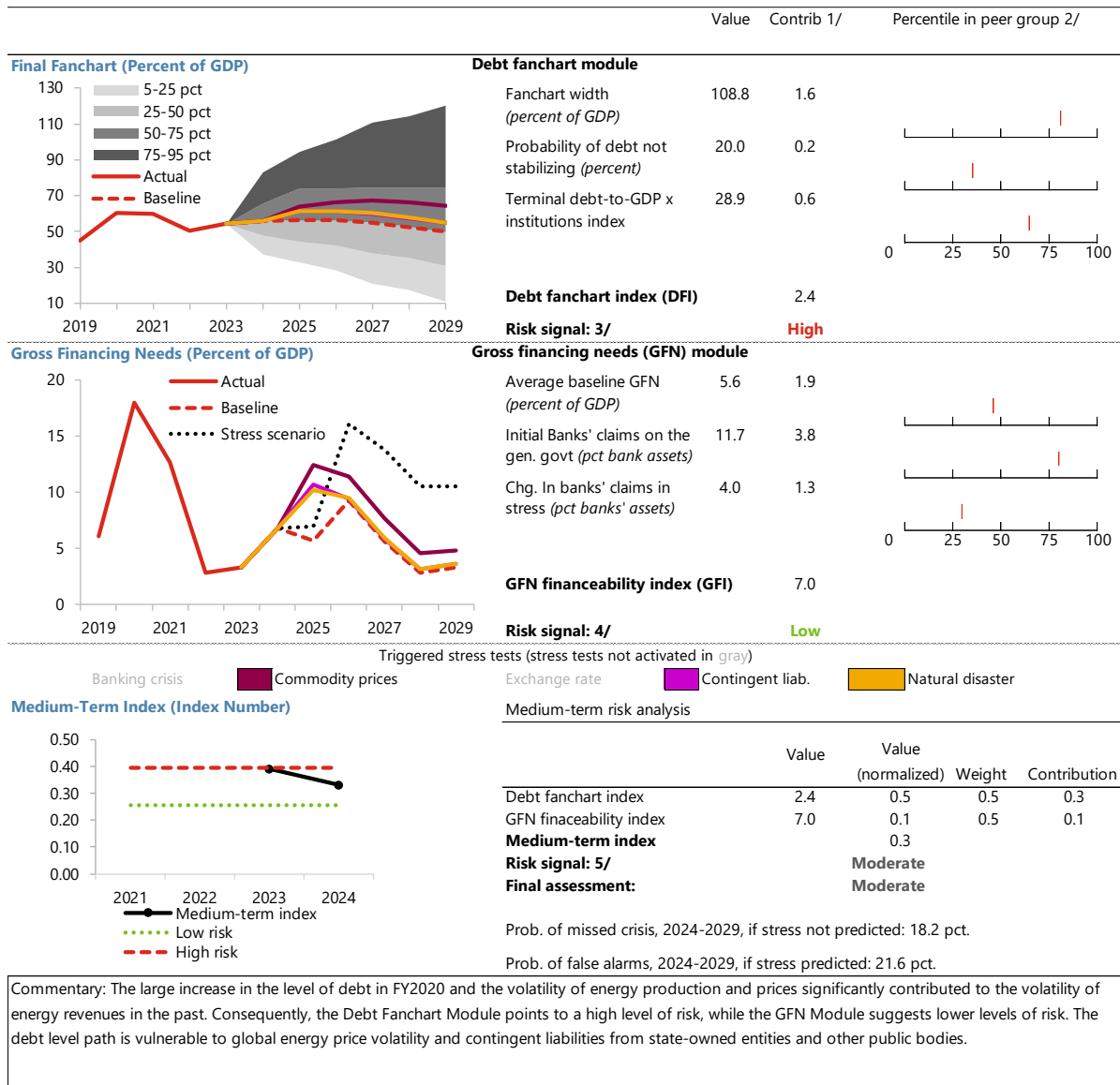
Commentary: Developments in energy prices and production can create volatile growth paths, however Trinidad and Tobago is broadly in line with those observed in peer surveillance countries.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

Figure 6. Trinidad and Tobago: Medium-Term Risk and Analysis



Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

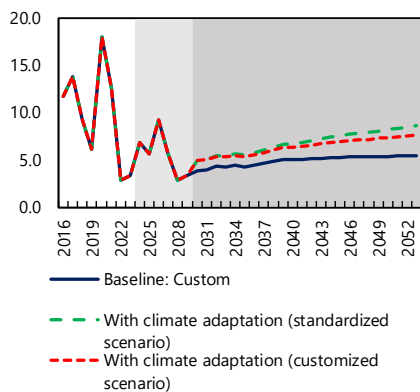
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

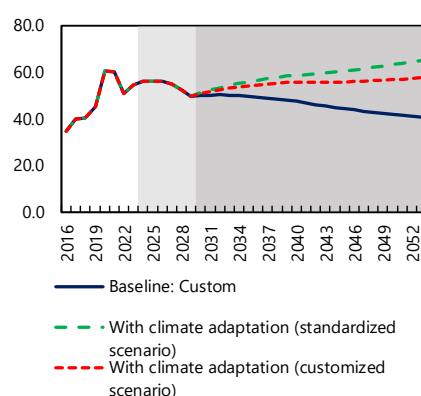
Figure 7. Trinidad and Tobago: Long-Term Risk and Analysis

Climate Change: Adaptation

GFN-to-GDP Ratio

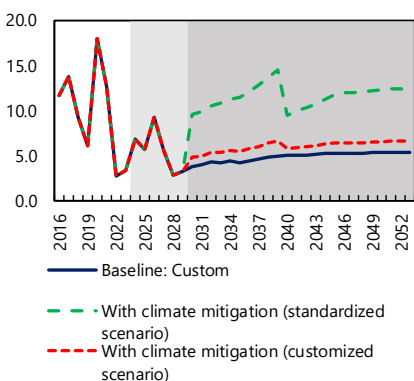


Total Public Debt-to-GDP Ratio

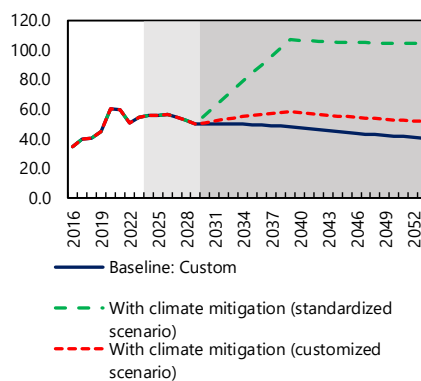


Climate Change: Mitigation

GFN-to-GDP Ratio

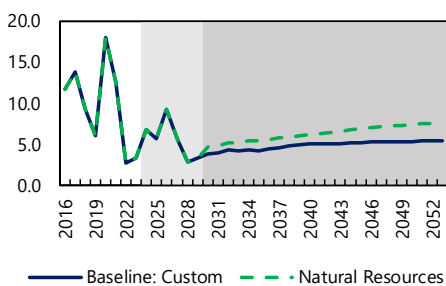


Total Public Debt-to-GDP Ratio

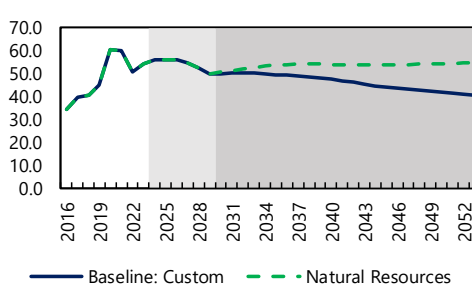


Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

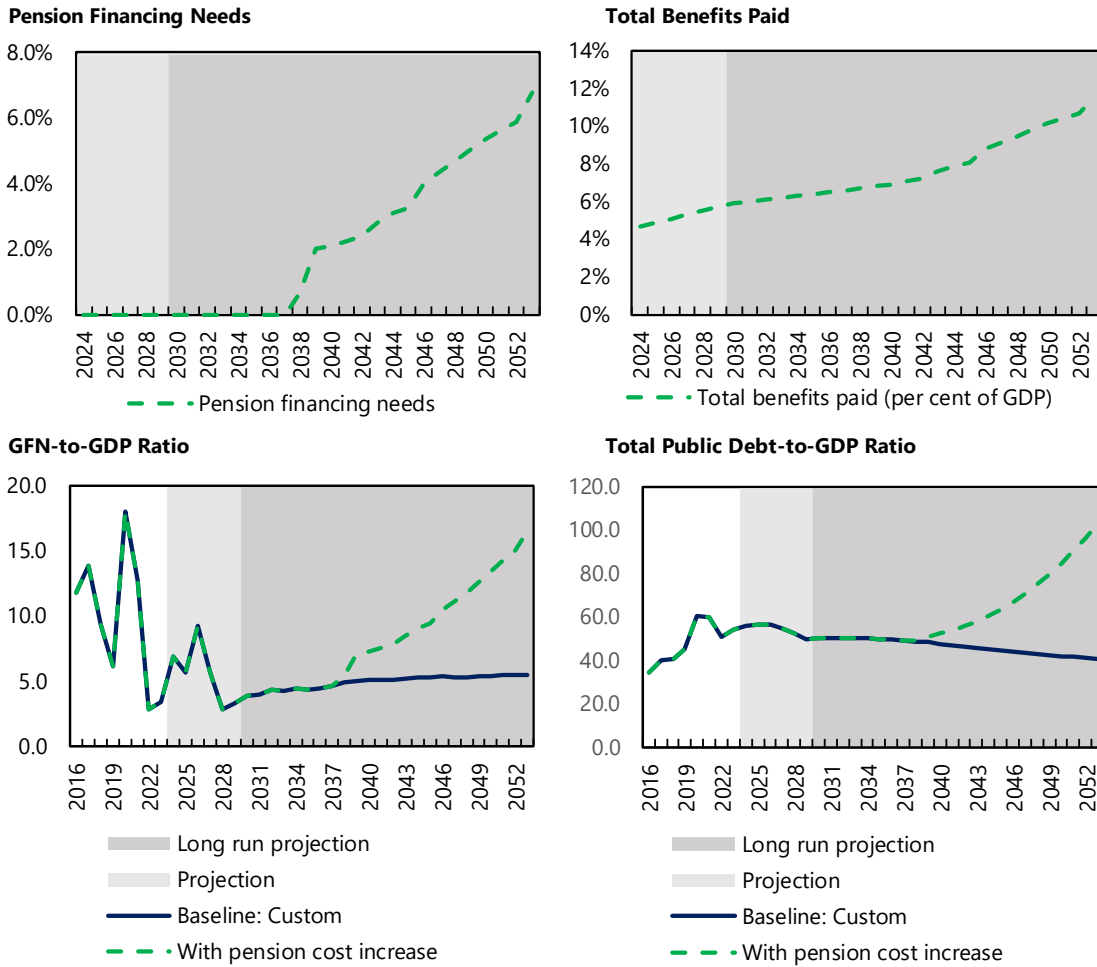


Commentary: Climate-related expenditures are contained over the long term. Under climate adaptation, GFNs and debt will remain at a higher level, while under climate mitigation debt has a downward trajectory. The decline in natural resources will erode the fiscal revenue base and GDP growth. Consequently, GFNs and debt are at higher levels, but stable as they are supported by diversified growth in the non-energy sector.

Figure 8. Trinidad and Tobago: Long-Term Risk and Analysis

Permanent adjustment needed in the pension system to keep pension assets positive for:

	30 years	50 years	Until 2100
(pp of GDP per year)	1.8%	3.7%	5.3%



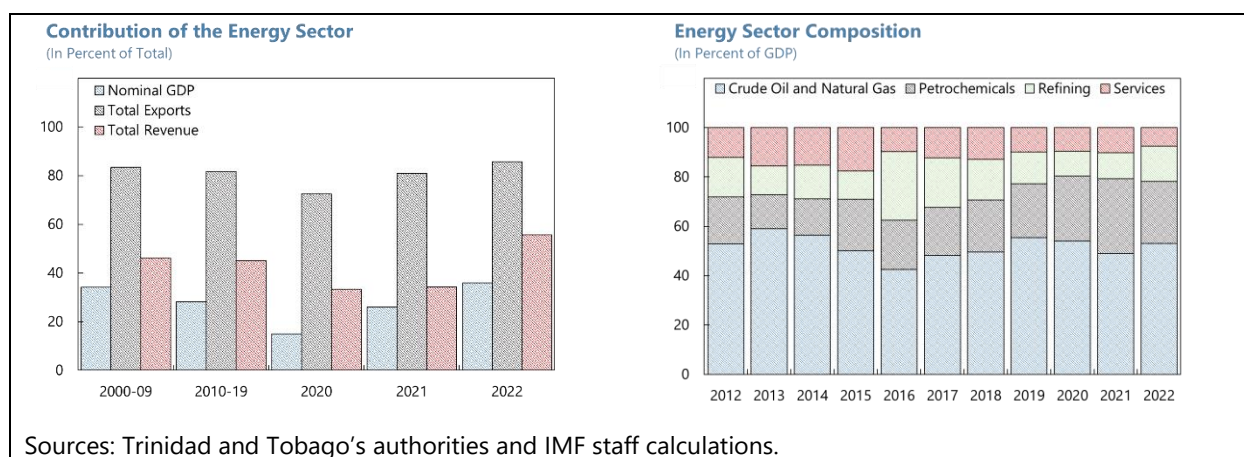
Commentary: Pension expenditures under the current system would lead to large gross financing needs and an upward debt trajectory in the long term. This underscores the importance of taking parametric reforms to the pension system.

Annex VI. Building a Rules-Based Fiscal Framework¹

Adopting a robust rule-based fiscal framework would complement Trinidad and Tobago authorities' ongoing efforts to strengthen their fiscal accounts. It would help promote fiscal discipline, preserve fiscal sustainability, and build fiscal buffers in the face of increased volatility and uncertainty of global energy markets and the global transition to a low-carbon environment. This annex aims to provide an overview of potential benefits of adopting a formal fiscal rule for Trinidad and Tobago.

Background

1. Trinidad and Tobago's economic activity, and its external and fiscal revenues are heavily dependent on its oil and gas. As of 2022, the energy sector, including petrochemicals, accounted for about 36 percent of GDP, 86 percent of total exports, and 56 percent of total central government revenue. The sector is comprised of exploration and production of crude oil, condensate, and natural gas (53.1 percent of energy sector GDP), petrochemicals (25.1 percent), refining (14.3 percent), and services (7.6 percent).



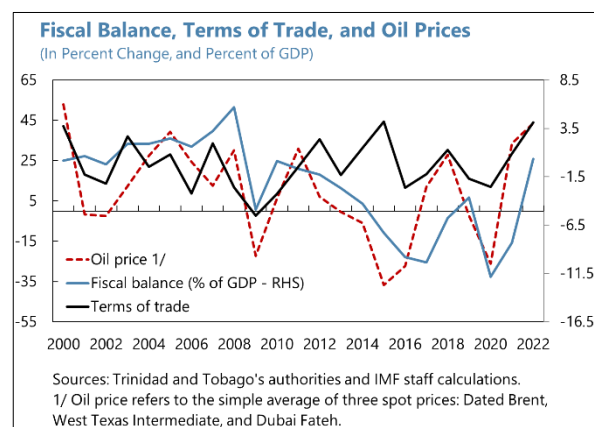
2. The volatility and uncertainty of energy prices pose considerable challenges for policymakers. Energy price fluctuations are often large, persistent, and asymmetric. For instance, oil prices increased from a low of US\$23 per barrel in April 2020 to a peak of US\$115 per barrel in June 2022. Moreover, energy prices are not only driven by cyclical fluctuations, but also display long-term trends, making them very difficult to forecast (IMF, 2012).² This volatility and uncertainty complicate fiscal management, budgetary planning, and undermines macroeconomic stability as it induces boom-bust cycles in natural resource-rich countries.

¹ Prepared by Ali Al-Sadiq and Diego Gutiérrez (WHD). For further details, see accompanying Selected Issues Paper.

² International Monetary Fund. 2012. "Macroeconomic Policy Frameworks for Resource-Rich Developing Countries", International Monetary Fund Policy Papers.

3. Trinidad and Tobago's macroeconomic performance and fiscal policy are exposed to the movements in global energy prices.

This is evident with the collapse of oil and gas prices in 2014 which had an immediate adverse impact on economic performance. Real GDP growth declined by 7.5 percent in 2016; offsetting the average growth of 2.8 percent observed during 2013–15. Also, the fiscal balance sharply deteriorated, swinging from a surplus of 0.1 percent of GDP in FY2010 to a deficit of 10.4 percent of GDP in FY2017. Other relevant macroeconomic variables have shown similar trends, as energy prices declined, export receipts fell, external balance moved into deficit in 2016, and international reserves declined significantly.



4. These challenges, coupled with the resource exhaustibility and the global transition to a low-carbon environment underscores the importance of strengthening the country's fiscal policy framework. The authorities could build on recent fiscal reforms to limit the country's exposure to energy price fluctuations and further strengthen their fiscal framework. This could be done by adopting a strong rule-based fiscal framework with a formal fiscal rule. This would help: (i) limit fiscal policy procyclicality (by delinking expenditures from resource revenues), and (ii) smooth government consumption over time, ensuring balanced growth, and avoiding the need for a large fiscal adjustment once the country's resource wealth has been depleted.

Benefits of Fiscal Rules

5. A well-designed fiscal rule can play a key role in promoting fiscal discipline, preserving fiscal sustainability, and building buffers.³ Fiscal rules can help avoid fiscal deficits and procyclicality biases through two main channels (Eyraud and others, 2018). First, acting as a *commitment device*: by imposing numerical limits, they limit the use of fiscal discretion, and serve as a focal point for politicians. Fiscal rules discourage spending by limiting the government's ability to grow expenditures during good times. This is done by conducting countercyclical policy while creating fiscal space to respond in bad times. Thus, fiscal rules help limit fiscal policy procyclicality and encourage savings during good times. Second, providing a *signaling effect*: by enhancing transparency and revealing the government's priorities and plans. Empirical studies confirm that

³ Fiscal rules are defined as constraints on fiscal policy through a simple numerical target on fiscal aggregates such as expenditure, revenue, the budget balance, cyclically adjusted balance, and debt.

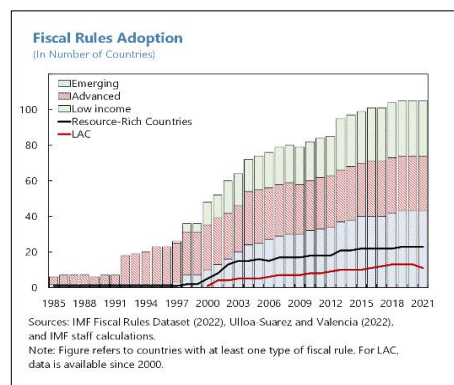
fiscal rules help countries achieve lower fiscal deficits relative to countries without such rules (Eyraud and others, 2018; and Apeti and others 2023).^{4,5}

6. The effectiveness of fiscal rules would hinge on several factors. This includes: i) a strong public finance management (PFM) framework, ii) sustained political commitment to a medium-term fiscal goal; iii) active and sound macroeconomic forecasting and analysis; iv) a balance between simplicity, flexibility, and enforceability of the adopted fiscal rules; v) the coverage of the government fiscal activities; and vi) well-defined escape clauses with a formal enforcement and corrections mechanisms.

Fiscal Rule Considerations for Natural Resource-Rich Countries

7. The choice of fiscal rules in natural resource-rich countries like Trinidad and Tobago normally consider two important characteristics of the economy. These are: (i) the increased volatility and uncertainty of energy prices, and (ii) the exhaustibility of energy resources. These two elements usually create complex trade-offs between long-term sustainability and intergenerational resource allocation. The global transition to a low carbon emission and the declining demand for fossil fuels, will exacerbate these trade-offs.

8. The international experience suggests there has been an increasing trend toward adopting fiscal rules, including natural resource-rich countries. As of end-2021, about 105 economies have adopted at least one fiscal rule, up from 94 countries in 2015 and 9 countries in 1985. Also, the number of emerging market and developing economies (EMDEs) with fiscal rules has risen rapidly since the late 2000s. The number of natural resource-rich countries with fiscal rules increased from five in 2000 to 23 by 2021, and such countries are increasingly using two rules in combination. The number of fiscal rules in force at the national level in Latin America and the Caribbean (LAC) have increased from 2 in 2000 to 25 in 2022.⁶



⁴ Eyraud L., X. Debrun, A. Hodge, V. Lledo and C. Pattillo. 2018. "Second-Generation Fiscal Rules: Balancing Simplicity, Flexibility and Enforceability", International Monetary Fund Staff Discussion Note, SDN/18/04, April 2018.

⁵ Ablam Estel Apeti, Olivier Basdevant, and Véronique Salins. 2023. "Do Fiscal Rules Foster Fiscal Discipline in Resource-Rich Countries?", IMF Working Paper WP/23/88. International Monetary Fund, Washington, DC.

⁶ Ulloa-Suarez, C., & Valencia, O. 2022. "Do governments stick to their announced fiscal rules? A study of Latin American and the Caribbean countries", Journal of Government and Economics, 8, 100058.

9. Fiscal rules for natural resource-rich countries can be classified in two categories:⁷

- **Rules to cope with price volatility and achieve macroeconomic stability.** These rules help reduce the fiscal policy procyclicality by delinking expenditure from volatile revenue. The rules tend to fall in the following categories:
 - *Revenue split rules:* These rules help set aside a certain percentage of revenues using an ad hoc criterion; saving revenues above a certain threshold (e.g., the amount initially budgeted) or require saving a predetermined percentage of commodity revenues.
 - *Price smoothing rules:* These rules also split revenues, but the allocation criterion is more complex and involves the calculation of a reference price. If actual resource revenues exceed resource revenues consistent with the reference price of the commodity, the difference is saved and can be used in periods of shortfall.
 - *Structural balance rules:* They help correct both economic and commodity price cycles.
 - *Expenditure rules:* They aim to limit the government spending growth in nominal or real terms or in percent of non-resource GDP.
- **Rules to ensure fiscal sustainability and an equitable resource intergenerational allocation.** While all commodity-exporting countries need to ensure the sustainability of public finances, this issue is particularly relevant in countries with a short commodity reserve horizon. Given the exhaustibility of resources, the aim of these rules is to determine the amount of savings (and sustainable spending) for current and future generations. In this regard, the permanent income hypothesis (PIH) approach is the most used model. Several rules have been discussed in this framework:
 - The non-resource primary balance (in percent of non-resource GDP) target.
 - “Bird-in-hand” policy rule: In this case, resource revenues are saved completely and only the return accruing from accumulated financial assets (interest income) is spent.

⁷ For further details see IMF 2018. “How To Select Fiscal Rules: A Primer”, International Monetary Fund, How-To Notes No. 9, March 2018. International Monetary Fund, Washington, DC.

Annex VII. Main Recommendations of the 2020 FSAP¹

Recommendations and Authority Responsible for Implementation	Time ¹	Status
Financial Sector Oversight		
Undertake scenario solvency and cashflow-based liquidity stress tests for banks and conglomerate stress tests. (CBTT, TTSEC).	NT	Ongoing. The CBTT conducts liquidity stress tests for commercial banks, but not at the conglomerate level. The CBTT began conducting thematic liquidity and market risk examinations of the financial institutions in November 2023, but the development of scenario-based stress test is suspended due to resource constraints. In August 2023, the CBTT conducted a liquidity contagion stress test using the IMF Stress Tester 3.0 framework. The CBTT aims to extend it to include foreign currency holdings in 2024.
Strengthen the independence, governance, and resources of financial supervisors, including assigning powers to issue regulation. (MoF, CBTT, TTSEC).	NT	Ongoing. Proposals to amend the Financial Institution Acts (FIA) 2008 are under development, including conferring the CBTT with the power to specify prudential requirements or criteria. The CBTT has reviewed the staffing of its Financial Institutions Supervision department and has begun filling vacant positions. In addition, the CBTT is exploring the use of supervisory technology and revisiting its internal structure and processes to achieve efficiency gains before adding more resources. The TTSEC aims to start a phased implementation of cost recovery after completion of the fee structure revision.
Banks. Implement the new Basel II/III banking regulations; update supervisory guidance and conduct more in-depth analysis in key risk areas. (MoF, CBTT).	NT	Ongoing. The CBTT adopted a phased approach to implementing the Basel II/III. ² The current Phase 2 includes: <i>Pillar 2 (Basel II)</i> —the Supervisory Review Process; <i>Pillar 3 (Basel II)</i> —Market Discipline; the Leverage Ratio (LR); the Capital Conservation Buffer (CCB); and the Liquidity Coverage Ratio (LCR). For <i>Pillar 2 Supervisory Review and Evaluation Process (SREP)</i> of Basel II, implementation of the Internal Capital Adequacy Assessment Process (ICAAP) commenced in January 2022 and is ongoing. The ICAAP is applied at the group level once the parent is domiciled in Trinidad and Tobago (non-licenses subsidiaries are included in the consolidated data but are not assessed individually). The LR, the CCB, and the Capital Add-on for D-SIBs, came into effect from January 1, 2024. The LCR Consultation Paper was issued to the banking industry in November 2022, feedback was received in March 2023, and a revised Consultation Paper was issued in June 2023, to facilitate the conduct of the Quantitative Impact Study (QIS). The CBTT intends to submit the final LCR policy and draft regulation to the MoF in 2024, after incorporating the industry's feedback and outcomes of the Quantitative Impact Study, published in October 2023.

¹ Prepared by Olga Bespalova (WHD).

Recommendations and Authority Responsible for Implementation	Time ¹	Status
		<p>The Pillar 3 Guideline is expected to be finalized by end 2025. The CBTT has already drafted the guideline on transparency and disclosures; its consultation will commence in 2024.</p> <p>The CBTT updated its Corporate Governance Guideline (March 2021) and followed with a survey of corporate governance practices in banks, providing feedback on its findings to industry in August 2022.</p> <p>The CBTT also issued new regulations in key risk areas: (i) Guideline for the Management of Liquidity Risk (January 2021); (ii) Credit Risk Management Guideline (November 2021); (iii) Guideline for Management of Outsourcing Risks (February 2022); (iv) Guideline for the Management of Market Risk (July 2022); (v) Cybersecurity Best Practices Guideline, including a Cybersecurity Incident Reporting template (September 2023); (vi) Guideline for Recovery Planning for Financial Institutions (October 2023); (vii) Leverage Ratio Guideline and Reporting framework (October 2023); (viii) Framework for Identification of a Domestic Systemically Important Bank and Higher Loss Absorbency Requirement (October 2023).</p>
<p>Insurers. Implement modern insurance legislation and risk-based supervision. (MoF, CBTT).</p>	I	<p>Addressed. The Insurance Act (IA) 2018 and its amendments, along with the Insurance (Approved Securities) Regulations 2020, the Insurance (Capital Adequacy) Regulations 2020, and the Insurance (Financial Condition Report) Regulations 2020, came into effect in January 2021. The reorganization of four foreign insurers to form locally incorporated entities per the IA has been completed. The restructuring of three insurance groups under a Financial Holding Company (FHC) is in progress, in collaboration with the supervisors in other jurisdictions. To operationalize the IA, the CBTT conducted assessment of capital adequacy and credit exposures and issued the Market Conduct Guideline for Registrants under the 2018 IA in July 2023.</p> <p>The implementation of the International Financial Reporting Standard (IFRS) 17, which became effective for reporting periods on or after January 1, 2023, is ongoing. The CBTT issued a circular letter on Integrating IFRS 17 into the Capital Framework and Financial Condition assessment, amended annual returns and reporting instructions to incorporate IFRS 17 requirement, trained its staff and provides guidance to the relevant stakeholders. CARTAC and the Caribbean Association of Insurance Regulators continued to support the industry in implementing the IFRS 17.</p> <p>Following IMF TA received in 2023Q3, the CBTT has developed the Own Risk Solvency Assessment (ORSA) forms to survey insurance companies, the ORSA Guideline is expected to be circulated to stakeholders for consultation. The revised Guideline for the Approval of New or Significantly Amended Insurance Policies Under the Insurance Act, 2018 was circulated to the industry for consultation and stakeholders feedback and is being finalized for issuance to the industry. A Liquidity Risk Management Guideline for Insurance Institutions was drafted for review in anticipation of a training session scheduled for April 2024. Once revised it will be issued to the industry.</p>

Recommendations and Authority Responsible for Implementation	Time ¹	Status
<p>Investment Funds. Introduce regulation for investment funds, require industry-wide compliance; and implement carefully sequenced industry-wide transition to floating funds. (MoF, TTSEC, CBTT).</p>	<p>NT MT</p>	<p>Ongoing. The proposed Collective Investment Schemes (CIS) By-Laws were enacted in April 2023. The draft By-Laws "Risk-Based Capital and Liquidity Requirements", were submitted for public consultation in 2023H2 and comments are being reviewed. TTSEC expects to complete the second round of public consultations during 2024Q2. The CBTT and TTSEC collaborate through a joint Steering Committee and Technical Working Group to review the FSAP recommendations on investment funds. IMF TA is ongoing to support implementation of this recommendation, with a focus on the mitigation of the risks associated with the fixed NAV CISs.</p>
<p>Credit Unions. Adopt new legislation and regulation for supervision and assign to a fully independent supervisor with sufficient powers and resources. (MoF).</p>	<p>NT</p>	<p>Ongoing. Industry consultation on the Policy Proposal Document (PPD) to create an independent authority to supervise and regulate the sector and set prudential requirements was completed in February 2024. The Cabinet appointed Implementation Team will revise the draft and recirculate to the industry for final review and feedback within the second quarter of 2024.</p> <p>A PPD to implement a mandatory deposit insurance for credit unions was submitted to the Ministry of Youth Development and National Service in June 2023.</p> <p>A diagnostic survey for all credit unions was conducted in 2022 and the results were shared with the sector in October 2022. A second diagnostic survey incorporating IFRS 9 requirements was sent to the credit union sector in September 2023. This will inform the final prudential ratios to be proposed in the PPD to create an independent authority.</p>
<p>Financial Markets Infrastructure. Enact a comprehensive National Payments Law. (MoF, CBTT).</p>	<p>MT</p>	<p>Ongoing. The development of comprehensive Payments System Bill is underway. In May 2021, the CBTT issued a draft policy proposal for a Payments System Bill. It is now drafting a Payments' System and Services Bill and accompanying regulations, incorporating the feedback received from the stakeholders, and IMF TA advice. The CBTT will consult on the proposed Bill with the public in 2024 before it enters parliamentary process. Then, the CBTT will develop the Guidelines to accompany the Payments Act.</p>
<p>Financial Conglomerates. Implement consolidated risk assessment methodology for financial conglomerates with cross-sector views of all material entities. (CBTT, TTSEC).</p>	<p>NT</p>	<p>Ongoing. The ongoing restructuring of insurance-led financial conglomerates under financial holding companies (FHCs) will facilitate consolidated supervision.</p> <p>A detailed consolidated supervision framework exists for bank-led financial groups but will be updated in 2024 to reflect updated guidance on consolidated capital adequacy and liquidity for bank-led groups and an updated risk assessment framework. The framework will also need to be adapted for insurance-led groups, including the development of consolidated capital adequacy requirements for insurers. The CBTT and TTSEC commenced sharing information on dually regulated entities, while sharing of information on other members of a financial group is also planned.</p> <p>A technical working group (TWG), comprising representatives from the region's banking, securities, and insurance regulators is working to develop</p>

Recommendations and Authority Responsible for Implementation	Time ¹	Status
		<p>guidance for regional regulators on assessing <i>inter alia</i> capital adequacy, liquidity and intra-group exposures within a financial conglomerate. The TWG is seeking also to strengthen supervisory collaboration and cooperation by strengthening memorandums of understanding among the supervisory authorities.</p> <p>IMF TA supported consolidated risk-based supervision of financial conglomerates in October 2020.</p>
<p>Systemically Important Financial Institutions (SIFIs). Revise deemed SIFI list, using best practice methodology, assign commensurate supervisory powers, and implement buffers. (MoF, CBTT).</p>	NT	<p>Ongoing. The MOF approved the merger of two deemed SIFIs and the process is in its final stage. The CBTT has reviewed the deemed SIFIs to determine which of those institutions should remain classified as SIFIs and has developed draft proposals for the future treatment.</p> <p>Additionally, based on the application of the criteria in the CBTT's Framework for Identification of a Systemically Important Bank (D-SIB Framework): two banks were determined to be D-SIBs and the CBTT enacted the D-SIB capital add-on from January 1, 2024.</p> <p>The CBTT is considering amendments to the FIA and the Central Bank Act to provide it with explicit power to specify SIFI criteria, designate a SIFI, and stipulate their reporting framework or other regulatory requirements.</p>
<p>Market Integrity. Continue to strengthen the AML/CFT framework and address remaining FATF recommendations. (Authorities).</p>	I	<p>Ongoing. In response to FATF recommendation 35 (deficiency in the administrative sanction regime), legislation establishing the regulatory framework for administrative monetary fines for AML breaches was enacted in December 2021. A simplified due diligence guideline was issued in September 2021 to all commercial banks. The Supervisory Ladder of Intervention Policy was published in May 2022. The Office of the Attorney General and Legal Affairs is coordinating the 2nd National Risk Assessment (NRA) with TA from the World Bank. Once finalized, its findings will be shared with public and private stakeholders tentatively in 2024Q2.</p> <p>The CBTT is currently addressing the NRA findings, advocating for the finalization of the Administrative Monetary Fines For AML/CFT/CPF Breaches framework, and identifying high-risk institutions for the on-site examinations in 2023/24 and 2024/25, ahead of the forthcoming 5th round of the CFATF mutual evaluation planned for March 2026.</p> <p>The country received TA from the EU—on beneficial ownership, regulation of non-profit organizations, and the gaming sector; and from the UK's King's College—to conduct a standalone assessment of the proliferation financing risk. The definition of beneficial ownership consistent with the FATF has been adopted and harmonized in the legislative framework. The CBTT is preparing guidance to reporting financial institutions for the implementation of compliance programs to meet their reporting and record-keeping requirements.</p> <p>The CBTT has completed revisions to its internal AML/CFT/CPF Policy, aiming, <i>inter alia</i>, to strengthen the source of funds requirements, improve the internal reporting form, and enhance guidance on due diligence measures.</p>

Recommendations and Authority Responsible for Implementation	Time ¹	Status
		In September 2023, the CBTT conducted a cross-sector thematic review of financial institutions' compliance with targeted financial sanctions requirements. It expects to publish a report in 2024.
<p>System wide oversight and macroprudential policy. Strengthen financial sector data, assign macroprudential powers to CBTT and implement prudential policies that encourage banks to limit sovereign exposures. (Authorities).</p>	NT	<p>No progress. While internal preparatory work to adopt a macroprudential framework has been substantially completed in line with a 2015 TA mission, a timetable for its operationalization has not been established as amendments to the Central Bank Act would be required to designate CBTT as the macroprudential authority. No amendments to the legislation to provide the CBTT with explicit macro-prudential authority and tools have been proposed to date. Currently, only macroprudential surveillance activities are undertaken by the CBTT.</p>
<p>Financial Safety Net. I. Amend legislation to align resolution regime with best international practice, establish a resolution unit at CBTT, and initiate resolution planning. Strengthen emergency lending assistance, deposit insurance, and resolution funding. (MoF, CBTT, DIC).</p>	NT	<p>Ongoing. The CBTT and the Deposit Insurance Corporation (DIC) drafted plans to ensure operationalization of the 2021 Framework for the Recovery and Resolution of Financial Institutions. The CBTT's Crisis Management Committee conducted a gap analysis in accordance with international best practice. A Recommendatory Note regarding the establishment of a resolution unit was prepared.</p> <p>A PPD to amend the Central Bank Act, Financial Institutions Act, and the Insurance Act has been drafted. The PPD would enhance the CBTT's ability, as a lead resolution authority, to effectively manage a crisis. In developing the proposals, consideration was given to the Financial Stability Board's Key Attributes of Effective Resolution Regimes for Financial Institutions and the IMF Technical Note on Bank Resolution and Crisis Management.</p> <p>The CBTT plans to develop guidelines to assist licensees with developing their own Resolution Plans and circulate the draft internally and to members of the Financial Stability Committee by the 2024Q3.</p> <p>Quarterly meetings of the Financial Stability Committee continue. This Committee comprises senior representatives of the CBTT, the Deposit Insurance Corporation and the TTSEC.</p> <p>In October 2023, the CBTT issued the Recovery Planning Guideline. In May 2022, the CBTT published its Supervisory Ladder of Intervention Policy, which sets approach to intervention when there are concerns about a regulated institution's financial performance, governance, risk management, compliance, or internal controls.</p> <p>The CBTT communicated its agreement, in principle, to provide short-term collateralized liquidity funding in accordance with the requirements of the Central Bank Act, should this become necessary. This was confirmed in a letter to the DIC.</p> <p>A PPD for the establishment of a Deposit Insurance Scheme for Deposits and Shares Held in a Credit Union is undergoing public consultations.</p>

Recommendations and Authority Responsible for Implementation	Time ¹	Status
Financial Development and Climate Risk		
Develop a financial sector development policy strategy covering Development Finance Institutions (DFI) mandates and state-owned commercial banks. (MoF).	MT	No progress.
Undertake a comprehensive environmental risk assessment of the financial sector and develop a green finance strategy. (MoF).	MT	Ongoing. The CBTT mandates banks to consider climate related risk in the preparation of their Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) submission. The CBTT and SECTT develop the climate risk stress test, to assess its potential impact on banks, insurance, and securities markets. The CBTT identified data needs for the assessment of climate-related risks and is taking steps to improve data collection related to climate change. The CBTT intends to issue in 2024 a Climate Risk Survey to regulated financial institutions to determine if and how these institutions are incorporating physical and transition risk considerations into their operations.
<p>1/ "I", "NT", and "MT" stand for "Immediate" (within one year), "near-term" (1–3 years), and "medium-term" (3–5 years). MoF: Ministry of Finance; CBTT: Central Bank of Trinidad and Tobago; TTSEC: Trinidad and Tobago Securities and Exchange Commission; DIC: Deposit Insurance Corporation; DFI: Development Finance Institution.</p> <p>2/ Phase 1 included adoption of Pillar 1 (Basel II) minimum capital requirements for credit, market and operational risk. It came into effect with the promulgation of the Financial Institutions (Capital Adequacy) Regulations in May 2020.</p>		

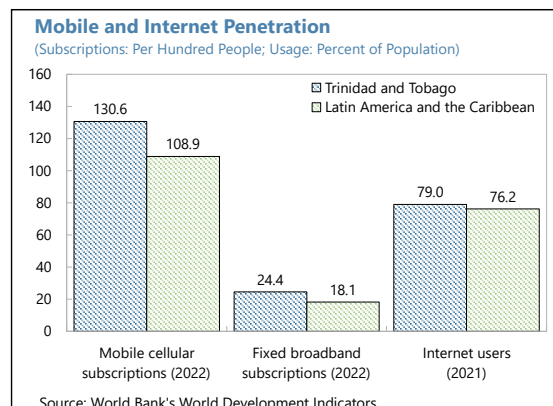
Annex VIII. Digitalization in Trinidad and Tobago¹

Trinidad and Tobago has embraced the digitalization to diversify its economy, modernize payments, deliver efficient and inclusive services, and enhance business climate. This annex overviews recent digitalization trends and the authorities' efforts to advance their digital agenda safely and inclusively.

Background

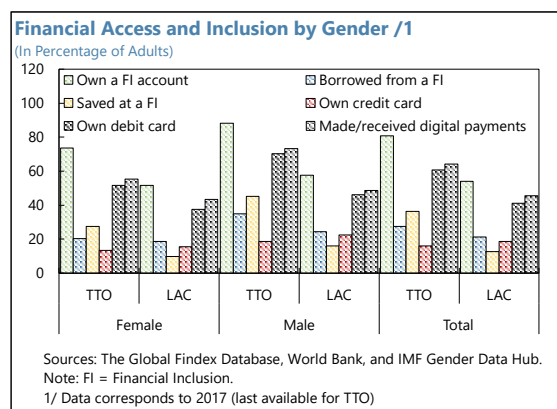
1. Trinidad and Tobago's digital penetration is on average higher than in Latin America and Caribbean (LAC).

The country has high penetration of mobile phones (mostly 3G/4G) and fixed broadband subscriptions, as well as a significant share of population with internet connections, all exceeding the LAC average. However, providing internet and mobile connections to vulnerable population, particularly in remote and rural areas, remains a challenge.



2. Financial access in the country also exceeds the LAC average but recently declined.

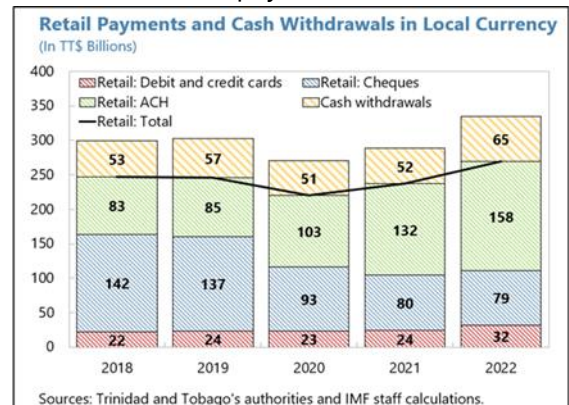
In 2017, domestic residents had a higher percentage of accounts in financial institutions (80.8 percent) compared to the LAC region (53.9 percent). Also, they had greater access to debit and credit cards, savings and loan accounts, and make a greater use of digital payments. Moreover, although financial access is lower for women, it is higher than the male average in LAC.² The depth of financial access in the country reflects a large and developed domestic financial system, with assets accounting for 179.1 percent of GDP as of end-2022. However, a 2023 survey by the *Trinidad and Tobago International Finance Center (TTIFC)* reports a decline in the share of households with financial accounts to 76 percent. This reflects the impact of the COVID-19 pandemic on vulnerable populations, fees associated with bank accounts and *points of sale (POS)*—and source of funds requirements.



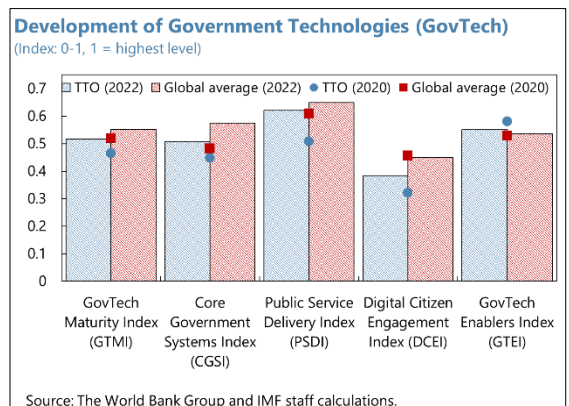
¹ Prepared by Olga Bespalova (WHD). For further details, see accompanying Selected Issues Paper.

² Trinidad and Tobago's females had greater financial access than the average LAC male. For example, 73.6 percent of females owned an account in financial institutions and 51.7 percent had a debit card, compared to 57.6 and 46.0 percent for an average LAC male).

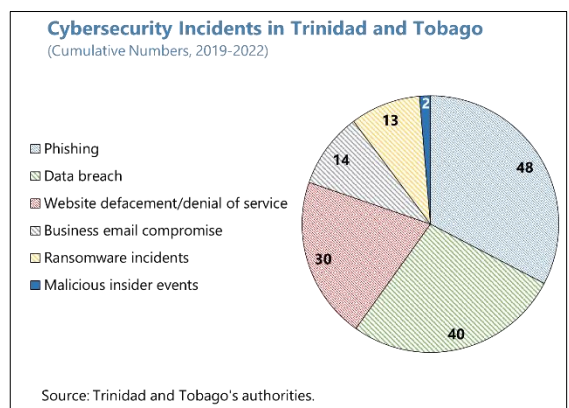
3. Electronic payments systems have gained traction in the current domestic payments’ ecosystem, but cash and cheques remain popular. The ecosystem includes four E-money issuers (EMI), an EMI service (Endcash) provided by Republic Bank, five payment service providers (PSP), and one Interbank Payment System Operator. From 2020 to 2022, retail electronic payments—i.e., Automated Clearing House (ACH) transactions—have increased, while the use of cheques has declined. Debit and credit card usage has also increased, supported by the improved security features that make them safer to use in *automatic teller machines (ATM)* and POS. Cash withdrawals from ATMs and over-the-counter (OTC) remain small. Finally, payments by cheques (mainly from the public sector) still comprise over a quarter of wholesale transactions, despite the introduction of a real time gross settlement system (RTGS) in 2004.³



4. The country is advancing in deploying government technology (GovTech). According to the World Bank’s *GovTech Maturity Index (GTMI)*, Trinidad and Tobago has made progress in supporting core government systems, enhancing service delivery, mainstreaming citizen engagement, and fostering GovTech enablers. These enhancements are supported by a strategy, institutions, laws, and regulations, innovation policies and programs, and upgraded digital skills. As a result, the country’s rating on the GTMI scale has increased in the four scale rating from “C: *Some Focus*” to “B: *Significant Focus*”.



5. The country’s digitalization has come along with a rise in cybersecurity incidents. According to the Central Bank of Trinidad and Tobago (CBTT), there were 147 cybersecurity incidents between 2019-22, including phishing attacks, data breaches, website defacement and denial of service, reports of business email compromise, ransomware incidents, and two malicious insider events. Of these, about 57.1 percent affected the private sector. Some cyberattacks affected public and private institutions and the delivery of financial services, although disruptive, none was of a systemic nature.



³ The RTGS eliminates the risk of settling large value payments using a manually operated cheque-based day-end settlement mechanism.

Digitalization Strategy

6. Digitalization is a priority in the country's development agenda. In 2021, the *Ministry of Digital Transformation (MDT)* was established, and a Cabinet-level advocate for the digital economy was appointed. The MDT is currently developing a *National Digital Transformation Plan for 2024–27* centered around three pillars:

- **A digital knowledge-based society.** The authorities are working on creating a robust, reliable, and accessible information and communication technology (ICT) infrastructure and promoting digital literacy. Specifically, they are enhancing (i) **public digital access** including by deploying the *TTWiFi* (an island-wide public broadband wireless network, with 24 sites already in place), improving digital access for underserved population (e.g., leveraging on innovative technologies (TV White Spaces), attracting satellite service providers, creating public ICT access centers); and, (ii) **digital literacy**, by implementing the *Digital Skills Development program "WeLearnTT"*, cooperating with the *Youth Training and Employment Partnership program (YTEPP)*, acquiring learning licenses to several online learning platforms from *Linux* and *Cisco*; and organizing *coding camps*. Moreover, the 2024 budget is allocating resources for training, distributing laptops to students and staff across secondary schools.
- **A digital government.** The goal is to increase the number of public services accessible online, enhance their quality, efficiency, citizens' experience, and facilitate doing business. The MDT is (i) establishing the *government cloud and data center*, which will provide a more secure and reliable foundation for national digital transformation; (ii) building the *interoperability framework* which would link public agencies, integrate their functions, enable secure data sharing, and support the interaction between citizens and public sector; (iii) creating a *national e-ID* to reliably identify citizens online, improve public administration, and facilitate provision of social services, including government-to-person payments in efficient, transparent, and secure manner; and (iv) developing a strategic cybersecurity roadmap and its implementation plan. To deliver on these plans, the authorities have also sought international cooperation (e.g., with Estonia on interoperability project, and with India on capacity building).
- **A digital economy.** The aim is to capitalize on new technologies and double the size of digital economy, to contribute with the diversification agenda and raise exports. To this end, they (i) established the *Government Campus Plaza Developer's Hub (D'Hub)*—a virtual collaborative space to create open-source mobile and web applications; (ii) are developing the *National E-Commerce Strategy 2024-29* to help local businesses access domestic and foreign markets, and (iii) are promoting the safe adoption of *financial technologies (fintech)* (¶7).

7. In addition, the authorities are cautiously adopting Fintech, modernizing the payments systems, and promoting financial inclusion. Some measures include:

- The CBTT, the Trinidad and Tobago Securities and Exchange Commission (TTSEC), and the Financial Intelligence Unit of Trinidad and Tobago (FIUTT) established a *Joint Regulatory*

Innovation Hub (the Hub) in October 2020.⁴ The Hub allows Fintech solution providers obtain guidance on regulatory requirements for the local launch of their proposed products. For instance, the Hub is the first point of contact for providers to register at the CBTT as an EMI or a payment system provider (PSP), and for Fintech firms seeking to enter the financial space. The Hub allows the regulators to better understand the innovative products and services proposed by the entities and the associated risks and decide on the eligibility of their registration.

- To adequately regulate crypto assets—interest in which is growing—the CBTT and TTSEC are examining the need for new regulation as the Security Act 2012 does not cover these new fintech developments.⁵ IMF TA has recommended evaluating the costs and benefits of legal and regulatory action, along with targeted amendments and/or regulation of crypto asset activities. The CBTT is continuing the feasibility study on the adoption of a central bank digital currency following the IMF TA.
- To promote the FINTECH ecosystem, the TTIFC established the *One FinTech Avenue*, and launched the [FinTech Sprint for Financial Inclusion](#), in collaboration with the European Union and the United Nations Impact Capital for Development (UNCDF).
- To promote financial inclusion and EMI services, the CBTT developed the *Simplified Due Diligence Requirements (2021)* with its companion [guidance](#) to apply simplified due diligence requirements for basic bank accounts. Also, the government relaxed limits on transaction and wallet sizes with the [EMI \(amendment\) order of 2023](#).
- To mitigate cybersecurity risks, the CBTT with IMF TA support, is strengthening its own cybersecurity and identity management, and the supervision of cybersecurity of the financial institutions it regulates. In September 2023, it released its [Cybersecurity Best Practices Guideline](#).

Consolidating the Digital Transformation

8. Despite the progress, efforts must continue to maximize the benefits and minimize the risks of digitalization. This includes identifying financial inclusion gaps and developing and executing strategies and roadmaps to address them. Also, promoting digital and financial literacy. Modernizing the payments system will entail promoting e-payments, prioritizing the RTGS for large public transactions, and improving the reach and convenience of banking services (e.g., increased merchant base and more POS). It is important to finalize the *Payments System Services Bill*, and, more generally, to put in place adequate regulatory framework for new developments (e.g., crypto assets). Finally, the authorities are encouraged to continue improving the national cybersecurity framework and ensuring compliance with robust cybersecurity and risk management procedures.

⁴ The authorities have developed a regulatory sandbox but [IMF TA](#) does not consider this a priority.

⁵ See [Trinidad and Tobago: Technical Assistance Report—Technical Assistance on Fintech Regulation and Legislation \(imf.org\)](#), and [The Case for Regulation of Crypto Assets in Trinidad and Tobago \(central-bank.org.tt\)](#).

Annex IX. Governance Reforms in Trinidad and Tobago¹

Trinidad and Tobago's authorities are actively pursuing administrative, legislative, and operational actions to strengthen their domestic taxation framework. This annex overviews their recent actions to maintain its anti-money laundering and combating the financing of terrorism (AML/CFT) framework in line with best international practices and bring their domestic tax framework in line with international standards of tax transparency and good global governance.²

Financial Integrity and AML/CFT Framework

The authorities have continued to take actions to further strengthen the AML/CFT framework ahead of the Caribbean Financial Action Task Force (CFATF) mutual evaluation planned for 2026, including by:

- Launching the *Companies Registry Online System* (CROS) to facilitate the electronic transmission of documents by the *Registrar General's Department* (RGD).
- Introducing to Parliament legislation:
 - [Senate Bill 3 of 2023](#),³ will help to: (i) ensure the availability of *beneficial ownership* (BO) information on trusts' trustees, their regulated agents and service providers, and beneficiaries, and (ii) introduce criminal penalties for non-disclosure of BO information by trustees to competent authorities—including law enforcement agencies, and
 - [Senate Bill 4 of 2023](#),⁴ will amend the *CROS* and non-profit organizations (NPO) act, thus helping improve the BO information in the country.
- Completing the 2nd National AML/CFT Risk Assessment with support from the World Bank.

Tax Transparency and International Tax Cooperation

The authorities are working on strengthening the diligence and reporting by financial institutions and the exchange of information function, while minimizing gaps and mismatches in tax rules that

¹ Prepared by Olga Bespalova (WHD).

² Trinidad and Tobago is currently on the European Union (EU) list of non-cooperative jurisdictions for tax purposes due to three criteria has a non-compliant rating by (i) the Global Forum on exchange of information exchange on request (EOIR), automatic exchange of information (AEOI), common reporting standards (CRS), and the Multilateral Convention on Mutual Administrative Assistance (MAAC); (ii) Forum of Harmful Tax Practices (FHTP); and (iii) the Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

³ Bill 3 passed in the Senate and House of Representatives in January 2024, and was assented by the President as [Act 1 of 2024](#) on February 24, 2024.

⁴ Bill 4 passed in the Senate and House of Representatives in March 2024. See <https://www.ttparliament.org/publication/the-miscellaneous-provisions-registrar-general-companies-registration-of-business-names-and-non-profit-organisations-bill-2023/>.

could allow multinational enterprises to shift profits from higher tax jurisdictions to avoid paying taxes. Specific actions include:

- Introducing to Parliament legislation:
 - [Senate Bill 3 of 2023](#),⁵ will improve the country's legislative framework for exchange of information on BO, thus facilitating the *automatic exchange of information (AEOI)* and *exchange of information upon request (EOIR)*. For example, it amends the *Income Tax* to unequivocally state that the provisions of *exchange of information (EOI)* agreements take precedence over any contradicting provisions in the domestic law.
 - [Senate Bill 5 of 2023](#),⁶ will require all multinational enterprises that are residents for tax purposes in Trinidad and Tobago to file a *country-by-country report (CbCR)*. This will facilitate compliance with the *OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)*.
- The Inland Revenue Division's (IRD) has approved documents on confidentiality and data protection, as well as information security management work plan. The IRD is also strengthening and expanding the EOI function, that will enhance the AEOI.
- Updating the information exchange articles in tax treaty agreements to enhance the AEOI.
- Making fully operational the Special Economic Zone (SEZ) Act in 2024. The SEZ should address concerns with the previous regime that considered the country's tax regime as ring-fenced and, therefore, a harmful tax regime by the Forum on Harmful Tax Procedures (FHTP). The SEZ should also establish the 15 percent global minimum effective tax rate applied to cross border profits of large multinational companies, in line with the OECD pillar II standards.
- Signing and joining the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC).⁷

⁵ See footnote 4.

⁶ Bill 5 passed in the Senate and House of Representatives and was assented by the President as [Act 2 of 2024](#) in March 2024. See <https://www.ttparliament.org/publication/the-base-erosion-and-profit-shifting-inclusive-framework-country-by-country-reporting-bill-2023/>.

⁷ Since 2017, the country has requested to become part of MAAC. The country has been addressing recommendations raised by the Global Forum on EOIR, AEOI, BO, and already resubmitted its application.

Annex X. Energy Trends and the Green Energy Transition in Trinidad and Tobago¹

This annex takes stock of the supply, transformation, and use of energy in Trinidad and Tobago.² This allows a deeper understanding of the macroeconomic benefits, costs, and challenges arising from (i) declining oil and gas production due to maturing fields, (ii) the role of new exploration and discoveries of oil and gas, and (iii) the impact from climate change and the global green energy transition.

1. The energy sector in Trinidad and Tobago is at a crossroads. Traditionally, the energy sector has been a major source of economic activity, external, and fiscal revenues. However, oil and gas fields in the country are mature, and their production, as well as that of petrochemicals has been on a secular declining trend. Recent government initiatives will encourage the development of new fields, but these will take time to boost production (see Annex II). At the same time, climate change and the global energy transition will shift the economy away from fossil fuels and into renewable energy. To understand the potential macroeconomic implications of these developments, it is critical to take stock of the current energy structure of the economy.

2. Primary energy supply in Trinidad and Tobago is dominated by natural gas, accounting for 93 percent of total energy supply in 2021, with a small share accounted for by crude oil. Trinidad and Tobago does not source energy from coal products, nuclear, or hydropower generation to meet its energy needs. This energy profile is in stark contrast with other islands in the Caribbean or emerging market economies and reflects differences in available energy sources.

3. Trinidad and Tobago produces more energy than it uses and is a net energy exporter. The main source of energy is domestic production of natural gas and crude oil. In 2021 the country produced 923,000 terajoules (TJ) of natural gas and 130,000 TJ of crude oil and exported 510,000 TJ of energy.³ Energy production has declined over time, however. From 2010-19, natural gas production has fallen by 17 percent and crude oil and condensate production has fallen by 40 percent.

4. In 2021, 44 percent of Trinidad and Tobago's natural gas production was used to produce petrochemicals and 43 percent was exported directly as LNG. The remaining natural gas is used for electricity generation and directly by end-users. Trinidad and Tobago imports oil products such as diesel and gasoline, which are re-exported (to meet existing contracts), used to refuel international shipping and aviation, and for domestic consumption, primarily road transport.

5. Electricity generation is dominated by natural gas, and the efficiency of generation has increased over time. Trinidad and Tobago generated 33,332 TJ of electricity in 2021, of which 99

¹ Prepared by Peter Nagle and Diego Gutiérrez (WHD). For further details, see accompanying Selected Issues Paper.

² *Supply* refers to the production of energy (e.g., natural gas), and the import and export of energy. *Use* refers to the domestic use of energy, including in *electricity generation*, *direct end-consumption* across sectors (e.g., industry and households), and *non-energy uses*, primarily the production of petrochemicals from natural gas.

³ Throughout this annex energy is expressed in terajoules to allow for equivalent comparison between different fuels. 1TJ is equivalent to 166.78 barrels of oil, 0.998 million standard cubic feet of natural gas, and 34.1 tons of coal.

percent was produced via natural gas. Electricity production was 37 percent efficient in 2021 (due to energy losses in electricity generation), which is comparable to peers and reflects a significant improvement over the past decade as older turbines have been replaced with newer ones.⁴

6. The industrial sector is the largest end-consumer of energy, accounting for just under 50 percent of domestic energy consumption.⁵ Transport accounts for 30 percent, while households, businesses, and agriculture account for 19 percent. Within industry, metal refining is the largest consumer of energy, while within transport, road transport is the main source of demand.

7. Compared to its peers, Trinidad is particularly energy intensive and has higher carbon emissions. Energy consumption per capita was 124 megawatt hours (MWh), the 6th highest in the world and substantially higher than the Eastern Caribbean Currency Union (ECCU) average of 17 MWh. Similarly, carbon emissions per capita are much higher in Trinidad and Tobago, although its global share of CO₂ emissions are less than 0.1 percent. Higher per capita energy use, particularly relative to the ECCU, is partly explained by the greater share of energy-intensive manufacturing in Trinidad and Tobago. It is also possible that energy efficiency in the country is lower than in other countries because energy is cheaper.

8. Optimizing domestic consumption of natural gas could increase the amount available for LNG or petrochemicals. This could be achieved by reducing the use of natural gas in electricity production, by either boosting the efficiency of generation or by increasing the installation of renewable energy. Other measures to reduce energy use, such as the installation of energy efficient lightbulbs, would have a similar benefit. The authorities have already made progress in this regard.

9. To illustrate the impact of these effects, in the absence of the improvement in electricity efficiency over the past decade, more natural gas would have been consumed domestically, with less available for export. If electricity efficiency had remained at its 2005 level of 26.6 percent, consumption of natural gas to generate the same amount of electricity would have been 35,000 TJ higher in 2021. Assuming this natural gas was all diverted from LNG exports, it would have lowered LNG exports in 2021 by 11 percent, and total goods exports by about 2 percent. Conversely, if Trinidad and Tobago generated 30 percent of electricity from renewables rather than natural gas, it could increase natural gas exports by about 8 percent each year (relative to 2021 levels).

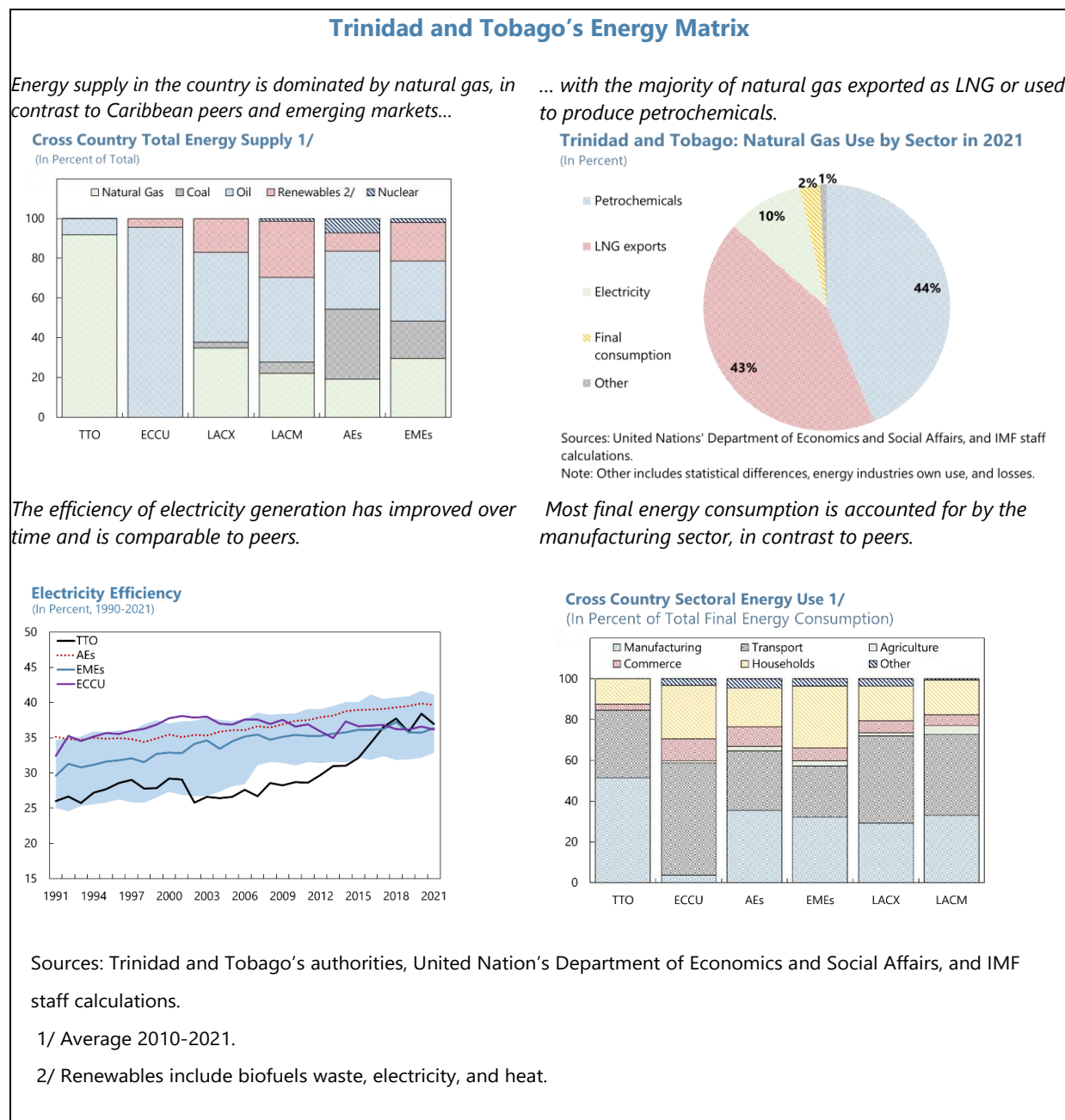
10. Trinidad and Tobago has significant potential to rebalance its energy matrix and take advantage of growing demand for green hydrogen and derivative products.⁶ The country could utilize renewable energy to produce green hydrogen as an alternative to natural gas in the

⁴ For example, the gas turbines at the Penal power plant were replaced in 2016, which increased power output from the plant by 34MW, improved heat rate and enhanced reliability ([Penal Power Station \(powergen.co.tt\)](https://www.powergen.co.tt))

⁵ The use of natural gas to produce petrochemicals is not included in final energy consumption by industry.

⁶ See [IMF Country Staff Report No. 2023/157](#), Annex XIV, and Inter-American Development Bank (IADB) and National Energy Corporation of Trinidad and Tobago, 2022, *The roadmap for a green hydrogen economy in Trinidad and Tobago*, November.

production of petrochemicals. This would both free up additional natural gas for export, as well as reduce the carbon intensity of petrochemicals, making them more competitive in markets with carbon pricing. Green methanol may also be used as a future shipping fuel.



11. Careful policy measures will be needed to maximize the opportunities and minimize the challenges facing Trinidad and Tobago's energy sector. In the near term, continuing recent government efforts to reduce domestic consumption of natural gas, including through increasing energy efficiency and accelerating renewable energy projects (e.g., BPTT-Shell solar project) will help maintain supplies for LNG and petrochemicals. Additional renewable energy investment could be incentivized by subsidies or a carbon price, as well as by improving the regulatory framework including the establishment of feed-in tariffs. The country should continue its plan to develop a

green hydrogen economy, which can help protect against the potential threat posed by border carbon adjustment mechanisms—see Annex XIII. At the same time, increased generation of renewable energy will need to be carefully integrated into the grid, given the challenges posed by intermittency of renewable production.

Annex XI. The FY2024 Budget's Key Fiscal Reforms¹

Trinidad and Tobago's authorities introduced several fiscal measures in the FY2024 Budget Statement to enhance the fiscal regime for the energy sector, promote economic activity in the non-energy sector, increase the supply of foreign exchange, and support the most vulnerable. Most fiscal measures took effect on January 1st, 2024.

Enhancing the Fiscal Regime for The Energy Sector

- **Supplementary Petroleum Tax (SPT).** Introduction of a new threshold of \$75 per barrel for the shallow water producers, similar to onshore producers—the standard threshold of SPT triggers at \$50 per barrel.
- **The Sustainability Incentive.** Increased discount on the SPT rate from 20 to 25 percent for any mature marine or small marine oil field.
- **Capital expenditure allowances.** Adjusting the capital expenditure allowances for small shallow water producers to allow the write-off of both tangible and intangible capital expenditure on drilling of exploration wells.

Supporting the Non-Energy Sector

- **Tourism Accommodation Upgrade Project—Small Hotels.** The authorities are extending this facility by three years to provide a reimbursable grant to eligible tourism accommodation facilities.²
- **Small and Medium Enterprises (SME) Foreign Exchange (FX) Facility.**³ A new arrangement will be established in the EximBank to assist small- and medium-sized enterprises (SMEs) to gain improved access to FX and reduce the demand for FX using credit cards.
- **Investment Tax Allowance—Cybersecurity.** Allowance of up to TT\$500,000 for companies which incur expenditure investment in cybersecurity software and network security monitoring equipment.⁴
- **Exempt Income—Expenditure Earned.** Expenses incurred in the production of exempt income will be non-deductible.

¹ Prepared by Ali Al-Sadiq (WHD).

² Effective date is November 1st, 2023, for another three years.

³ To be introduced.

⁴ This measure runs for two years ending on December 31, 2025.

- **Transfer Pricing Framework.** A framework is being developed with Development Bank of Latin America and the Caribbean (CAF) and the Inter-American Center of Tax Administration (CIAT) to avoid double-taxation, foster cross-border trade, and improve the business environment.⁵
- **Export Sales of Manufacturing Companies.** A business levy (currently at 0.6 percent of gross sales/receipts) exemption is set for manufacturing companies whose gross receipts fall within the 30 percent tax bracket from business levy charges regarding only export sales.
- **Tax free Agricultural Sector.** Legislation to be passed to clarify the exempt status of the agricultural sector.

Supporting Households

- **Minimum wage increase.** The minimum wage will be increased by 17 percent, or TT\$3.00 per hour, from TT\$17.5, benefiting about 190,000 persons.

Supporting Education

- **Public and private Schools—Corporate Sponsorship.** Introduces a 150 percent tax allowance of up to TT\$500,000 on corporate sponsorship to public and private schools registered with the Ministry of Education.

Facilitating the Energy Transition

- **Green Manufacturing Initiative.** Introduces tax incentives for green manufacturing to assist local manufacturing to adopt and improve green manufacturing practice.

⁵ To be completed within 24 months.

Annex XII. Non-Energy Manufacturing in Trinidad and Tobago¹

This annex takes stock of recent developments in Trinidad and Tobago's non-energy sector, particularly, its non-energy manufacturing subsector. Manufacturing has been a dynamic industry and has strong export potential. The annex also summarizes recent policy measures announced in the FY2024 Budget Statement to support the sector's growth.

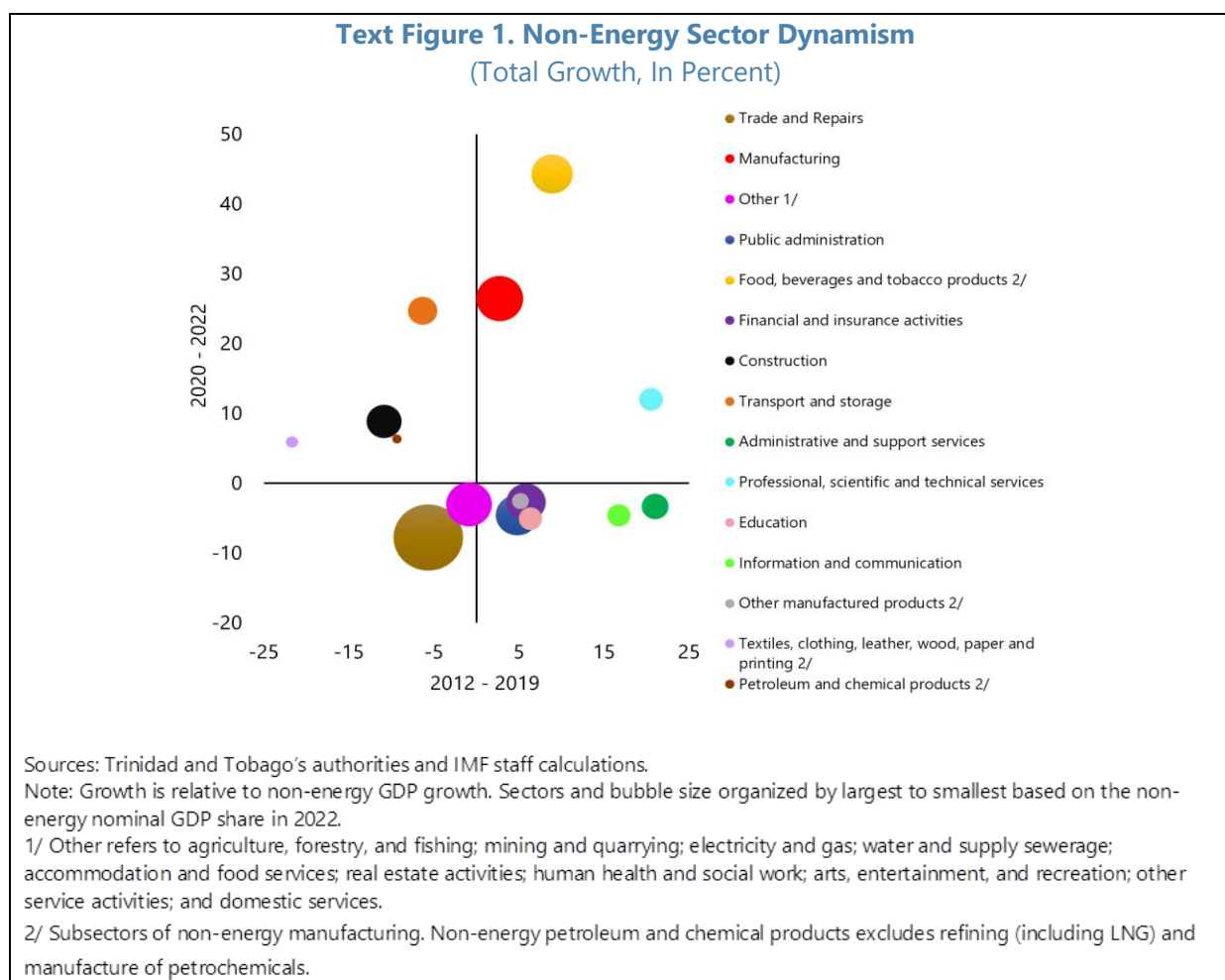
1. Over the past decade, non-energy manufacturing has been one of the most dynamic sectors in Trinidad and Tobago's economy. Non-energy manufacturing stands as the second largest non-energy subsector after *trade and repairs*. By the end-2022, it represented 13.1 of the total non-energy GDP (Table). Having achieved an annual average growth rate of 2.4 percent since 2012, non-energy manufacturing has outpaced the growth of other subsectors. As a result, it has contributed significantly to non-energy growth—2 percent over the past decade. However, the performance of specific industries within non-energy manufacturing is heterogenous. Notably, *food, beverages, and tobacco products*—which constitutes 77 percent of the subsector—has delivered consistent growth despite the challenges posed by the COVID-19 pandemic (Text Figure).

	Non-energy GDP Share	Average Growth	Total Growth	Growth Contribution
	2022	2013-2022	2022/2012	2012-2022
Trade and repairs	28.2	-1.5	-19.6	-6.3
Manufacturing	13.1	2.4	23.8	2.0
Public administration	10.9	0.5	5.3	0.5
Financial and insurance activities	9.1	0.6	5.5	0.5
Construction	7.2	-1.1	-12.1	-1.0
Transport and storage	5.1	-0.3	-13.1	-0.7
Administrative and support services	4.2	2.2	19.6	0.6
Professional, scientific and technical services	3.3	3.8	25.7	0.6
Education	3.3	0.5	5.0	0.2
Information and communication	3.2	1.4	14.7	0.5
Real estate activities	2.7	0.5	4.9	0.1
Electricity and gas	2.2	-1.0	-10.9	-0.5
Accommodation and food services	2.0	-1.0	-12.7	-0.3
Water supply and sewerage	1.7	-0.2	-3.2	-0.1
Agriculture, forestry and fishing	1.7	-1.8	-20.9	-0.5
Human health and social work	0.7	0.2	1.7	0.0
Other service activities	0.6	2.2	22.6	0.1
Arts, entertainment and recreation	0.3	0.2	1.6	0.0
Domestic services	0.2	1.1	12.1	0.0
Mining and quarrying	0.1	-1.2	-18.0	0.0
Non-energy GDP	100.0	-0.3	-4.2	-4.2

Sources: Trinidad and Tobago's Authorities and IMF staff calculations.

Note: Sectors organized by largest to smallest based on the non-energy nominal GDP share in 2022.

¹ Prepared by Alexander Amundsen (WHD).

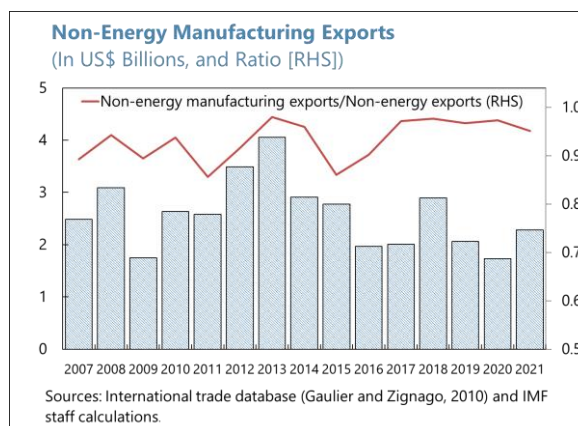


2. The non-energy manufacturing sector is the main contributor to non-energy exports, and an important source of external revenues. According to bilateral trade flow data at the Harmonized System product level, non-energy manufacturing contributes around 95 percent of Trinidad and Tobago's total non-energy exports.² However, since 2013, non-energy manufacturing exports have declined in value. This can be attributed to the overall economic conditions in the country and heightened global competition, particularly in *iron and steel* production. Despite the challenges faced, recent developments suggest that non-energy manufacturing exports may have bottomed out with the COVID-19 pandemic and are poised for a rebound.

² The dataset used is derived from the international trade database BACI (*Base pour l'analyse du commerce international*). The trends for non-energy manufacturing exports are similar between BACI, the UN Comtrade database, and the export data provided by the CBTT (Central Bank of Trinidad & Tobago). For BACI, see Gaulier, G. and Zignago, S., 2010, "BACI: International Trade Database at the Product-Level. The 1994-2007 Version", CEPII Working Paper, N°2010-23.

3. There is scope for boosting non-energy manufacturing exports through market and product diversification. Compared to other oil and gas exporting countries, exports of non-energy manufacturing in Trinidad and Tobago are relatively specialized.³ Specifically, exports are characterized by:

- *Fewer trading partners.* The U.S is the main export market with a share of 45 percent in 2021. The next main markets are regional, such as Guyana, Jamaica, Suriname, and Barbados, which together absorb 24 percent of the country's total non-energy manufacturing exports (Figure 1). Its main export markets, the U.S. and Guyana,⁴ have been the most dynamic over time, growing by 11 and 5 percentage points between 2007 and 2021. Access to the fast-growing Guyanese market is promising for Trinidad and Tobago's non-energy manufacturing sector given the strong historical, cultural, and preferential trade market access through the Caribbean Community (CARICOM).



- *Fewer export products.* In 2021, the top five product categories made up 62 percent of total non-energy manufacturing exports. These included: *iron and steel* (36 percent); *ship, boats, and floating structures* (12 percent); *boilers, machinery, and mechanical appliance, parts thereof* (5 percent); *beverages, spirits, and vinegar* (5 percent); and *preparations of cereals, flour, starch or milk, pastry cooks' products* (4 percent).⁵

Since 2004, the number of trading partners and export products have grown in line with globalization trends and the authorities' efforts to promote trade integration. However, the sector was particularly hard hit by the COVID-19 pandemic when compared to other countries. It will be important for the sector to re-establish trading routes to continue diversification efforts. Policies should focus on boosting the intensive and extensive margins of trading partners and export products (e.g., new trade agreements that improve market access), as they would help to reduce concentration risk and create new opportunities for the sector.

4. The authorities have taken several initiatives to boost non-energy manufacturing exports. In an effort to restructure how trade promotion and investment is done in the country, the authorities are creating a new agency, the *Trade and Investment Promotion Agency*. This agency will

³ Oil and gas countries include Algeria, Australia, Brazil, Canada, Kuwait, Oman, Nigeria, Norway, Saudi Arabia, Russia, and Turkmenistan.

⁴ In 2022, a Memorandum of Understanding (MOU) was signed between Trinidad and Tobago and Guyana, which included enhanced cooperation on business and security, and on non-tariff barriers and other impediments to trade.

⁵ Trinidad and Tobago engages in re-exports. Once adjustments are made with UN Comtrade to exclude re-exports, the top five export product categories become: *iron and steel* (49 percent); *beverages, spirits, and vinegar* (7 percent); *preparations of cereals, flour, starch or milk, pastry cooks' products* (5 percent); *plastics and articles thereof* (4 percent); and *miscellaneous edible preparations* (4 percent).

aim to increase the competitiveness of the country and focus on diversifying the country's export markets and products, and is expected to become operational in 2024H1.⁶ In addition, the country is undertaking complementary initiatives, including trade missions by the Trinidad and Tobago Manufacturers' Association, and the establishment of commercial offices (e.g., in Panama with responsibility for Central America and the Caribbean; United Kingdom, and the U.S. with responsibility for Canada), and attachés in key markets (e.g., Guyana and Jamaica with responsibility for Haiti and the Dominican Republic). Other initiatives include:

Promoting trade penetration

- Negotiating Partial Scope Trade Agreements with Chile and Curacao, expanding the CARICOM-Colombia Trade Economic and Technical Co-operation Agreement, and negotiating a Reciprocal Promotion and Protection of Investment Agreement with Ghana.
- Advancing the Export Booster Initiative, which helps ensure exporters have standardized products, and conducts virtual trade missions to facilitate market penetration.

Accessing financing and foreign exchange

- Establishing a new foreign exchange window at the EximBank targeted at small- and medium-sized enterprises.
- Providing funds to firms, including the Grant Fund Facility, the Research and Development Facility and the Steelpan Manufacturing Grant Fund Facility.

Improving infrastructure

- Developing a Port Community System that will provide an electronic platform connecting border clearance systems.
- Upgrading TTBizLink for businesses to access and submit trade and government applications.
- Expanding industrial parks, such as the newly inaugurated Phoenix Park—which offers factory shells and is located near a containerized port served by global shipping lines—and the Special Economic Zones, which are aimed to attract investment.

Creating fiscal incentives

- Introducing a business levy charge exemption, whereby manufacturing companies whose gross receipts fall within the 30 percent tax bracket are exempt from business levy charges on exports.

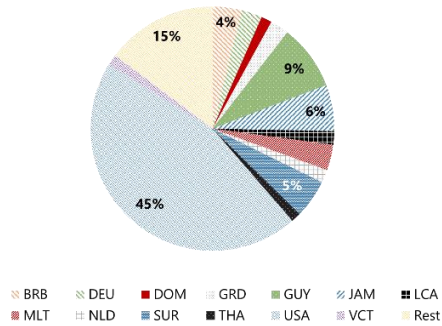
⁶ The agency will bring together different entities, including *InvesTT*, *CreativeTT*, *ExportTT* and the export and investment promotion services undertaken by the *Trinidad and Tobago Coalition of Services Industries*.

Figure 1. Non-Energy Manufacturing Exports

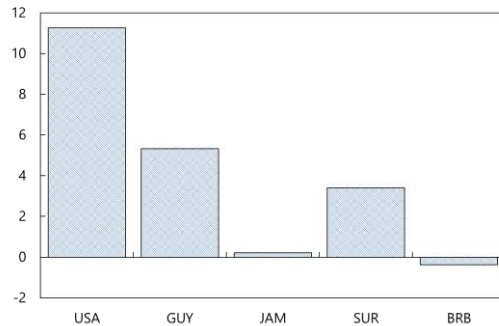
Non-energy manufacturing exports are largely exported to the U.S.

The U.S. and Guyana are the most dynamic export markets.

Main Trading Partners, 2021
(In Percent)



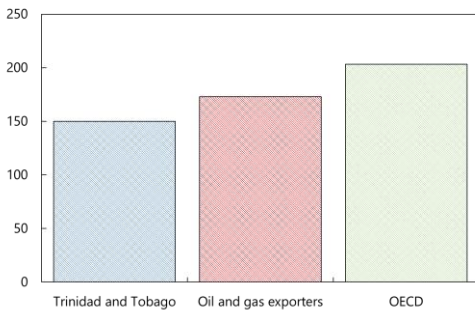
Change in Export Share
(In Percentage Points, 2007-2021)



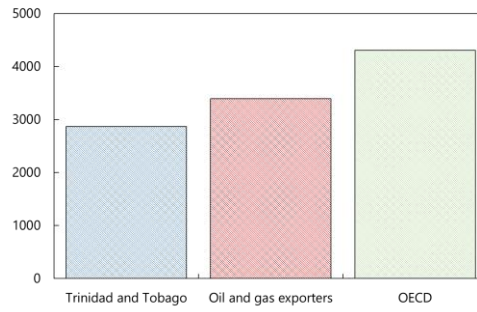
The sector is relatively specialized, with fewer trading partners...

...and fewer export products than its competitors.

Number of Trading Partners, 2021
(Number of Countries)



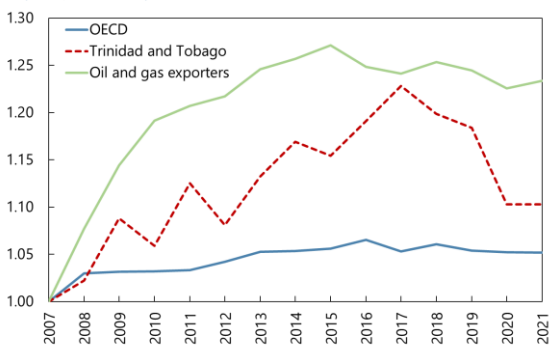
Number of Export Products, 2021
(Number of Products)



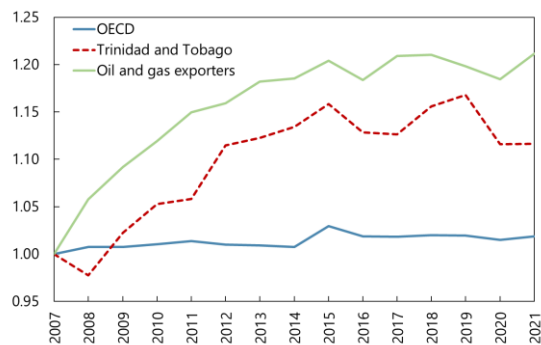
It is important to reignite market access...

...and product diversification going forward.

Number of Trading Partners
(Index, 2007 = 100)



Number of Export Products
(Index, 2007 = 100)



Sources: International trade database (Gaulier and Zignago, 2010) and IMF staff calculations.

Annex XIII. Border Carbon Adjustments at Export Markets: Trade-Related Implications for Trinidad and Tobago¹

This annex explores Trinidad and Tobago's exposure to the adoption of border carbon adjustments (BCAs) by trade partners. BCAs aim to reduce carbon emissions embedded in trade partner's imports and therefore raise risks associated with the global low-carbon transition. Trinidad and Tobago's ammonia and fertilizers exports are facing risks due to new regulations implemented in advanced economies, starting with the European Union (EU). Taking prompt action to mitigate these risks is critical to maintain Trinidad and Tobago's global competitiveness in this sector.

1. Trinidad and Tobago's contribution to global greenhouse gas (GHG) emissions is very small—0.075 percent—but the country is substantially exposed to low-carbon transition risks.

With a population of about 1.5 million and a large and globally competitive natural gas and petrochemical sector, the country is a large emitter in per capita terms and has a high emission intensity of GDP compared to other petrochemical countries (1.6 kg CO₂-equivalent per US\$ in 2021).² This exposes the country to global low-carbon transitional risks (here after, *transitional risks*), particularly those arising from carbon pricing introduced at the export markets, as they could reduce the demand for hydrocarbons and carbon-intensive products.

2. An immediate transitional risk to Trinidad and Tobago relates to the EU's Carbon Border Adjustment Mechanism (CBAM) launched in 2023. After a transitional phase,³ the mechanism will become fully operational in 2026. Once operationalized, it will oblige EU importers of carbon-intensive products (including, ammonia and fertilizers)⁴ to buy the CBAM certificates at a EU carbon price for the emissions embedded in the goods they import from third countries. The mechanism affects about 5.1 percent of Trinidad and Tobago's total exports (US\$446 million), and over 10 percent of total exports if its coverage is expanded in line with the EU policy objectives (Table 1).

3. Trinidad and Tobago's competitiveness of ammonia and fertilizer products in the EU market is likely to be eroded by the CBAM due to the high carbon intensity of their production. According to the European Commission's Joint Research Center,⁵ the carbon intensity of Trinidad and Tobago's production of fertilizers—ammonia, mixtures of urea and ammonium nitrate and urea is one of the highest among various suppliers to the EU market (Figure 1). Most

¹ Prepared by Ilya Stepanov (WHD). For further details, see accompanying Selected Issues Paper.

² IMF Climate Change Indicators Dashboard and IMF staff calculations.

³ During the transitional phase in 2023-2025, the EU importers will have to start reporting emissions embedded in their imports with no payment obligations until 2026.

⁴ Additionally, CBAM will cover iron and steel, aluminum, cement, electricity, and hydrogen.

⁵ [Greenhouse gas emission intensities of the steel, fertilizers, aluminum and cement industries in the EU and its main trading partners](#), EU Joint Research Center, September 18, 2023; Embedded emissions will be verified based on the EU importers' declarations. Where the actual emissions cannot be adequately determined, the embedded emissions will be determined by reference to default values determined based on the best available data. See [EUR-Lex - 32023R0956 - EN - EUR-Lex \(europa.eu\)](#)

emissions are *direct* (i.e., arising during manufacturing processes), while *indirect* emissions (i.e., originating from electricity generation used in manufacturing) only have a marginal role.

Table 1. Trinidad and Tobago: Main Exports of Goods to the EU, Average 2018-22

HS Code	Product Name	Total exports to EU (US\$ Mill.)	Percent share of exports to EU	Percent share of total exports	Covered by EU CBAM	May be covered by CBAM at the later stage
290511	Methanol (methyl alcohol)	399.5	29.0	4.6		√
281410	Anhydrous ammonia	288.9	21.0	3.3	√	
271111	Liquefied Natural gas	254.5	18.5	2.9		
310280	Mixtures of urea and ammonium nitrate in aqueous or ammoniacal solution	152.5	11.1	1.8	√	
270900	Petroleum oils and oils obtained from bituminous minerals, crude.	115.5	8.4	1.3		
271019	Other petroleum oils and oils obtained from bituminous minerals, other than crude.	28.1	2.0	0.3		√
293361	Melamine	21.0	1.5	0.2		√
271119	Other petroleum gases and other gaseous hydrocarbons in gaseous state	18.1	1.3	0.2		
890110	Cruise ships, excursion boats and similar vessels	16.1	1.2	0.2		
271121	Natural gas in gaseous state	12.2	0.9	0.1		
271113	Butanes	8.3	0.6	0.1		
890190	Other vessels for the transport of goods and other vessels	8.3	0.6	0.1		
271112	Propane	7.3	0.5	0.1		
261790	Other ores and concentrates	4.7	0.3	0.1		
281910	Chromium trioxide	4.7	0.3	0.1		√
310210	Urea, whether or not in aqueous solution	4.6	0.3	0.1	√	

Sources: UN Comtrade, European Commission and IMF Staff Calculations.

Note: Codes based on the HS 2002 Nomenclature.

4. CBAM-related payments could be substantial. IMF staff estimates that in a *worst-case scenario* with no global redirection of trade (i.e., *ceteris paribus*) the CBAM-related payments incurred by European importers of Trinidad and Tobago's fertilizers could exceed 40 percent of the Trinidad and Tobago's annual total fertilizer exports to the EU, or about 0.8 percent of Trinidad and Tobago's GDP.⁶ These costs would increase if CBAM's coverage is extended to include other petroleum products, chemicals, and methanol. Furthermore, the EU is planning to regulate methane emissions embodied in fossil fuels imports which may also affect Trinidad and Tobago's exporters in the mid-term.⁷

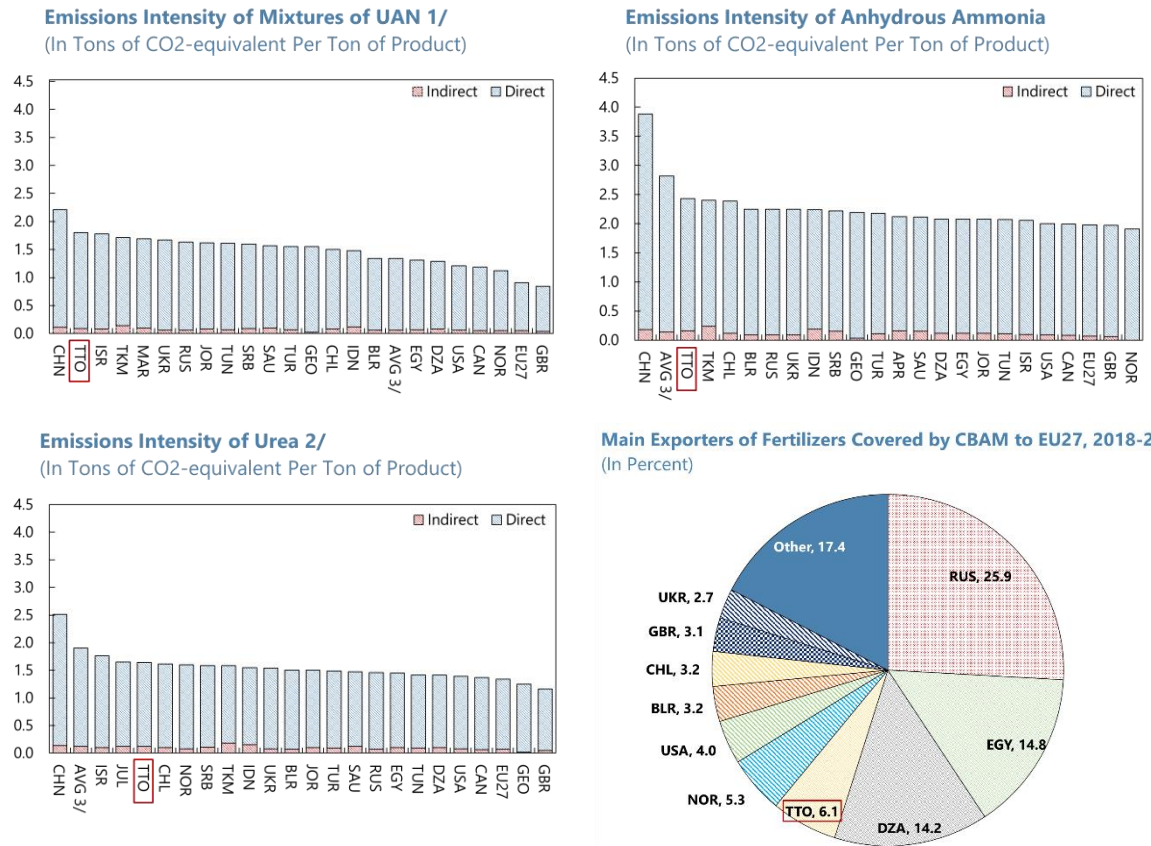
5. While most trade partners of Trinidad and Tobago have not yet implemented BCAs, they emerge as a plausible component of the future economic global landscape, exerting pressure on carbon-intensive industries. This becomes more likely with an increasing number of countries declaring goals for carbon neutrality and adopting stringent domestic climate policies. The EU's CBAM represents a first step in the global trend toward decarbonizing value chains with some spillover effects. The United Kingdom has recently announced the introduction of its own BCA

⁶ This extreme scenario is a ceiling, because the adverse effect of the EU's CBAM on Trinidad and Tobago's exports is likely to be mitigated in the near term by the strategic behavior of global petrochemical firms, which could help redirect some of the country's exports to non-EU markets. [Some studies](#) for other exposed countries suggest that the CBAM-related costs would most likely be partially offset in this manner.

⁷ The new EU law will be imposing limits on fossil fuels imports and require companies importing oil and gas to demonstrate that their supply chain has emissions monitoring standards equivalent to those of the EU by 2027, eventually requiring gas supplier to curb methane emissions in the oil and gas sector. See [Climate action: Council and Parliament reach deal on new rules to cut methane emissions in the energy sector - Consilium \(europa.eu\)](#), European Council November, 15, 2023.

becoming operational by 2027.⁸ BCAs are currently being considered in Canada⁹ and the United States.¹⁰ These trends make carbon intensity of production a critical factor affecting the global competitiveness of industries.

Figure 1. Fertilizer Producers at the EU Market and Emissions Intensity of Selected Products



Sources: UN Comtrade, EU Joint Research Centre, and IMF Staff Calculations.

Note: “Direct” refers to direct emissions while “Indirect” refers to indirect emissions. See definitions in text.

1/ Mixtures of Urea and Ammonium Nitrates (UAN) in aqueous or ammoniacal solution.

2/ Whether or not in an aqueous solution.

3/ Weighted average of imports.

⁸ See [Factsheet: UK Carbon Border Adjustment Mechanism - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/factsheets/factsheet-uk-carbon-border-adjustment-mechanism), UK Government, updated 18 December 2023.

⁹ See <https://www.canada.ca/en/department-finance/programs/consultations/2021/border-carbon-adjustments.html> Consultation on border carbon adjustments.

¹⁰ Recent legislative proposals for carbon taxes in the United States have also contained BCAs (see www.carbontax.org/bills).

6. Trinidad and Tobago’s authorities and the private sector are aware of transitional risks but need to step up their actions to further advance the country’s decarbonization and transition agenda. They have progressed in developing a vision for energy transition, realizing efficiency programs, and promoting the development of renewable energy sources and carbon capture, utilization, and storage technologies. To strengthen the country’s global leadership and competitiveness of key industries, it is crucial to take proactive measures to enhance the emissions data collection, further reduce carbon intensity and promote resource-efficiency contributing to the county’s economic diversification. Particularly, the authorities may consider re-evaluating the emissions reduction pathway supported by possible carbon pricing mechanism.

Annex XIV. Data Issues Annex

Table 1. Trinidad and Tobago: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	A	B		
Granularity 3/	B		A	B	B		
			B		B		
Consistency			B	C		B	
Frequency and Timeliness	B	A	B	B	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						
<p>Rationale for staff assessment. The data provided to the Fund has some shortcomings but is broadly adequate for surveillance. The quality of reporting financial and monetary data is better than peers. However, some weaknesses remain in: i) the frequency and timeliness (e.g., over a quarterly lag for publication) of National Accounts statistics; ii) inconsistency of the BoP data—the large magnitude of errors and omissions in the BoP is an impediment to the accurate assessment of the external position; and iii) fiscal and debt data coverage should be broadened to fully cover the non-central government sector. The authorities are committed to improving data provision, through the establishment of an independent National Statistical Institute (NSI), which will replace the Central Statistical Office (CSO).</p>							
<p>Changes since the last Article IV consultation. The CSO revised annual nominal and real GDP for 2012-21 and quarterly nominal and real GDP for 2012Q1-2023Q1. These revisions incorporated new data and techniques and addressed methodological issues, supported by TA from CARTAC. For annual values, the revision is small, resulting in a nominal GDP deviation in 2021 of less than one percent. Macroeconomic ratios are not materially affected. The authorities have released preliminary capital formation estimates from 2000-21, historical annual real GDP from 2000-12, and historical annual nominal GDP from 1981-2011. They have also released the DataNett Portal.</p>							
<p>Corrective actions and capacity development priorities. The authorities are encouraged to continue making improvements, including releasing a historical quarterly GDP series from 2000 onwards, a historical annual real GDP series from 1981 onwards, finalized capital formation estimates, GDP by expenditure method, Supply and Use Tables, and complete the <i>Household Budget Survey and Survey of Living Conditions</i>. The compilation of fiscal data should follow the <i>2014 Government Finance Statistics Manual</i> (GFSM) instead of the 1986 GFSM to broaden the fiscal data coverage of SOEs and other public bodies. The authorities need to improve the reporting of capital flows which would help reduce large errors and omissions. Finally, the authorities are encouraged to improve the coverage of the monetary accounts to include mutual funds. The Fund stands ready to continue supporting the authorities' efforts in improving the quality and reporting of their data.</p>							
<p>Use of data and/or estimates different from official statistics in the Article IV consultation. IMF staff relies on official statistics.</p>							
<p>Other data gaps. Update of the data on greenhouse gas (GHG) emissions, including across sectors, as well as collection of the data on emissions intensities of key industries would enhance staff's analyses.</p>							

Table 2. Trinidad and Tobago: Data Standards Initiatives

Trinidad and Tobago participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since October 2021.

Table 3. Trinidad and Tobago: Table of Common Indicators Required for Surveillance

As of March 27, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁵	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Trinidad and Tobago	Expected Timeliness ^{6,7}	Trinidad and Tobago
Exchange Rates	Feb-24	Feb-24	D	D	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Jan-24	Feb-24	M	M	M	M	1M	15D
Reserve/Base Money	Jan-24	Mar-24	M	M	M	...	2M	...
Broad Money	Jan-24	Mar-24	M	M	M	M	1Q	2M
Central Bank Balance Sheet	Jan-24	Mar-24	M	M	M	...	2M	...
Consolidated Balance Sheet of the Banking System	Jan-24	Mar-24	M	M	M	M	1Q	2M
Interest Rates ²	Jan-24	Mar-24	M	M	D	M	...	2M
Consumer Price Index	Jan-24	Mar-24	M	M	M	M	2M	2M
Revenue, Expenditure, Balance and Composition of Financing ³ –General Government ⁴	Oct-23	Feb-24	A	A	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ –Central Government	Oct-23	Feb-24	A	A	Q	M	1Q	2M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Oct-23	Feb-24	A	A	Q	Q	2Q	2Q
External Current Account Balance	Sep-23	Jan-24	Q	Q	Q	Q	1Q	2Q
Exports and Imports of Goods and Services	Sep-23	Jan-24	Q	Q	M	M	12W	5M
GDP/GNP	Jun-23	Feb-24	Q	Q	Q	Q	1Q	6M
Gross External Debt	Mar-23	Jun-23	Q	Q	Q	Q	2Q	2Q
International Investment Position	Sep-23	Jan-24	Q	Q	A	Q	3Q	2Q

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("I") irregular; and ("NA") not available.

⁷ Recommended frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected.



TRINIDAD AND TOBAGO

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

April 23, 2024

Prepared By

Western Hemisphere Department (in consultation with other departments)

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FUND RELATIONS

(As of February 29, 2024)

Membership Status:	Joined September 16, 1963; Article VIII					
General Resources Account:			SDR Million	% Quota		
Quota			469.80	100.00		
IMF's Holdings of Currency (Holdings Rate)			341.52	72.70		
Reserve Tranche Position			128.28	27.30		
SDR Department:			SDR Million	% Allocation		
Net cumulative allocation			771.42	100.00		
Holdings			777.83	100.83		
Outstanding Purchases and Loans: None						
Latest Financial Commitments:						
Arrangements:						
<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>		
Stand-By	Apr 20, 1990	Mar 31, 1991	85.00	85.00		
Stand-By	Jan 13, 1989	Feb 28, 1990	99.00	99.00		
Overdue Obligations and Projected Payments to Fund^{1/}						
(SDR Million; based on existing use of resources and present holdings of SDRs):						
		<u>Forthcoming</u>				
		<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Principal						
Charges/Interest		<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
Total		<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.						
Contributions to IMF Fundraising Initiatives						
<ul style="list-style-type: none"> • Poverty Reduction and Growth Trust (PRGT). In the context of the PRGT's 2021 fundraising round, Trinidad and Tobago has pledged to contribute SDR 3 million to the PRGT subsidy resources to be funded from the 2021 SDR allocation. The country's total contribution to the PRGT subsidy accounts under previous fundraising rounds is estimated at about SDR 1.3 million. • Heavily Indebted Poor Countries (HIPC) Initiative. In 2020 and 2021, Trinidad and Tobago contributed SDR 0.2 million and SDR 1 million, respectively, to Somalia and Sudan debt relief 						

under the HIPC Initiative, using part of its share of the *deferred charges refund* and *Special Contingent Account (SCA-1) distribution*.

Implementation of HIPC Initiative: Not applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not applicable

Implementation of Catastrophe Containment and Relief (CCR): Not applicable

Exchange Rate Arrangements: The de jure exchange rate arrangement is floating and the de facto exchange rate arrangement is classified as stabilized. Trinidad and Tobago accepted the obligations under Article VIII, Section 2(a), 3, and 4 of the IMF's Articles of Agreement.

Trinidad and Tobago maintains an exchange restriction subject to the Fund's approval under Article VIII, Section 2(a).¹ The exchange restriction arises from the authorities' restriction of the exchange rate (i.e., by restricting the maximum market buy and sell rates, and prohibiting foreign exchange (FX) transactions beyond the maximum rates), while not providing enough FX— i.e., through the Central Bank of Trinidad and Tobago's (CBTT) FX interventions—to meet all demand for current transactions at that rate. The CBTT also limits sales of its FX intervention funds to meeting only "trade-related" demand, which do not include non-trade transactions that are, however, current international transactions as defined under Article XXX(d) of the IMF's Articles of Agreement and encourages authorized dealers to similarly prioritize sales of FX obtained from other sources. Further, the authorities prioritize provision of FX to certain manufacturers and importers of necessities (such as food and medicines) through special FX facilities within the EximBank. These actions result in undue delays in accessing FX to make payments or transfers for current international transactions and external payment arrears.

Last Article IV Consultation: The 2023 Article IV Consultation was concluded by the Executive Board on May 1, 2023. Trinidad and Tobago is on the 12-month consultation cycle ([IMF Country Report No. 23/157](#)). A staff visit took place during December 11–15, 2023.

Financial Sector Assessment Program (FSAP) Participation: The 2020 joint IMF–World Bank FSAP missions were held during November 5–19, 2019 and January 21–February 4, 2020. The Financial System Stability Assessment (FSSA) was presented to the Executive Board for discussion, on a lapse-of-time basis, on August 31, 2020 ([IMF Country Report No. 20/291](#)).

¹ Trinidad and Tobago previously maintained two multiple currency practices (MCPs), based on the absence of a mechanism to prevent the potential deviation of more than 2 percent at any given time among several effective exchange rates regulated by the authorities, for spot exchange transactions (see the [2023 Country Staff Report No. 2023/157](#) for further details). In line with the revised MCP policy that became effective as of February 1, 2024, the two MCPs maintained under the previous policy are considered eliminated as of February 1, 2024.

Trinidad and Tobago: Fund Technical Assistance, 2010-24		
Department	Dates	Purpose
CARTAC	April 15–19, 2024	Insurance Supervision and Regulation—Own Risks and Solvency Assessment
MCM	February 26–March 8, 2024	Balance of Payments/International Investment Position- Address Data Gaps
MCM	February 26–28, 2024	Strengthening cyber security regulation and supervision
FAD	January 24–February 6, 2024	Fiscal Rule Framework
FAD	July 3-7, 2023	Implementation of the Trinidad and Tobago Revenue Authority
MCM	June 13–23, 2023	Assessment of the Functioning of the Heritage and Stabilization Fund
CARTAC	May 1–12, 2023	Improving Estimates of Gross Domestic Product
CARTAC	April 17–21, 2023	Developing consolidated risk-based supervision approach for financial groups conglomerates
CARTAC	April 12–21, 2023	External sector statistics
MCM	March 27–31, 2023	Transitioning Out of Constant NAV Funds
FAD	January 24–February 24, 2023	Petroleum Fiscal Regime Reform
MCM	January 9–30, 2023	Develop and strengthen Fintech Regulation and Supervision
MCM	October 31–November 4, 2022	Strengthening Cybersecurity of the Financial Sector
CARTAC*	September 14–November 22, 2022	IFRS 17 Implementation and Reporting
CARTAC	August 22–31, 2022	Public Financial Management (part two)
CARTAC	August 15–26, 2022	Public Financial Management (part one)
CARTAC	August 1–12, 2022	Developing a Debt Management Strategy
CARTAC	July 11–22, 2022	Real Sector Statistics

Trinidad and Tobago: Fund Technical Assistance, 2010-24 (continued)		
Department	Dates	Purpose
CARTAC	February 21–April 1, 2022	Strengthening Supervisory Oversight of Collective Investment Schemes
CARTAC	January 24–February 4, 2022	External Sector Statistics
CARTAC	October 11–25, 2021	Follow-up capacity development mission on Basel II/III (Pillar 2) implementation
CARTAC	September 13–October 29, 2021	Strengthening of Risk-Based Supervision (RBS) Framework for on-Site and off-Site Reviews
MCM/LEG/ITD	August 20–October 8, 2021	Building Capacity on Central Bank Digital Currencies
CARTAC	July 19–30, 2021	Provide Support to Treasury Function International Public Sector Accounting Standards (IPSAS) Compliance and Reporting
CARTAC	June 7–July 21, 2021	Development and Implementation of a Risk-Based Capital Adequacy Framework for TTSEC Registrants.
CARTAC	April 26–May 7, 2021	Improving the Estimates of GDP
CARTAC	May 5–12, August 2–24, 2021	Capital (Leverage Ratios)
FAD	October 7–18, 2019	Building Effective Tax Administration Functions
MCM	January 28–July 9, 2021	Strengthening the Legal Framework for the National Payments System
FAD	July 2019	Revenue Administration Gap Analysis Program-the Value-Added (VAT) GAP
CARTAC	November 14–27, 2018	Developing a Medium-Term Fiscal Framework
CARTAC	July 19–20, 2018	Digital Currencies and Central Banks' Regulatory Response
STA	May–June 2018	National Accounts
FAD	April–May 2018	Fiscal Transparency Evaluation
STA	May 2018	Price Statistics

Trinidad and Tobago: Fund Technical Assistance, 2010-24 (continued)		
Department	Dates	Purpose
CARTAC	April 2018	Macro Fiscal Framework
STA	March 2018	External Sector Statistics
MCM	February 2018	Transitioning Mutual Funds
MCM	October 2017	Credit Unions Regulation
CARTAC	October 2017	Central Fiscal Oversight and Analysis of Public Corporation Risks
FAD	September 2017	Tax Administration Diagnostic Assessment Tool
STA	May 1, 2017	National Accounts Statistics
STA	March 1, 2017	Price Statistics
FAD	September 2016 and June 2017	New Directions in Fiscal Regimes for Oil and Gas
FAD	November 2016	Strengthening Institutional Arrangements and Core Operations
FAD	June 2016	Establishing a Tax Policy Unit
STA	October 2016	External Sector Statistics
STA	May 2016	National Accounts Statistics
STA	March 2016	External Sector Statistics
STA	January 2016	National Accounts Statistics, Price Statistics
MCM	August 2015	Monetary Policy Framework
MCM	April 2016	Macroprudential Policy Framework
STA	March 2015	External Sector Statistics
FAD	March 2015	Revenue Administration
STA	May 2015	Financial Sector Statistics/Financial Soundness Indicators (FSI) Compilation
MCM/LEG	March 2014	National Financial Crisis Contingency Plan
FAD	July 2013	Tax Administration
FAD	January 2013	Tax Policy
MCM	October 2012	Non-life Insurance Regulation
STA	June 2012	Monetary and Financial Statistics
STA	April 2012	Consumer and Price Statistics

Trinidad and Tobago: Fund Technical Assistance, 2010-24 (concluded)		
Department	Dates	Purpose
STA	March 2012	Monetary and Balance of Payments Statistics
STA	February 2012	Consumer and Producer Price Statistics
MCM	June 2010, September 2010, March 2011, and June 2011	Insurance Supervision
MCM	December 2010 and April 2011	Public Debt Management, Funding and Medium-term Debt Management Strategies
* Group TA/training to all CARTAC member countries.		

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

(As of February 29, 2024)

- **Development Bank of Latin America (CAF)**

<https://www.caf.com/en/countries/trinidad-and-tobago>

- **Inter-American Development Bank (IADB)**

<https://www.iadb.org/en/who-we-are/country-offices/trinidad-and-tobago>

- **The World Bank Group (WB)**

<https://www.worldbank.org/en/country/trinidadandtobago>

Statement by Afonso Bevilaqua, Executive Director for Brazil

May 8, 2024

On behalf of our Trinidad and Tobago authorities, we thank staff for the comprehensive report and the productive engagement during the Article IV consultation. The authorities greatly appreciate the frank and constructive discussions with the mission team and value staff's assessment and recommendations.

Recent Developments and Outlook

After a period of contraction as a result of the pandemic, the Trinidad and Tobago economy has regained its growth momentum since 2022. While the economy remains dependent on the energy sector, long term efforts by the authorities to diversify it have led to the non-energy sector growing above the energy sector. Project development and execution in the energy sector can take several years, and while in the short term the country's supply of natural gas is less than ideal, there are very high prospects for an increased supply near the end of the current decade. While there are various prospects for development within the country's borders, an important activity would be the development of the Dragon Field with Venezuela, which will allow for a boost in natural gas availability to facilitate production of Liquefied Natural Gas (LNG) and associated products.

Government initiatives, including the development of industrial parks, have allowed for increased Foreign Direct Investment (FDI) in the non-energy sector, and further investment is anticipated once the Special Economic Zone legislation is fully proclaimed. The country is also benefiting from the near-shoring of several foreign manufacturing companies as they seek to service the rest of the Americas. This should result in an increase in the non-energy goods exports.

To enhance exports as well as domestic businesses, the authorities have embarked upon a wide range of initiatives to strengthen the enabling environment including the development of a national e-commerce strategy, the development of a port community system, enhancement of its single electronic window and the merging of existing agencies into a single trade and investment promotion agency.

The authorities have greatly improved the availability and timeliness of national statistics. The Central Statistical Office (CSO) has revamped its website, providing datasets and data visualizations and has complemented this with a mobile application. Currently, the CSO is undertaking a combined Household Budget Survey and Survey of Living Conditions, while the report on the 2022 Multi Indicator Cluster Survey has been made available. In addition, the process of transforming the CSO into the National Statistical Institute, a body with the autonomy and authority to coordinate national statistical systems, is ongoing.

Fiscal Policy

The country is expected to return to running deficits in the fiscal accounts, but they will remain contained. The fiscal authorities are making good use of the country's access to international capital markets and of the excess liquidity in the domestic financial system to finance the fiscal deficit. The authorities have recently increased the threshold to borrow domestically and externally, under the Development Loans Act, up to TT\$75 billion from TT\$65 billion. The country's debt levels and interest payments remain at sustainable levels.

The authorities have made substantial progress in improving tax administration and compliance. The Ministry of Finance is in the process of staffing and operationalizing the revenue authority which will improve domestic revenue mobilization. While the passage of the Gambling (Gaming and Betting) Control Act, 2021, was complemented by the establishment of the Gambling (Gaming and Betting) Control Commission (GCC) in 2022, full proclamation of the Act and operationalization of the GCC is expected to occur in 2024. Prices in the electricity sector have been assessed and recommendations for proposed increases have been made by the Regulated Industries Commission (RIC) and are currently being reviewed by the Finance and General Purposes Committee in Cabinet. The proposed increases for residential customers range from 15 per cent for low-consumption users and 64 per cent for high-consumption users, higher rates for commercial and industrial users have also been proposed, from 37 to 126 percent. A similar review of prices for the provision of water is expected. The implementation of the property tax has started, replacing the previous Land and Building Tax Act. In this first phase, homeowners will have to pay 2 percent of the annual rental value of their property (after a deduction of 10 percent of the value).

Like in many other countries, population aging has put significant strain on the national insurance system. The authorities are exploring various measures with a view to ensuring that the fund remains sustainable in the long term. At present, consideration is being given to increasing the retirement age at which a worker can receive their full benefits, among other potential solutions.

Monetary Policy and Financial Stability

The Central Bank of Trinidad and Tobago (CBTT) has maintained the repo rate at 3.5 percent since the onset of the Covid-19 pandemic in March 2020, in an effort to support growth and combat inflation. The supply chain issues which occurred during the pandemic coupled with the rise in shipping costs notably affected prices. Inflation has declined significantly, reaching 0.8 percent (y-o-y) as of February 2024 – the third successive month of an inflation rate below 1 percent, as the external drivers of inflation have eased. The authorities are of the opinion that the monetary policy stance is appropriate given the need to continue to support economic growth, in contrast to staff's position. The central bank will continue to monitor both domestic and international developments in deciding on its policy rate.

International reserves continue to be at high levels, supporting a stable exchange rate. At present the level of international reserves stands at 6.9 months of import cover, in addition to the Heritage and Stabilization Fund, which is currently valued at over US\$ 5 billion. The country continues to record a current account surplus driven by energy exports. To smoothen the lumpy and declining injections of foreign exchange from energy companies, the CBTT continues to provide bi-monthly FX interventions to help stabilize the FX market.

The country's financial sector remains sound. The banking sector remains well capitalized with high liquidity levels and low exposure to foreign currency risk. Non-performing loans remain low and contained. The insurance sector continued to operationalize elements of the Insurance Act (2018) including the conversion of branches of foreign insurers into local companies and the submission of the Financial Conditions Report. The CBTT continues to work with other regulators in other Caribbean countries to undertake consolidated supervision of financial groups that have companies operating throughout the Caribbean.

The CBTT has continued to build on the 2020 FSAP recommendations. The CBTT is currently looking at improving both its cybersecurity framework and its ability to assess the cybersecurity systems of supervised entities. Efforts are also being taken to improve the payment systems in the country. Licenses for several e-money issuers have been granted, while consideration is being given to introducing a 'fast payments' framework. The authorities also intend to identify and action short term steps which can be taken to improve private pension supervision while medium- and long-term plans for modernization of the sector will be developed.

AML/CFT

The country has made significant strides to address weaknesses in its AML/CFT framework. There is ongoing implementation of various legislative amendments including the Miscellaneous Provisions Act, 2024, and The Base Erosion and Profit-Shifting Inclusive Framework (Country-by-Country) Reporting Bill, 2023, which have addressed identified short comings in the country's taxation regime, and preparation are also underway to prepare for automatic exchange of tax information with other countries. The authorities are taking every effort to meet the requirements of the Global Forum and the EU in order to exit from the black/gray lists at the earliest possible time.

Climate Change

Even though Trinidad and Tobago is an energy based economy, it contributes less than 0.1 percent of global carbon emissions. Despite this small contribution to emissions, the country is undertaking reforms to increase the use of renewables in the generation of electricity through the development of a 92-megawatt solar farm, which is a joint venture of bp Alternative Energy Trinidad and Tobago and Shell Renewables Caribbean. When completed, the Brechin Castle Solar Farm Project would be the largest solar plant in the Caribbean. The possibility of wind farming is also being explored. Furthermore, in an effort

to both reduce emissions and maintain the future competitiveness of its petrochemical sector, the country is investigating the feasibility of production and application of green hydrogen. In addition, many of the existing plants in the country have implemented or intend to introduce mechanisms to reduce the level of their emissions. Other initiatives to reduce carbon emissions are focused on the transportation and manufacturing sectors.

The development of the Carbon Border Adjustment Mechanism (CBAM) in the European Union (EU) has the potential to directly impact the export of certain goods into the EU, including fertilizers like anhydrous ammonia and urea. The authorities have joined with other countries in advocating for fair treatment under the rules of the World Trade Organization and are exploring possible mitigation strategies including the diversion of exports away from the EU. For Trinidad and Tobago, there may be challenges faced in providing verifiable and consistent emissions data, potentially leading to increased administrative burdens to meet the CBAM requirements.

Concluding Remarks

The Trinidad and Tobago authorities have expressed their appreciation for the technical assistance that they have received in a number of areas and the willingness of staff to deliver such TA in an appropriate and tailored manner. They also look forward to continuing the relationship with the current mission chief and his team.