

The background of the slide features a silhouette of several large construction cranes against a sky transitioning from a deep blue at the top to a warm orange and yellow at the bottom, suggesting a sunset or sunrise. The cranes are of various sizes and are positioned across the frame, with the largest one on the right side.

# Strategic Plan

2016/17 2020/21

Project  
Implementation  
Update  
YEAR 1

## Central Bank of Trinidad and Tobago Strategic Plan 2016/17-2020/21: Project Implementation Update Year One (October 1, 2016–September 30, 2017)

The first year of the Bank's Strategic Plan 2016/17-2020/21 is nearing completion. Major conceptual work on all 23 projects (aligned to three strategic themes of monetary policy, financial stability and internal operations) has taken place during this first year, while some projects have been completed and others are already far along in implementation. This note shares the Plan's status and main achievements and challenges for the first year, by posing 3 broad questions :

### 1. Is the Plan on course?

Yes.

Important progress has been made in all areas: the framework for the conduct of monetary policy has improved in the context of a record of very low inflation; assessment and conduct of financial sector supervision has advanced in a stable financial setting; and a stronger basis for greater efficiency and governance is progressively being established.

In terms of the 23 specific projects, all are broadly on course after the first year. Implementation is being monitored and scheduling changes have been made to ensure that performance remains consistent with the strategic vision. Some project components, though well advanced, missed their targets, for the most part either due to exogenous factors (such as delays in passage of legislation), or because the projects turned out to be more complex than initially determined. It also became evident that the schedule of certain project milestones could be brought forward. As a result, some modification to project scheduling for the rest of the Plan period was proposed: 12 project components have had their scheduling compressed while 11 were extended.



## Project Implementation Year 1: 2016/17

Momentum continues to build as projects move deeper into their execution phases. Staff at all levels have been working together in cross-Departmental teams in moving project components forward. A process of regular communication with Departments on the Plan's evolution seems to have helped in strengthening responsibility and accountability for the project outcomes.

## 2. How can this initial year be characterised?

This first year can be characterised as one of foundation building for the entire 5 year Plan: this involved a lot of analysis, resource identification, planning and mobilisation. The intense discussion and collaboration across the Bank and the clear attribution of responsibility for project outcomes introduced a fresh dynamic to fulfilment of the Plan's objectives. At the same time, there was concrete progress in many spheres—for example, the change in the metallic composition of the coins and elimination of the 1 cent coin from July 1, 2017 that introduces substantial savings to coin issuance; the establishment of the whistleblower mechanism with an external independent interlocutor as a meaningful step in shoring up internal governance, and the exposure and training of supervisory staff by IMF/CARTAC advisors in dealing with financial mergers and acquisitions.

Year 2 is expected to be one of consolidation—building carefully upon the gains of the first year, with some acceleration of the pace of project execution. This would require continued focus, effective internal coordination and improved engagement with external stakeholders all in a context where the macroeconomic environment is expected to be particularly challenging.

## 3. What were some of the main achievements?

A great deal of progress has been achieved in the areas scheduled for activity within the first year. Six of the highlights over this period are:

- (i) **A major public education program was launched outlining the rationale and schedule for altering the metallic composition of coins and eliminating the one cent piece.** From July 1, 2017 the new coins were put into circulation while issue of the one cent coin to banks ended, following a wide ranging public education campaign, which included 'Know Your Money' seminars, newspaper advertisements and a television appearance by External Relations staff on CNC3's "Morning Brew". This project has already achieved meaningful savings in terms of the cost of coin issuance by the Central Bank. In the coming year, the Bank expects to gain even more savings by cashing in on the intrinsic value of the metal coins that will be redeemed; plans are also underway to demonetize the one cent coin.
- (ii) **With World Bank assistance, the specific aspects of a Portfolio Management System suitable to the Central Bank's needs were identified and a rigorous international tender process completed.** Replacement of the current system is a priority given its identified deficiencies and associated operational and financial risks. The project is technically complex and has benefited from intense inter-departmental collaboration and expertise from the World Bank. Teams from the World Bank's Reserve Asset Management Program visited the Central Bank in November 2016 and February 2017 and assisted in identifying the technical requirements and the best approach to selection of the new system in light of the experience of other central banks worldwide. They also recommended complementary systems to assure effective integration with the rest of the Central Bank's financial operations. The inter-departmental project team has selected a preferred vendor and the implementation phase will commence as scheduled within year two.

<sup>1</sup> A Report on the Plan's implementation for the first half of FY 2016/17 was presented to the Board on March 24, 2017. The current Report covers the entire FY2016/17 period.

**(iii) The International Monetary Fund (IMF) worked with the Bank in significantly bolstering our approach to dealing with financial groups, as opposed to the traditional focus on individual entities.**

The Financial Institutions Supervision Department (FISD) formalized a series of regular internal strategic discussions on all supervised entities, placing particular emphasis on financial connections among institutions. Moreover, in March 2017 a technical expert from the IMF-sponsored Caribbean Technical Assistance Centre (CARTAC) worked with FISD to review two of the largest banking groups in Trinidad and Tobago and advised on supervisory strategies concerning mergers and intraregional financial institutions. He also provided pragmatic methods of spotting and dealing with existing and potential difficulties in financial groups, including those linked to the groups' relations with nonfinancial commercial activities.

**(iv) The Central Bank introduced the Basel II/III capital adequacy framework, which will significantly strengthen how banks treat with risk.**

The implementation of Basel II/III is an important initiative of the Bank to enhance the resilience of the domestic banking institutions. Among other things, it would ensure that banks hold adequate capital commensurate with their risk profile and enhance the benchmarks for supervisory action. Over the first half of FY2016/17 the project was rolled out to the commercial banks and in March 2017 a CARTAC technical expert joined the Financial Institutions Supervision Department in reviewing the implementation schedule and components. Subsequently, a Quantitative Impact Study was carried out with licensees and all examiners were trained to implement the new requirements.

**(v) Major work was done, with Board input, on shoring up internal governance, notably in strengthening procurement processes.**

The various arms of the Central Bank's risk management/internal control apparatus—including Board Committees, Internal Audit and Risk Management Departments—worked very closely in progressively

strengthening identification of control gaps and proposing solutions. This process was bolstered by greater introspection and awareness programs at the individual Department and Senior Management levels. Inter-departmental teams reviewed the Bank's entire procurement process including its contract management, fixed asset management and financial authorization functions and proposed a comprehensive recast of the Bank's procurement arrangements. A Policy Governance Framework was also established, as well as improvements to the oversight of processes, including appointment of a standing Tenders Committee and upgrade to the Security Management System.

**(vi) The whistle-blowing policy was implemented and outreach mechanisms were enhanced.**

Following extensive review of local and international experience and best practices, a Whistle-Blowing Policy was implemented on April 1, 2017. The policy is intended to complement existing processes and feedback mechanisms and provide a further channel for enhancing transparency, integrity and good governance in the Central Bank. The policy was finalized after engagement with staff, the Board and representative unions; a provider for the service is in place following an international tender process. In addition, the Bank's website has been redesigned and will be launched on October 1, 2017; the staff wellness and Employee Assistance programmes were also enhanced, along with greater engagement of retirees.







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