



GOVERNMENT OF SAINT LUCIA

# 2011 BUDGET ADDRESS

FINANCIAL YEAR 2011/2012



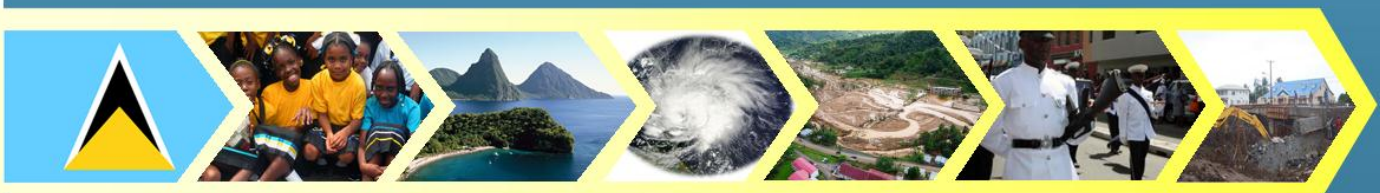
Delivered by

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Prime Minister & Minister for Finance,  
Economic Affairs and National Development

Thursday, April 14, 2011

*Creating a Safe and Secure Environment and  
Rebuilding Communities While Transforming  
the Economy to Attain Sustainable Development*



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## **1.0 Introduction**

Madam Speaker, Honourable Members, my fellow Saint Lucians.

The best laid plans can sometimes be interrupted, thrown off course or reversed by dynamic changes. These are the unexpected changes that punctuate our existence, and manifest themselves in the lives of individuals and nations. But we recognize that we must plan in order to buffet ourselves even from the subtlest change of the wind. So in 2010 we planned with an eye on medium and long term sustainability.

2010 was a challenging year. As if the global recession were not enough, along came one of the most severe droughts in recent years, followed by one of the worst hurricanes in living memory. Further, inflationary pressures engendered by rising commodity prices in international markets, added to the catalogue of adversity.

Yet, if there is any single example of sound planning and effective management overcoming adversity in the short history of our beloved country, then our performance in 2010 is exemplary. In spite of the seemingly insurmountable challenge facing us, we turned the economy around and set the stage for continued growth, at the very least, in the medium term. While the recession was still strong in the rest of the OECS member countries, all of which experienced negative growth in 2010, the economy of Saint Lucia grew by 4.4 percent in 2010 compared to an average of minus 3.2 percent for the OECS as a whole. The Eastern Caribbean Central Bank estimates that Saint Lucia will grow by 5.4 percent this year. Our own forecast is a more modest 4.5 percent, as we concentrate on the implementation a job-creating growth strategy.

Madam Speaker, the growth strategy forms part of our approach to transforming the economy and stimulating a sustainable development process. However, we cannot ignore the tragic losses caused by Hurricane Tomas, or the devastating effect on people's lives and livelihoods. Nor can we turn a blind eye to the scourge of violent crime which has claimed the lives of innocent people.

The Government's strategic priorities are encapsulated in this year's theme "***Creating a Safe and Secure Environment and Rebuilding Communities While Transforming the Economy to Attain Sustainable Development***".

We have already begun to tackle the inherent problems implied by those thematic areas and our efforts have begun to bear fruit on all counts. I would like to acknowledge the co-operation of Saint Lucians at home and abroad, other nationals around the world, fraternal countries and regional and international organizations in making even these successes possible, particularly in the fight against crime and in the reconstruction of infrastructure and local communities after the passage of Hurricane Tomas.

I must pay special tribute to the heroic men and women who worked ceaselessly in the immediate aftermath of the hurricane, to restore basic amenities to stranded victims and who, in some cases, were instrumental in saving lives.

Theirs is the essence of the Saint Lucian spirit, the spirit of ***koudmain***, the helping hand extended by "my brother's keeper", sometimes at great personal cost and even at the risk of life itself. Such is the spirit that will overcome all odds and transform this land. Fellow Saint Lucians, let us step forward together with the courage you always demonstrate in times of crisis.

## **2.0 International Economic Developments**

Madam Speaker, with regard to International Economic Development, the world economy is showing signs of a strong rebound from the effects of the financial crisis that resulted in the first contraction in global output in over 60 years. The international economy expanded by 5 percent in 2010 led mainly by emerging and developing economies and supported by fiscal stimulus measures and policy interventions in developed and developing countries alike. The return to growth has been characterized as a two-speed recovery, reflecting relative sluggishness in the advanced economies, with average growth of 3.0 percent compared to rapid growth of 7.1% in the emerging and developing countries led by China, India and Brazil. Strong growth in the emerging economies has rekindled fear of inflation as the economies of some countries face the prospect of overheating.

Despite the recovery, there are lingering areas of concern. In the euro-area countries, the concern relates to banking sector losses and fiscal sustainability. In emerging economies there are fears of inflation related to rising oil prices. Moreover the recent events in the Middle East and North Africa could have serious repercussions in the energy sector and the world economy. Nevertheless, the medium term prospects for the global economy are on the upside as the growth momentum is expected to be maintained throughout 2011 and 2012.

## **3.0 Regional Economic Developments**

Madam Speaker, as we examine regional economic developments we noted that Caribbean economies remained weak in 2010 following the severe impact of the global financial crisis, with most countries experiencing declining GDP, although at lower rates relative to 2009. The slow pace of recovery in advanced

economies, to which Caribbean countries are closely linked, impeded Caribbean countries' growth in 2010. While tourism generally recovered, construction activity remained weak, inflationary pressures intensified, balance of payments positions were adversely affected and unemployment worsened.

The Barbadian and Jamaican economies contracted by approximately 0.4 and 0.5 percent respectively in 2010, while growth in Trinidad and Tobago, a net oil exporting country, remained flat.

The economies of the **Eastern Caribbean Currency Union (ECCU)** were particularly hard hit by the global economic downturn. While signs of a gradual recovery have started to emerge, real GDP declined by an estimated 3.2 percent in 2010. The performance of tourism and construction activity was mixed. The figure for stay-over tourist arrivals was lower in five of the eight ECCU member countries in 2010 relative to 2009. Activity in the construction sector of the union, one of the major drivers of growth, is estimated to have fallen by 21.8 percent, reflecting lower inflows of foreign direct investment and cuts in public sector capital expenditure programmes.

As the Economic Union struggles to regain some stability let me say that the leaders of this region have taken the bold step to strengthen our integration movement. We believe that this will enhance the standard of living for all our people. Therefore, it is with great pride and hope that Saint Lucia ratified the revised Treaty of Basseterre following the passage of the Economic Union Bill.

#### **4.0 Saint Lucia's Economic Performance in 2010 and Outlook for 2011**

Madam Speaker, as we examine Saint Lucia's economic performance in 2010 and the outlook for 2011, we wish to inform the House that on December 15, 2010, the Eastern Caribbean Central Bank (ECCB) launched the results of the project on reforming the national accounts of its eight member countries. The project involved the development of a new Gross Domestic Product (GDP) series, with a more recent base year than the one used previously. The new methodology recognizes the changing structure and characteristics of the ECCU economies, expands the coverage and provides a more accurate measure of economic activity in the various countries.

The results indicate that GDP for 2010 was approximately 16 percent greater than it would have been under the old GDP series. There are several implications of this development including an improvement in the various fiscal and debt ratios. For example, as a result of the higher value of GDP, Saint Lucia's public debt to GDP ratio is 64.8 percent at the end of 2010 instead of the figure of 75 percent indicated by the less accurate GDP series.

The real GDP of Saint Lucia grew by 4.4 percent in 2010 compared with a contraction of 1.3 percent in 2009. This growth was driven by the construction and tourism sectors supported by the distributive trades and the real estate sector.

Growth was tempered by the effects of Hurricane Tomas in the last quarter of 2010. According to a report by a team from the United Nations Economic Council for Latin America and the Caribbean (UN-ECLAC), the estimated cost of the losses and damage from Hurricane Tomas amounted to \$907.6 million.



Infrastructure was the most heavily affected, representing 43 percent of the total impact while the productive and social sectors accounted for 33.8 percent and 23.0 percent respectively.

#### ***4.1 Tourism***

In spite of Hurricane Tomas, the tourism industry recorded strong growth in 2010, with the number of stay over visitors increasing by 9.9 percent to a record 305,937. The improved performance was mainly attributable to increases from the US, Canadian and German markets, reflecting the introduction of new flight arrangements in the last quarter of 2009. The US market in particular performed extremely well, growing by 31 percent, reflecting not only additional flights but also effective marketing initiatives by the Saint Lucia Tourist Board.

However, arrivals from the UK and the Caribbean, Saint Lucia's second and third largest markets, were down by 6 and 10 percent respectively. The continued weak economic conditions in the UK, the volcanic ash that affected flights from the UK and the introduction of the air passenger levy in the last quarter of 2009, accounted for the fall in arrivals from that country. The Caribbean market was adversely affected by the rise in airfares and the weak economic conditions in the region.

#### ***4.2 Construction***

Madam Speaker, I now turn my attention to Construction. Preliminary estimates suggest, that, following a decline of 23 percent in 2009, construction expanded by around 20 percent in 2010, driven mainly by public sector investment and supported by private sector expenditure. Major public sector projects undertaken included the new national hospital, rehabilitation of the east coast

road and the post Hurricane Tomas disaster recovery programme, the senior citizens home, the meat processing facility, repairs and rehabilitation of school plant and various disaster management projects throughout the country.

Foreign direct investment remained sluggish in 2010, resulting in a slowdown in private sector construction activity. However, work continued in 2010 on a number of hotels including the Landings, Hotel Chocolat, Jalousie Resort, as well as commercial properties which included the Bay Walk Mall, the Bank of Saint Lucia building in Gros Islet and Johnson's store.

### ***4.3 Agriculture***

On the other hand our Agriculture sector did not fare as well. The severe drought and the Hurricane resulted in lower output of bananas and other agricultural commodities, negatively impacted the livestock sub sector and caused farmers to lose confidence. Banana production fell by around 31 percent to approximately 26,000 tonnes, resulting in a reduction in export earnings by 27.2 percent, to \$41.0 million. Hurricane Tomas also caused heavy siltation of land used for cultivation.

The result was that sales of locally grown fruit and vegetables to supermarkets and hotels were down by 16.0 and 2.3 percent respectively, although chicken and pork production increased as the number of producers grew and the availability of financing to farmers improved.

### ***4.4 Manufacturing***

The performance of the manufacturing sector was mixed in 2010. The sector was adversely affected by rising costs of production as well as damage and

losses from Hurricane Tomas, which led to an overall contraction. However, the output of non alcoholic beverages, furniture and electrical components increased, while some manufacturing companies were able to penetrate the export market with new products, thereby increasing the range of exports.

#### ***4.5 Central Government Fiscal Operations***

Madam Speaker, given all our challenges, when we examine Central Government fiscal operations, preliminary estimates suggest that the overall fiscal deficit grew from 4.0 percent of GDP in 2009/10 to 5.5 percent in 2010/11. The higher deficit led to a rise in the debt to GDP ratio from 63.8 percent in 2009 to 64.8 percent in 2010.

The larger deficit resulted from growth in total expenditure of 11.6 percent to an estimated \$1,032.7 million while total revenue and grants grew by 6.4 percent to \$858.3 million.

Improvement in implementation rates has resulted in the growth of capital expenditure by 17.5 percent to an estimated \$283.4 million. Current expenditure grew by 9.7 percent to \$753.8 million reflecting higher spending on salaries and wages, interest payments and current transfers. The higher outlay on personal emoluments was as a result of the salary increase paid to public servants in April 2010 representing the final tranche of the salary adjustment for the triennium ending March 2010. Current revenue collections rose by 4.7 percent to \$789.5 million driven by increases in tax revenue, attributable to improved collections of taxes on income, goods and services and international trade.

Madam Speaker, Saint Lucia's economy is projected to grow further in 2011, driven mainly by tourism and construction. Work has commenced on a number of public sector projects including St. Jude hospital and projects associated with post hurricane reconstruction which will account for much of the activity in the construction sector, as Government undertakes to rebuild and to bring a sense of normalcy to the country, following the devastation of Hurricane Tomas. Activity in the private sector is expected to accelerate, led by the expansion of Sandals Grande hotel and supported by a number of on-going and new projects. The heightened economic activity in 2011 is expected to positively impact the employment situation in Saint Lucia.

#### ***4.6 Sound Macro Economic Management***

Madam Speaker our prudent economic management has enabled our ship of State to successfully navigate the treacherous international waters of economic instability. In the midst of negative growth in all the countries of the Eastern Caribbean Currency Union, Saint Lucia's economy grew by 4.4 percent. The main contributors to that growth were: tourism which grew by 8.2 percent compared to a decline of 2.6 percent in 2009; construction which grew by 20.5 percent compared to a contraction of 23.1 percent in 2009 and the distributive trades which grew by 14.5 percent compared to a decrease of 13.1 percent in 2009.

Although the domestic inflation rate increased significantly from 1 percent in 2009 to 1.9 percent in 2010 largely because of rising commodity prices in global markets, Government's economic policies kept the rate low by cushioning the impact of the inflationary pressures. Moreover, the debt to GDP ratio of 64.8 percent is consistent with our growth and development objectives.

The achievements of the Government in 2010-2011, span almost every sector. Other parliamentarians of my Administration will identify and elaborate on those which fall within their purview. However, in evaluating our successes we have learnt many lessons and let me assure you, Madam Speaker, we will remain vigilant in the management of our economy.

## **5.0 Strategic Priorities**

Madam Speaker, many of the strategic priorities announced in previous years, will continue to be relevant this year and, at least, into the medium term. Nevertheless, our approach to economic management must be sufficiently flexible to allow for sudden changes in fortune, natural and economic shocks and the uncertainty of the world in which we live. In this regard, 2010 was a watershed year and our planning objectives and priorities must necessarily be strongly influenced by the impact of the natural disaster visited upon us last year and the economic shocks of the last few years.

Our first priority is to reduce crime and make Saint Lucia safe for everyone. I am determined to restore the peace and security once enjoyed by our island nation, where our children can be raised without the fear that their lives would be ended prematurely, and where we can conduct our affairs in a safe environment. We look forward to continue working with the Opposition in the interest of our country. In this regard, I would like to thank Saint Lucians for their excellent response and cooperation in recent weeks. This has accounted for our early successes. I urge the people of Saint Lucia to continue to support the police in the execution of their mandate and our nation's fight against crime.

The Government's strategies include improving the capacity of the police and the security personnel and examination of existing legislation, with a view to

strengthening the legal and judicial process. These efforts will also be buttressed by other initiatives with regional and international parties, aimed at enhancing the security of our borders.

At the same time, we will increase the resources and the effectiveness of our social programmes, particularly those targeting the youth, inner-city communities and vulnerable groups. While greater attention will be given to resolving the causes of crime, through social re-engineering and modern crime fighting strategies, we must also recognize that the high level of violent crime in Saint Lucia is directly linked to the illegal drug trade, which threatens the social, economic and moral fabric of our society. This is the business of organized crime and we are determined to eradicate it, once and for all.

International and regional organizations estimated that Hurricane Tomas alone cost the country an estimated EC\$908 million, that is, nearly one billion E.C. dollars. It will take the economy and the society years to recover. Therefore, the reconstruction and re-engineering of our country is a high priority for this Government.

Consequently, our efforts will be focused on a number of areas including:

1. The reconstruction of major secondary and tertiary road systems in agricultural, rural and urban areas;
2. The restoration of bridges, pedestrian ways, river courses and community facilities;
3. A programme of replanting and rehabilitation of lands in the agricultural sector;
4. A review of land use planning, land use practices and policies relating to deforestation and reforestation;

5. A housing programme to address the loss or damage of around 1,860 houses and
6. The attendant legislation and creation of an appropriate institutional framework, aimed at creating a sustainable resource base for building resilience and reducing our vulnerability to external shocks as well as mitigating their impact when they do occur.

The result will be a more flexible and robust economy with greater capacity for making use of opportunities for growth and development which is of paramount importance to the Government. Recent natural and economic shocks have clearly demonstrated the wisdom of continuing to modernize our structures and institutions.

However, the transformation of the economy cannot be achieved overnight, or by the Government alone. It must, of necessity, be a multi-sectoral approach. The Government has already commenced work in this regard by embarking on the following:

1. Improving the quality of our human resource, which involve skills training and certification, modernizing tertiary education, strengthening primary and preventative health care, providing universal health care and ensuring that every child, whether at school or not, has adequate access to basic nutrition.
2. Strengthening the economic diversification programme, including the development of the creative industries, Information-communications and Technology industries, the offshore sector and a strong health tourism sector (which I will speak about some more, later on).

3. Improving the competitiveness of the economy, with emphasis on the business environment, the effectiveness of the mechanisms for making use of trade opportunities under the European Economic Partnership Agreement (EPA), reducing costs of production, increasing productivity in the private and public sectors, developing alternative sources of energy and improving the regulatory regime governing the operations of our public utilities.
  
4. Strengthening fiscal performance as reconstruction progresses and the recovery gathers pace. In the short term, Madam Speaker, financial resources will have to be reallocated to the reconstruction necessitated by the impact of Hurricane Tomas (despite the receipt of significant amounts from regional and international donors). This does not imply a departure from our strong fiscal stance, but merely represents a short term bump in the road. We are committed to fiscal prudence and achieving the fiscal objectives of the Eastern Caribbean Currency Union, of which we are a member.

We continue to pursue the challenging task of improving public sector productivity and this year we will engage the private sector in working out mechanisms for improving productivity in the country as a whole. In that regard, we will fully establish the National Productivity and Competitiveness Council with the Private Sector who have already agreed to participate in this initiative. This year, we will also focus on tightening procedures for government expenditure to avoid wastage and inefficiency.



## **6.0 Reposition Sectors for Growth**

### ***6.1 Tourism Sector***

Madam Speaker, this Administration intends to reposition all sectors for growth. With regard to the tourism sector the successes are well documented. This sector expanded by an estimated 8.2 percent in 2010. This expansion was driven by a 9.9 percent increase in the number of stay-over visitors setting a record of 305,937 arrivals. Total visitor expenditure jumped by 33.7 percent in 2010 to an estimated EC\$1.5 billion on account of the increase in arrivals coupled with higher average daily spending.

Madam Speaker, our strategic policy interventions for this financial year, will include developing the product that we offer visitors, with safety and security concerns assuming great importance. A programme will be implemented with the following objectives:

1. To establish safety and security standards for all operators in the tourism/hospitality sector;
2. To develop and administer protocols to guide collaboration of relevant agencies to manage visitor crime and harassment and their impacts on the tourism industry;
3. To formulate and implement safety and security measures for the prevention of threats to the tourism industry and;
4. To establish a Visitor Safety and Security Network which will comprise an appropriate institutional framework and a programme that addresses education and public awareness.

This programme will be incorporated in the National Security Programme spear-headed by the Ministry of Home Affairs and National Security.

In addition, given the potential of the yachting sector our objectives are to increase yacht arrivals by 15 percent; increase the average length of stay of yachtsmen from five to ten days; implement a yacht registration and flagging programme as a revenue earner for Government; develop and maintain a marine portal linking all water-based tourism activity in Saint Lucia and create an environment which will usher in more yacht charter companies. In addition, Government will seek to establish a strategic alliance with Taiwanese mega yacht builders, one of the largest mega yachts builders worldwide.

## ***6.2 Financial Sector***

Our emphasis with regard to the financial sector will be on more effective regulation. Government is committed to lending the requisite institutional and regulatory support to this sector. This honourable House recently passed the Financial Regulatory Services Authority Act which allows us to reform the institutional arrangements for financial supervision. We are now moving swiftly to operationalize the new framework. Similarly, we look forward to the early approval of the new Insurance Act by Parliament.

Madam Speaker, notwithstanding our efforts to resolve the problems caused by British American Insurance Company (BAICO) and CLICO International Life (CIL), progress has been slow. The various proposals put forward to address the fallout from the collapse of those entities, have turned out to be unfeasible and the time has come to resolve matters in the best interest of the policy holders in Saint Lucia.

In the case of BAICO, the Government is exploring new options, while ECCU governments have approved the establishment of an EC\$5 million Health Insurance Support Fund as a Trust to be launched soon, to cover claims in respect of hospital and surgical policies and other obligations.

In the case of CIL, substantive discussions with other concerned countries have not materialised, and proposed corrective measures by the company have not occurred. This means that the deterioration in the operations of the company has accelerated, and the company is not compliant with regulatory requirements. In the circumstances, our primary interest must be the protection and equitable treatment of all policyholders in Saint Lucia. We have, therefore, filed an application for the Judicial Management of CIL (Saint Lucia Branch) in the high Court of Saint Lucia.

#### International Financial Services

Some emphasis will be placed on International Financial services. Though relatively small, the Saint Lucia International Financial Sector continues to grow, albeit moderately. There were 370 company formations in 2010, compared to 355 in 2009. Twenty-nine (29) International Insurance companies were licensed, generating a 13% increase in revenue collections. While the category of Incorporated Cell Companies grew marginally, the prospects for enhanced growth are encouraging. A major retreat for the Sector was held under the theme "The Way Forward", with three new registered agents being licensed in 2010.

Madam Speaker, the year 2010 was used to review our position and strategy in the international financial services sector. A comprehensive review of our branding of the sector was undertaken. In the end, a new name for the

government owned registry of international business companies and trusts was adopted. Previously promoted as Pinnacle Saint Lucia, the new corporate name is Saint Lucia International Financial Centre or Saint Lucia IFC. The logo is very similar to and is built on the logo devised for use by the Ministry of Tourism.

To complement the new marketing effort, government is actively pursuing the possibility of signing double taxation treaties to enhance our international competitiveness and foreign investment appeal. Moreover, in keeping with our commitment to transparency and effective exchange of information, Saint Lucia has, to date, signed eighteen (18) Tax Information Exchange Agreements.

### ***6.3 Construction Sector***

Madam Speaker, repositioning of the Construction sector, must be focused on building more resilience while we undertake rebuilding of infrastructure. Immediately after Hurricane Tomas, Madam Speaker, this Government proceeded with recovery works for the country's road and bridge infrastructure. To date, Madam Speaker, close to 80% of the clearing works have been completed and we are cognizant of the need to undertake the outstanding cleanup works prior to the rainy season and the Government is moving expeditiously to execute the remaining 20%.

Longer term rehabilitation works have been assessed, Madam Speaker, and this Government has secured loans from the Caribbean Development Bank and World Bank to support the recovery and reconstruction efforts with a special focus on the rehabilitation activities of the road network, health and education sectors.

Madam Speaker, below are some of the major road works and associated activities to be undertaken in this financial year as part of the Post Tomas Rehabilitation programme:

1. Barre De L'isle Rehabilitation
2. Marc / Bexon Desilting and River Training
3. Bois d'Orange Bridge and By Pass
4. Bagatelle/Guesneau Road
5. De-silting of Rivers and Drains
6. Castries and Urban Road Rehabilitation Project
7. Community and Agriculture Feeder Roads
8. West Coast Road Overlay

Beyond the initiatives outlined above, this Government is committed to exploring solutions to reduce the transit time between Castries and Vieux Fort. In this regard, a transportation study will be commissioned which will advise on the best way forward. The Caribbean Development Bank has given the undertaking to support this activity. Subsequent to this study, preliminary designs will be developed followed by the consideration of financing options.

Madam speaker, the Hewanorra International Airport Re-Development project is one that has been widely debated. It is absolutely clear that based on the operational deficiencies, existing airline business, future growth and the reliance of the country on tourism, that this project is well grounded and developed.

An airport development charge was introduced that will finance this development project. The fact is that the facility will be financed by the same industry that it

predominantly supports and services. This project will provide the stimulus that the country needs to bolster our economy.

Madam Speaker, SLASPA is keen on improving the efficiency of operations at the sea ports and is looking at a number of operational models that will allow for higher levels of productivity and efficiency at lower cost to consumers. SLASPA is negotiating a joint venture initiative for the build-out of the Jeremie Street Development at the Northern Wharf. This is consistent with the National Vision Plan and will be a catalyst in the process of the re-development of the Castries waterfront, and serve as an added incentive for cruise lines to visit Saint Lucia.

At Port Vieux Fort, it has become even more evident that a joint venture is required to provide a dependable arrangement for trans-shipment that will allow for greater use and profitability of the facility. Consequently, SLASPA is in discussion with a potential investor and cargo company who is interested in the investment.

Madam Speaker, there are a number of other ongoing and planned public sector projects which will make significant contributions to the economy, among which are:

1. The New National Hospital;
2. St. Jude Hospital Reconstruction;
3. Reconstruction and Rehabilitation of Infrastructure;
4. Feeder Road Programme;
5. Construction of the National Meat Processing Facility;
6. Constituency Projects;
7. The Government of Saint Lucia Financial Centre and

8. Government of Saint Lucia Hypermart Building.

### **Private Sector Projects**

Madam Speaker, the Private Sector continues to play a critical role in the infrastructural development of the country contributing to economic activity.

Some of these are either new or continuing and include

1. The Johnson Superstore, at Rodney Bay, with an estimated expenditure of EC\$15 million in 2011.
2. The Bank of Saint Lucia Building at Gros Islet, to the tune of EC\$25 million
3. The Sandals Grande expansion with an expected capital outlay of EC\$42 million and
4. The Jalousie Plantation Resort, renovations expected to cost EC\$27 million.

These projects will undoubtedly generate employment and commensurate economic benefit.

### ***6.4 Agriculture Sector***

Madam Speaker, the Agricultural Sector is of tremendous importance to the development of the country as it contributes significantly to the country's socio-economic development through revenue generation, provision of employment and food production.

In order to revitalize the Agricultural Sector and return producers affected by Hurricane Tomas to a sustainable livelihood, the Ministry of Agriculture, Lands, Forestry and Fisheries embarked on a number of initiatives, namely:

1. Assistance to Banana and Plantain Farmers;
2. Assistance to Vegetable Farmers;

3. Reinstatement of farm roads
4. Clearing of main and lateral drains and the setting up of drainage systems and
5. Repairs to Agricultural Building Infrastructure.

Understandably, Government's main priority continues to be the revitalization of the Sector. This has to be achieved within a structured framework and with a shared vision for the Sector.

That vision, Madam Speaker, is for:

1. An agricultural system that provides adequate supplies of safe, high quality, nutritious food and non-food products and services, at stable and affordable prices;
2. Financial security to producers and
3. Sustainable development in rural areas.

In pursuance of the stated vision, Madam Speaker, for the financial year 2011/2012, the Ministry of Agriculture will engage in a number of initiatives aimed at achieving Government's strategic objectives. These include:

1. Continued implementation of the Praedial Larceny Project;
2. Implementation of the youth agri-entrepreneurial project, which will be an incubator programme geared at involving young persons in agriculture;
3. Implementing a project aimed at institutionalizing a National Standards and Certification System. This project is expected to enhance the country's ability to take advantage of export market opportunities thereby increasing foreign exchange earnings; and
4. Some other projects include Farm Access Road Improvement and the Rehabilitation of Drains. These projects along with implementation of



Early Warning Systems and a Forest Restoration & Rehabilitation project will seek to build resilience and mitigate the impact of external shocks such as natural disasters on the agricultural sector.

A total of fifteen million three hundred and fifty three thousand and forty seven dollars (EC\$15, 353, 047.00) is budgeted for those projects.

In addition, the Food and Agricultural Organization (FAO), in collaboration with the Ministry of Agriculture is implementing the following three (3) initiatives which are geared towards Agricultural Diversification:

1. Promotion of Domestic Agricultural Products;
2. Development of Agro-Enterprise and
3. Technology Adaptation.

I have not spoken at length on the banana industry in this address, because it will be addressed in detail by the Minister responsible for agriculture. Nonetheless Madam Speaker, this Government continues to support and improve productivity in the banana sector, given the significant contribution it makes to our economy. I wish to reaffirm, that despite the significant losses suffered as a result of the drought and Hurricane Tomas in 2010, and not withstanding our efforts towards economic diversification, the Government remains committed to taking the necessary steps to ensure the sustainability and economic viability of the banana industry. A further demonstration of this commitment is Government's recent decision to acquire certain assets of the Saint Lucia Banana Corporation, now in liquidation.

### ***6.5 Private Sector Development, Manufacturing and Consumer Affairs***

Madam Speaker, Cognizant of the important role of the private sector in development, the Government is actively pursuing initiatives to improve the business environment, implement a regime of incentives to encourage new business formation, strengthen existing businesses and improve their competitiveness in readiness for the export market.

With this in mind, Madam Speaker, Government will:

1. Implement a reform strategy completed by the International Finance Corporation (IFC) of the World Bank that addresses two areas of the Doing Business Reform Memorandum. The first is the Business Registry that seeks to automate the business registration process. The second addresses the matter of Trade Logistics and seeks to improve the trading process. This will be complemented by the inter-ministerial Trade Facilitation Task Force which has reviewed its Terms of Reference and has finalized its work programme for 2011.
2. Reform the Fiscal Incentives Regime for the private sector which will be completed shortly. This will ensure that the incentives regime will be consistent with the country's obligations under international trade agreements to which it is signatory and will seek to provide inducements for the private sector to take advantage of existing and future trade agreements.
3. Complete the Private Sector Development Strategy which will address how trade policy will be mainstreamed into the country's national development strategy; the improvements that ought to be made to the legislative and regulatory environment for business; the development of a national

- investment policy and strategy; and initiatives to support the development of Small and Medium Enterprises.
4. Government will work with international partners to develop a National Services Policy and Strategy. This is critical to the country's future as services account for over 88 percent of the country's GDP and more than 90 percent of the value of its exports.
  5. The National Export Strategy which has received support under both the past and current administration will be implemented through the Office of Private Sector Relations (OPSR). The OPSR will be responsible for coordinating, monitoring and evaluating the performance of the strategy. Funding for this activity has been secured from the CARICOM Development Fund (CDF).

Madam Speaker, in the area of Consumer Affairs, it is expected that the Draft Consumer Protection Bill will be brought to this Honourable House during the course of this financial year. Recommendations from two consultancies conducted in 2010, which address the areas of Product Safety, Sustainable Consumption and Electronic Commerce necessitate the Bill being resubmitted to the Attorney General's Chambers.

The draft Competition Bill is also expected to be brought before this Honourable House. This Bill, when it becomes Law, will facilitate the enactment of harmonized competition legislation and the OECS Competition Commission.

## 7.0 Human and Social Development

### 7.1 Health Care

Over the past four years, Madam Speaker, this Administration has been focused on improving health standards and increasing access to health care for all citizens. In spite of many challenges, we have been driven by one main principle – Health care for all. In other words, Madam Speaker, no one should be denied care simply because of their inability to pay, their state of health or where they live. Our efforts have been concentrated on keeping people healthy, treating health conditions and supporting rehabilitation and coping strategies. While we accept the reality that we cannot afford to meet the health needs of **all** our citizens, we have designed a package that is affordable and one that we believe is adequate for attaining good health.

Madam Speaker, chronic non-communicable diseases have remained the leading cause of death and disability in Saint Lucia. 85% of our adult population is dying from conditions such as hypertension, diabetes, heart diseases, stroke, lung disease and cancer. We are also battling new and resurgent communicable diseases such as dengue, influenza and tuberculosis. In order to sustain good health there is need for a constant supply of medication, regular screening, feedback and monitoring of the health status of the ill and well population.

Madam Speaker, in this regard, we will

1. Advance the Universal Health Coverage strategy to the next level by ensuring universal health access to an essential package of quality services.
2. Alongside the financing component, the Ministry of Health will be mandated to renew efforts towards the establishment of a quality

management system, roll out a national health insurance system and facilitate appropriate training and staffing.

3. Continue with the establishment and upgrade of healthcare facilities.

a. Saint Jude Hospital

The Government of Saint Lucia remains committed to the Reconstruction of St. Jude Hospital to a facility which not only allows for the original services to be reinstated, but also allows for the expansion and growth to meet the growing needs of Saint Lucians and our Caribbean family. Reconstruction work on the original site is progressing smoothly and is expected to be completed by the last quarter of this year. An amount of EC\$23.7 million is provided for in the budget to meet reconstruction costs and the provision of other amenities.

b. Dennery Hospital

Madam Speaker, funds have been secured under the World Bank Emergency Recovery Loan for the renovation of the Dennery hospital. Construction will commence promptly upon completion of the study. The Dennery Hospital will be converted to one of five polyclinics with maternity, accident and emergency and diagnostic services being provided there.

c. The Upgrade of existing health facilities to polyclinics will also be undertaken. The facilities include: Gros Islet and Soufriere, as well as another which will be located either in Micoud or Vieux Fort. In addition, Dennery and Castries will be converted into polyclinics.

d. The New National Hospital

The construction of the new National Hospital is 51% completed. Due to Hurricane Tomas, the EU is reconsidering the completion date, which will most likely be in April 2012. The EU is committed

to financing the equipment for the hospital. Madam Speaker, once the new hospital is commissioned the Old Victoria Hospital will be converted into an Urban Polyclinic.

## **7.2 Education**

Madam Speaker, we now turn to the area of education. This sector is pivotal to our development agenda. One of the goals of this Government is to achieve sustainable growth and development. With respect to education, this can be achieved by:

1. Improving the relevance of the curricula in school, to ensure its alignment with labour market needs.
2. Introducing Modern Languages (Spanish and French), Music Education, Theatre Arts and Physical Education at the Primary school level.
3. Implementing the Caribbean Certificate for Secondary Level (CCSLC) at all secondary schools.
4. Introducing the Caribbean Vocational Qualification (CVQ) for certification of skills and
5. Expanding the use of ICT in teaching and learning to enhance student performance and competitiveness.

A number of initiatives Madam Speaker, aimed at reduction of poverty and the protection of the vulnerable are being undertaken. These include:

1. Increase in the number of bursaries awarded to students of the Sir Arthur Lewis Community College (SALCC) and the Post Secondary School programme at the Vieux Fort Comprehensive Secondary School, Campus B. 100 new bursaries are being offered annually, totaling half a million dollars.

2. Enforcing the policy that every child graduating from Secondary School should write at least five subjects including Mathematics and English to ensure that the vicious cycle of poverty is broken.
3. Giving to those children whose families are not economically capable, the opportunity to write as many CXC/CAPE subjects as they can. Special consideration will be given to children from those families that were adversely affected by Hurricane Tomas and the demise of the banana industry on a needs basis. A provision of EC\$1 million has been made in the budget for the Education Access Fund for that purpose. Finally every child will have an equal opportunity to excel at secondary school, regardless of his/her socio-economic circumstances.

Madam Speaker, attention must be given to the many schools that were affected by Hurricane Tomas. Government has sourced funding from the World Bank in the sum of \$13,000,000.00 to retrofit some of the worse affected schools, including the construction of a new Infant School at Dennergy.

Government is also negotiating with the Caribbean Development Bank for additional funds to meet the cost of rehabilitation works at other schools that could not have been financed by the World Bank, but are in desperate need for repairs and rehabilitation works.

Approximately 33 schools will receive direct assistance through either the World Bank or the Caribbean Development Bank for infrastructural Development. Further, all schools will receive some form of assistance through supplies of furniture, equipment and instructional material.

In addition to what has just been outlined, Government will spend approximately EC\$9 million on the rehabilitation of eleven schools. Work on these schools will be completed by December 2011.

Madam Speaker, emphasis will not only be placed on physical structure but also on enhancing the quality of education. Under the Basic Education Enhancement Project (BEEP) funding to the tune of EC\$37.9 million, from the Caribbean Development Bank, will be used to upgrade the learning environment at primary and secondary schools and improving the quality, efficiency and effectiveness in the sector through institutional strengthening and capacity building. The project will focus on enhancing the learning environment which is expected to cost EC\$32 million and on quality improvement and school effectiveness at an estimated EC\$3 million.

Madam Speaker, during this financial year, the Education Enhancement Through ICT Project costing EC\$16.2 million will be implemented. This project will lead to, among other things, curriculum reform to integrate ICT in teaching, learning and assessment; capacity building for the Ministry of Education to facilitate the management and maintenance of ICT, and the Rehabilitation of ICT spaces in HRD centres in select communities to provide the necessary skills in order to increase competitiveness in the job market.

Madam Speaker, with respect to this Government's goal of upgrading the SALCC to a University College, a number of consultancies that examine the governance structure, student services and establishment of a research unit among others is currently ongoing. These consultancies are expected to cost approximately EC\$190,000.



Madam Speaker, with respect to the offshore education sector, Saint Lucia has five offshore medical schools which attract students from around the world. We are in the process creating an accreditation agency that can develop standards, monitor, evaluate and accredit the programmes offered by these schools. This will allow the schools to attract more students and benefit from scholarships to finance their education. In turn, the growth and expansion of that sector will redound to the benefit of Saint Lucians.

Madam Speaker, our efforts continue to ensure that an increasingly larger group of our unemployed and unattached youth have access to capacity development. Initiatives will be centered around the work of the National Skills Development Centre. In this regard, our major focus this year will be on improving the quality and standard of training. This means attaining accreditation status. This will impact positively on the number of trainees with NVQ and CVAQ qualifications who can be permanently placed or who can successfully secure full time employment. This year, we will also witness the commissioning of a state of the art Training Facility at Black Bay. Madam Speaker, I am confident that this new facility, catering for the south will accommodate approximately four hundred additional trainees.

### ***7.3 Residential Home for the Elderly***

In the last fiscal year, Madam Speaker, we commissioned the 'New Beginnings' Transit Home for children and young people. In this fiscal year, Madam Speaker we will commission the Senior Citizens Home at Black Bay in Vieux Fort, accommodating eighty (80) of our senior citizens. This new facility will ensure that the State provides the necessary residential support to all broad groups in

our society, while we continue to emphasize and support families and healthy homes.

#### ***7.4 Social Safety Net Reform***

Madam Speaker, we all recognise that there are a number of social programmes that have been implemented in response to the increasing risks and vulnerabilities that our citizens have been exposed to. There is, however, equal recognition of the need to improve targeting outcomes of these initiatives. In this fiscal year and with the support of the World Bank, we intend to initiate reform to the largest single Safety Net Programme that exists in Saint Lucia, namely, the Public Assistance Programme. This reform will include the following elements:

1. Adoption of *Proxy Means Testing (PMT)*, as a more scientific and efficient means of providing more targeted assistance and reducing leakage as well as errors of omission.
2. Design and Implementation of a web-based *Management Information System (MIS)* that would enhance management of beneficiary information and reduce duplication among social assistance agencies.
3. Adoption of a Conditional Cash Transfer (CCT) system to address intergenerational poverty through the enhancement of human capital development programmes.
4. Formulation and Adoption of a strategy for reducing dependence by graduating beneficiaries off public assistance.
5. Adoption of Best Practices for Payment of Grants to enhance the efficiency of payments to beneficiaries.

6. Adoption of a more efficient system of Appeal, whereby applicants who are deemed ineligible for assistance may seek redress if they so desire, and.
7. The establishment of a new Legislative Framework for Public Assistance in Saint Lucia.

### ***7.5 Impacting Communities for Social Change***

Madam Speaker, we will continue to seek to build and invest in communities and their respective households through a range of programmes that have demonstrated in very practical terms, their true impact. Consequently, we will expand the After School Programme that has been so successful in La Maze, Mon Repos, Faux-a-Chaux and more recently in Wilton's Yard and Monchy, to a wider cross section of our country.

Through the HOPE and BNTF programmes of the Saint Lucia Social Development Fund we will provide the requisite community infrastructure in a number of communities island wide. Further, Madam Speaker, we will intensify our efforts to support all facets for the establishment and growth of community organizations.

At the level of households, the *Koudmain Ste. Lucie Programme* which originally targeted forty seven (47) households in the four communities of Malgretoute (Micoud), Bruceville (Vieux Fort), Anse La Verdue (Canaries) and Roseau (Anse-la-Raye) will be expanded to accommodate additional communities across the island. Under this programme, targeted families are empowered with the necessary psycho-social support to enable improvements to their quality of life. Over a two year period, these families will receive support in the following areas:

1. Personal identification
2. Health
3. Family Dynamics
4. Education
5. Housing
6. Employment

### ***7.6 Sports and Recreation***

Madam Speaker, the contribution of sports and recreation to our overall programme of engagement and empowerment cannot be over emphasized. Last year, we witnessed the commissioning of a National Tennis Centre, the re-establishment of the Sab Playing Facility (formerly the Vigie Playing Field) and the Kenneth Wriggler King Facility (formerly the Gardens Court), the lighting of the Gros Islet and La Guerre Playing Fields, as well as significant upgrades in a number of sporting facilities at the community level. Our commitment to upgrade substantially our sporting infrastructure will not waver in this fiscal year. We will invest EC\$3 million so that issues relating to the playing surfaces, absence of Change Rooms, lighting and the establishment of Parks, are addressed as priorities and in a manner that enables communities to have access to top quality facilities.

### **8.0 Housing Expansion and Development**

Madam Speaker, the nature of the housing stock of any nation is a critical indicator of the level of social development in that country. Following the passage of Hurricane Tomas, the housing stock was greatly affected. This has further deepened the need to provide adequate sustainable housing and shelter

to meet the basic needs of the population. Through the Housing Assistance Programme, it is expected that assistance will be provided to households adversely impacted by Hurricane Tomas.

Presently Madam Speaker, the housing sector is facing many challenges. These include a proliferation of unplanned settlements throughout Saint Lucia limited access to affordable housing by low and middle income earners; limited access to financing for housing and competing uses for our limited land space from other sectors.

Madam Speaker, the Government will address these issues by providing low and middle income households with greater access to affordable housing credit; increasing the number of serviced lots available to the public; providing improved access to serviced lots; upgrading facilities in unplanned developments and improving standards for housing construction to withstand natural disasters.

The Ministry of Housing is presently collaborating with the Ministry of Physical Development for the development of an Integrated Land Use Plan and for setting minimum standards for the construction of and the use of material for residential houses. This will encourage better planned development as lands will be identified for residential purposes.

## **9.0 Areas of Special Focus**

### ***9.1 Crime and National Security***

Madam Speaker, I now turn to *Areas of Special Focus* and start with the issue of crime and security which is of great concern to all Saint Lucians. Crime can impact negatively on our economic development by serving as a disincentive to

those wishing to invest in our economy; or to visit our shores as tourists. This can lead to a potential reduction in visitor arrivals and reduced foreign exchange earnings.

Criminal activity is also an assault on our entire social fabric and may lead to other forms of deviant behavior, not to mention the psychological effects associated with people feeling unsafe in a society. I say all of this Madam Speaker to point out that crime is multi-dimensional in nature and that any consideration of this subject must bear in mind a wide range of issues. This, therefore, means that any attempt to tackle it and address its root causes will necessarily involve input from a range of stakeholders. This government, has therefore, placed issues related to national security and the abatement of crime at the top of its agenda during its term.

During my 2010 budget address I singled out national security and combating crime areas for special focus and during the past twelve months, we took very specific and concrete measures aimed at enhancing our capacity to deal with this problem.

The re-organisation of the Royal Saint Lucia Police Force specifically the strengthening of its management capacity, and rationalization of responsibilities was a first step in that regard. Madam Speaker, on February 11, 2011, in an address to the nation, I outlined a six-point plan of action to address crime and security, and I would like to repeat these points for the benefit of this Honorable House and the people of Saint Lucia.

1. Enhancing the capacity and capability of the police both in terms of hardware, training and numbers; to equip and empower them to discharge their duties;

2. Supporting the police in a campaign to vigorously pursue and directly confront and disable criminal elements, wherever they may be.
3. Continuing to seek and obtain technical and material assistance from friendly governments, and collaborate with regional and sub-regional governments to address crime and security issues including the protection of our borders.
4. Strengthening existing legislation and introduce new laws where necessary in consultation with the judiciary and legal systems, and seek support of relevant institutions in ensuring enforcement.
5. Implementing a programme of social reform and renewal targeting all areas and particularly inner city communities and youth, and finally
6. Engaging in the widest possible consultative approach with all sectors of society, on strategies for confronting the crime and security challenges facing us, including the convening of a joint session of Parliament.

Madam Speaker, since the announcement of this plan of action, noticeable progress has been made. The police have embarked on a major initiative dubbed ***“Operation Restore Confidence”*** which has resulted in significant successes against criminal elements. Suspects have been apprehended, firearms, ammunition, illicit drugs, and large quantities of stolen items have been recovered. Regrettably, there has also been some loss of life. An important outcome of these operations has been the level of confidence being displayed by citizens who are extremely cooperative in providing the police with information. Such cooperation is vital in the fight against criminal activity and is indicative of the trust that citizens once again have in the police.

At this point, I would like to convey on behalf of the government and all peace-loving citizens of Saint Lucia, our deep appreciation to the Royal Saint Lucia Police Force for the work they have been doing in restoring law and order to our streets and our communities. Theirs is a most difficult task, to make our country safe. They perform these duties at considerable risk to themselves and their families. Many have received threats on their lives and the lives of their families, but they persist in the conviction that what they are doing is the right thing and is in the interest of our country. The nation owes them a huge debt of gratitude.

Madam Speaker, in addition to the operational activities of the police, government's social programmes are an integral part of the strategy to reduce criminal activity and build safer communities. Amongst the programmes aimed at strengthening security are the following:

1. Increase the number of police Constables by thirty (30), taking the total to six hundred and ninety-six (696). Sixteen of those Constables will be assigned to the operationalization of the Coastal Surveillance System soon to be completed, while fourteen will be used to strengthen the complement of officers at the Rodney Bay police station.
2. Re-establish the dedicated Special Police Reserve Unit comprising 50 persons at an annual cost of \$582,489.
3. Procure Police Vehicles in the amount of EC\$300,000.
4. Procure Fingerprint Identification System (AFIS) to satisfy phases 1 and 2 of that project, at a cost of EC\$1.4 million.
5. Install a CCTV System at a cost of EC\$3 million.
6. Replace and procure vessels for which EC\$540,000 has been allocated.
7. Purchase mobile Police Units at a cost of \$255,000.



Early in the life of this parliament, Madam Speaker, we expect to convene a joint session to debate the comprehensive response strategy to the issue of crime. Madam Speaker, as we go forward into this new session of Parliament, government's strategy is to continue, and to accelerate the implementation of the six point plan of action alluded to earlier.

## ***9.2 Post Hurricane Tomas Reconstruction and Development***

The Government has established a Reconstruction Task Force that is responsible for managing efforts to ensure a prioritized and coordinated response to recovery and rebuilding across Government agencies and sectors, and for mobilizing external resources to sustain the recovery effort that had been initiated through the process of reallocation of local resources. The efforts of that group have since been buttressed by the reconfiguration of the Special National Projects Unit within the Ministry of Finance, Economic Affairs and National Development, into the National Reconstruction and Development Unit (NRDU).

The Government has crafted and is in the process of conceptualizing several projects that have as their primary objective the recovery from and restoration of infrastructure, while reducing vulnerability to impending risks. The initiative is to rebuild, rehabilitate and strengthen the physical infrastructure to better than pre-Tomas standards. The concern being that we bolster the physical infrastructure and improve our resilience that in the event of another disaster that we are likely to fare better.

### **9.2.1 Special Development Areas**

Madam Speaker, in addition to damage and loss of property, several jobs have been lost as a result of businesses being affected by the hurricane. What is needed in the affected communities, is the development of business and other

economic activity that would assist in the recovery from the impact of the hurricane. This would facilitate persons in gaining employment and in deriving their livelihoods from within their communities as much as possible.

Government will be facilitating this objective in amending the Special Development Areas Act by extending the areas designated as special development areas to include the communities of Bexon and Marc, Dennery, and areas in the North East quadrant of Saint Lucia. Government will seek to establish economic zones within these communities that will receive special benefits as stipulated under the Act. It is hoped that investors will take advantage of these opportunities when they become available.

### ***9.3 Water Sector Reform***

Madam Speaker, over the last year in Saint Lucia the water resource and water supply services have come into sharp focus with the drought conditions experienced in early 2010 as well the impact of Hurricane Tomas in the latter part of 2010. Hurricane Tomas in particular has impacted significantly on the catchment areas, the river carrying capacities and also on the water supply infrastructure.

In that regard, there have been a number of initiatives to ensure the adequate provision of water. Hence, the following new strategic direction:

1. Increased support for solutions which promote Integrated Water Resources Management and Water Supply & Sewerage Services, which meet national and international standards.

2. Operationalization of the Water Policy and Water & Sewerage Act through the development of a sound implementation strategy and identification of adequate financial resources to facilitate this.
3. Full Operation of the Water Resource Management Agency according to its legal mandate.
4. Full Operation of the Water and Sewerage Commission according to its legal mandate. This includes the provision of the relevant training and critical resources required.
5. Re-Organisation and Revitalization of the Water and Sewerage Company to facilitate the transformation to a viable company delivering quality water supply services to the people of Saint Lucia.

With respect to the planning and implementation of all the above mentioned initiatives, Government will establish a Water Sector Reform Project Management Unit. That unit will also oversee the planning and implementation of the following:

1. The Vieux Fort Water Supply Redevelopment Project
2. The Roseau Dam System Rehabilitation Project including the de-silting and expansion of the Roseau reservoir
3. The upgrade of the island-wide Rural Water Supply Systems, including the following locations: Hill 20- Babonneau, Desruisseaux, Tournesse-Mabouya Valley, Canaries and Soufriere.

The Government of Saint Lucia remains committed to supporting the Water and Sewerage Co. (WASCO) in fulfilling its mandate and delivering top quality services to the people of Saint Lucia.

## **9.4 Transforming Our Society Through Youth Empowerment and Engagement**

Madam Speaker, in my budget address last year, I issued a challenge and rallying call to the young people of this country to help us to begin to change our society for the better **now**. Today I stand here, in this the International Year of the Youth, and reaffirm Government's commitment to ensure meaningful and direct participation of the youth and their representative organizations in shaping and giving effect to our development agenda. In the last fiscal year we have witnessed some very positive evidence of just how such inclusion can serve the common good, exemplified by the interaction with groups such as RISE St Lucia Inc. and the new National Youth Council leadership. I applaud these efforts and am confident that this relationship can only flourish in the environment that we are cultivating.

Above all else, Madam Speaker we recognize the need to expose our youth to service activity. We must nurture a culture of service learning. We must encourage our youth to develop self-worth and confidence through the habit of consistently and successfully contributing to positive initiatives. Our youth must be an integral part of society and our society must be an integral part of our youth. Through our Sign – Up Initiative we will be undertaking a vigorous drive to engage the youth of our nation in meaningful, up building activities through voluntary and service oriented organizations.

### **9.4.1 Introduction of National Youth Corps Programme**

Madam Speaker, as part of this Government's youth policy, we will, in this financial year, introduce a National Youth Corps Programme.

It is estimated that approximately 20,000 youth are categorized as unattached in our society. Amidst major concerns about the high levels of youth unemployment, academic underachievement, the lack of training opportunities for young people and the increasing trend towards anti-social behaviour, it is necessary to produce a response that is not only comprehensive and enticing to them, but critically too, is on a scale that is truly impactful. The Youth Corps Programme is designed to address such challenges in a structured and sustainable way, by harnessing the ingenuity, solidarity, passion and creativity of our youth within a broader framework and philosophy of self development and service to community and country.

Madam Speaker, while our longer term objective is to recruit 5,000 youth into the corps, in this financial year, we will enroll 1000. We will target the unattached (i.e. those not in school and unemployed). We will build their capacity through a programme of life skills training and broader socialization and orientation. I urge the youth to take advantage of this opportunity to develop competence in a particular area of interest, gain exposure to a possible career and enhance their employability and marketability.

#### **9.4.2 Second Chance Opportunities for At Risk Youth**

Madam Speaker, while we endeavour to ensure that our youth have access to all the institutions and services available to mainstream society, we are also cognizant of the need to provide opportunities and access to those who for varying reasons have found themselves “on the outside, looking in”. The provision of second chance opportunities as a means of facilitating social inclusion, is a pivotal component of our overall strategy of engagement.

In this regard Madam Speaker, we will not only continue our support for and investment in, the Boys Training Centre but we will also ensure that a residential component to the Upton Gardens Girls Centre is established.

In last year's address, Madam Speaker, I indicated that work will commence on the construction of a Juvenile Rehabilitation Centre for Boys and Girls. The Government of Saint Lucia is actively engaged with the Caribbean Development Bank to finalize financing arrangement and with a view to commencing work in this financial year.

### **9.4.3 Youth Empowerment Through ICTs**

The Government of Saint Lucia is very concerned about the socio-economic costs of not being connected in the current technological age. While developed countries can boast of high levels of connectivity, high internet penetration rates and PC ownership or use per 100 population, countries like ours, still struggle to bridge the technology divide. Small countries like Saint Lucia can ill afford to get trapped on the hard shoulder of the technology highway, while other countries speed past us. In an age that is characterized by the universality of modern technological tools, this Government has a responsibility to its people, especially the youth, to ensure that they are adequately skilled in the use and application of modern ICT tools.

This government is, therefore, committed to ensuring that every school child has access to a computer, be it at his or her school or within the wider community. The Government has already with the very kind assistance of the European Union launched the Education Enhancement through Information and Communication Technology Programme. That initiative has as its main objective

equipping schools with computers and to incorporate ICTs in the new pedagogy of teaching and learning in Saint Lucia. While that programme is likely to focus on a few communities, the Government wishes to expand access to the entire country and to ensure that each community, be it rural or urban, and every school child has easy access to a PC. Further, the Government will champion a programme of training that seeks to equip students with the requisite e-skills to leverage the use of ICTs.

Moreover, establishing e-centres in communities opens up opportunities for end users to acquire or sharpen their e-skills to enhance their marketability and employability. The Government has already begun to engage the private sector, and engage friendly governments and benevolent development partners to secure the funding necessary, as part of its economic diversification thrust.

Madam Speaker, at this juncture, I wish to take this opportunity to join with the rest of the Nation in commemorating National Youth Month. The Youth of our nation are our greatest asset and I regret not being able to join them at their Youth Rally today. Let me, however, reaffirm my administration's commitment to addressing the needs of the youth, through policy measures and interventions such as the ones I have just described. The holistic development of our youth remains the highest priority of this Government and the youth can trust that this administration will continue to create opportunities for their advancement, through sports, education and the development of softer skills.

### ***9.5 Economic Diversification Programme***

Madam Speaker, Saint Lucia's heavy reliance on one or two commodities for the generation of foreign exchange earnings has exacerbated its vulnerability and

volatility. Notwithstanding the continuing growth of the tourism sector, its significant contribution to GDP growth and its relative buoyancy even against a backdrop of the worst economic and financial crisis, the Government is becoming increasingly concerned about its reliance on this sector alone, or primarily, to propel the national economy.

Government has renewed its efforts to diversify the national economy by refocusing its attention and resources on other sectors that have tremendous growth potential. In the first instance, the focus will be primarily on three sectors, likely to help steer the economy into other growth areas. One of the areas of focus, therefore, will be the Information Communications Technology (ICT) sector, with a view to employing ICTs as a catalyst for economic growth and development.

The other promising sector is the Creative Industries sector which encompasses local music, art, poetry, arts and craft and textiles. The OECS Secretariat is already actively engaged in identifying ways in which this sector can be repositioned as a key economic driver, and the Government is monitoring very closely, developments in that sector with a view to implementing the recommendations arising out of the ongoing consultations. Year after year Government has shown its support to the Creative Industries sector by lending financial and institutional support to that sector to allow the artistes an opportunity to realize their full potential. Further, Government will soon launch the Dame Sessane Descartes Endowment for the Arts, in honour of the late cultural icon and as a funding mechanism for cultural entrepreneurs.

The presence of five (5) medical schools on the island, Madam Speaker, presents this country with a golden opportunity to bolster its efforts in off shore education



and in health tourism. Efforts are afoot to provide these schools with the necessary institutional support so as to position them to attract more international students and to expand their service offering. Saint Lucia can very easily replicate the success stories of St. George's University in Grenada and Ross University in Dominica and St. Kitts and Nevis.

It is estimated that each medical student brings to our shores an average of US\$18,000.00 per annum. It would augur well for our economy to attract more students to Saint Lucia with the obvious downstream economic benefits and earnings to be derived from apartment rentals, car rentals, the provision of other services such as food and educational supplies, general upkeep and not to mention the income generated when their friends and family visit our island.

Therefore, the Government will establish an "Economic Diversification Project" within the Ministry of Finance Economic Affairs and National Development. The Economic Diversification Project has three key pillars:

1. Information and Communications Technologies (ICTs) for Development
2. Creative Industries
3. Offshore Medical Schools and Health Tourism

These pillars/sectors have been identified as potential catalysts for engineering growth in the non-tourism and agriculture sectors.

A total amount of EC\$5 million, over the next three years has been allocated for the Economic Diversification Project.

### ***9.6 National Competitiveness and Productivity Council (NCPC)***

The Government of Saint Lucia has long recognized that issues of low productivity have retarded the potential for national economic growth and development. Last year the Government initiated the process of establishing a National Competitiveness and Productivity Council (NCPC). The objective of the NCPC is to harmonize the efforts of workers, employers and the government, in order to facilitate the process of attaining productivity growth and improved national competitiveness.

The Cabinet, this year, approved the composition of a Steering Committee to oversee the establishment of the NCPC. The Steering Committee was conceptualized from the understanding that productivity, international competitiveness and improved quality of life can best be achieved by consensus and broad participation. Hence, the strong support for tripartite/multipartite participation in the governance process. The broad objective of the Steering Committee is to promote the development of a national productivity and competitiveness culture in Saint Lucia.

The National Competitiveness and Productivity Council will be charged with

1. Sensitizing the public on the importance and relevance of productivity and how it relates to national competitiveness.
2. Promoting and monitoring all aspects of productivity growth.
3. Promoting and sharing success stories of improved labour/management relations.

Already, the Government of Saint Lucia has secured grant funding from the Inter-American Development Bank (IADB) to the tune of US\$500,000.00 for this initiative.

### ***9.7 Constituency Development Programme***

Madam Speaker, this Government is pleased with the implementation of the Constituency Development Programme (CDP), especially in the aftermath of Hurricane Tomas. In the first cycle of the programme, which commenced in February 2011, a total of forty (40) projects have been executed generating over two hundred (200) jobs throughout the country. The second cycle which is due to begin shortly, will see the implementation of a further sixteen projects and promises to create even more jobs in the first half of this year. The CDP has gone a long way in engendering a new spirit of collaboration and generating social and economic development at the constituency level. Hence, the Government has felt it necessary to double the allocation in this year's budget, to EC\$10 million to facilitate and even more active programme of constituency development .

### ***9.8 Climate Change, Sustainable Development and the Environment***

In a small island developing state such as ours, issues relating to the environment especially with respect to environmental resources cannot be overlooked. The very product that we market as our tourism product is our environmental resource. In addition these same environmental resources, impact the livelihoods of our people in areas such as water resources, forestry & biodiversity, coastal resources, land resources, just to name a few. As well our productive sectors such as manufacturing, tourism, construction can also impact on the environment adversely leading to pollution concerns.

Government is committed to sound environmental management through the protection and wise use of resources, as well as through the restoration of

degraded ecosystems. Madam Speaker, the impact of Hurricane Tomas, and the drought earlier in the year, underscored this country's vulnerability to extreme weather events; events which are expected to become more severe as a result of climate change.

It is, therefore, incumbent on Government and other stakeholders, including the general public, to take all possible measures to increase our resilience to such events. In this regard, Madam Speaker, I am pleased to report on a number of environmental initiatives which include:

1. Commissioning of the National Environmental Commission (NEC).
2. A Special Programme on Adaptation to Climate Change (SPACC).
3. A Pilot Programme for Climate Resilience (PPCR). This aims to develop a Strategic Programme for Climate Resilience which will result in a project totaling US\$5 million.
4. The establishment of an inter-sectoral Castries Sewerage Management Committee to guide the approach to the management of sewerage with Castries.
5. The establishment of National Recreational Water Quality Standards.

Through the Global Environment Facility (GEF) projects are expected to be implemented totaling approximately US\$5 million.

This Government remains committed to policy solutions that ensure climate resilience and as a result sustainable development.

### ***9.9 Energy Security and Sustainability***

Over the last several decades, Madam Speaker, we have become increasingly dependent on fossil fuels to drive our manufacturing, tourism, agricultural and

other sectors. This dependence has come at significant economic and environmental costs. With oil prices currently approaching record highs, pushed upwards by global demand and conflict in major oil-producing regions, and increasing concerns about the environment due consideration must be given to more judicious energy use and greener alternative forms of energy.

Last year, Madam Speaker, Cabinet approved the long-awaited National Energy Policy. This policy, developed after extensive stakeholder consultation, outlines our thinking on the move towards energy sustainability in the electricity and transport sectors, among others. It elaborates the way forward with respect to renewable energy technologies and their contribution to the national energy portfolio. In this new fiscal year, steps will be taken to begin to implement the National Energy Policy in earnest.

The Ministry of Physical Development and the Environment through its Sustainable Development and Environment Section, implemented a Technical Assistance programme for the Energy Sector under Special Framework of Assistance (SFA) 2006. This program, which ended in September 2010, sought to develop a sustainable energy strategy for Saint Lucia; outlined a blueprint for the regulation of the Electricity Sector; and prepared drafting instructions for the update of the Electricity Supply Act, based on the National Energy Policy.

Madam Speaker, for some years now, I have spoken on the planned development of a wind farm. While this farm is still not a reality, LUCELEC is making progress in resolving the land acquisition issues that have impeded progress in this regard. In this fiscal year, Government will redouble its efforts to advance this initiative in order to make a significant dent in the national fuel

import bill, to enhance national energy security and to achieve improved environmental quality.

Madam Speaker, over the last few years, many homeowners have installed solar water heaters in an effort to reduce their use of electricity for heating. However, there remains significant scope for growth in the use of solar water heaters. Therefore, Madam Speaker, in this financial year, we shall reinstate indefinitely the personal income tax rebate whereby a homeowner will be able to claim for expenditure on a solar water heating system.

#### ***9.10 Development and Guidance Centre for Children with Special Needs***

Madam Speaker, I now move to an area that has to do with our children. Children with special needs, unfortunately, have not benefitted from the level of care and attention that their physical or psychological conditions require. This Government, Madam Speaker, is sensitive to the emotional and financial toll that this can take on families and care givers. For too long, they have had to rely on the benevolence of the private sector with little or no government support. This Government Madam Speaker is about to change this.

Early identification and intervention for disabilities is essential if children are to realize their fullest potential and become fully active and productive citizens. Sub-optimal care causes further damage and disability, lessening any employment or income potential, increasing the psychological and financial burden on families and by extension, on the state.

It is now time for a comprehensive Developmental Paediatrics program. This programme should ideally be housed in a specialized development center; headed by a Consultant Pediatrician who supervises a team of professionals (*Speech & Language therapists, Physiotherapists, Occupational therapists, Educational Psychologists, Social workers, Guidance counselors*), and who liaise with other Medical and nursing staff, Community-based Rehabilitation officers, Teachers or Day care staff, parents and families, with the Ministry of Education's Special Education Division and schools, with other government agencies, non-governmental agencies and overseas donors; and which can coordinate the Developmental Pediatric activities, training and resources of all these professionals and agencies.

The Child Development and Guidance Centre, at La Pansee has been operating since 1998. The Centre is a non-profit Organization; their mission is to provide early health care intervention to children with developmental delays and disabilities, in order to assist them in developing to their fullest potential.

Currently, the CDGC is the *only* agency in Saint Lucia with the capacity to offer comprehensive assessment and diagnosis of developmental delays and disabilities in children; an individualized intervention programme for each child; monitoring within their school or community; as well as training of staff and parents, and is currently the sole provider of Speech & Language therapy and Occupational therapy in Saint Lucia. To date some 770 children have received a comprehensive assessment and more than 300 are currently awaiting therapy. Presently, the Center is entirely dependent on donations from parents, local private sector donors, foreign donors and volunteer therapists.

The children seen are diagnosed with Cerebral Palsy, Autism, Language Delay, Language Disorder, Down's Syndrome and other genetic syndromes, Developmental Delay, Learning Difficulties, Selective Mutism, Epilepsy, Hearing Impairment, Emotional and Behavioural issues, Central Coordination Disorder, Speech Delay and Speech Disorder.

Madam Speaker, I am pleased to announce that beginning this financial year Government will provide financial support on a sustained basis to allow for sustainability of the centre and for the expansion of its paediatric services.

## **10.0 Fiscal Operations 2011-2012**

### ***10.1 Fiscal Strategy***

At this stage, Madam Speaker, allow me to turn to the fiscal operations 2011/2012, commencing with the fiscal strategy.

The fiscal objectives this year are related to the economic imperatives dictated by recent natural and economic events and by our medium to long term plans.

We will, once again, balance the recurrent budget and will provide substantial capital resources for the reconstruction effort, ensuring that appropriate amounts are devoted to economic and social programmes. Special programmes and measures for the Justice Sector will support our crime fighting efforts.

In respect of the recurrent aspect of the fiscal accounts, the main focus of the expenditure policies will be on containment and improving efficiency. As a



matter of policy, only a few new tax measures will be introduced to address specific issues. I believe the people must be given every opportunity to recover from the ravages of Hurricane Tomas and the economic crisis, by contributing to their own welfare with the help of Government.

In that regard and in view of the upward pressure on food prices internationally, it is also the policy of the Government to maintain for the time being, the current pricing framework for the essential food items, flour, sugar and rice. Their retail prices are below market prices, reflecting a significant subsidy provided by the Government.

The economy returned to healthy growth last year and we are projecting further growth of 4.5 percent in 2011. Growth is one of the essential requirements (though it is not sufficient by itself), for reducing unemployment and bringing about development.

The measurement of the ratio of debt to GDP at the end of 2010 is now more accurate since the completion of the GDP rebasing project and it now stands at 64.8 percent, just four percentage points short of the prudential target of 60 percent to which we must adjust by 2020. We remain committed to achieving the debt target and our fiscal strategy is intended to keep us on course.

The effects of increasing world commodity prices, particularly the prices of food, as well as the effects of demand conditions as the global recovery intensifies, are expected to have a higher inflationary impact compared to the last two years. The Government's objectives and strategic approach are intended to mitigate any inflationary pressures that may emerge.

### **10.1.1 Response to Rising Fuel Prices**

Madam Speaker, permit me to address an area of critical concern. Government is cognizant of the growing public concern about the impact of rising fuel prices. Over the last few weeks there have been calls for Government to respond. But Madam Speaker, while Government has heard the concerns of the public, fuel prices are determined by global market forces outside of Saint Lucia, over which we have no control.

The question, therefore, arises, who should absorb the increase in fuel prices? Should it be Government, which essentially translates to every tax payer in this country, or should it be the consumers of fuel? This is a dilemma that confronts all non-oil producing countries, and Saint Lucia is no exception.

Madam Speaker, there are no easy solutions. Any policy decision made by the Government has implications; whether it is translated to reductions in revenue, increases in expenditure, higher public debt or distortions in prices. Placing a cap on fuel prices, given the escalating import prices, would result in a dismantling of the pass-through mechanism and expose Government to indeterminate losses of revenue. Significantly lower revenue could result in Government cutting its expenditure and/or having to increase borrowing to finance the deficit.

Government can ill afford significant reductions in revenue at this time, given the tremendous pressures in providing resources to fight crime, rebuild the battered infrastructure after Hurricane Tomas, provide the social safety nets necessary for the poor and vulnerable and strengthen provisions, in particular, areas such as healthcare. Indeed, Madam Speaker, Government's revenue supports subsidies in other areas, for instance prices of basic commodities in Saint Lucia, such as rice, sugar and flour, which are the lowest in the ECCU and possibly in the wider

region. The current price regime for these commodities is based on 1984 prices. Additionally, Government cross-subsidizes the 20lb cooking gas cylinder in the amount of \$10.00. Without this subsidy the market price to the consumer would be \$53.16, instead of the current price of \$43.16. Clearly, Madam Speaker, there are no easy options and Government has a responsibility to make decisions that are in the best interest of the entire country.

No country in the world is immune from the effects of rising oil prices and Saint Lucia is not alone in dealing with this challenge. In fact, currently no country in the Eastern Caribbean has taken any policy decision to cushion the impact of rising fuel prices on consumers. Antigua and Barbuda, the only OECS country that has not implemented the fuel pass-through system, increased the retail price of gasoline on March 17, 2011. All the other countries have recently adjusted their prices in keeping with higher price of imported fuel.

Notwithstanding the limited fiscal space available to Government at this time, we have heard the cries for Government's intervention to cushion the effects of higher fuel prices. I, therefore, wish to announce that Government will further subsidize the 20-pound cylinder of cooking gas by an additional \$5.00. In other words, whatever the market price of cooking gas, Government will reduce the cost to the consumers by \$15.00, instead of \$10.00. For example, if the market price were to remain at \$53.16, on the next adjustment date of May 9<sup>th</sup> 2011, the effect of the additional subsidy would mean a reduction of the price to the consumer, to \$38.16. Without this additional subsidy the consumer would have paid \$43.16. This measure, Madam Speaker, will be reviewed after the 3-month period.

Given that a large cross section of our population makes use of public transportation, and the concerns of the service providers in that sector, Government will be meeting with mini bus operators, very shortly, to determine how best to address their concerns.

While Government is willing to do its part to share in the burden of rising fuel prices, consumers are urged to be a lot more judicious in their use of fuel. There are several ways in which persons can reduce their consumption of fuel, such as carpooling, reducing the speed of travel, minimizing the use of air conditioning and as much as possible, driving only when it is absolutely necessary.

#### **10.1.2 Tax Reform - Value Added Tax**

Madam Speaker, in 2003, well before this Administration assumed office, the Monetary Council of the ECCB, which comprises the Finance Ministers of its member states, including Saint Lucia, took a decision to implement Value Added Tax (VAT) throughout the region as part of a wider regional tax reform initiative. The decision was based on the recommendations of an ECCB-appointed Tax Reform Commission.

Madam Speaker, VAT has been implemented throughout the ECCU and the CARICOM region, with the exception of the British dependencies. In the ECCU countries such as Antigua & Barbuda, St. Vincent and the Grenadines, Dominica and Grenada have already implemented the VAT, with St. Kitts being the most recent addition to that list. Even in the wider Caribbean region, countries like Barbados, Trinidad & Tobago and Jamaica have VAT as part of their tax systems. Saint Lucia is, therefore, one of the last remaining countries of the Eastern Caribbean Currency Union (ECCU) that has not yet adopted the VAT. I wish to

reaffirm the commitment of this Government to its implementation by April 2012, mindful of the socio-economic responsibilities of Government.

Madam Speaker, VAT is designed to streamline the tax system and is not intended to be an additional tax. It will make tax administration more efficient by eliminating nuisance taxes.

The Government has taken every care, by instituting appropriate safeguards, to ensure that the VAT will not unduly affect the poor. The Government will continue to engage stakeholders including the Opposition, in the period leading to the implementation of the VAT.

Madam Speaker, I am heartened to note that even the more skeptical among us have come to appreciate the merit of pursuing the introduction of VAT. In fact, only this week the Leader of the Opposition publicly alluded to the inevitability of implementing such a tax in Saint Lucia, as has been done in the rest of the region. Indeed, Madam Speaker, there is a general consensus and understanding that it is incumbent upon any administration charged with the fiscal management of this country, to proceed with the implementation of VAT as part of wider tax reform.

### ***10.2 Fiscal Operations***

Madam Speaker, the total planned budgetary expenditure is one billion, three hundred and thirty-seven million, eight hundred and seven thousand, three hundred dollars (\$1,337,807,300). This represents an increase of 10.5 percent over the planned expenditure for 2010-2011. It consists of the following:

1. Recurrent expenditure of \$895,382,000. This represents a 6.5 percent increase over the approved expenditure for 2010/2011 of which 11 percent comprises debt principal payments and sinking fund contributions, 8.3 percent higher than the approved estimates for 2010/2011.
2. Capital expenditure of \$442,425,300 representing an increase of 20.7 percent over the approved capital expenditure for 2010-2011 and 33 percent of the total expenditure budget.

Madam Speaker, the 2011-2012 Budget will be financed as follows:

1. Recurrent revenue of \$895,382,000 which is six percent higher than the Approved Estimates for 2010/2011. Tax revenue is projected to be \$806,230,000 which represents 90 percent of total projected revenue.
2. Capital revenue resulting from the proceeds of the sale of land in the amount of \$8,071,562.
3. \$112,038,338 from friendly governments and multi-lateral organizations in the form of grants of which \$66.6 million will be provided from the European Union, \$10.96 million from the Peoples Republic of China on Taiwan and \$10.6 million from the Caribbean Development Bank. Madam Speaker, it would be remiss of me if I did not express our gratitude to those governments and organizations for their continued support.
4. New Bond funding of \$205,112,667.
5. Other loans amounting to \$117,202,733, from the following institutions:
  - a. \$73.8 million from the Caribbean Development Bank (CDB);
  - b. \$17.2 million from the World Bank;
  - c. \$11.8 million from the International Monetary Fund (IMF) and

- d. \$14.5 million from the Kuwait Fund for Arab Economic Development

### **10.2.1 Allocation of Expenditure**

Madam Speaker, the proposed expenditure will be allocated to the various Ministries and Agencies as follows:

#### **Economic Service Sector**

Approximately \$763.7 million will be allocated to the Economic Service Sector. Of this amount, \$302.2 million is for Debt Servicing, Retiring Benefits and Contingencies. The overall allocation to this sector represents a 14 percent increase over the previous year's allocation. Around 38.6 percent of the total allocation to this sector, in the amount of \$295.3 million is for the Capital Investment Programme to be implemented by the Ministries of:

1. Agriculture, Forestry, Lands and Fisheries;
2. Commerce, Industry and Consumer Affairs;
3. Communications, Works, Transport and Public Utilities;
4. Finance, Economic Affairs & National Development
5. External Affairs, International Trade and Investment;
6. Tourism and Civil Aviation;
7. Physical Development and the Environment; and
8. Housing, Urban Renewal and Local Government;

The Ministry of Agriculture, Forestry and Fisheries is earmarked to receive an allocation of \$36.1 million. Of that sum, \$5.3 million is for the implementation of the Youth Agricultural Entrepreneurial Project funded by the CARICOM Development Fund (CDF) and \$4.3 million is to undertake post-TOMAS rehabilitation works on farm access roads and drains.

The Ministry of Commerce, Industry and Consumer Affairs will receive \$18.5 million. This includes four point three million dollars (\$4.3 million) for various investment initiatives including the National Trade Export Promotion Agency (TEPA).

The Ministry of Communications, Works, Transport and Public Utilities is earmarked to receive \$138.6 million, 74 percent of which is allocated to capital initiatives. Road infrastructure projects will receive \$102.1 million.

Of the \$453.8 million earmarked for the Ministry of Finance, Economic Affairs and National Development, \$319.7 million is earmarked for non-core Ministry of Finance expenditures such as Retiring Benefits, NIC Contributions, Debt Servicing, Refunds and Contingencies. An allocation of \$101.8 million in Capital Expenditure is provided for fiscal management programmes, contingencies, implementation of the National Development Plan and post-TOMAS rehabilitation.

The Ministry of Tourism is earmarked to receive \$47.8 million Included in this amount is \$40 million for Tourism Marketing and Promotion.

### **Social Service Sector**

Madam Speaker, \$394.3 million will be invested in the Social Services Sector. This represents 29 percent of the total expenditure budget. The Ministries of Social Transformation Youth and Sports, Education and Culture and Health, Wellness, Family Affairs, Human Services and Gender Relations will implement the projects and programmes for this sector.



The Ministry of Social Transformation, will receive \$40.7 million. Of this amount, \$27.7 million is allocated for various projects to benefit communities and vulnerable groups while \$4 million of this amount will target projects for the development of sports.

The Ministry of Education will receive EC\$198.6 million, of which \$27.7 million will, in the main, finance the rehabilitation of school plant and purchase of equipment. This allocation represents a fifteen percent increase over the allocation for 2010/2011.

The Government is committed to ensuring continued improvement in the health care system. In pursuance of this commitment, \$155.9 million will be allocated to the Ministry of Health. This is an increase 10.6 percent over the allocation for 2010/2011. Of that amount, \$64.4 million is earmarked for capital expenditure. This includes allocations for the New National Hospital.

### **Justice Sector**

Madam Speaker, to the Ministries of Justice and Attorney General's Chambers and Home Affairs and National Security, I have allocated a total of \$127.2 million. This represents ten percent of the total expenditure budget.

The allocation includes provisions for increasing the police force by 30 more Constables; re-establishing the Special Reserve Unit and increasing essential supplies and equipment.

## **General Services**

The Office of the Prime Minister, the Ministries of Public Service and Human Resource Development and Labour, Information and Broadcasting are earmarked to receive a total allocation of \$42.8 million. This is equivalent to a 3.2 percent decrease in expenditure when compared to the allocation for 2010-2011.

Finally Madam Speaker, **the Organs of Parliament**, that is, the Office of the Governor General, Legislature, Service Commissions, Electoral and Audit Departments, will receive a total of \$8.9 million.

## **Expenditure Policies**

Madam Speaker, we will continue to take steps to control public expenditure. In this regard I wish to announce the following:

1. A *freeze* on the number of persons employed in the Public Service.
2. The continuation of work in the area of operational and efficiency reviews, with the objective of reducing the recurrent cost of operations.
3. The re-establishment to appropriate levels of student-teacher ratios which have been decreasing due to a reduction in the student population.
4. The continuation of work on an objective and transparent targeting mechanism for social assistance. The establishment of a Central Beneficiary Registry for all social safety net programs.

### **10.2.2 Revenue Measures**

Madam Speaker, I now turn to Revenue Measures. The new revenue measures and policies this year are as follows:

## **1. National Security Levy**

I have already articulated this Government's strategic response to the problem of crime and security in this country. The battle is an on-going one which calls for us to be proactive and pre-emptive in preventing the criminals from destroying the spiritual, social and economic fabric of our country. In this regard we must be creative in finding the requisite resources to pay for the fight against crime – resources that must be seen not as expenditure but as an investment aimed at safeguarding the future of our beloved country.

In this respect, I propose the introduction of a National Security Levy of one percent of the CIF value of selected items imported into Saint Lucia. However, this measure is expected to yield EC\$12 million and will be effective for this fiscal year only.

## **2. Excise Tax on Cigarettes**

The World Health Organization (WHO) in a recent study of regional countries, reported that the number of smokers of cigarettes is on the increase. Accordingly, WHO recommends that countries should consider increasing taxes on cigarettes in an attempt to reduce consumption and provide resources for the attendant health costs associated with smoking. In keeping with this recommendation, Madam Speaker, I propose a 50% increase in the tax on cigarettes. This measure is likely to raise EC\$5 million.

Let me explain. In Saint Lucia, cigarettes currently attract consumption tax at the rate of 100%. I propose to move to a *specific* excise tax equivalent to 150 percent. Currently, the consumption tax collected on cigarettes amounts to \$83.70 per kilogram or \$1.67 per 20-stick pack of cigarettes. An excise tax equivalent to a consumption tax of 150% will amount to \$125.60 per kilogram or

\$2.52 per 20-stick pack of cigarettes. This means that the retail price of a 20-stick pack of cigarettes will now increase from \$8 to \$12 and from \$10 to \$15 depending on the brand.

This measure is also expected to deal with the increasing incidence of smuggling of cigarettes out of Saint Lucia, where the price is lower than other regional neighbours. The current 100% consumption tax in Saint Lucia makes our price about half of what it is for the same product in Barbados and Jamaica.

### **3. Radio and Television Broadcast License**

Madam Speaker, although the Telecommunications Act No. 27 of 2000 was enacted 11 years ago, the Regulations pertaining to fees for broadcasting, although in draft, have not been passed. As a result, the current 27 FM radio broadcasters and 7 broadcast and subscriber TV operators, which are registered to do business in Saint Lucia, have been operating free of charge. However, it is our intention to ensure the passage of the Telecommunications (Fees) Regulations which will require radio and TV broadcasters to pay initial and annual licenses to operate on the island.

The license application fees will range from \$25 to \$2000 per license depending on the type of operation and the class of license. In addition, there will be an initial license fee which ranges from \$100 to \$2000 per license. The Government hopes to raise approximately EC\$1.02 million.

### **4. Increase in NIC contributions to Ministry of Health**

The National Insurance Corporation (NIC) continues to partner with Government in the development of the country. This mutually beneficial relationship finds expression in many forms, not least in the area of health care. The NIC has,

since the year 2000, paid a flat annual contribution of \$3 million to the Ministry of Health to offset the cost of health care services provided by public health care institutions on behalf of contributors.

Given the increasing cost of health care and the fact that the number of NIC contributors receiving services at healthcare institutions has increased significantly from 5,588 in 2000/2001 to 10,688 in 2009/2010, I intend to approach the NIC for an increase in its annual contribution from \$3 million to \$5 million in this fiscal year.

## **11.0 Conclusion**

Madam Speaker, Honourable Members, fellow Saint Lucians.

I am confident that the plans I have outlined for my Administration for this year, will achieve the objectives that I have set out.

More fundamentally, the foundation that we have established over the last four years and which will be extended this year, has already begun to provide the impetus for sustainable growth and development. Our accomplishments have also laid the foundation for restoring confidence and pride in Saint Lucians and all that is Saint Lucian, and for leaving future generations with a legacy that will enable them to take their rightful place in the world as full and worthy citizens.

When the history of our time is written, future generations will have the opportunity to reflect on the severe challenges faced by our current administration and the manner in which we were able, with the support of the people of Saint Lucia, to rise above all adversity and to achieve success.

In closing, Madam Speaker, I wish to thank all public officers, in particular, the staff of the Ministry of Finance, who worked diligently to make today's presentation possible. Madam Speaker, they are the ones who toiled the night to ensure the Budget process runs smoothly.

It is with satisfaction, joy in my heart and words of praise and thanksgiving to Almighty God on my lips that I thank you and my fellow Saint Lucians, commend this Budget to you for consideration, and beg to move this Resolution before this Honourable House.

I beg to move.