



CENTRAL BANK OF
TRINIDAD & TOBAGO

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“The Challenge of Abundance : Benefits from Establishing A Sovereign Wealth Fund”

PRESENTATION

at the

Sovereign Funds Roundtable
Coral Gables, Miami, Florida

by

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Governor, Central Bank of Trinidad and Tobago
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1. Trinidad and Tobago

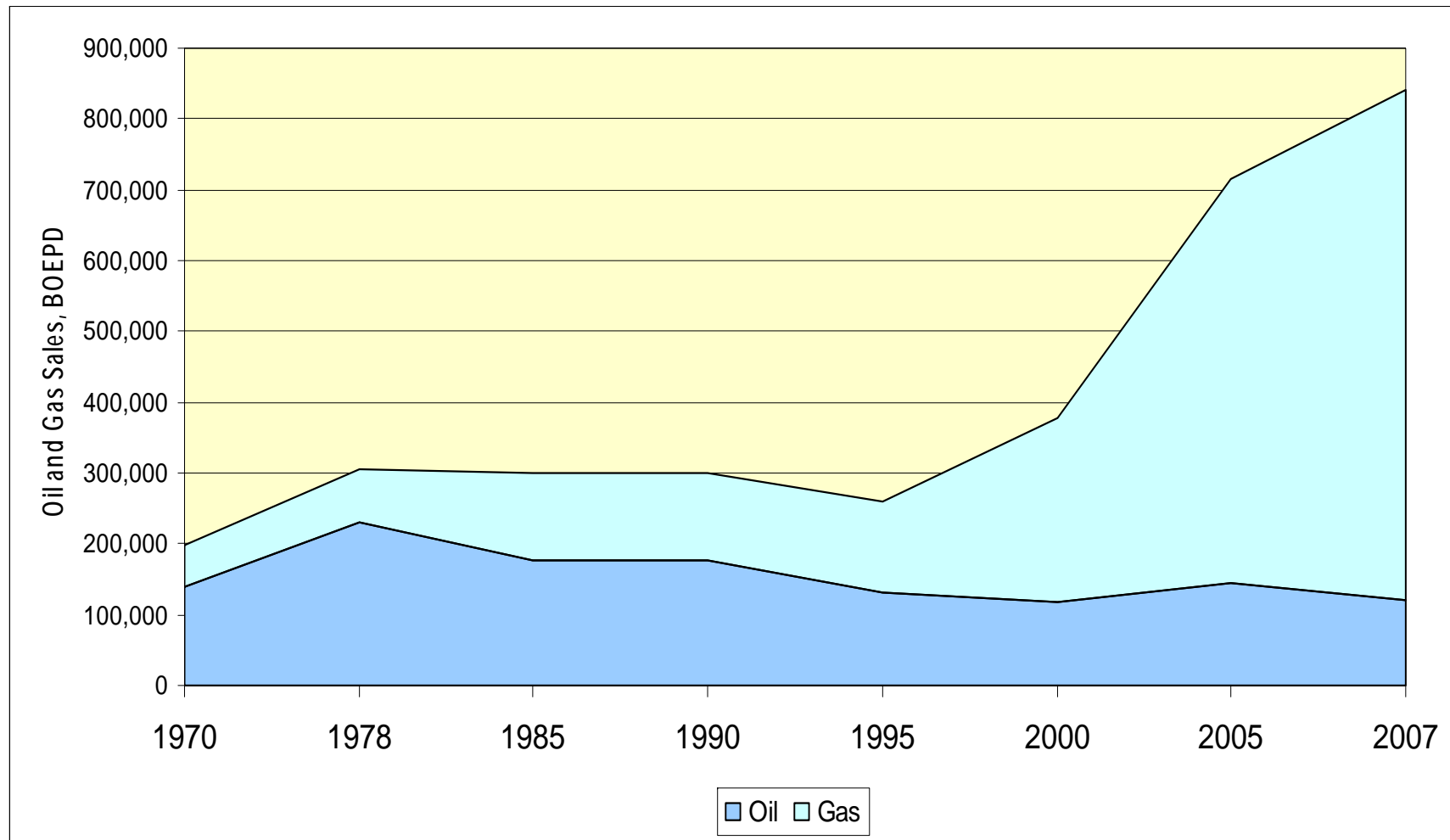
Selected Economic Indicators, 2007

/Per cent/

Nominal GDP (US\$ Millions)	20,959
Population (millions)	1.3
GDP Per Capita (US\$)	16,105
Energy GDP/Total GDP	43.0
Energy Revenue/Total Revenue	56.0
Energy Exports/Total Exports	89.4
External Debt/GDP	5.6
Public Sector Debt/GDP	28.3

2. Oil and Gas Production

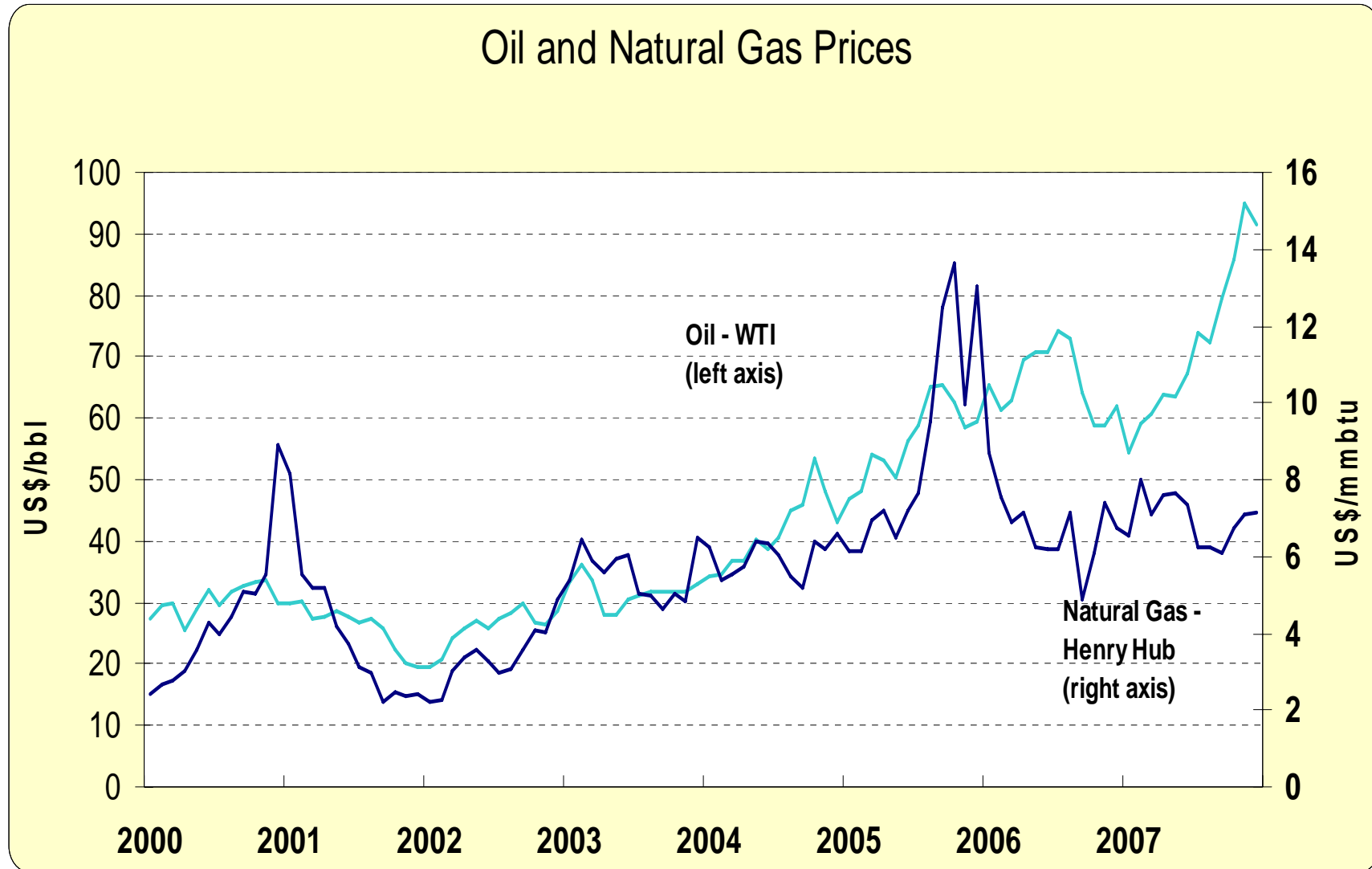
1970-2007 (BOEPD*)



* Barrels of oil equivalent per day

Central Bank of Trinidad and Tobago

3. Energy Prices



4. Economic Performance, 2002-2007

/Per cent/

	2002	2003	2004	2005	2006	2007 ^p
Real GDP	7.9	14.4	7.8	6.1	12.2	5.5
Energy	13.5	31.4	8.2	8.4	21.4	4.4
Non-Energy	4.8	6.7	6.7	5.0	6.6	6.7
Unemployment Rate	10.4	10.5	8.4	8.0	6.2	5.2
Current Account Surplus/GDP	0.8	8.9	13.4	23.7	25.5	16.2
Gross Official Reserves (US\$ Millions)	1,760.1	2,007.5	2,539.1	4,014.9	5,134.1	6,673.5

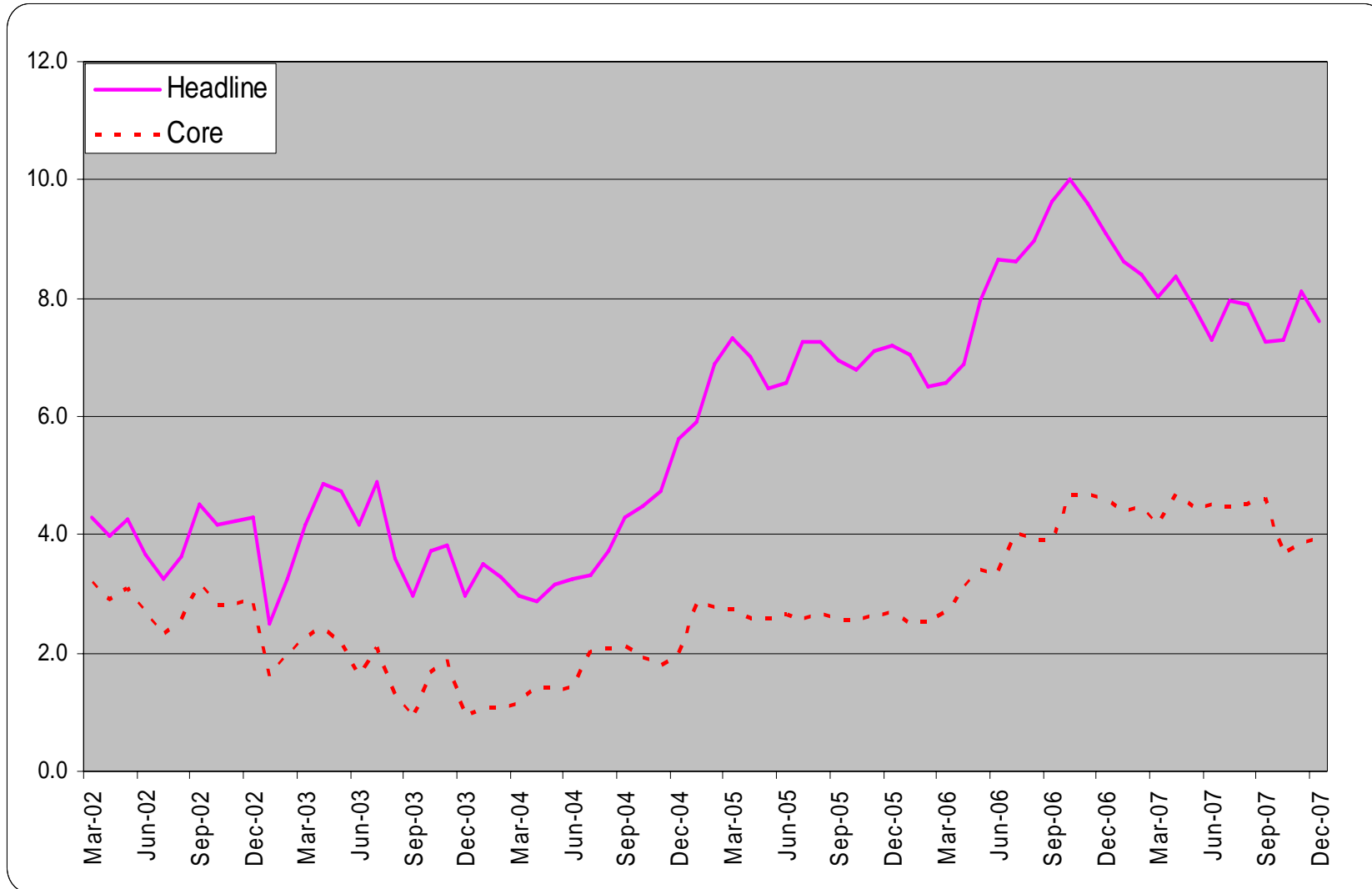
5. Fiscal Operations

/In Per cent of GDP/

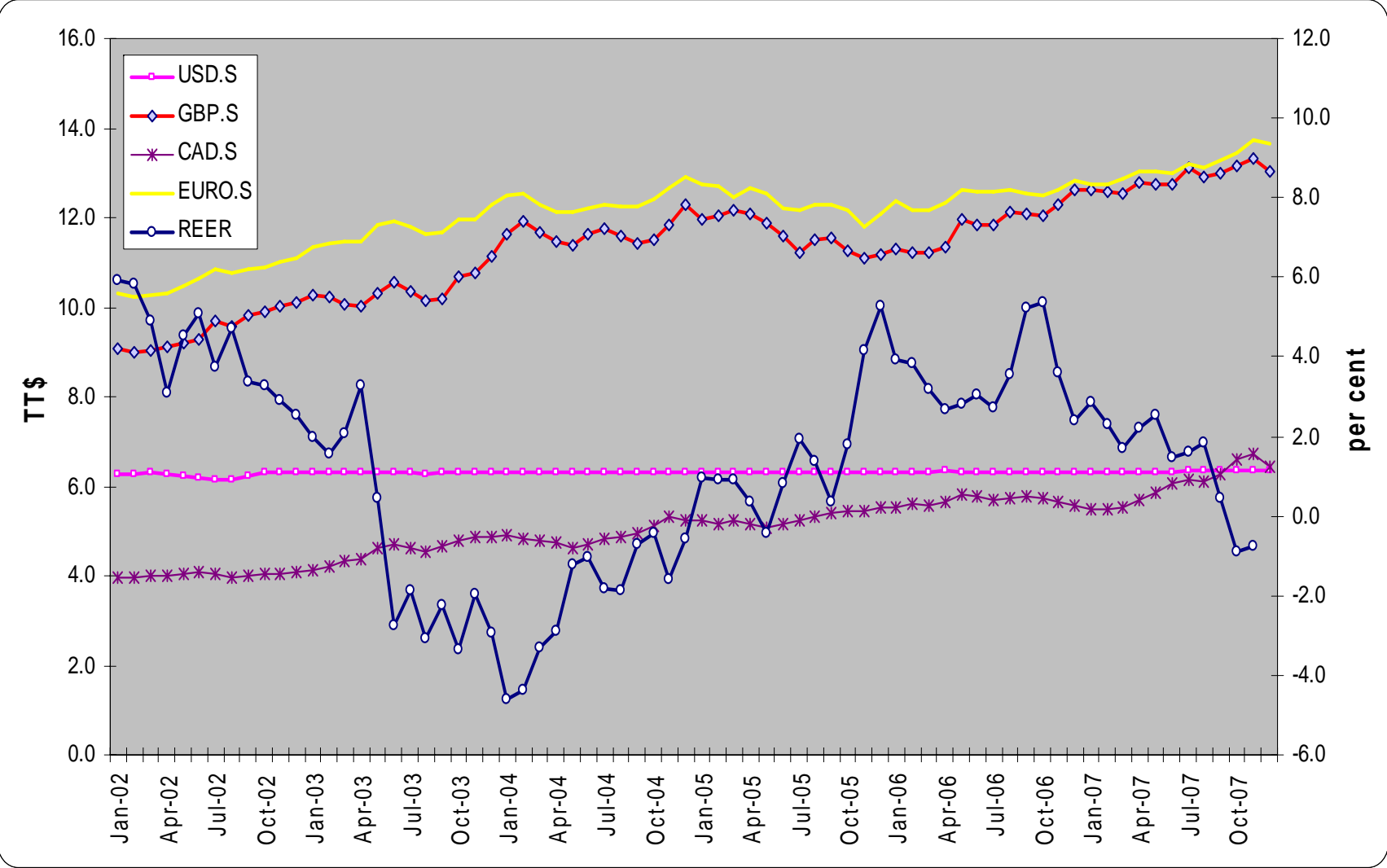
	2002/2003	2003/2004	2004/2005	2005/2006 ^r	2006/2007 ^p
Total Revenue	24.4	24.9	31.1	34.1	31.3
<i>Of which:</i>					
Energy Sector	9.4	10.7	16.6	22.0	19.0
Non-Energy Sector	14.9	14.2	14.5	12.0	12.3
Total Expenditure	22.5	23.1	25.8	27.3	27.8
Overall Balance	1.8	1.8	5.2	6.8	3.5
Non-energy Balance	-7.6	-8.9	-11.3	-15.3	-15.4

6. Headline and Core Inflation

/Year-on-Year Percentage Change/



7. Nominal and Real Effective Exchange Rates



8. The Heritage and Stabilization Fund (Main Elements)

- Comprises two main components.
- **Stabilization**
 - To insulate fiscal policy from fluctuations in revenue from the energy sector.
- **Savings/Heritage**
 - To provide savings for future generations.

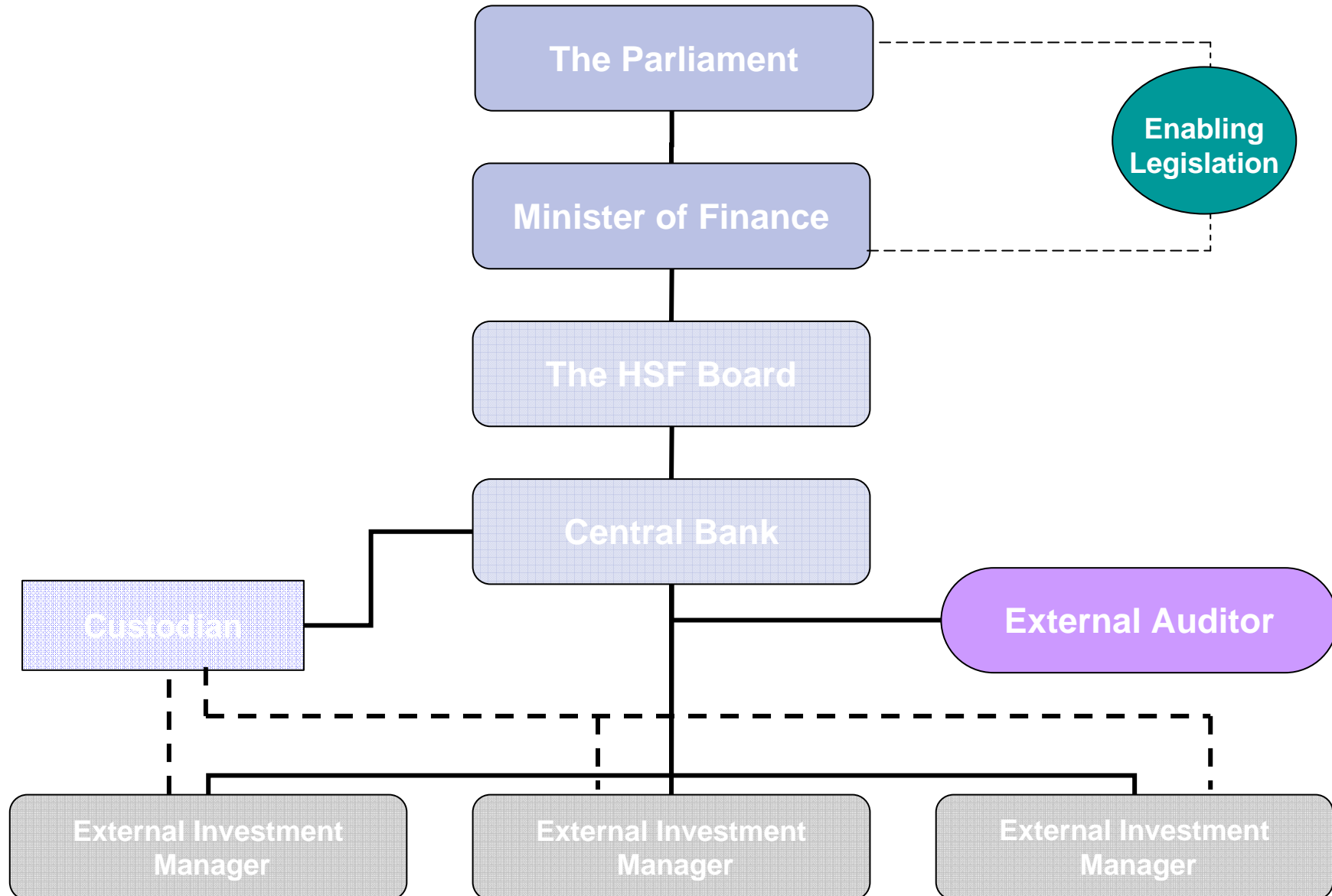
9. HSF Deposit and Withdrawal Rules

- **Deposit Rule:**
 - 60% of actual minus –budgeted revenue).
 - Prices used for oil and gas budget estimates based on trend and projections.
- **Withdrawal Rule:**
 - Withdrawal permitted if annual tax revenue from oil and gas is at least 10% below budget projection.
 - Withdrawal could be up to 60% of shortfall but not exceeding 25% of the fund.

10. Other Legal Provisions

- HSF deposits to be invested in foreign assets with a medium to long-term focus.
- Fund cannot be used to directly finance capital expenditure or as collateral for government borrowing.
- Fund Management assigned to an independent Board which delegates operational management to the Central Bank.
- HSF Act to be reviewed every 5 years.

11. The Governance Structure



12. Transparency and Accountability

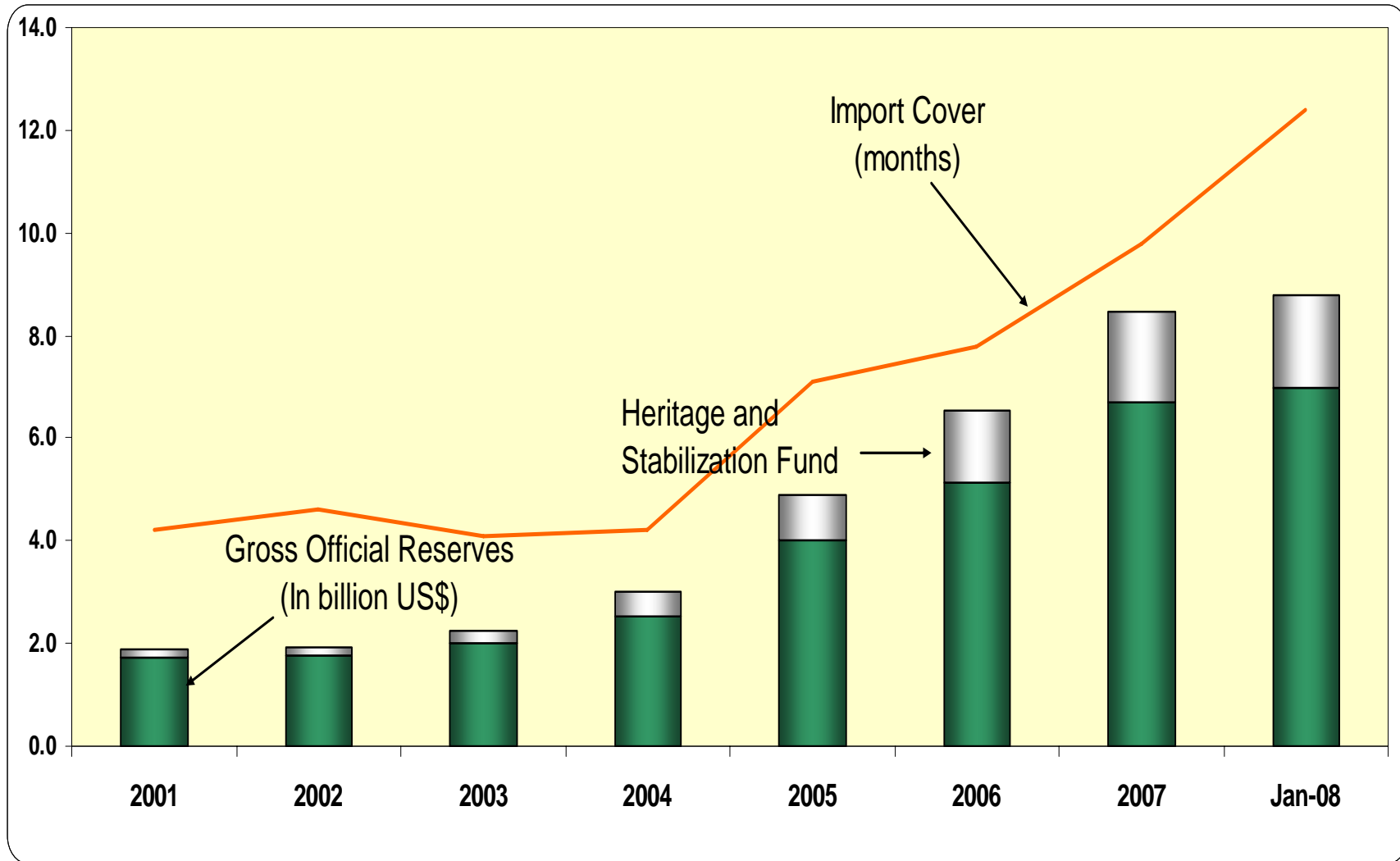
- Quarterly Reporting by the Central Bank to the Board.
- Quarterly and Annual Reporting by the Board to the Minister of Finance.
- Annual Reporting by the Minister of Finance to the Parliament.
- Annual auditing by the Auditor General.

13. HSF : Long Term Goals

- Real total return that preserves purchasing power of Fund's assets.
- Generate income streams that support Government's fiscal account.
- Maximize total real return subject to an acceptable level of risk.

14. Official Reserves and the HSF

/End of Period/



15. INVESTMENT GUIDELINES FOR FOREIGN EXCHANGE RESERVE TRANCHES

/Per cent/

Tranche		of Total Reserves as at December 2007	Investment Guidelines
Working Capital		8	Maximum Limits on Balances Overnight facilities with various Central Banks.
Liquidity		29	70/30 allocation to Bonds/Money Market. MMkt: Max Maturity 3 mths Minimum Rating AA-/P-1 Fixed Income: Minimum Rating AA- Bond Benchmark ML 1-5 Tracking error of 0.50%
Investment	US Managers	26	80/20 allocation to Bonds/Money Market. Minimum Rating AA-/P-1 Bond Benchmark ML 1-5 Tracking error of 1%
	Global Managers	0	80/20 allocation to Bonds/Money Market. Minimum Rating AA-/P-1 Bond Benchmark G7 1-5 Tracking error of 1%
	Currency Alpha	11	100% Money Market. Minimum Rating AA-/P-1
	Internal	26	100% Money Market. Minimum Rating AA-/P-1

16. Approved Strategic Asset Allocation

/Per cent/

Asset Class	Asset Allocation
UST 1-5	25.0
US Fixed Income	40.0
US Equities	17.5
Non-US Equities	17.5

17. RESERVE CURRENCY COMPOSITION

/Per cent/

CURRENCY	LIQUIDITY TRANCHE		Investment Tranche: External Managers		TOTAL RESERVES	
	2004	2007	2004	2007	2004	2007
USD	92	82	100	87	93	84
EUR	4	9	0	7	3	8
GBP	2	6	0	3	2	5
JPY	2	3	0	3	2	3
CAD/CHF	0	0	0	0	0	0

18. A Major Challenge

- Increasing fund size through:
 - Reducing official reserves.
 - Greater fiscal effort.

19. Fiscal Sustainability

- Fiscal sustainability studies suggest:
 - HSF Assets could increase to US\$25-30 billion, based on fiscal adjustment to a sustainable non-energy deficit.

End of Presentation