

## THE CASE OF THE GREEN FUND LEVY IN THE REPUBLIC OF TRINIDAD AND TOBAGO

BY DAVID C. SMITH, PH.D.<sup>1</sup>

### Introduction and Background.

Trinidad and Tobago are the southernmost islands of the Caribbean archipelago, and are geologically an extension of the South American continent. Trinidad is separated from Venezuela by the seven (7) mile straits of the Gulf of Paria. The area of Trinidad is 4828 km<sup>2</sup> while Tobago is 300 km<sup>2</sup>. The economy of Trinidad is based on oil production and light manufacturing. The island of Tobago has an economy based largely on Caribbean beach-centred tourism and fishing. The per capita GDP of the twin island republic is US\$9,500 (est. 2000<sup>2</sup>).

Much of the flora and fauna of Trinidad is closely related to that of the mainland and its proximity to the mainland is responsible for the island having a larger flora and fauna per unit area than most other Caribbean islands. Though this is at the expense of a lower fraction of endemics in most taxa. The majority of the coral reefs in the state are found in Tobago, which is an excellent diving destination. Trinidad is very important for nesting turtles and has a large avian fauna. Both islands could develop major eco-tourism attractions. The Minister of Finance announced in his September 2001 budget speech, that a system of National Parks proposed in the late 1990s would be established in the next few years.

Many of the state's environmental problems are caused by pollution from industrial activity and habitat degradation from inappropriate development.

This case study will focus on the steps taken to plan and implement the Green Fund Agency in Trinidad and Tobago to date<sup>3</sup>. It will give readers an explanation of the major tasks and the time required to achieve each task involved in developing the Green Fund, as well as providing information on the political and financial resources existing at the time.

### CHRONOLOGY

#### The Imposition of the Green Fund Levy

The idea of a Green Fund to involve the private sector in financing environmental activities in Trinidad and Tobago was the brainchild of the former Minister of Finance, Brian Kuei Tung. It was presented in his Budget speech of August 28, 2000.

“Mr. Speaker, as I have said before, protecting our environment is not an option; indeed, our future depends upon it. Therefore, I propose to establish a Green Fund to provide resources for communities, and Non-governmental Organisations throughout the country to carry out their own environmental projects. I wish to underscore that the introduction of this Fund does not relieve companies of their legal responsibility for the environment. This Fund will be financed through the introduction of a Levy of zero point one percent (0.1%) on Gross Sales or Receipts of a

---

<sup>1</sup> DR SMITH IS CURRENTLY THE MANAGING DIRECTOR OF BUSINESS AND ENVIRONMENT MANAGEMENT SERVICES LTD, [WWW.CONSULTJAMAICA.COM](http://WWW.CONSULTJAMAICA.COM)

<sup>2</sup> UNDP

<sup>3</sup> September 2001

company doing business in Trinidad and Tobago. I especially wish to encourage community-based organisations to access the Fund to beautify, preserve and conserve their environment. The Green Fund will be established from income year 2001.<sup>4</sup>

At the time there were several environmental problems such as bush fires and pollution events etc, which may have alerted him to the need for a source of financing for environmental support.

The Green Fund Levy was established through an Act of Parliament, the Miscellaneous Taxes Act of 2000 (the Act also included amendments to various other duties and taxes). The Act was drafted rapidly and circulated within the Ministry of Finance. There were a few drafts and revisions. Little if any effort was made to involve anyone outside the Ministry of Finance in drafting the Act. It may have been felt by the Ministry that given the short period of time needed to pass the Act and get it effective for the beginning of the new year that it was better to pass the law and then amend it later rather than get it perfect the first time. There was apparently little debate on the matter in either House of Parliament. The law was passed and the Levy became effective in January 2001.

Most comments on the Act from private and public sector entities summarized in this study were made in a series of public consultations with various sectors attended by the author, held by the Ministry of Environment in January and February of 2001 as part of the process to establish the Green Fund Agency (GFA). Other comments by the NGO and for-profit private sector were made to the Minister of Finance directly in the period leading up to the Budget presentation on September 14, 2001.

### **The Agency**

Once the Act was passed, the Government of the Republic of Trinidad and Tobago (GORTT) went to the Inter American Development Bank (IDB) to get help to define the objectives scope and operating procedures of the institution that would manage the Fund. The IDB was approached because they had funds available for national environmental projects and have a good relationship with the T&T Government. The IDB made a grant available to hire a consultant to *inter alia*; identify the issues to be faced in establishing the Fund, recommend strategies for working with communities, and develop operational guidelines, personnel requirements, evaluations, procedures and steps required to establish the Fund. The consultant was contracted in November 2000.

General Elections were held in December 2000, leading to a hiatus in work on the development of the GFA. Following elections, the GORTT arranged several consultations in January 2001 with Labour, Community, Government, NGOs and the Private Sector to discuss the issues surrounding the establishment of the Green Fund. Consultations included a day and a half of meetings with representatives from Tobago. A short Cable TV programme on environmental issues and the need for the Green Fund was prepared in Tobago.

It was made clear that the focus of these consultations would be the establishment of the Green Fund Agency within the parameters of the Miscellaneous Taxes Act. Policy issues regarding the imposition of the Levy or any other issue requiring a change in the law would be recorded and passed on to the Ministry of Finance, but not be discussed. While there was good discussion on the establishment of the GFA, most stakeholders that participated made it clear that policy issues were a major concern. Issues were raised regarding the level of the tax, its base, the scope of the beneficiaries and the type of activities being funded.

Briefly,

- The Private sector did not like the tax and advanced numerous arguments against the tax rate and its base (they felt the tax should be on profit rather than income).
- Some Chambers of Commerce and similar organizations tried to get the levy removed altogether.
- The Chambers of Commerce felt that not-for-profit Private Sector organizations (e.g. The Trinidad and Tobago Manufacturers Association) should be eligible for benefits from the fund for projects such

---

<sup>4</sup> Government of Trinidad and Tobago, Hansard reports

- as training in setting up Environmental Management Systems.
- There was some ambiguity among the Ministries of Finance and Environment as to who was responsible for what actions in establishing and managing the Fund and the Levy.
  - Many government entities felt that rather than institute a levy dedicated to NGO/CBO environmental projects, the government should increase the budgetary allocations for state entities such as the Environmental Management Agency and the Department of Forestry in the Ministry of Agriculture.

Other issues raised included whether the Green Fund and the Environmental Management Authority's Trust Fund would compete for financial resources; the relationship of the EMA to the GFA; and the ability of Government Agencies to benefit from the Green Fund and whether the proceeds of the Levy would be kept separate or could be co-mingled with central Government Funds. The Ministry of Environment indicated to the stakeholders that it would pass those issues on to the Ministry of Finance.

A further meeting was held in February 2001 with stakeholders to present the first draft of the Green Fund Agency design. Comments were incorporated and the final document was presented to the GORRT in April. The Ministry of Environment accepted the document with minor amendments in May 2001.

### **Status of the Fund in August 2001.**

Since the acceptance of the report, the Board was named in August 2001. The Board of ten comprises a Chairman from the Private Sector, three members of the Environmental Management Authority, three members from the National Trade Union Centre and a representative of the Tobago House of Assembly, one of the Chambers of Commerce and the Bankers Association of Trinidad and Tobago.

Now that it is appointed, the Ministry of Environment considers the GFA Board in charge of establishment of hiring staff, establishing the organization, renting offices etc. No one has been hired to work for the GFA yet, but the Board is searching for a suitable CEO. No grants have been made. The Green Fund Levy has been collected since March 2001. More money has been collected than was first anticipated. Collections to August were T&T\$43 Million dollars (US\$7 Million)<sup>5</sup>. The original estimate of income was T&T\$32-35 million for the year<sup>6</sup>. It now appears that a more likely figure is between TT\$55 and TT\$65 million (approx. US\$10 million).

### **The September 2001 budget debate.**

The Minister of Finance was changed during 2001 and the new Minister announced several changes to the Green Fund and its management during the budget debate of September 2001. It is likely that all these changes will be made into law, as many were the result of lobbying following the public consultations by the private sector, the NGOs and the Ministry of Environment. Most of the changes to the Act will probably be enacted within a month of the end of the budget debate in September<sup>7</sup>. The changes suggested by the Minister of Finance in his speech were as follows:

“Mr. Speaker, you will recall that an environmental levy was introduced in fiscal year 2000. This levy was payable from January 1st 2001, at the rate of zero point one percent (0.1 percent) ..... The Fund is expected to collect \$55 million this fiscal year “US\$ equivalent.

I now propose that the environmental levy paid by a company in a year of income be reduced from 0.1 percent to 0.075 percent.

This measure will take effect from January 1st 2002 and will require amendments to the Miscellaneous Taxes Act.

**Mr. Speaker, an amount not exceeding 20 percent of the annual receipts under the Green Fund Levy, will be allocated to the Environmental Management Agency to finance expenditure in carrying out the purposes of**

---

<sup>5</sup> Inland Revenue Board

<sup>6</sup> Inland Revenue Board

<sup>7</sup> The timing for this may change since, at the time of writing, a snap General Election has been called for December 2001 because three Government Members of Parliament crossed the floor to join the Opposition.

**the Environmental Management Agency, other than its operational expenses.**

This measure will take effect from January 1, 2002 and will require amendments to the Miscellaneous Taxes Act.

In order to encourage greater participation by non-governmental organizations in the work of the Fund, I propose to alter the composition of the Green Fund Board, by **expanding the already constituted Board to include three (3) environmental related NGOs and or Community Based Organizations.**

**Mr. Speaker, I also propose to remove the management of the Fund from the Green Fund Agency to the Treasury.**

These measures will take effect from January 1st 2002 and will require amendments to the Miscellaneous Taxes Act.”

The Council of Presidents for the Environment (COPE) an NGO umbrella group requested and got meetings with the Minister of Finance and as a result of these meetings the composition of the Board of the Green Fund Agency was expanded to include 3 members representing NGOs or community organizations.

The Chambers of Commerce launched a strong lobby to remove the levy completely; this led to the reduction of the levy from 0.1% to 0.075%.

In response to concerns expressed on the relationship of the Green Fund to the Government's Environmental Management Agency, the EMA is now eligible to receive up to 10% of the Levy for its trust fund, while a further 10% is available for specific activities including enforcement.

The financial management of the Fund was moved to the Treasury because the Permanent Secretary of the Ministry of Environment was made responsible to cabinet for the management of the Funds. As a consequence, the Ministry felt that its Permanent Secretary could not be accountable if an independent entity, the GFA was managing the Fund. By moving the responsibility for Fund management and grant disbursement from the GFA to the Treasury, it was felt that with the control of the Fund in the hands of Government, the Permanent Secretary of the Ministry of the Environment could then be held responsible for its management. This may reflect a lack of comfort of the civil service with independent mechanisms and the NGO sector in general. Under Treasury's management, it is likely that the release of funds for grants and GFA administration would take place through the established government system of warrants and approvals. It could also mean that no release of funds for any purpose (including a grant to a community organization) would take place without the approval of the Minister of Finance. If this were followed, then the role of the GFA in determining grant applications and disbursing money as prescribed in the Act would be reduced.

Trinidad and Tobago now has a significant new source of financing for Government and NGO projects and the private sector may be eligible for funds if they work in association with government and NGO/community organizations. However, to be fully effective, the GFA, like similar funds around the world, must take care to ensure that in its daily functions, accountability and particularly in determination of grants that it operates independently<sup>8</sup>.

#### **PROBLEMS ENCOUNTERED**

The initial low levels of consultation by the Ministry of Finance led to a lack of awareness of the Green Fund Levy and the Agency, even among Government agencies. There was a low level of buy-in by stakeholders and the Ministry of Environment at the beginning of the process.

The fact that the Miscellaneous Taxes Act was drafted by the Ministry of Finance and was to be implemented by the Ministry of Environment led to confusion in roles between the ministries. It was often

<sup>8</sup> GEF (1998). Evaluation of Experience with Conservation Trust Funds, Global Environment Facility Secretariat Monitoring and Evaluation Team: 79pp.

unclear which Ministry was to carry out which task; this led to delays in some cases and reluctance to act in cases where there was a lack of clarity. This problem was increased because the rapid drafting of the Act meant that some phrases in the legislation were ambiguous.

This was the first dedicated tax in Trinidad to be placed in its own designated Fund and kept separated from the Consolidated Fund (Central Government Fund). There was unease among the Government agencies involved especially the Ministry of Environment in trusting in a mechanism that was independent of GORTT control. The original mechanism to manage funds was independent of government control; this was changed in the 2001 budget debate to a mechanism that may be controlled by government. Similar government-controlled mechanisms in other countries have been less effective than independent mechanisms of governance and management involving a mix of private and public sectors and NGOS.

The private sector was opposed to the manner in which the tax was imposed, but during consultations claimed that they agreed with the purpose of the tax. They were very concerned with the accountability of the Green Fund Agency and felt that an independent auditing firm should audit the GFA rather than the government's Accountant General.

Little public education about the Levy, the Fund and the reason why it is important has been done. There has been a lack of public involvement and there is a strong need for publicity, on the actions that have been taken so far. Many people who have an interest or could benefit from the Fund are not aware of its status. This will have to change to give the Fund a chance of making a significant impact on environmental conservation in Trinidad and Tobago.

The Following page gives an approximate timetable for the events from the 2000 budget speech to the current situation.

ID	Task Name	Start	2001																
			J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
1	Minister of Finance proposes Green Fund Levy in Budget speech	2000-08-22																	
2	Ministry of Finance develops legislation	2000-08-23																	
3	Miscellaneous Taxes Act passed	2000-10-02																	
4	Government of Trinidad and Tobago approaches IDB	2000-10-09																	
5	IDB contracts consultant	2000-11-13																	
6	General Election	2000-12-04																	
7	Green Fund Levy takes effect Jan 1 2001	2001-01-01																	
8	Ministry of Environment holds first Stakeholder meetings January	2001-01-15																	
9	February Stakeholders meetings	2001-02-16																	
10	First collection of Levy by Inland Revenue Board	2001-04-03																	
11	Report accepted by GORRT	2001-05-01																	
12	Private Sector lobbying of new finance Minister	2001-06-22																	
13	NGO lobbying of new minister	2001-07-25																	
14	Board of Green Fund Agency named	2001-09-05																	
15	Green Fund Agency Board has introductory meeting	2001-09-11																	
16	Minister of Finance proposes modification of GFA in budget speech	2001-09-14																	

**Papers cited.**

GEF (1998). Evaluation of Experience with Conservation Trust Funds, Global Environment Facility Secretariat Monitoring and Evaluation Team: 79.