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Domestic
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“Structural reform remains key to unlocking the country’s growth and diversification potential.”- IMF

An International Monetary Fund mission, headed by Mr. Elie Canetti, visited Trinidad and Tobago during March 3–March 15, 2016 to conduct the annual Article IV consultation. The following are the key findings from the mission trip:

- Given the sharp fall in energy prices, in addition to supply-side constraints in the energy sector and the resulting job losses; **the mission projects GDP to fall 1% this year.**

- Beyond 2016, the IMF projects that new energy projects should modestly boost energy production, while non-energy growth may start to recover, provided there is confidence in the country’s ability to navigate the harsher global environment.

- The IMF believes that Trinidad and Tobago still has enormous strengths, including a well-educated work force and a stable political system. With substantial financial buffers and low, albeit rising levels of public debt, the IMF maintained that **“Trinidad and Tobago is not in a crisis.”**

- However, taking into account the size of energy revenue windfalls, **the IMF believes that country has under-saved and under-invested in its future**. As a consequence, the imbalances that are now starting to build up could lead the country to uncomfortable levels of debt and a l external financial cushions absent further action.

- The mission head stated that the difficult but necessary policy adjustments undertaken by the Government is a step in the right direction: "Since assuming office six months ago, the Government has already taken some difficult but necessary steps in the face of sharply lower energy revenues, including widening the VAT tax base, cutting fuel subsidies, reducing the number of Ministries with a view to streamlining the civil service, and instituting spending cuts".

- Given further deterioration in energy prices since the budget, the mission projects the **FY 2016 budget deficit at 11% of GDP**. If asset sales are to be considered as revenue rather than financing, then the budget deficit would be equivalent to about 5% of GDP.

- The IMF supports the Government's intent to conduct a national dialogue on fuel subsidies with a view to phasing them out over time, and to review the CEPEP and URP Government employment schemes and the Government Assistance for Tuition Expenses (GATE) program to make them more cost-efficient. The Fund also believes that reducing such expenditures would leave room for needed reorientation towards development spending.

- The mission estimates that current account balance would remain in deficits, albeit at a reduced level of **2–3% of GDP** as the economy slows and public spending is contained (2015:5% of GDP).

- According to the IMF the local financial system remains sound, but some reform legislation has been lagging. Accordingly, the mission welcomes the Government's intention to push forward with passing long-delayed insurance legislation, while improving the supervision of credit unions and financial institutions.

- Additionally, the fund noted that the Procurement reform, a key Government priority, is needed to assure contractors of an even playing field and reduce perceptions of corruption.

- The mission welcomed the streamlining of Government "make-work" programs to help alleviate shortages of less-skilled labor.

Additionally, the IMF hopes that the much needed review of GATE, would better focus the educational system.

- The need for a strong and independent statistic agency has become evident in recent times and the Government's intent to revamp the country's Central Statistical Office (CSO) has been noted by the IMF.

Credit Rating Agency	**Rating**	**Outlook**
S&P	**A**	**Negative**
Moody	**Baa2**	**Negative**

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