

# Spurring economic diversification

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**VARUN MAHARAJ** is a Chartered Investment Manager, a Chartered Global Management Accountant, and a Certified Public Accountant, with an MSc in Finance from Florida International University and an LLB from the University of London. As CEO of the Trinidad and Tobago IFC, he brings to the organisation an outstanding track record of over twenty years' experience as a senior executive in business and portfolio growth in commercial and private banking and investments.

Trinidad and Tobago has long been recognised as the financial hub within the Caribbean and as the leading producer of oil and gas, which accounts for approximately 40 per cent of GDP and 80 per cent of exports. Additionally, Trinidad and Tobago is the world's leading exporter of ammonia and the second largest exporter of methanol. High revenues derived from the country's petrochemical industry have provided the catalyst for significant development, including the construction of international airports, developed ports, major highways, public transportation, reliable electricity and an information and communications technology (ICT) industry that features high penetration and cost-effective fixed line, mobile and Internet services. These infrastructure developments have allowed Trinidad and Tobago to also become known as the region's most industrialised nation.

During the seven-year period beginning in 2000, the Trinidad and Tobago economy experienced significant growth, higher than that of any other country within the Latin American and Caribbean regions. Since that period, however, the global oil and natural gas industry has experienced a downturn. 2009 brought increased volatility to oil prices due to changes within the international market place as a result of an increase in oil production from countries like the United States and Russia, as well as the weakening of the economies within Europe. The impact of the decline on Trinidad and Tobago is that growth has now slowed and the economy has contracted. While oil and gas production and refining continue to thrive in the country, diversification of the economy has become an important policy, vital for long-term, sustainable economic growth.

As part of this economic diversification, the Government of the Republic of Trinidad and Tobago has identified several industries that will aid in the process of building new sectors for the future economy of the country. One of the major imperatives is further development of the financial services sector, which already contributes 15 per cent to the nation's GDP. A robust and open market-driven economy already exists, spurred by the government's economic policy, which places major focus on trade liberalisation and public sector rationalisation. With a burgeoning economy replete with still-untapped potential, the government is committed to capitalising on the ripe financial

environment by increasing foreign investment. This has been manifested by the removal of restrictions on foreign investment and the provision of various incentives to investors.

## Role of the Trinidad and Tobago IFC

An essential step in promoting Trinidad and Tobago's investment opportunities on a global scale has been the establishment of the Trinidad and Tobago International Financial Centre (Trinidad and Tobago IFC) in 2008. The IFC was given a renewed mandate in 2012 and has made a considerable contribution to diversifying the economy and creating sustainable, high-value employment opportunities within the sector. With a key mandate of driving the expansion of the financial sector, the Trinidad and Tobago IFC has made significant inroads in facilitating economic transformation. Through implementing robust campaigns and by creating partnerships with key organisations, the Company is driving success in achieving the goals of developing the Capital Markets specifically with an outward focus, and establishing a vibrant Financial Institutions Support Services (FINeSS) industry within Trinidad and Tobago.

## Attracting Capital Markets Investments

The Trinidad and Tobago IFC has embarked on an effort to create an ecosystem which would attract top-tier international players in Capital Markets to Trinidad and Tobago's shores. In this regard, the focus has been on the development of transformative IFC-specific legislation and building international partnerships and recognition to enable the country to achieve listing on leading IFC Indexes such as the Global Financial Centres Index (GFCI). In the domestic market, the Trinidad and Tobago IFC will be empowering small and medium enterprises (SMEs) through the provision of new investment and financing options, among other initiatives.

## Creating the Legislative Environment

A proposed suite of IFC-specific legislation will create a fully transparent, robust yet flexible and responsive framework that will serve as a platform for international banks and financial institutions wishing to do business with, and through, our IFC. This will establish a Financial Services Authority, with a court to address disputes that may occur within the Authority, and a

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business development arm. The legislation is expected to create the ideal environment to attract international financial institutions, and in five years of commencing operations, through the Trinidad and Tobago IFC Authority, as much as TT\$6 billion is expected to be contributed to the country's GDP along with an estimated 20,000 jobs in the medium to long term.

### **Capital Markets Recognition & Partnerships**

Another key thrust was the Trinidad and Tobago IFC's International Recognition Campaign, designed to position the country as an emerging global financial centre. The Company participated in targeted round tables hosted by industry opinion leaders including *LatinFinance*, *The Banker* and the *Financial Times*, to sensitise key players about the Trinidad and Tobago IFC's initiative, and position the country as a bridge to Latin American markets. The Company also held insightful discussions with select financial centres, including London, New York, Toronto and Dubai.

### **Creating New Capital Instruments**

The Trinidad and Tobago IFC is also working with stakeholders to examine the existing landscape, discover gaps and identify potential projects and products to fill those gaps. One such project is our proposed Risk Capital Financing Model, where private sector and Government join forces to invest in expansion-ready SMEs. This type of financing is essential given the critical role that SMEs play in economic growth and diversification, and the financial impediments they face in realising their potential.

### **Establishing a T&T Institute of Finance**

Cognisant that this country's profile as an international financial hub depends in part on training provided to professionals, the Trinidad and Tobago IFC has embarked on a special drive to create the Trinidad and Tobago Institute of Finance, in partnership with the University of Trinidad and Tobago (UTT). The Company has also partnered with internationally recognised training institutions such as The New York Institute of Finance, a Financial Times company founded by the New York Stock Exchange (NYSE), and the Chartered Institute of Securities and Investment, the UK's largest professional body for those working in the securities and investment industry.

### **Financial Institutions Support Services**

The FINeSS proposition is geared towards operations in Finance and Accounting (F&A) and Banking, Financial Services and Insurance (BFSI) Business Process Outsourcing, referred to as BPO. The Company has developed a focused, two-phase strategy to build inward investment in the sector, which targets

both financial institutions and BPO providers. During phase one, extensive research was conducted to identify prospective international clients, and then, in phase two, these institutions were engaged with propositions tailored to their needs.

### **Creating the Enabling Environment**

In 2013, the Trinidad and Tobago IFC spearheaded amendments to the Free Zones Act, the Customs Act, the VAT Act and the Corporation Tax Act, which made special provisions for the financial services industry. The following year, the Company partnered with NIIT Uniqua, a leading global talent development corporation in the BPO domain, to train local finance and accounting professionals. The Company also outfitted an area, which will be designated a 'free zone' and used as an incubation space to demonstrate the F&A BPO concept with new clients. This will facilitate in the short-term, 80-100 high-value F&A BPO jobs, which will act as a foundation in the creation of over 500 jobs in the medium to long term.

### **Capitalising on Early Successes**

Last year, Scotiabank launched its regional shared services centre, a 68,000 square foot hub that employs over 400 persons and has "single-enterprise" free zone status. This Trinidad and Tobago IFC-enabled project was two years in the making and became operational less than a year after RBC Royal Bank opened its back-office service centre in Port of Spain to consolidate support services to clients in Trinidad, Suriname and the Dutch Caribbean.

Internationally, the Company attended conferences to promote Trinidad and Tobago's BPO value proposition. These included conferences hosted by the Shared Services & Outsourcing Network (SSON), the largest and most established community of shared services and outsourcing professionals in the world, in New York and Atlanta; two Nasscom Leadership Conferences in Mumbai and Bengaluru, India, respectively; the International Quality and Productivity Centre Shared Services Conference in Georgia, USA; the IAOP Conference in Orlando, USA; and the Nexus Nearshore Conference in New Jersey, USA.

### **A Clear Path To Diversification**

The roadmap is well defined for the Trinidad and Tobago IFC, as are the potential benefits to Trinidad and Tobago should the Company's mandate be achieved. There are many more milestones to be marked but the goal of economic transformation is that much closer and must be met as Trinidad and Tobago, with the efforts of the Trinidad and Tobago IFC, emerges as an International Financial Centre in its own right. **F**