

BUDGET ADDRESS 1999/2000

"INSTITUTIONAL REFORM, ECONOMIC CONSOLIDATION AND SOCIAL RECOVERY"

BY

DR. THE HON. KENNY D. ANTHONY

**PRIME MINISTER AND MINISTER FOR FINANCE, PLANNING
& SUSTAINABLE DEVELOPMENT, INFORMATION SERVICES
& THE PUBLIC SERVICE**

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INTRODUCTION

Mr. Speaker, Honourable Members, we meet on the threshold of the year 2000. It will truly be a special year, for it will usher in a happy and remarkable coincidence of the millennium and our 21st birthday as an independent nation.

This extraordinary coincidence requires special celebration. Indeed, we had a dress rehearsal when, for the first time, we recognized and celebrated our 20th anniversary of independence on a national basis. For this financial year, Government has allocated EC\$700,000 towards our 21st Independence Anniversary Celebrations throughout the length and breadth of our island nation. It is an occasion for us to bring the Saint Lucian family together, in peace and in community. These celebrations will take place against an international and regional economic environment of mixed prospects, but one which holds much for the united, purposeful and the confident. What are the mixed prospects, of which I speak?

Pou sélébwé ventenyenen annivewse Endépendans peyi nou, gouvedman ja desidépou tjenn an gwan lokazyon pou mennen tout moun ansanm kou yon fanmi an lapé. Nou ni pou kopwann, magwè lèkonnonmi lèstan latè-a pa telman bèl, men kou an nasyon ki ka pousé douvan ansanm I ni aupil bagay nou sa akonpli.

THE INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

International Developments

Real economic growth in the world as a whole slowed to 2.2% in 1998, compared to 4.2% in 1997. It was a year of turbulence in international financial markets, marked by a loss of confidence in emerging economies and uncertainty about the prospects for strong growth in both industrialized and developing countries.

The reduction in world demand and output following the financial crisis in East Asia and South-East Asia in 1997, continued during 1998. Russia's decision in August, 1998 to devalue the Rouble and restructure its debt; Malaysia's imposition of capital controls, and Brazil's chronic fiscal problems, undermined confidence in the financial exchange rate and economic systems of developed and developing countries alike. Economic contraction worsened and growth slowed substantially in many countries.

Strong consumer spending, low inflation, a strong fiscal performance and capital flight from other countries, helped the United States to maintain its economic resilience. Nevertheless, its real growth slowed to 3.6%, down from 3.9% in 1997.

Weak exports and lower domestic demand resulted in a fall in the growth rate of the United Kingdom from 3.5% in 1997 to 2.6% last year. In Japan, unemployment rose from 3.4% in 1997, to 4.2% in 1998, while the real growth of 1.4% in 1997 turned into negative growth of 2.8% in 1998. That is, the economy produced 2.8% less output in 1998 compared to 1997.

However, it was not all gloom and doom for the developed countries. Germany, France and Canada all experienced somewhat higher growth in 1998 compared to 1997. In addition, weak global demand and falling oil prices kept inflation low in most developed countries.

Economies in Asia experienced contraction, while many of the economies of Latin America and Africa experienced slower growth. Growth in developing countries as a group, halved to 2.8% in 1998.

The financial crises of 1997 and 1998 have increased the uncertainties facing developing countries. Private financial flows have shrunk and developing countries now face significantly higher costs of external borrowing. In addition, the slowdown in world demand growth has hurt exports of goods and services from developing countries.

PERFORMANCE OF REGIONAL ECONOMIES

For the most part, regional economies performed creditably during 1998. Growth in the service sector, particularly tourism, strong demand in housing and construction, low inflation and better economic management are the factors which seem to have been largely responsible for the resilience of Caribbean economies.

Tourism in the Caricom region continued to expand in 1998. Visitor arrivals grew by 4.9% on average, and the cruise ship sub-sector continued to experience substantial expansion. Residential and tourism construction continued to be the one of the fastest growing sectors in many countries, while manufacturing continued its decline relative to other sectors in most countries. In spite of depressed prices for oil, gold, bauxite and alumina, the mining sector benefited from higher output and productivity, except in Guyana. The financial services sector continued to expand. However, recent moves by developed countries to legislate against tax competition are cause for concern.

The Region's agricultural sector continued its general decline during 1998. Affected by drought, rice production fell by 7.5% in Trinidad and Tobago and 17% in Guyana. Unfavourable weather had an adverse effect on sugar production, which declined substantially, in all the major sugar-producing islands.

Banana production fell by 15% and 21% in Belize and Jamaica respectively, and recovered somewhat in the Windward Islands after the debilitating drought suffered during the first half of 1998. Quality improvements and the positive effects of the Banana Recovery Plan agreed between the Windwards and the European Union increased exports by 3.2 %. Nevertheless, Windward Island production continues to be less than half our allocated quota on the European Market.

The problems created by the United States and the possibility of a major trade war with Europe, can only exacerbate the uncertainty facing the industry. We are heartened by the continuing support of the European Union and the recent support of the Caricom family, against the harsh and uncompromising stance of the United States. We will not give up this struggle, nor will we flinch from raising our voices in the international community, against injustice and economic victimization visited upon small states by their vastly more powerful neighbour. Our very livelihood is at stake and the world will judge the righteousness of our cause.

Nou byen kontan ki kalté fig la ka pwodwi apwezan mètè magwé nou ka goumen kont gwo ran, twop apli, ek mové kawanm. Poblenn-la ki lanmèwik ka annékòz asou laplas fig an se peyi Europe ka anbété nou. Kantmenm nou apwésye sipò-a nou ka jwenn hòd European Union-la.

On the whole, growth performance was better than the previous year for most Caricom countries. St Kitts and Nevis, buoyed by post hurricane reconstruction, grew by 7%, Grenada by 5%, Barbados by 4.9%, Trinidad and Tobago and St Vincent and the Grenadines by 3.5% and St Lucia by 2.87%. However, Guyana experienced negative growth of 1.8%; Antigua and Barbuda, slowed to 3.8% from 5.3% in 1997; Belize, growth was down from 3.5% to 3%; Dominica, recorded growth of 1.8%, the same as the previous year; and the Bahamas, growth in 1998 was slightly lower than the 3% recorded in 1997. There is also some evidence indicating that economic performance in Jamaica worsened in 1998.

Considerable volatility still exists in global financial markets. This, in turn, prolongs uncertainty about international economic prospects. Consequently, demand for the exports of developing countries has not fully recovered. Private sector liquidity remains depressed, and the cost of external borrowing remains high. Economic survival requires that Caribbean countries continue to diversify their economies, implement prudent fiscal policies, strengthen their economic management, and make use of expanding opportunities created by technology and the "knowledge" economy.

PERFORMANCE OF DOMESTIC ECONOMY

Mr. Speaker, after five consecutive years of weak and declining economic performance our economy is finally showing some signs of recovery.

+The policies that were announced last year have succeeded in stabilizing the economy. Economic activity has strengthened, and in 1998 the economy grew by 2.87 %, its most dramatic increase since 1992. This builds steadily on our modest growth last year of 0.6 %.

Increasing Agricultural Output

The resources invested in the banana industry, have impacted positively on the agricultural sector. Banana output grew by 2.6 % to 73,221 tonnes; exports of bananas were, however, slightly less than the quantity of fruit produced. The prime reason for this was an underestimation of St Lucia's production recovery and a consequent absence of licences to export the excess fruit.

Market conditions were nevertheless conducive, Mr. Speaker. Our fruit was of higher quality. Exchange rates were generally more favourable and the Green Market Price recorded a steady increase to reach £622 per tonne in December. Consequently, our farmers, Honorable Members, received the highest unit price ever paid for bananas.

Our diversification efforts are also beginning to produce results. Increased output was recorded for non-traditional crops and livestock. There was a 50% increase in the export volume of non-traditional crops. The importation of tomatoes was reduced by 20% in response to increased domestic production. Broiler production increased by 97%; and 40% of the demand for bacon, shoulder and leg hams, beef, bacon and chicken burgers is now satisfied by local production.

Overall, output in the agricultural sector grew by 3.9% - a tremendous improvement over the severe contraction of 17.9% experienced last year. Honourable Members will also note that the gains in agriculture were accompanied by a 15% increase in employment in the agricultural sector. This is good evidence of renewed confidence in the agricultural sector.

Slow Down In Manufacturing

One sector continues to be worrisome, Mr. Speaker; that is the manufacturing sector, where size and scale are persistent constraints affecting our competitiveness. The structure and orientation of the sector affect our ability to penetrate new markets, and to take advantage of existing opportunities. Consequently, output in the sector contracted by 2.1% in 1998. This follows a marginal reduction of 0.3% in 1997. However, the contribution of Manufacturing to the economy remains significant, employing some 5,350 persons last year. Later in this address, I shall propose measures intended to address the decline in this sector.

Construction Sector

Mr. Speaker, when we assumed office in 1997, the construction sector was in a slump. Output had contracted by 6% the previous year and we had to get the sector back on track. I am able to report that the pace of construction activity intensified in 1998, resulting in an increase in employment of 14%.

Le nou antwé an gouvedman dé lanné pasé, anyen pate ka fèt an ling di bati kay. I ka ba mwen anchay plézi pou wapoté katòz pou san pli moun ka twavay an ling sala apwézan.

Expenditure on public sector construction increased markedly; from \$80 million in 1997 to \$114.7 million in 1998. The Central Government was, of course, the major contributor to that effort. The private sector too, Mr. Speaker, has played a major role. There was significant expansion in commercial infrastructure and moderate growth in residential construction. Indeed, the pace continues. Later, I shall announce more measures to accelerate growth and expansion in this sector.

Continued Growth In Tourism

Tourism is our new horizon. This sector continues to be the major source of growth in the economy. Growth was slower this year at 2.4% but its contribution to the national product remained high at 13%. Visitor expenditure accounted for 71 % of total exports of goods and services in 1998. The tourism sector is, therefore, our primary earner of foreign exchange.

The number of stay-over visitors grew at a rate of 1.5% to reach 252,237, while cruise ship visitors grew by 17.6%. Hotel occupancy increased from 71.4% to 75.3% with the average occupancy levels remaining highest in all-inclusive hotels.

The performance of the stay over category was influenced by arrivals from the United States, the United Kingdom and the Caribbean. Arrivals from the United States, traditionally, the island's single largest market, increased by 10.5%. This Mr. Speaker, is the result of the increased marketing activity by the industry in the United States market in 1998. Arrivals from the United Kingdom increased by 6%. We have also benefited from increased arrivals from our Caribbean neighbours as our advantage as a shopping destination is increasingly explored. This is an advantage that must be strengthened further by accelerating expansion in the duty free sector. I will revisit this matter towards the end of this address.

Low, Stable Inflation

St. Lucia continued to benefit from an environment of low and relatively stable inflation. After recording an inflation rate of 0% in 1997, the inflation rate rose to 2.8% in 1998. Increases in prices of local agricultural crops were a significant factor in exerting upward pressure on domestic inflation.

Improvements in Fiscal Operations

Mr. Speaker, there was a marked improvement in Government's fiscal operations in 1998/1999, as a result of the new budgetary measures that were introduced during the last financial year. These included both revenue-enhancement and expenditure-management measures, which have promoted an increase in the level of government savings. The current account surplus increased, while a higher ratio of capital expenditure to total expenditure was achieved. The savings to GDP ratio increased to 5.2%, from 4.3% in 1997, while the share of capital expenditure in total expenditure has risen substantially by more than eleven percentage points to 30.8%.

Debt Servicing

The public debt grew by 17% to \$772.5 million. Of this amount, \$238.7 million is held by non-central Government public sector institutions, but is guaranteed by Government.

To re-position the economy on a sustainable growth path, it was necessary for Government to invest in the economy at levels that exceeded its savings. Government also assumed or if you prefer, absorbed the debt of SLBGA. Central government's portion of the debt therefore increased. However, the debt servicing requirements of Government have remained within manageable limits.

The debt service ratio has fallen marginally to 3.2% from 3.3% in 1997. Total debt outstanding to GDP rose from 26.4% in 1997 to 27.0% in 1998. Honourable members will note that these are well within international norms; St. Lucia is well placed to service its existing debt and has sufficient capacity to finance necessary investment in future years.

Improved Liquidity

I turn now Mr. Speaker, to the monetary developments in 1998.

The tight liquidity position throughout 1997 eased with the loans-to-deposit ratio falling by 5.5 percentage points to 95.2% at the end of December 1998. Interest rates remained relatively stable with only a slight upward adjustment on the high end of time deposits with maturities of up to 3-months.

Increase in External Reserves

Significantly, Saint Lucia's external reserves improved appreciably, moving from a net liability position of \$6.6 million to a net asset position of \$92.7 million at the end of the review period. The net imputed share of the external reserves of the Eastern Caribbean Central Bank also increased by 16%, reflecting an improvement in the balance of payments in 1998.

Mr. Speaker, all of these positive indices have been achieved after just twenty-two months, by a Government that the people of St Lucia were told could not manage the economy.

This review invites me to answer the single, most important question. Did we achieve the targets set in the 1998/99 Budgetary Statement?

HAVE WE MET 1998/99 BUDGETARY TARGETS?

Mr Speaker, last April, I identified seven specific economic targets that the Government had set itself for the year. At that time, I stressed the importance of setting quantifiable benchmarks to assist us in measuring our fiscal and economic performance. In so doing, the Government and the nation would be better able to evaluate progress towards stated economic goals.

I now invite you to consider our stewardship regarding the achievement of those targets.

For central Government saving, we achieved both the minimum target of 2.5% of GDP and our higher desired target of 5%. The Saving/GDP ratio was around 5.2% and helped finance the capital programme, and service public debt. Our minimum target for the coming fiscal year is 3.0%. This is in keeping with our agreement with the European Union regarding budgetary support.

Regarding public sector savings, every indication is that the target of 7% of GDP will be achieved. The final numbers from the statutory and public sector bodies have not yet been collated, but every indication is that we are on course to achieve this target. The target for the new fiscal year is 7.8%.

Our loan/deposit ratio target for fiscal year 1998/99 was 95% compared to 100.7% for the previous fiscal year. We had achieved 95.2% by the end of 1998, and all indications are that there has been further improvement as the fiscal year draws to a close. This is an important target to have achieved, since it is an indication of improved liquidity in the banking system as a whole. The target for 1999-2000 is 92%.

The target of a Current Revenue/GDP ratio of 29% was not achieved. There are two explanations for this. Firstly, it turns out that the GDP series for the last few years have been revised, and that the base ratios, which we quoted for previous years, were too high. Consequently, our target of 29% was too high. The Revenue/GDP ratio in fact improved from 23.9 in 1997 to 24.6 in 1998. Secondly, our revenue effort still needs significant improvement. We have not yet had a full year's impact of the measures taken to strengthen collections in the Customs Department and other revenue generating agencies. Bearing all of this in mind, the new medium-term revenue/GDP target to be achieved on a sustained basis is a minimum 26%.

The Current Expenditure/GDP ratio of 19.4% that we achieved in 1998 was well within the maximum of 26%, which was targeted. This target will be retained for 1998/99. However, in keeping with our prudent approach on fiscal matters, I have set a slightly more stringent current expenditure target of 25% (maximum) to be achieved and sustained in the medium term.

The Capital Investment/Government expenditure target of 30% identified last year, was achieved. The estimated ratio for 1998/99 is 30.85%, up from 19% in 1997/98. However, there is much work to be done to improve the capacity of Ministries to implement their planned capital programmes. The minimum target remains at 30%.

The targeted growth rate of 2 to 2.5% has been surpassed. We in fact estimate that the real economy grew by 2.87%. This is virtually in keeping with the estimates of regional and international organizations. Our target growth rate for 1999 is 3%.

In summary, five out of seven targets were achieved, one is expected to be achieved, and due to extenuating circumstances, we failed to achieve one. We have reviewed some of the targets for this new fiscal year and the years following.

FINANCING OF THE BUDGET

Mr. Speaker,

It is now time to present the estimates of expenditure for 1999/2000, and to explain how the budget is to be financed. Total expenditure amounts to \$744.4 million. Of this, 44.4% or \$330.7 million is for capital investment, 51.5% or \$383.5 million is for recurrent purposes, and 4.1% or \$30.2 million is for meeting principal repayments on the public debt.

Last year, total budgeted expenditure was approximately \$634 million, of which 37.6% was earmarked for the capital programme. Our plan this year is to increase the percentage of expenditure allocated for investment to 44.4%, in keeping with our growth and developmental objectives.

Total Government expenditure will be financed from Current Revenue of \$532.3 million, from Capital Revenue of \$5.0 million, and from Grants and loans of \$207.1 million. I must point out that all the loans and grants are earmarked for capital expenditure, as is the amount of \$123.6 million from recurrent revenue, after allowing for recurrent expenditure and debt re-payments.

The Budget is designed to achieve the fiscal targets for the current surplus, current spending out of G.D.P. and the revenue effort that I described earlier. However, this year revenue collections will be boosted by \$36.0 million, representing the net reimbursement of advances made by the Government on behalf of WASA, to local utility companies and regional and international creditors.

Reimbursement of Advances to WASA

The re-structuring of WASA involves an investment of \$40 million at 9.8% interest, by the Royal Merchant Bank and Finance Company of Trinidad and Tobago, part of which will be used to meet WASA's indebtedness to Government. The Government has agreed to meet the interest and transaction costs of just under \$4.0 million for the first year only,

after which a re-structured WASA/WASCO will have to make appropriate arrangements to service all its liabilities. These arrangements will be determined during the re-structuring exercise in which the Bank is willing to be involved, given its financial expertise. The Caribbean Development Bank has agreed to provide technical assistance to WASA in its transition from a statutory body to a corporation.

I have informed WASA that it must assume responsibility for its affairs, and that the government will not write off the advances of \$40 million made on its behalf. However, Government will not saddle WASA with any interest burden from the accumulated debt of \$40 million. In addition, WASA or its successor, WASCO, will receive a lump sum of around \$9.8 million to meet re-structuring expenses, including critically needed funds for capital works. Not counting any accumulated interest from the total advances of \$40 million, or the interest cost for 1999-2000, the net revenue from this arrangement amounts to \$26.2 million for the fiscal year (i.e. revenue of \$36 million less the estimated transfer to WASA/WASCO of \$9.8 million).

Returning to the revenue effort, and focusing on the usual recurrent revenue items, we expect to achieve our revenue target of 26% of GDP. Also, the distribution of tax and non-tax revenue to total current revenue is somewhat different from that which obtained last year. Tax revenue accounts for 87.3% of revenue, compared to 88.6% last year, while non-tax revenue accounts for 12.7% compared to 11.4% last year. Amazingly, the Government is accused of being hungry to increase taxes, yet the proportion of tax revenue to total revenue will decline by 1.3%. I will shortly examine detailed revenue and fiscal measures and the underlying objectives that they are meant to achieve.

Impact of Public Sector Wage Increases

As far as recurrent expenditure is concerned, wages and salaries together account for around 51% of the current budget compared to about 52% in last year's budget. This excludes allowances for wage settlement for public workers. The wage bill is more than half the size of the total recurrent budget, and I have made it clear for some time now, that the Government can only pay what the country can afford.

The offer which the Government has made to public officers means that an estimated \$14.8 million will have to be paid this coming fiscal year. A further \$10.1 million will have to be paid the next fiscal year and an additional \$1.8 million will be paid if the economy grows by more than 5%. Overall, then, \$26.7 million will have to be found to pay public officers based on Government's offer.

Mr Speaker, since borrowing money to meet such recurrent expenditure is tantamount to fiscal recklessness, there are only two other ways to meet any demand for salary increases over and above Government's offer: additional taxes or retrenchment. It is not the policy of the Government to increase unemployment. And you know Mr Speaker, how I would hate to increase taxes!

As I pointed out earlier in my review of the domestic economy, our debt ratios continue to be relatively low. Despite transferring the debt of the St Lucia Banana Growers Association from a contingent liability to a central government debt, the amount set aside for debt service this year is around \$62 million. This compares favourably with \$66.5 million last year. One of the main reasons for this is the higher yield achieved on sinking fund investments last year, which reduces the amount required to be set aside this year. We will continue our efforts to manage the public debt and fiscal accounts with prudence and responsibility, as we consolidate the financial reforms put in place over the last year and a half.

ESTIMATES 1999/2000

FINANCIAL SUMMARY

\$M

CURRENT REVENUE 532.3

CURRENT EXPENDITURE (Excluding Principal On Debt).... 383.5

CURRENT SURPLUS 148.8

LESS DEBT PRINCIPAL PAYMENTS 30.2

CURRENT SURPLUS AVAILABLE FOR

CAPITAL INVESTMENT 118.6

CAPITAL ESTIMATES

CAPITAL RECEIPTS 5.0

LOCAL RESOURCES AVAILABLE FOR

CAPITAL INVESTMENT 123.6

GRANTS AND LOANS 207.1

TOTAL CAPITAL FINANCING 330.7

TOTAL CAPITAL EXPENDITURE 330.70

Permit me now, Mr Speaker, to highlight some areas of investment expenditure of particular interest.

The agencies of Parliament, including the offices of the Governor-General, the Legislature, the Service Commissions, and the Electoral and Audit Departments, will receive, an aggregate increase of \$179,000.

Some \$15.7 million has been allocated for General Services, which include the Office of the Prime Minister and the Ministry of the Public Service. This allocation includes an amount of \$10 million for land acquisition obligations, an increase of \$5 million over last year, and \$700,000 towards preparation for the observance of St Lucia's 21st Anniversary of Independence.

The Economic Services Sector will receive approximately \$220 million for capital expenditure in this financial year. Portfolios under this sector include:

the Ministry of Agriculture, Fisheries, Forestry and The Environment;

the Ministry of Commerce, Industry and Consumer Affairs;

the Ministry of Communications, Works, Transport and Public Utilities;

the Ministry of Finance and Planning;

the Ministry of Foreign Affairs and International Trade; and

the Ministry of Tourism, Civil Aviation and International Financial Services.

Capital inputs into the Economic Sector include:

\$73.1 million for the Ministry of Communications, Works, Transport and Public Utilities, particularly to undertake badly needed road rehabilitation. This is an increase of 15.7% over the 1998/99 allocation.

\$98.2 million for projects under the Ministry of Finance and Planning, including poverty reduction, disaster mitigation and solid-waste management.

\$28.4 million for the Ministry of Agriculture, Forestry, Fisheries and the Environment for an intensification in its work in agricultural diversification and natural resource management.

\$17.6 million under the Ministry of Tourism, Civil Aviation and International Financial Services. This allocation will be used primarily for marketing and promotion, product development, nature heritage programmes in selected communities and developing the international financial services sector.

The economic sector also has provision for increases in operating costs of \$1.3 million or 12.4% for the Ministry of Foreign Affairs and International Trade, and \$862,000 or

70.5% increase for the Ministry of Tourism, Civil Aviation and International Financial Services.

An amount of \$67.6 million has been allocated to the Social Services Sector, for capital projects, compared to \$42.3 million last year, an increase of 59.8%. Portfolios under this sector include Community Development, Culture, Cooperatives, Local Government, Education, Human Resource Development Youth and Sports, Health, Human Services and Gender Relations.

Capital inputs for the Ministry of Community Development, Culture, Cooperatives, Local Government and Ecclesiastical Affairs increased by \$769,000 or 14%; for the Ministry of Education, Human Resource Development, Youth and Sports, \$22 million or 71%; and for the Ministry of Health, Human Services, Family Affairs & Gender Relations, \$2.4 million or 40%.

Operating costs increased by \$776,000 for the Ministry of Education, Human Resource Development, Youth & Sports stemming primarily from contractual obligations under the World Bank/CDB's Basic Education Reform Project.

INSTITUTIONAL REFORMS AND INNOVATION

Against the macro-economic environment just developed, I will turn now, to the Budgetary Proposals. This Budget Presentation is woven around three inter-connected themes: Institutional Reforms, Economic Consolidation and Social Recovery. Let us now Examine the first theme, Institutional Reforms.

The Millennium Project

Mr. Speaker, the 21st Century is undoubtedly the era of information technology. Knowledge and information have now become economic products as well as primary factors of production, and it is imperative that our education system addresses and accommodates itself to that reality. The Government of St. Lucia, conscious of the need to equip our children for survival in this competitive information world, has conceived the "Millennium Project".

The Millennium Project involves the incorporation of information technology into the education system of St. Lucia over the next three years and has two major components:

The incorporation of information technology in the school curricula at all levels.

The strengthening of institutional administration in the education system by providing principals and other education administrators with the appropriate information systems in order to assist in decision-making.

This challenge will be incrementally but assiduously pursued and will prioritize the provision of computers and the introduction of information technology in the secondary schools. In the long run, the project will:

Allow establishment of state-of-the-art computer labs at Sir Arthur Lewis Community College and the development of computer intensive campus-wide networks at the College;

Equip all primary and secondary schools with computer labs, starting with the secondary schools and ultimately, establishing a ratio of one computer for every twenty students. This infrastructure will also be used for training of persons in adult and continuing education programs;

Establish training facilities with adaptive technologies for students with various forms of disability at special education centers;

Establish computer playgrounds to extend information technology education to students at the pre-school level;

Install computer labs at public libraries for use by students outside of regular school hours and for use by the public;

Connect schools to each other, to other relevant locations and to the internet;

Train all teachers in the use of information technology as an instructional tool;

Train specialist teachers in computer science education to work at the secondary and tertiary levels;

Provide basic training in computer maintenance and technical support to teachers;

Review the curricula for all subject areas and make appropriate modifications in order to incorporate effective use of Information Technology;

Implement appropriate information technologies to strengthen school administration, monitor student performance and to assist teachers in carrying out routine functions.

The Ministry of Education, Human Resource Development, Youth & Sports is establishing the infrastructure for this project. The new government telephone system will enable the Ministry to put in place its own server, connected to a leased line from Cable & Wireless, so that eventually all schools and libraries will be able to dial in to the Internet through the Ministry.

The introduction of this technology, Mr. Speaker, requires that the matrix of hardware, software and user be carefully delineated right from the start. And that is why, in this financial year, the Ministry of Education as we will establish the prototype a pilot in a

few secondary schools, before the project rolls out to the entire system. Half a million dollars (\$500,000) is allocated in the capital expenditure for computer labs and the Millennium Project start-up. Our approach is to first get it right, establish a viable working model and then apply this throughout the system. This expenditure will also involve the review of appropriate software for use in schools, and the training of teachers in the use of the technology. The Curriculum & Materials Development Unit (CAMDU) has already started work developing experimental local software based on the local curriculum so that eventually, the national curriculum will be available on the Ministry intranet for use in schools and for self-paced instruction by students.

Year 2000 or Millennium Bug Problem

Mr. Speaker the year 1999 started off not with the usual greetings of prosperity for the New Year, but with concern as to what the year 2000 will bring. Everywhere there is concern about the potential disaster created by the computer problem known throughout the world as the 'Y2K' or 'Millennium Bug' problem. In St. Lucia there is need for us to be concerned about the problem because computers have become an integral part of our lives. We have given some attention to this problem, and I would like to inform the Honourable House of the efforts that the Government has been undertaking.

The Government has set up a National Task Force on the Y2K problem in order to spearhead the efforts of achieving Y2K compliance. The task force comprises senior Public Officers, and a representative of the Chamber of Commerce, who have the technical expertise to ensure that Y2K compliance is achieved.

From the public sector point of view, the Task Force has undertaken a review of all major users of information technology and has attempted to determine the state of readiness of these users. The Task Force reports that the following major users are Y2K compliant:

The Financial Management System - FINMAN;

The Inland Revenue Department's Standard

Integrated Tax Accounting System – SIGTAS;

(c) The Customs and Excise Department's entry processing system - ASYCUDA

However, the following systems are not Y2K compliant as yet:

The Electoral system;

The Driver License and Vehicle registration system;

The Traffic Lights Control systems

Provisions are being made in this budget for ensuring that both the Electoral and Traffic Lights Control systems become Y2K compliant, while the Task Force is investigating an inexpensive approach to ensuring compliance for the Drivers License and Vehicle registration system.

The Task Force has solicited from Private Sector organizations, statements indicating their level of compliance, and to date, the Task Force has received statements from the following organizations:

St. Lucia Electricity Services Ltd.

The Water and Sewerage Co Ltd

St. Lucia Development Bank

Cable & Wireless

It is particularly heartening to see that our utility companies have all indicated their awareness and readiness. I am sure that this brings comfort to individuals who are concerned as to whether St. Lucia will be in a state of darkness with no water or communication facilities after midnight December 31, 1999.

Establishment of Immigration Department

Mr. Speaker, in our Contract of Faith, we stated our intention to "*Upgrade the airport arrival and departure facilities by ensuring that they are staffed with customer friendly immigration and customs officials not only for tourists, but also for citizens.*" Consistent with the article of faith, I signaled sometime ago to this House, Government's intention to embark upon a programme for the restructuring of the Immigration Services. The restructuring plan envisages a "civilianized" Immigration Service, operated by civilian personnel rather than by the Police Officers. One effect of this is to free resources, both material and human, for use by the Police in the ongoing war on crime.

Already, a comprehensive review of the existing system has been undertaken and an assessment made of our needs and requirements. At present, the constituent elements of the system are being designed, but there is yet much more to be done. New legislation will need to be drafted and enacted; operations and procedures manuals will have to be prepared; and most importantly, staff will have to be carefully recruited and trained.

Provision has been made in the Estimate for the sum of \$325,000 to facilitate the establishment and operation of the new service.

Reforms to Customs

In the course of this financial year, Government will accelerate the pace of reforms in the Customs Department, inspired, as already known, by the Customs Reform and

Modernization Project. This is a strategic change programme aimed at improving all aspects of Customs operations. The United Kingdom Government, through its Department for International Development, is funding the reform. The British Government has allocated EC\$20 million for this project.

In January 1999, based on the reports of four United Kingdom consultants, Cabinet approved a restructuring of the Department as well as seventy-two (72) recommendations in the areas of:

Anti-Smuggling

Computer Audit

Management and Organization

Fiscal Procedures

The cost of implementation of the recommendations is \$765,418.00. Provision has been made in the estimates for the recruitment of thirty-seven (37) additional customs officers to enhance the performance of the Department and to facilitate the changes identified in the modernization programme.

Since the inception of the Project in June 1998, the Department has had eight (8) revenue seizures related to the under-invoicing of goods. Fines totaling \$38,300 have been imposed by the Courts and prison sentences totaling thirty-one (31) years were handed down.

Those persons engaged in the trade of importing goods are advised to desist from the temptation to engage in under-invoicing and to declare the true value of imported goods to the Customs & Excise Department. To allow those who have breached the law to atone for their transgressions, Cabinet has agreed to grant an amnesty to importers for under-invoicing in respect of entries from 1996 onwards, for a period of six months. I urge defaulters to make use of this amnesty.

Reform of Small Enterprise Development Unit (SEDU)

Mr. Speaker, I have always been uneasy about institutions that offer advice and do not themselves, experience the identical challenges faced by those who are expected to survive by the advice that is extended. It is in that context that we must determine the future of the Small Enterprise Development Unit (SEDU).

The Small Enterprise Development Unit has performed well during the year under review. Its major achievements include:

The preparation of 79 business plans for entrepreneurs;

Conducting three-month Small Business Management courses at Castries and Vieux Fort for approximately 70 existing and potential small businesses;

Assisting 15 small businesses in Market and Product Development;

Assisting 109 small businesses to register;

Assisting with the development of an Accounting Centre at the National Research and Development Foundation (NRDF).

In fact, SEDU bears the main institutional responsibility for the promotion of the small business thrust and must therefore be up to the task to which it has been assigned.

The strategic role of the Unit, however, requires that its immediate environment be conducive to its operations. In this context, a review of the Unit's existing structure is being undertaken, to determine whether it is more appropriate for the structure of the Unit to be transformed into that of a Small Business Corporation, with the autonomy which permits it to function with an eye on urgency and unrestricted by the restraints inherent in its present position as a unit within a Government bureaucracy.

A consultant has been engaged to examine this issue and to make recommendations on how the transformation could be effected in the course of the financial year.

ESTABLISHMENT OF EMPLOYMENT RESOURCE CENTRE

Mr. Speaker, there is no doubt that STEP was a tremendous success. Thousands of persons who could not find employment found some solace in the few months of STEP. - But even while we were establishing the programme, we reminded the nation that it was only a temporary programme. We understood that STEP had to give way to a comprehensive and integrated approach to combating the unemployment problem. The time has arrived for us to take another step in that direction.

On completion of STEP, the Government of St Lucia was left with a sum of approximately \$1.6 million. Of this sum, we propose to utilize \$1 million to establish an Employment Resource Centre. In creating this Centre, I wish to recognize the efforts of our social partners, all of whom contributed immensely to the conceptualization of the proposal.

The establishment of an Employment Resource Center is a reflection of the views and experiences of all the organizations that participated in the management of STEP and others that have indicated an interest in shaping a national response to unemployment.

This initiative will not succeed without the active involvement of our Social Partners. To facilitate constructive interaction with our Social Partners, Government proposes to establish the Employment Resource Centre as a limited liability company with a Board of Directors comprising directors drawn from:

The St Lucia Chamber of Commerce, Industry & Agriculture;

The St Lucia Employers' Federation;

The Trade Union Movement;

The St Lucia Industrial and Small Business Association;

The National Youth Council;

The National Insurance Scheme; and

The Government of St Lucia

Mr. Speaker, every effort will be made to ensure that the approach of the Centre is flexible and can cater to the diverse needs and sensitivities of the unemployed. It will be able to assess the capabilities of job seekers. It will provide opportunities for the unemployed to develop their skills, both attitudinal and technical, thereby enhancing their employability. It will train employees for foreign investors who request a specialized workforce. It will offer a wide range of information on the labour market, educational institutions and financial assistance for the use of prospective job seekers and persons seeking to be self-employed; and it will offer some work experience for the newly employed while permanent employment is being sought.

This Centre, Mr. Speaker, is another undertaking by this Government in the formulation of a long term, sustainable programme of human resource development and employment creation in Saint Lucia. I commend it to this Honourable House.

A NEW THRUST IN HOUSING

I have indicated previously that each budget presentation will focus on an issue of major social and economic significance to the nation. The issue for this budget is one that affects each one of us; it is one of the three essential basic needs, it has a significant influence on social and economic development; and for many fortunate persons, it represents the largest major investment that they will ever make. I refer, of course, to the issue of Shelter, Housing and Home Ownership.

Housing Stock and Shelter Developments

There is no denying that over the past twenty years St. Lucians have been able to increase the housing stock and improve its quality. This is illustrated by the many land and housing developments around the northeast corridor of the country. In addition, thanks to the buoyancy of the banana industry and the remittances from St Lucians resident overseas, new suburbia have developed around some of our villages. However, side by side with these developments are a number of tenantries where our citizens and their children live in absolute squalor, without basic and decent housing and even more

distressing, without proper sanitary facilities. The tenantries and slum areas in Foux-a-Chaux, Fond le Grande, Marchand, Leslie Land and Morne du Don in the Castries area, Coin d'Anse in Soufriere, and the Mangue in Vieux Fort, are but a few examples. Additionally, the central sections of many of our towns and villages need urgent upgrading.

But what are the facts? According to the last census, St. Lucia's housing stock was 40,000 units. Seventy-two percent (72%) of the units were owner-occupied, 22% rented. Only 37% were built after 1980. Of the existing stock, 49% of the houses had pit latrines, 30% had septic tanks, 8% were connected to a sewer system, while 9% had absolutely no sanitary facilities. Ninety per cent (90%) of the houses had electricity and only 75% had piped water. Wood is the major building material but the newer trend is towards masonry houses. Houses, too, are larger, with newer houses having five rooms on average, compared with three for older houses.

And what of the future? St. Lucia needs 1,500 units annually: 600 to take care of population increases and 900 to replace old, decaying and substandard accommodation. At the same time, only about 500 residential building permits are approved each year, meaning that there is a housing gap of 1,000 units per year and these are largely in the low income category. This means that if the low income housing situation is not addressed with some urgency, St. Lucia will experience "a tale of two cities", with one third of the population living in relatively comfortable accommodation whilst the majority has to live under sub-standard conditions. This is a totally undesirable social situation, pregnant with despair, hopelessness and conflict.

Today, under current conditions, 67% of St. Lucian households cannot afford to own a 2 bedroom, 800 sq. ft masonry house on 3,000 sq. ft. of land, costing about \$120,000. To purchase such a house the buyer would need down and upfront payments of \$24,000 and a monthly mortgage payment of \$1,100. These payments would require a household income of \$3,700. But only about 30% of households earn such minimum income levels.

Government, through its various social and economic programmes, is working assiduously to increase employment and productivity levels in the economy in order to enhance householders' capacity to own their homes.

Government's efforts to increase the accessibility of low income households to affordable housing, will focus on two broad areas: increasing productivity, income and employment; and attempting to reduce the cost of housing construction, interest rates, other financial costs and other upfront costs. If all of this could be achieved simultaneously, then basic home ownership could be available to almost 90% of households – a dramatic improvement on the current figure of 33%.

Government's Role

As a matter of policy, Government will not intervene in the housing sector in any area that is adequately handled by the private sector and for which the private sector has both

the desire and competence to be involved. Thus, neither Government, nor its agencies, will be involved in building houses for the middle and upper income markets as these market segments are currently very adequately served by the private sector (even though the costs there leave much to be desired). Even in the low-income areas where the Government plans and expects to intervene, these interventions will be in cooperation with the private sector.

Within this framework, Government's involvement will be in three broad areas:

policy formulation, physical planning, regulation setting, and compliance monitoring for the housing sector as a whole;

coordination, execution and encouragement of low income housing developments and the provision of indigent housing for the unfortunate who do not have any means to afford basic home ownership; and

resource mobilization to finance the needs of low income families for housing, since they would neither have access to, nor could afford, conventional finance on commercial terms.

In order to give effect to the new policies and strategies, a new institutional structure has already been enunciated and its legislative mandate is being prepared. At the apex of these institutional arrangements will be Policy Formulation, Town and Country Physical and Economic Planning, Regulation and Standards Setting and Compliance Monitoring which will be provided by the Central Government and coordinated by the Ministry of Finance and Planning. The second element of the institutional arrangements will be the amalgamation of the current housing delivery institutions of the Housing and Urban Development Corporation and the St. Lucia Housing Authority into a single more effective institution to be called the National Housing Corporation. This new entity will be the implementing agency for Government's housing initiatives including delivery of low-income housing units and developments, and the management of Government's Land Bank and subsidized rental property for indigent housing. The proposed third part of the institutional arrangements will be the establishment of a National Housing Trust to mobilize long term domestic resources to help finance, on a sustainable basis, low income housing. Whilst the entity will be an independent body with its own Board of Directors, it is expected that it will work with the National Insurance Board to mobilize resources on terms mandated by statute.

INSTITUTIONAL SUPPORT MECHANISMS

The implementation of such a programme at a time when there are so many investment initiatives planned for execution can put pressure on the available building skills in the country, resulting in either increased cost of construction and/or project delays.

Apprenticeship Training in Building Trades

To help address this problem while helping to alleviate the chronic unemployment situation in this country, particularly amongst school leavers, Government intends to utilize the newly formed Employment Resource Centre to develop a Skills Training and Apprenticeship Programme. This programme, to be developed in conjunction with the SALCC and the NHC, should benefit about 300 young persons, thereby making that number of skilled persons available over the next five years. The cost of this programme is estimated at about \$3 million over a five-year period.

The programme will be so managed that the training and apprenticeship facilities will be well distributed throughout the country. It will provide the unemployed and/or school leavers with training in such building trade skills as carpentry, masonry, plumbing and electrical wiring. The proposal is to select willing and unemployed school leavers who have the requisite aptitude to work as apprentices on construction sites under the supervision of skilled craftsmen. Their remuneration (which would be about 30% of the wages of a skilled craftsman) would be borne by the site contractor but Government would meet the cost of skills training at SALCC for these apprentices on evenings and weekends. Discussions are to be held with SALCC to establish the mechanisms for facilitating such training activities within the institution's framework.

Establishment of National Housing Trust

The amount of financial resources that will be needed to address the housing problem will not be available from donor and institutional funding sources. It would not be prudent to borrow these resources from external market sources as these funds would be costly and would displace borrowings for other self-liquidating productive and supportive infrastructure projects that generate foreign exchange. Hence a large part of the funding has to be generated from local sources by redirecting existing available resources and/or increasing the level of savings. One avenue that has been successfully utilized in Jamaica and recently implemented in St. Kitts-Nevis is the establishment of a National Housing Trust. This proposal is under consideration in St. Lucia and would involve all employees making a voluntary contribution of about 2% of income, which would be reimbursable with interest for housing related purposes after 10 years in the trust fund. Progressive employers would be encouraged to match their employees' contributions, which would be vested in these employees if they provide 10 years of service to the employer and with these amounts being made available to the employee after the contributions have remained in the trust for ten years. The contributor may use his savings for housing related payments at any time and would be allowed to borrow up to 50% against the amount saved.

SUPPORT FOR PRIVATE SECTOR INITIATIVES

Mr. Speaker, Honourable Members: I have made it clear that Government will concentrate on low income housing and leave the middle and upper income sectors to the private sector. Of course, Government understands that it must establish and maintain an environment that encourages investment by private sector developers.

Two measures have been introduced to assist private sector investment, one by the previous Government and the other by this administration.

Duty Free Concessions on Materials

In 1991, "Cabinet agreed that in respect of any developer or group of developers undertaking the construction of ten (10) or more houses in a development within the range of \$15,000 to \$150,000 (house and land) to grant waiver of import duty and consumption tax on building materials imported for that purpose."

The 1991 policy did not achieve the desired result. Some developers experienced problems in raising finance from our financial institutions while others could not offer the required collateral to the Development Control Authority for infrastructural works.

Government will maintain the underlying principle of the 1991 policy intervention, but refine it in two ways. Firstly, it will reduce the number of houses to five (5) or more houses in a development, and secondly, broaden the price range to \$15,000 to \$200,000 per house.

In order to assist those developers who cannot offer collateral in cash deposits to ensure completion of infrastructure, Cabinet has agreed that:

the Developer be given the option to offer collateral in the form of land as surety to the Development Control Authority for infrastructural works;

that Stamp Duty, payable to the Inland Revenue Department, in connection with the Deed of Donation from the Developer, in favour of the Development Control Authority be waived;

that Land Registration Fees, in connection with the Deed of Donation from the Developer, in favour of the Development Control Authority be waived;

that Stamp Duty, payable to the Inland Revenue Department, in connection with the Deed of Transfer from the Development Control Authority to the Developer be waived;

that Land Registration Fees in connection with the Deed of Transfer from the Development Control Authority to the Developer be waived;

that Vendors Tax be waived on the Deed of Sale by the Development Control Authority to the public."

GOVERNMENT'S FIVE-YEAR LOW INCOME HOUSING PROGRAMME: 1999-2003

Government intends to embark on a massive low-income housing programme over the five-year period. This programme will focus on households with income of under

\$30,000 per annum or \$2,500 per month. Housing for households above this income range will continue to be provided by private developers and through the HUDC/NHC normal housing programmes.

The following three programmes have been identified: Sites and Services, Tenantry Upgrade and Squatter Relocation, and Home Repair, Improvement and Retrofitting. Government's proposals on Indigent Housing will be announced in due course.

I will give a broad outline of each programme.

Sites and Services Programme

This component of the programme, over the five-year period, will:

1. Develop over 200 acres in at least ten sites in appropriate urban and rural areas in St. Lucia. These sites would be sub-divided into about 1,000 building lots each of at least 3,000 sq. ft.. The necessary infrastructure as roads, water, electricity and sanitation services would be provided
2. Construct on each lot, some form of basic housing, depending on the needs, wishes and capacity of the low-income household to pay. Each household will be given the option of determining what they wish to build on their site, when, and by whom?
3. Develop land around these rural sites that could be rented to households who may wish to engage in some form of very small scale high value agriculture such as rabbit and chicken rearing, vegetable farming, floriculture and aquaculture. Develop around the urban sites also small spaces that could be used as workshops by these households to pursue such income generating activities as dress making, agro processing, repair services, retailing and crafts all in an effort to help these households earn some income.

Each lot will be sold at about \$6 per sq. ft. but the homeowner can pay as little as \$4 per sq. ft. so as to reduce his cost with the HUDC/NHC retaining the other \$2 per sq. ft. in equity which will be payable only if the home owner sells the house. The low-income household can request the NHC to build homes no larger than 800-sq. ft. on their behalf.

Financing for these homes will be arranged at interest rates which will reduce the cost of servicing a 20 year mortgage from the normal \$1,200 to as low as \$700 for eligible applicants. In fact, the interest rate on these mortgages will vary between 6.5% and 11.5% depending on the level of average household income. Under this component of the programme, an eligible low income family earning \$2,400 monthly will be able to acquire a two-bedroom masonry house, which would normally cost \$120,000 with land, for a down payment of about \$5,000, which is inclusive of fees, and a monthly payment of about \$600 repayable over 20 years. Similarly, an eligible low income family with a monthly income of \$1,500 would be able to purchase an 800 sq. ft. wooden house for \$55,000 with a complete down payment of about \$3,500 and a monthly payment of \$495 for 15 years.

This Sites and Services Programme is projected to cost about \$105 million, with the financing coming from borrowed funds. While the Government and/or the implementing agencies will be borrowing from the market or aid agencies, the project is expected to be fully self financing as all beneficiaries will be required to meet all relevant costs. Therefore, financing is not projected to be a burden on the Government.

Tenantry Upgrade & Squatter Resettlement

I have already alluded to the many squatter and tenantry settlements and shantytowns in St. Lucia. In these cases, households have occupied lands, largely as tenants, on which many landlords have not provided the basic services. This clearly demonstrates that people in search of accommodation are doing as much as possible to secure proper accommodation but are limited in how far they can go because they either do not have title to the lands that they have been occupying for years, if not generations, or because the landlord has not put in the essential basic infrastructure. Some of these slum areas are unsafe, unhealthy and a disgrace to our image, and Government intends to deal definitively with this problem.

Government has identified tenantries in areas such as Faux-a-Chaux, Marchand, Fond le Grand, the Mangue, and Shanty Town, among many others, which either need upgrading or a relocation of tenants to more suitable and appropriate locations.

Over the next five years, Government intends to upgrade tenantries and relocate tenants from areas that are either unfit for human habitation or where better economic use could be made of the occupied lands. This component of the overall housing programme is expected to benefit approximately 3,000 households across St. Lucia and will involve:

- (a) Acquisition of the necessary tenanted lands where the private sector landlord is either unwilling or unable to develop it, and compensating these owners with either cash, Land Bonds, or even equitable land exchanges.
- (b) Development of these sites by demarcating house lot boundaries, footpaths and roads, and by putting in the necessary basic services such as street lighting, water, sanitation services and community facilities wherever possible.
- (c) Sale of the developed and improved house lots to the existing tenants at an appropriate cost, so that they can have title to the lands that they occupy.
- (d) Negotiations with domestic financial institutions to assist these households with financing to help acquire the serviced lots and so improve their shelter situation.

Problem-la nou ni koté moun ki ka weté kon Faux-a-Chaud, Mangue, Shanty Town, Marchand, Fond-le-Grand ek plezyé lot plas ko sa an Sent Lisi ni pou vini mètè.

Nou passca kite moun mété kay yon anlè lòt san kondwit epi diweksoyon. Gouvedman kay éséyé wanjé sa le nou endé se moun la jwenn papyé pou té. Nou kay achte té an lanmen sé mèt té-a ek fè asiwé sé moun la jwenn se té sala pou an pwi yo sa péyé. Gouvedman ka fè tout sa I pè pou fè asiwé pli moun èspwèsiman jennes ni an kay an peyi yo.

Moun ki ka ganyen ant dis pou twant mil dèla pa lanné, ek ki anba venn senk lanné di laj pakay péyé tax asou matwéyo vant, èk lot bagay kon sa. Anfen, pou pwemyé fwa Gouvedman kay fe asiwé sent Lisyen ki pa pè bâti gwo kay sa jwenn an chays pou ni an mòso fè èk an kay a natal yo.

This component of the programme, which should upgrade about 600 households per year, is expected to cost about \$12 million over the five-year period and will go a long way to address the housing rehabilitation and replacement problems that I referred to earlier.

Home Repair, Improvement and Retrofitting

The quality of our housing stock has deteriorated more rapidly than it should have, not only because of the failure to provide services but also because of a failure to effect timely maintenance. Moreover, periodically and seasonally, houses constructed at considerable cost and sacrifice are damaged or destroyed by natural disasters because appropriate design and construction techniques were not practiced. Towards addressing this problem, Government, in association with the SLDB and other public-spirited financial institutions, will be requested to institute a flexible loans scheme to support all households with home repair, improvement and retrofitting. Support will be provided to those who are compelled to rent lands to construct their homes. In the latter case, homeowners will be encouraged to borrow to help secure their homes from the ravages and damages that natural disasters can and do wreak.

As part of this programme Government is expected to advertise minimum design and construction standards and to require architects, draughtsman and contractors to adhere to these standards.

Lower Middle Income Housing

The HUDC/NHC, which normally builds an average of 120 new units per year, is projected to deliver 150 new units annually around St. Lucia over the next five years. These units, which are expected to cost between \$90,000 and \$150,000, are in addition to the other programmes described earlier.

The measures that I have just described are designed to meet the objectives of:

increasing the quantity and improving the quality of the housing stock;

making the ownership of basic housing more affordable for a much larger proportion of households in St. Lucia by reducing home ownership acquisition costs;

discouraging conspicuous consumption in housing; and
providing reasonable relief as and when needed.

CONTRIBUTIONS FROM PARTNERS

The magnitude of what is needed to address the housing problem is much beyond the capacity of the Government to provide, and therefore requires the cooperation of all in the society to address what is a chronic social problem that should be a scar on all our consciences. In particular the following groups namely, employers, financial institutions, the legal community, and the ECCB as a monetary authority are being called upon to cooperate with Government to contribute to this national effort. This cooperation, while it addresses a social problem, has very significant and positive effects on the economy that will redound to the benefit of all, including those who would have contributed to the relief effort. The direct and indirect economic stimulus of this programme, the satisfaction, commitment and empowerment which home ownership provides, the positive impact of better quality housing on productivity and the need for, and use of, social services all contribute to economic growth, national cohesion and social peace.

It is against this background that I present these proposals and appeal for your understanding and cooperation.

TAX AND INCENTIVE PROPOSALS FOR HOUSING

Mr. Speaker, Honourable Members, allow me, now, to turn to the Tax and Incentive Proposals that will excite these developments.

Registered Home Ownership Savings Plan

Government has already taken the first step and enacted the necessary legislation to exempt from income tax up to \$6,000 of income per year saved by would-be first home buyers subject to it being saved regularly for a five year period. This legislation was enacted a few weeks ago. At least one financial institution is preparing to provide a guaranteed mortgage programme under this initiative to facilitate such savers

Exemption of Select Power Tools from Duties and Taxes

In order to reduce the drudgery in the use of manual tools, improve the productivity of building technicians and at the same time encourage more "Do-It-Yourselfers", the Government will exempt select power tools such as drills, saws, planes etc, intended for home and business use, from import duties and consumption taxes.

Proposals to Benefit Low Income Households

I now turn to the tax and incentive proposals to benefit low-income households, that is, households with income between \$10,000 and \$30,000, with no member earning more

than \$15,000 and with no income earner under 25 years of age. These persons would qualify for the following benefits on land and house costing no more than \$90,000 and constructed under the coordination of, or in association with the NHC:

- (a) Import duty and consumption tax rebates on materials used in the construction;
- (b) Exemption from stamp duties on mortgages and transfers of titles; and
- (c) A rebate of corporate tax payable by financial institutions equal to the interest subsidy below 10% provided for eligible mortgages and properties subject to a minimum interest rate of 6.5%.

In addition, the Government will seek the following concessions for eligible low-income families and for eligible properties from:

The Bar Association, a reduction in the cost of legal fees on executing mortgages and transfers to \$500 per property - a maximum saving in \$3,000 in initial costs. I have already written to the Bar Association requesting their support and agreement. I await their response.

(b) The ECCB, an agreement to exempt funds invested in eligible mortgages from the non-interest bearing reserve requirements subject to a maximum of 25% of normal reserve requirements. This would serve to reduce interest rates by about 1% per annum, at least in the initial year.

As a result of the combination of these measures, the down payment and monthly payments on a typical two-bedroom would fall by as much as 75% and 50% respectively to about \$5,000 down payment and \$600 in monthly payment and would result in as much as an additional 35% of households in St. Lucia becoming eligible to afford basic home ownership. Unlike the past, this package of measures benefits all segments of the society.

WHAT WILL BE ACHIEVED?

What then, will be achieved by this programme?

Government's Housing Programme will ***FOR THE FIRST TIME*** have the following features:

- ***For the first time*** Government's housing programme, together with private sector efforts, will meet all the projected replacement and new housing required for population growth.
- ***For the first time*** Government's housing programme will focus exclusively and specifically on catering to the needs of the low-income and the lower middle income families.

- *For the first time* Government's Housing Programme will have benefits not only for the middle and upper income tax payers but will be available in different forms for all income groups.

- *For the first time* and despite these initiatives, the financial burden on the Government will be manageable. This is possible because of the way the programme was designed, i.e. cost recovery from all, but with gains being achieved through efficiencies and cooperation from different social partners.

- *For the first time* Government's low income housing programme will allow low income families the choice of determining the type of house that they would wish and/or afford.

- *For the first time* the Government's housing programme will not only focus on building new units, but will work with existing households to improve their housing conditions and to secure title and hence security of tenure for the parcels of land that they currently occupy.

- *For the first time* Government's housing programme, particularly for low income families, will have an income earning component to give homeowners some access to small parcels of land to engage in high value agriculture; and providing work space which homeowners could rent to develop such small scale enterprises as dressmaking, electronic repair, crafts, agro-processing and catering services.

- *For the first time* Government's Housing Programme will be integrated into a Skills Training Programme involving the Employment Resource Centre.

REGULARIZATION OF SQUATTER OCCUPATION

Mr. Speaker, it is pointless to speak about provisions for housing if people cannot get access to land. Owning a plot of land allows entry and participating in the economic system. One can mortgage property, use it to purchase furniture, secure loans for educational development, and enter into business activity. In effect, the ownership of land reduces, and in some cases, eliminates social and economic marginality.

St Lucia has inherited a colossal problem of squatting. The problem is so huge, so large, that even the Government appears impotent in the face of it.

Squatting is initiated by a number of reasons. People who have no where to turn, resort to the easiest solution - occupy available Government lands.

In some communities, Government land has been occupied by generations of the same family. Indeed, some have constructed enviable homes albeit without title to the land. These homes have actually added to the value of the property. Yet these persons are unable to approach a bank for loan funds because they do not own the land on which their homes have been constructed.

One of the issues that pre-occupy Government is the sale of community land at prices that the residents of the community cannot afford. Consequently, these communities become embittered as the land is sold to "outsiders". In effect, they feel that they are denied what should rightfully be theirs.

The time has come to tackle this problem. The Government Policy document on land is in preparation and hopefully, will be published this year. Pending the comprehensive policy just alluded to, government proposes to:

Confer title to persons in respect of the lot on which their homes are constructed, provided they satisfy certain criteria. Title will be conferred at a price well below market value since the number of years of occupation of the property in question will be taken into consideration in determining the price. In the case of the residents at La Ressource, La Tournay and Au Picon in Vieux Fort South, conferment of title shall be managed by the Vieux Fort Development Corporation when it comes on stream later this year.

Where community land is sub-divided for housing for the purposes of providing access to land, Government will ensure that persons of the community, who have lived for generations in the community, are provided with the opportunity to own house spots at a more favourable price than outsiders. In that context, the people of Piaye, Balembouche, Tete Morne and Balca can expect a reduction in the price of the house spots currently being sold to them.

Meanwhile, I ask the residents of those communities to be patient as Government puts the mechanisms in place. The ultimate solution is really a comprehensive Land Reform Programme.

STRENGTHENING COMPETITIVENESS IN THE PRIVATE SECTOR

In the 1998/99 Budget Presentation, I confirmed that it was the policy of this Government to withdraw from those sectors and activities where intervention is no longer necessary or justifiable. Government believes in a competitive, market driven economy.

Relaxation of Price Controls

Sometimes, price controls on commodities are needed in markets where there is danger of excess demand or limited supply, where competition is virtually non-existent, or where monopolies exist, holding Government or consumers to ransom. Often, price controls are needed to protect the vulnerable, the poor and the dispossessed. Sometimes too, price controls may be used to maintain price stability and control inflation.

Considerable competition now exists in the retail sector. Frankly, the more the competition, the merrier. This competition no longer justifies the retention of price control measures on a variety of commodities. Market forces could be a more effective mechanism for price adjustments. In any event, the present measures to enforce price controls are wasteful and ineffective.

Effective 1st April 1999, twenty-two commodities will be deleted from the Price Control List. These commodities include:

Ice Cream Cones

Cheese

Eggs

Butter, Lard, Margarine, Shortening

Edible Oil

Aerated Drinks

Biscuits

Cocoa

Coffee

Tea

Fruit Juices and Nectars

Tonic Foods (Milo, Ovaltine, etc)

Pasta (Macaroni, vermicelli, spaghetti)

Meats (local and imported)

Fish (local)

Imported Fish (whether tinned, pickled, salted or otherwise)

Detergents

Tobacco

Batteries

Motor Cycles

Marine Engines

Vehicle Accessories

Price Controls will only remain on fifteen commodities. These remaining commodities are absolutely essential to protecting the health, nutritional and educational needs of our vulnerable citizens. These include:

Baby Foods

Cereals

Bread

Wheat Flour

Milk

Rice

Potatoes

Peas and Beans

Garlic

Onions

Sugar

Cement

Fuels

Propane Gas

School Supplies (text books, etc)

There is one commodity that worries the Government. It is **pharmaceuticals**. Government is anxious to ensure that medicines for chronic diseases for example, high blood pressure and diabetes, are not priced beyond the reach of our citizens. Consequently, the Ministry of Commerce, Consumer Affairs and Industry and the Ministry of Health, Human Services, Family Affairs and Gender Relations, have been mandated to review this matter in consultation with the importers in time for a policy statement by next budget.

Simultaneous with the reduced emphasis on price controls, the focus of the Ministry of Consumer Affairs will shift toward consumer protection. New activities will be undertaken to reflect this new focus.

Incentives to the Manufacturing Sector

Earlier, Mr. Speaker, I spoke of the contraction in the manufacturing sector. The overall share of this sector to GDP declined from 7.02% in 1995 to 6.45% in 1996, 6.39% in 1997, and 6.08% in 1998. Since 1996, the sector has been experiencing negative growth. In 1996, it experienced negative growth of -6.78%, eventually slowing by -2.11% in 1998. But there are a few hopeful signs. The actual GDP growth rate, meaning the actual amount contributed to GDP, increased from 0.6% in 1997 to 2.9% in 1998.

One thing is clear. The manufacturing sector will not survive if it does not concentrate on niche operations. Manufacturers cannot rely solely on our domestic market. Our market is simply too small for them to enjoy economies of scale. Unless we seek to provide some encouragement then our manufacturers will continue to lose competitive advantage as we are compelled to liberalize trade further to satisfy our regional and international obligations. There is, therefore, need to offer some form of assistance that will help to reduce their production cost and allow them to compete, at least, at the domestic and regional level. I propose to introduce two measures to assist this sector.

At present, all registered manufacturers are eligible for a waiver of import duties and consumption taxes on raw materials or inputs to production. Simply put Mr. Speaker, if an individual registers with the Customs Division as a Manufacturer, any item that is imported for producing/making the good(s) (for which he is registered) is allowed a waiver of import duty and consumption tax.

Raw Materials Will Be Exempted From Service Charge

Mr. Speaker, Government proposes to extend this concession further and exempt inputs or raw materials for the manufacturing of registered goods from the payment of service charge. Let me emphasize, only registered manufactures will be allowed this concession. Therefore, I urge all local manufacturers to apply to Cabinet for the waiver of service charge through the Ministry of Commerce, Industry and Consumer Affairs. This route is necessary in order to declare the manufacturer an exempt body for the purpose of the waiver of the charge.

In extending this concession, Mr. Speaker, I must also point out that the final product cannot enjoy preferential treatment and must, where applicable, be subject to the payment of consumption taxes.

Consumption Tax Allowance

The second measure I wish to propose to assist our manufacturers is a Consumption Tax Allowance. In essence, this proposal provides a yardstick for performance and rewards

manufacturers with consumption tax allowance if they achieve targets agreed between them and the Ministry of Commerce, Industry and Consumer Affairs. It is proposed to amend section 30 of the Consumption Tax Act, No. 30 of 1968, by adding a new sub-section 4 in the following terms:

“(4) Manufacturers shall be entitled to a consumption tax allowance on the achievement of specified targets as agreed between the Ministry of Commerce, Industry & Consumer Affairs, and the Manufacturer in accordance with the criteria and table in the Third Schedule.”

The criteria includes:

Employment Generation

Investment

Product Line

Export Share

Domestic Market Share

The consumption tax allowance will be based on the class of the manufacturer and the allowance on the percentage of the targets that are actually achieved.

CLASS OF MANUFACTURER	PERCENTAGE OF TARGET ACHIEVED	PERCENTAGE OF TAX ALLOWANCE
Enterprise I	50%	20%
Enterprise II	75%	40%
Enterprise III	100%	60%

The allowance would be granted on an annual basis. It would not be actually paid in cash, but would be allowed as a deduction against consumption tax payable. This programme would place manufacturers in a better position to expand output and employment

Private Sector Development Plan

Mr. Speaker, Honourable Members would be pleased to know that the Private Sector Development Strategy that I announced last year has been prepared and submitted for consideration by the European Union. This five-year programme is the only one of its kind in the Eastern Caribbean and has been applauded for its enlightened approach to

private sector stimulation. The programmed budget for this initiative allocates some EC\$6 million to private sector development over a five-year period. Of this total, some EC\$2 million has been budgeted for FY 99/00.

To explain Mr. Speaker, the Private Sector Development Strategy is a matrix of strategic interventions at four distinct levels:

At Policy Level, funds have been allocated to review and redesign policies that may be adversely affecting growth and diversification in the private sector;

At Institutional Level, funds have been allocated to strengthening private sector institutions to carry out the development work which is required of them as responsible social partners;

At Parastatal Level, funds have been allocated to conduct business training and retraining of persons affected by privatization who wish to start their own business; and

At Community Level, funds have been allocated for entrepreneurial development programmes with particular emphasis on young people and women.

These specific programme activities will be designed and implemented in partnership with existing community organizations and sector agencies.

Privatization of NCB and SLDB

Mr Speaker, Honourable Members, I am pleased to advise that shares of the National Commercial Bank should be available to the public by April, 1999. Some four million shares will be available to the public at a cost of \$5 each. Please note, Mr Speaker, that these shares are deliberately priced to be within the reach of every St. Lucia at home and abroad. The National Commercial Bank has already targeted St Lucian communities in the United Kingdom, the United States and Canada.

Mr. Speaker, Government has also invited the St Lucia Development Bank to submit privatization proposals to Cabinet for its consideration. The objective is to make our Development Bank a more autonomous financial institution, more market-oriented, and more responsive to the needs of the borrowing public.

FISCAL PROPOSALS

Mr. Speaker, earlier today, Her Excellency, the Governor General, spoke of the need for Saint Lucia to be on exhibition as the new millennium and our 21st birthday as an independent nation approaches.

INCENTIVES TO MODERNIZE AND REFURBISH BUSINESS PLACES

One way to honour this special occasion is to enhance the beauty of our country and its infrastructure. The Government is particularly concerned about the appearance of the buildings in our towns. In order to encourage our private sector to repair, rehabilitate and improve their present or existing places of business, it is proposed to exempt business places from paying duty and consumption tax on all building materials purchased to repair, rehabilitate and renovate places of business in the centre and immediate periphery of Castries, Vieux Fort, Gros Islet and Soufriere. This concession will be in effect from 1st April 1999 to 31st December 2000. Applications supported by a Bill of Quantities should be forwarded to Cabinet through the Office of Privatization and Private Sector Relations. The business community is urged to move quickly to make use of this concession.

REFINEMENT TO AIRPORT SERVICE CHARGE

In the Budget presentation last year, I announced the introduction of a head tax on guests who stay at all-inclusive properties. The head tax was intended to yield an additional EC\$ 8 million to meet, *inter alia*, the cost of marketing our tourism product. The measure generated considerable dialogue between the Ministry of Finance and the St Lucia Hotel and Tourism Association. It has been agreed to maintain the principle of a head tax but modify the proposals to reflect differences among the hotels. The modification will result in a lower than expected yield from this source. On the recommendation of the St Lucia Hotel and Tourism Association, Government has also agreed to partially recover the loss in revenue by increasing the Departure Tax payable by the tourists and other visitors to Saint Lucia. The increase will not apply to Caricom nationals.

Therefore, effective 19th April 1999, The Airport Service Charge will be as follows:

CATEGORIES	EC \$ per Passenger	US\$ per Passenger
St Lucian Nationals (no change)	35.00	13.00
CARICOM Nationals travelling within the Caribbean Community	35.00	13.00
All other travel	54.00	20.00

This refinement, Mr. Speaker, will have **NO** effect on St Lucians travelling overseas. Let me repeat this. **There will be NO increase** in the Airport Service Charge paid by nationals who travel overseas. Our CARICOM brothers and sisters will pay EC\$5 less than was announced last year while **ALL** other travelers will pay an additional EC\$ 14.

Honourable Members will also note that in keeping with an obligation under the Saint Lucia Agreement with the World Bank in respect of the Solid Waste Management Project, all travelers are required to pay a levy of US\$1.50 or EC\$4.08. While this charge

was incorporated in the Airport Service Charge and the Cruise Passenger Head Tax last year, it is yet to be applied to Ferry passengers.

I believe three months is a reasonable period within which the new arrangements can be facilitated. Therefore, effective 1st July 1999, Ferry Passengers will be required to pay an increase of EC\$ 2.00 in respect of passenger embarkation and passenger dis-embarkation fees.

ABOLITION OF ENTERTAINMENT TAX

Mr. Speaker, this Government will continue to rid the country of inefficient, irritating and non-productive taxes. One such tax is the Entertainment Duty which is charged on such events as movies shown at cinemas, theatrical performances, professional boxing contests, horse racing, and concert performances.

A significant portion of the tax has been collected on concert events. Promoters of such events often complain that the tax is a disincentive to the staging of quality shows as they find it difficult to charge attractive prices. I want to help them.

While the Government is of the view that promoters should accept the risks of their business ventures, we have decided to abolish the Entertainment Duty. However, the income earned by foreign entertainers as a result of staging performances in St. Lucia will still be subject to Withholding Tax under the existing provisions of the Income Tax Act. The Inland Revenue Department will therefore carry out the necessary checks to ensure that such withholding taxes are levied and paid by, or on behalf of, foreign entertainers.

CONCESSIONS TO CAR RENTAL SECTOR

Mr. Speaker, Honourable Members, for some time now, the Car Rentals Sector of the St Lucia Hotel and Tourism Association has been pleading with the Government to reduce or abolish the duty and consumption tax regime on vehicles purchased by the companies operating in the tourism sector. One could simply dismiss their plea by replying that they now seek to contribute to the concession syndrome sweeping this country. To their credit, they recognized that the Government needed revenue and in exchange for the concessions on duty and consumption tax, proposed a scheme containing three elements:

Introduction of an Annual Vehicle Rental Operational License Fee of EC\$3,000.00;

Introduction of a US\$5.00 or EC\$13.50 "user-fee" on a daily rental rate; and

Payment of 4% service charge on all imported vehicles.

If the Government were seduced by the proposals of the Car Rental Sector, then it would suffer a significant loss of revenue. Already, this sector has benefited by the abolition of vehicle licences. Furthermore, the granting of concessions may well allow individuals or

other stakeholders in the transportation sector to manipulate the regime. Despite these problems, there is an attractive element in their proposal, that is, the introduction of a US\$5.00 "user-fee" on the daily rental rate.

Having considered all the factors, Government has agreed to reduce the duty and consumption tax regimes by 50% subject to the following terms and conditions:

(1) (a) Introduction of an annual vehicle rental operational licence fee of EC\$5,000.00.

A US\$5.00 or EC\$13.50 "user-fee" on the daily rental rate. This fee shall be collected in a manner approved by the Minister for Finance.

Payment of 4% service charge on all imported cars.

Car Rental Operators must:

be declared "approved operators" by the Ministry of Tourism, Civil Aviation and International Financial Services;

own a minimum of fifteen (15) vehicles prior to application for the concessions;

agree to confine the use of the vehicles purchased or imported exclusively to the car rental sector;

retain vehicles which qualify for the concessions for a minimum period of three (3) years;

ensure that the vehicles are new or if not new, be less than three (3) years old at the time of importation; and

demonstrate that the company is wholly owned by St Lucian nationals.

Mr. Speaker, any breach of the above conditions will lead to the withdrawal of the concession to the agency in breach. However, I must emphasize that Government cannot reduce duty and consumption tax on the vehicles and at the same time allow the operators to claim the initial Capital Allowances on new vehicles purchased when they submit their Income Tax Returns. Consequently, these allowances will have to be adjusted or abolished.

There is one further caveat. The regime will be reviewed after two years to determine whether:

Government has suffered any revenue loss or gain; and

The consumer has benefited by a reduction of prices.

Finally, it must be emphasized that the proposed regime will only apply to those car operators who qualify on the basis of the criteria that I have outlined and who requested the concessions. All other operators will meet the usual charges.

It is proposed that the new regime will take effect on 1st June 1999. This should give the Ministry of Tourism, Civil Aviation and Financial Services stakeholders' sufficient time to iron out the necessary arrangements with the operators.

Mr Speaker, I crave your sympathy. Please be patient with me. I am approaching, I assure you, sensitive issues, turbulent waters, some might say. The subject, Mr Speaker is the 'Income Tax Bill'.

SHAPING THE NEW INCOME TAX BILL

Mr Speaker, Honourable Members, this is a Government that listens. It initiates discussion of proposed legislation, rather than simply use its massive majority to enact the legislation, even when the process yields unfair criticism. And when, out of discussion, it recognises the need to make changes, it has the courage and the humility to make those necessary changes.

There has been much public discussion of the Draft Income Tax Bill. The Government is indeed heartened about the level of public debate on this issue that has taken place over the past several weeks. We have heard the pros and cons of the various measures proposed. We have solicited and received comments, advice and recommendations. That, Honourable Members, is exactly what was intended. We have said time and again, that this is a Government committed to transparency in public affairs. It was therefore our intention from the beginning to encourage a level of public discussion that would benefit us in our consideration of the legislation that will eventually be presented to this House for its approval. We have listened and we have learned.

The level of discussion in the media – through the newspapers, radio and TV – has yielded positive and negative comments, rational and irrational arguments, honest and dishonest statements. Debate inevitably yields such results.

Allow me, Honourable Members, on our collective behalf, to thank the public, the talk show hosts, the consultants and other interested and affected persons, the private sector, the unions and all who participated in this process, for their role in the deepening of the democratic process – a process which we are committed to building and shaping, block by block.

Human beings will, by nature, always react to change, both positively and negatively. There will also be excesses and extremes within the general public response, and this we expect – especially when it comes to taxes. Nobody enjoys having to pay taxes. But taxes must be paid and payment is a duty of all. Each of us has a duty to the nation and to our children and ourselves to pay taxes today. Each of us must be willing to pay our fair share.

The working people, the private sector and all who work and can pay, are duty bound to pay. From time immemorial, those who earn less have had to contend with payment of their fair share while those who earn more have always searched for and found ways of evading their responsibility to pay taxes. Even this is understandable. But abuse must end. Defective legislation must be cured.

Mr. Speaker, consequent on all of the discussion of the draft bill, and after careful consideration of all of the issues raised, Government believes it is now appropriate to move to the next phase of this process. The present draft will undergo a comprehensive review taking into account all of the feedback received over the last few weeks. A refined second draft will emerge. To further facilitate arriving at a broadly acceptable bill and so as to involve the major stakeholders, not just in the discussion of the second draft, but in the very shaping of it, the Government has decided to establish a Committee under the Chairmanship of the Managing Director, National Commercial Bank, and comprising representatives of the social partners to review the second draft of the bill so that we may produce with a final bill which truly reflects our needs. The Committee will be constituted as follows:

The Managing Director, National Commercial Bank (Chairman)

The Comptroller of Inland Revenue

One representative of the Institute of Chartered Accountants

One representative of the Employers Federation

One representative of the National Youth Council

One representative of the Attorney General's Chambers

One representative of the Chamber of Commerce

One representative of the Small Business Association

One representative of the Ministry of Finance & Planning

One representative of the Public Sector Unions

One representative of the non-Public Sector Unions

One representative of the National Council of Voluntary Women's Organisation

One representative of the St Lucia Hotel & Tourism Association

Finally, Mr. Speaker, allow me to comfort the silent and unspoken – teachers, security guards, hotel workers, sales clerks, public officers – the five thousand who earn between

\$10,000 and \$15,000 a year. This Government will honour its pledge to ensure that you will pay no income tax. I repeat too, Mr Speaker, what I have said before to this Chamber: Government will not tax income on savings.

TAX DEDUCTION FOR EQUITY INVESTMENTS

Mr. Speaker, I wish to address an issue that is integral and central to the development of this country at this time. It is another gesture by the public sector towards the private sector. It is a tremendous initiative. It is an initiative promised in Our Contract of Faith [See Page 8]. It will provide considerable tax relief to the private sector, including businesses and individuals and at the same time, provide a considerable stimulus to economic growth. It will also be a challenge to investors and project managers. But before I outline this proposal, let me provide some background information and also the rationale for this initiative.

The Need for Resources to Invest

Any economy that wishes to grow needs to save so as to have the necessary resources to invest – to create additional production capacity. Savings in St Lucia represent a fair proportion of income – about 22%. This amount, together with foreign borrowings, help finance our investments in roads, schools, hotels, etc. Unfortunately, quite a high proportion of these savings is invested in such areas as lavish homes, high-rise buildings and lands that lie idle. On the other hand, not enough of the existing savings is channeled into investment. It is that can provide us with growth in output, employment and foreign exchange on a continuous and sustained basis. For example, investing in land that remains idle creates neither employment output nor foreign exchange. Investing the same amount in building of a lavish house creates employment during the construction stage of the house but in general, very little afterwards. On the other hand, the same investment in building a hotel creates employment at the construction stage and also increased output, employment and foreign exchange for as long as the hotel is open and running.

A number of local and foreign businesses have identified serious opportunities for profitable investment in St Lucia. They can find some of the funds to finance these investments, but are constrained by one problem – the limited availability of equity or risk capital and the absence of St Lucian risk capital to complement that which is available from foreign sources.

What Is Risk Capital Or Equity?

Since this is a major initiative, let me spend a little time to explain as simply as possible, what risk capital or equity is. Risk capital or equity is owners' money that is put into a business to work side by side with creditors' or lenders' money. In general, lenders' money in a business has to be paid with interest, sometimes from the time that this money is put in. On the other hand, owners' money will only provide a return when the business has met all its other financial obligations and has a surplus left. Thus, the interest on lenders' money has to be paid no matter how the business performs while the owner only

gets a return after all other expenses, including the interest on lenders' money have been paid. It is not only that it is owners' money that takes the risk to make businesses develop, but also the lenders will not provide their own loan funds if there is not sufficient of the owners' or risk money in the business. Additionally, foreign investors do not like putting their own money in projects if locals are not also participating in it.

As a result of this, there are at least three large productive sector projects in St. Lucia, which have not been able to get off the ground because of the absence of local equity capital. These project promoters have approached the Government to put in owners or risk capital. But the Government is not an investor and it has been advocated by all, including the local private sector, that the Government should not involve itself in investing in productive activity as hotels. Yet there is no mechanism or source in St Lucia to address this problem and hence St Lucia's development is held up.

Reduction in Corporate Taxation

It is that problem that this proposal is intended to address. Essentially, the proposal for corporate taxation is as follows:

Any amount of profits before tax above 50% of total will be taxed at the reduced rate of 25% if the company retains it for its own expansion (not declared as dividends or other forms of distribution).

Any amount of profits before tax above 50% of total will be taxed at the further reduced rate of 15% if it is invested by the company in Registered and Approved Equity Funds managed by private sector institutions and/or in Government approved equity investments owned and managed by private sector.

Thus, for example, in the first proposal, a company making a profit of \$1 million, which elects to reinvest 90% of its profits in its own operations under its management, would have its taxes reduced from \$333,333 to \$292,000 or a reduction of 13% in its corporate tax liabilities. In the second proposal, a company with a profit of \$1 million which elects to invest 50% of its profits in its own expansion and a further 40% of its profits in Registered and Approved Equity Funds, will have its corporate tax liability reduced by 28% from \$333,333 to \$242,000.

Individuals will be given similar tax allowances of up to \$10,000 per annum for investments in these Registered and Approved Equity Funds and/or in Government approved equity investments.

The rationale for these proposals is to induce companies and high net worth individuals to increase their savings levels and channel more of these into equity investments in the output-generating, employment creating and foreign exchange earning productive activities.

Criteria for Equity Fund

The criteria to be considered as a Registered and Approved Equity Fund by the Ministry of Finance are:

An Equity Investment Fund would qualify as a Registered and Approved Equity Investment Fund for purposes of getting this tax proposal if:

it is managed by commercial, development, merchant and investment banks, insurance companies, accounting and legal firms approved by the Ministry of Finance and/or the ECCB; and

has, or proposes to have, a portfolio where:

at least 60% of the fund is in equities;

at least 65% of the fund is invested in green field or expansion projects;

at least 75% of the fund is invested in projects which generate at least 50 % of their revenue in foreign exchange;

no more than 25% is invested outside of St Lucia;

no more than 45% of the resources of all established funds can be invested in any one enterprise;

it has managed to generate returns of at least 5% per annum and have a take-out period between eight to ten years.

Increase in Tax Deduction for Cooperative Societies

Mr Speaker, Manifesto undertakings are sacred. In the Contract of Faith, we stated thus:

"[A Saint Labour Party Government would] further encourage savings by increasing the tax deductible amount of savings in cooperatives per annum from EC\$3,500 to EC\$5,000."

In recognition of the decision of the Ministry of Community Development, Culture, Cooperatives and Local Government, to declare 1999 as the "Year of Cooperatives", Government will give life to its Manifesto pledge and increase the deduction for savings in cooperative societies from EC\$3,500 to EC\$5,000. This deduction will be reflected in the new Income Tax Legislation.

REVIEW OF CONSUMPTION TAX REGIME

Mr. Speaker, St. Lucia will implement the third and fourth phases of the Common External Tariff (CET), simultaneously, on 1st May 1999. This initiative is in keeping with

a global thrust towards trade liberalization and the decision of CARICOM Heads of Government in October 1992.

St. Lucia will also introduce an upgraded version of the Harmonized System of Tariff Classification on 1st May 1999. This new system of commodity classification is similar to the system currently being used but will be more disaggregated. Therefore, the classification of commodities will be more clearly defined and the possibility of misclassification will be minimized. In short Mr. Speaker, introduction of the new Harmonized System will contribute to greater efficiency for users of the tariff and in particular our Customs Department.

Implementation of the final phases of the CET will, however, result in a loss of revenue from import duties of approximately EC\$ 9.3 million. Fiscal measures will, therefore, have to be introduced to replace this loss. As has been done by the previous Administration, there will be some adjustments to and restructuring of the Consumption Tax regime. However, we will introduce some innovation this time around.

Permit me, Mr. Speaker, to apprise Honourable Members of our new approach to consumption taxes on imports from 1st May 1999.

Firstly, the new regime will be premised on the following broad objectives:

to achieve revenue neutrality in respect of food items, clothing, medicines, basic educational materials, and petroleum fuels;

to minimize possible inflationary impact;

to maintain a reasonable degree of protection for domestic production; and

to simplify the consumption tax rate structure.

Secondly, we will reduce the number of consumption tax rates from nineteen to eight. In fact, Honourable Members, at present consumption tax rates vary from 0 % to 85 %. Under the new arrangement, the rates will vary from 0 % to 35 %. Simplifying the rate structure will also reduce:

The administrative burden of the Customs Department in determining the tax liabilities of importers and consequently will result in operational efficiencies;

The distortions in the economy caused by large variations in tax rates that are applied to different commodities; and

The administrative burden on importers, of having to deal with so many different rates and categories.

Thirdly, in addition to recouping the losses from the implementation of the CET, the new measures coupled with the efficiency expected from the Customs Department, are expected to yield \$10 million in revenues and importantly, will:

(a) serve as a catalyst in improving and increasing efficiency and competitiveness in local manufacture; and

(b) serve as a springboard for government's policy thrust in supporting the growth of efficient enterprises and/or enterprises which are capable of becoming efficient in the future.

ENVIRONMENTAL PROTECTION LEVY

Mr Speaker, it is uncontested that the beauty of our island is extraordinary and legendary. Since its election, this Government has displayed devotion, some might say a passion, towards the enhancement of our environment. The programme of beautification is one initiative that has won praise from our people and our visitors alike. But, if we are to protect what we have inherited, then we must deal with the distressing problem of degradation of our environment.

The efficient containment of degradation of the environment requires an inter-sectoral approach, since there is a strong interaction of human activities in the productive sectors of the economy. Farming activities, such as the use of pesticides in agriculture, have affected the quality of water entering rivers and mangroves and destroyed food systems necessary for fisheries development. In our environment today, we see clear evidence of degradation by the discharge of untreated sewerage, the flow of chemical pollutants such as cleansing materials from industrial plants, unmanaged solid waste dumps. There is too the widespread usage of detergents and cleansing materials at hotels; the widespread dumping of non-biodegradable polyethylene products (plastics) as well as tyres; the dumping of plastic cups, empty soft drink cans and plastic bottles; the dumping of unusable motor vehicles; beach mining; coral exploitations, etc. In addition, as far as the aerial environment is concerned, we are continually bombarded on a daily basis by toxic gases emitted from heavy-duty trucks and motor cars. Actions for arresting sand mining on the nation's beaches, prevention of coral harvesting, providing a pleasing and healthy environment, are all essential for the growth and development of our fastest growing sector of the economy, namely tourism. We cannot allow further damage. We must save our environment.

In order to encourage a clean and healthy environment, it would be necessary in the long term to introduce a series of fiscal measures that would provide incentives as well as penalties for polluting industries and activities. While in the long run, it would be desirable to introduce activity specific taxes for particular pollutant prone activities, in the short term, it is proposed to introduce an Environmental Levy, cast, between 1.0% to 1.5% on the c.i.f. value of imported goods, with the exception of foodstuffs, clothing, footwear and pharmaceuticals. The idea is to apply the 1.5% or a modest amount on particular pollutants or objects which degrade our surroundings such as vehicles, tyres,

refrigerators, freezers and electric accumulators or batteries. Goods in containers made of plastic, glass, metal or paperboard attracts 1.5%. All other goods, except, I repeat, clothing, foodstuffs, footwear and pharmaceuticals will attract a rate of 1% on c.i.f. value. The proceeds from such a simple levy will go a long way towards the conservation and preservation of the general environment, which would lead to greater sustainable development, particularly for us to enjoy and share with the world. St Lucia must remain "simply beautiful."

This measure, Honourable Members, will yield approximately EC\$7million.

Mr. Speaker, I shall, at this juncture, divert my attention to more practical matters. I propose to address the programmes of individual ministries.

SECTOR INITIATIVES

MINISTRY OF FINANCE, PLANNING & SUSTAINABLE DEVELOPMENT, THE PUBLIC SERVICE AND INFORMATION SERVICES

Mr. Speaker, last year I indicated that the Government incurs substantial expenditure on rental of office space in providing services to the public islandwide. Presently, the Government spends over \$6.5 million on rental of buildings and other property yet within the Ministry of Finance and Planning, there is the chronic shortage of adequate office space. This does not augur well for staff morale and motivation.

Construction of Administrative Complex

A new Administrative Complex will be constructed to achieve three broad objectives:

alleviate the current space constraints within the Government Ministries;

invest in a fixed asset which will appreciate with time;

reduce significantly Government's recurrent expenditure on rent.

Mr. Speaker, the construction of the building will generate significant employment during the construction phase. The building will accommodate 1,000 staff members.

The total project cost is estimated at EC\$40 million. Of this amount, an allocation of \$750,000 is included under local revenue for preliminary activities. The time frame for the major components of the project is twelve (12) months for the design phase, including the preparation of working drawings, and an additional eighteen (18) months for construction activities.

In order to achieve a design that captures and extends the imagination of our people, the Government will, in the next few weeks, announce a competition, to select the most appropriate

INFORMATION SERVICES

Mr. Speaker, throughout its term in office, this Government has emphasized and demonstrated, time and again, its commitment to transparency in the workings of Government; the freedom of information and expression and getting the facts right! We have to evolve a relationship of trust with the governed. We have valued and continue to value, the role of the media, not only as the "bearer of news", but as an educator, an avenue for discussion and debate, providing some insight into the thoughts and opinions of the people of St Lucia who we are proud and honoured to represent in this Honourable House.

It is for this reason you will note, Mr. Speaker, that this Government has placed training in media skills, at all levels, at the top of the Training Priority List released by the Ministry of Education, Human Resource Development, Youth and Sports. We see the development of the media as paramount to the maturity of this young democracy we are trying to shape.

Subvention to Media Workers Association

This is why too, Mr. Speaker, the Government has agreed to provide to the St Lucia Media Workers Association, an annual grant of ten thousand dollars (\$10,000) to be used by the Association, specifically and only for training workshops and seminars for media workers islandwide. The Media Workers' Association will access the fund through the Director of Information Services. It is expected to account on the use of the subvention.

POVERTY REDUCTION

Mr Speaker, the Poverty Reduction Fund, a statutory entity created by this Government, manages two streams of funds,:

the Basic Needs Trust Fund, sponsored by the Caribbean Development Bank; and

Poverty Reduction Funds, funded by the Government of St Lucia and the European Community through Stabex Resources.

Basic Needs Trust Fund

During 1998-1999, some thirty-five projects were brought to various stages of implementation with a budget of \$2.4 million. These projects are impacting on communities with the provision of water, footpaths, drainage, public facilities, health facilities and direct labour to residents, totaling 75 man years. Honourable Members, I invite you to visit, at your leisure, the Mangue, in Vieux Fort South, to see first-hand, the real value of this Fund.

In the financial year 1999-2000, thirty-three such projects will be implemented at a total cost of \$2.3 million. These projects will fund the provision of water, primary school

extensions and renovations, drainage and footpaths, again with direct community involvement. These projects will result in seventy-five man-years of labour to residents.

Poverty Reduction Fund

Some \$1 million was provided from the 1998/99 European Union Stabex Funding for poverty reduction. A total of seventeen projects are being implemented, resulting in twenty man-years of labour to residents. These projects have had positive impact on communities in the provision of water, infrastructural relief for the elderly, public facilities, drainage, footpaths and fire relief infrastructure. It should be noted that a number of these sub-projects benefited from collaboration with the Short Term Employment Programme (STEP).

In the course of this year, a more comprehensive approach to poverty reduction will emerge. Government is expected to receive some \$16 million as follows:

World Bank - \$8 million

EU Stabex - \$8 million

Final negotiations are on going with the World Bank and the European Union in respect of the use to which the World Bank Loans will be put.

Sites and Services Development (Agard Lands)

Mr Speaker, the skills and expertise of the Poverty Reduction Fund will be utilized to develop a sites and services programme on Agard Lands. This programme will seek to improve the quality of life of the community by providing basic social infrastructure. The project will be funded, in part, by a grant of \$700,000 from the Government of the People's Republic of China. Once again, I wish to thank the Government and people of the People's Republic of China for their goodwill and generosity.

The James Belgrave Social Investment Fund

Mr. Speaker, in introducing the next budget item, I pause to emphasize the concern of all Honourable Members on this side

We have stated elsewhere our commitment, and demonstrated an unwavering duty to creating an environment where business and commercial endeavour is allowed to blossom. This is the only sustainable approach to the creation of employment and the reduction of poverty. But any action plan to address poverty whilst having a national and structural emphasis, must take into account the transformation of the communities where poverty exists. Life in St Lucia cannot be a story of two societies – the better off and the worst off. The alleviation of poverty must be a national concern. A secure future depends upon a sustained attack on poverty now.

So Mr. Speaker, while we toil and strive to create the right structural arrangements to eradicate poverty, we must deliberately embark upon activities which will alleviate the symptoms of poverty. Most importantly, we must motivate the poor to achieve sustainable well-being in their lives. In this regard, we intend to establish the James E. Belgrave Social Investment Fund. This Fund is named after that great social reformer, James E. Belgrave. Its specific target groups are the deprived communities of St Lucia, for example, Wilton's yard, Conway, Faux-a-Chaux, Marchand, the Mangue, Shanty Town, and Coin-de-L'Anse of Soufriere.

This Fund, Mr. Speaker, will be used to:

Support initiatives which will engender greater community togetherness and civic responsibility and promote participation in community development;

Facilitate initiatives which will allow for the advancement of academic and technical skills and employability of persons;

Encourage small-scale infra-structural projects which will provide social relief and improve the living conditions of residents;

Support initiatives that will create opportunities for sustainable employment and viable commercial activity.

Overall, Mr. Speaker, the objective is to rescue some of our young people from crime and direct them to self-sustaining economic activity. In its first year of operation, it will be allocated EC\$600,000, part of the amount remaining from the STEP. The operational mechanisms will be announced in due course.

EMERGENCY DISASTER MITIGATION RECOVERY AND MANAGEMENT

Mr. Speaker, in the course of this year, this Government will intensify its thrust to minimize the impact of potential disasters, by developing and implementing appropriate mitigation measures.

During the last fiscal year 1998/99, Government was able to secure soft loan financing amounting to \$33.6 million from the Caribbean Development Bank (CDB) and the World Bank, to undertake two disaster mitigation, recovery and management projects. Government's contribution to this amount is \$6.12 million.

The Disaster Mitigation Project – CDB/GOSL

The disaster mitigation needs identified for immediate attention with the Caribbean Development Bank's (CDB) assistance were Flood Control in Castries and East Vieux Fort. The estimated total project cost is \$12.978 million. Provision is made in the capital estimates in the following manner. The Government of St Lucia will provide \$2.595 million and Caribbean Development Bank, \$10.382 million.

In the case of the Castries River Wall, some 1,250 meters of the wall will be repaired. Works are expected to begin in April this year, and will be completed within six months.

In the case of East Vieux Fort, better known as Shanty Town, earthworks and concrete works associated with vertical and horizontal alignment of approximately 750 meters of drain and the installation of pump sets, are already in progress.

Emergency Disaster Recovery and Management Project – World Bank/GOSL

The next project that the Government has been successful in finalizing is a World Bank funded project on Disaster Recovery and Management.

The aim of this project is to reduce the vulnerability of St Lucia to disasters, at minimum economic cost, and strengthen the institutional capacity of the country to prepare and respond to disaster emergencies. The estimated total project cost is \$20.655 million. Provision has been made in the capital estimates for \$13.029 million of which \$2.849 million is provided by the Government of St Lucia. These funds are earmarked to undertake the following activities during the course of this fiscal year: Physical Prevention and Mitigation Works, Strengthening of the Office of Disaster Preparedness, Strengthening the Early Warning Systems, Establishment of Community Based Disaster Management Activities, and Institution Building. Two of these components merit further attention.

Physical Prevention and Mitigation Works

The physical prevention and mitigation works component, aims to strengthen and/or rehabilitate key public infrastructure to reduce their vulnerability to landslides, sea swells, storm surges, floods and hurricanes. It also involves the retrofitting of public buildings used as shelters (many of which are vulnerable in their existing state) and other buildings critical to safety and public well-being. The activities to be undertaken in this component include, *inter alia*:

Hewanorra Airport Flood Protection Works: This will involve reinforcing the embankment of the Vieux Fort River to prevent it from going through the old bed during intense rainfall. Engineering studies will be initiated to prepare a project to protect both the Hewanorra Airport landing strip and the ring road.

Bridge and River Training Works: This will be carried out at Marc, Floissac and Caico. This component also entails the procurement of 60 meters of Bailey-type components and the replenishment of the gabion stacks.

A Supplementary Reservoir for Victoria Hospital will be constructed to ensure water supply to Victoria Hospital during a disaster.

Boguis Earth Movements

Earth movements in Bogius last year prompted quick and decisive action on the part of Government to relocate residents,. A supplementary amount of \$500,000 was allocated to that exercise in the last fiscal year. I propose a further allocation of \$600,000 under local revenue in the capital estimates for this fiscal year to complete the resettlement of the inhabitants.

Dennery Mitigation Measures

This fiscal year, the coastal village of Dennery has been earmarked for some mitigation attention. A sum of \$200,000 has been proposed in the capital estimates to initiate mitigation measures and possible solutions to minimize the impact of sea swells and storm surges.

All of these ongoing and new initiatives, Mr Speaker, point to this Government's resolve to act expeditiously to minimize the impact of potential disasters, thereby enhancing the prospect for sustainable development in St Lucia. I hope I have convinced you, Mr Speaker, that this is a Government that cares!

MINISTRY OF FOREIGN AFFAIRS & INTERNATIONAL TRADE

Honourable Members, there will be now developments in our efforts to improve our representation overseas.

In the last year, St Lucia has opened two new overseas missions, as the Ministry of Foreign Affairs embarked on its policy of promoting the economic advancement of the country. A Consulate General was opened in Toronto to give us an economic presence in Canada, and a new High Commission has been established in London, consequent on the decision of the respective governments to establish their own missions. Commercial considerations, particularly in relation to the marketing of our bananas, as well as other non-traditional crops, in the United Kingdom, will be one of the primary concerns of the London Mission.

New Consulates in Miami and Martinique

The economic thrust in North America will be consolidated with the opening of a Consulate General in Miami in the next three months. While we had announced the establishment of the Consulate last year, unavoidable developments delayed its commencement. The same applies to the Consulate in Martinique, but this too will definitely be operational later this year. Provision has been in this year's Budget to meet the cost involved.

Obligations to Regional Institutions

However, while St Lucia will play its part, and will fulfill its financial obligations to the regional institutions, we are disappointed that other member countries do not share the same zeal in this regard. Our support institutions – the Caricom Secretariat, the OECS

Secretariat and its agencies, have languished from neglect. They are hindered by the late payment of contributions, so that arrears owed to these institutions by Member States, is staggering. In the case of the OECS, I have stopped all payments until other Governments seek to resolve their outstanding liabilities. There are limits to nobility. St Lucia cannot continue to bear the burdens while other Governments parade GDP growth rates in excess of St Lucia.

MINISTRY OF EDUCATION, HUMAN RESOURCE DEVELOPMENT, YOUTH AND SPORTS

Mr. Speaker, education is one of the vital priorities of this Government and, as has been repeatedly stated by the Hon. Minister with responsibility for the portfolio, the configuration of Education, Human Resource Development, Youth & Sports, reflects a deliberate perspective of this administration.

Reforms in Education

Mr. Speaker, the traditional development paradigm that has been inculcated in our public service is one in which the solution for every problem has been increased expenditure. The challenges that we now face, as a developing country in a globalized and harshly competitive environment, render it necessary that we find innovative ways of doing the things that ought to be done and find creative solutions to those challenges. The persistent challenge facing the education system in St. Lucia has been that of balancing the need for proper remuneration for teachers with resources for schools and operational costs of the system. Such a challenge requires that the allocation of resources be done in such a manner that we achieve increases in the ratio of supplies and operating costs to personal emoluments. This is not a new challenge or commitment – it is the logic that underlies the conditionalities of the World Bank-CDB agreements on the Basic Education Reform Project. Instead of cutting back on the existing size of the teaching service, the required approach is to manage teacher-student ratios so that a more effective rationalization of human resources is achieved throughout the education system.

In this budget, the Ministry of Education, Human Resource Development, Youth & Sports has sought to implement this objective, with encouraging indications. By containing its personal emolument costs, the Ministry has redirected resources to reflect its internal priorities.

Agency administration costs have been reduced by almost half while significantly increasing planning capacity, the application of information technology, and the provision for primary education, for secondary education, adult education, youth services and sports.

Highlights of Allocations

The following are the highlights of the allocations for the sub-sectors already mentioned:

The strengthening of planning capacity, particularly in the areas of project management and data management. An allocation of \$445,615 for the coming financial year, compared with \$276,032 last year, has been made;

The incorporation of information technology and the installation of a computer network throughout the entire Ministry – an allocation of \$469,087 that includes \$274,887 worth of staff training to efficiently utilize this technology;

Provision of \$634,056 for adult education to support the new thrust by the Ministry for the establishment of a truly national programme. A wide diversity of subjects will be offered within one articulated framework, along with public education and the dissemination of information;

Increased provision for schools supervision and inspection – a substantial rise from \$521,091 to \$867,879;

An increase in youth services from \$723,362 to \$977,592 for grants and contributions to youth organizations, subsidies, training of youth bodies and incentives to youth groups. In other words the allocated funds will benefit youth groups directly and not support inflated bureaucracy;

Mr. Speaker, a special allocation of \$50,000 has been made in this year's budget specifically assigned for the training of youth and sports councils and youth clubs. This government is concerned about the deterioration in the organizational capacity of the youth to sustain their own autonomous organizations. This training allocation is intended to enhance their capacity for self-organization and governance.

Similarly, consistent with the call of the National Sports Consultation for increased direct provision by government to sports, a large increase from \$631,844 in 1998/99 to \$1,166,829 in 1999 with higher amounts for training, gear and equipment and sports awards, is proposed. An increase of 84.7% spending on our sportsmen and sportswomen.

Drive for Support in Kind

Mr. Speaker, these allocations are being significantly augmented by the effort of the Ministry in fundraising and support in-kind from a variety of donors. I must commend the Ministry for the extent of the effort made in the past 18 months, to decrease the reliance on central government revenue to finance new initiatives in education. Many of us would have seen the new national schools television quiz show – Anansi's Challenge, a commendable enterprise between the Ministry and Helen Television Systems, and a worthy example of the approach of the Ministry in fostering educational partnerships with the private sector.

Significant Increase in Capital Investment

I have already noted the fact that while the operating costs of the Ministry of Education, Human Resource Development, Youth & Sports increased by \$776,000 (most of it to meet conditionalities agreed upon with the World Bank and CDB), capital investment increased by 71%.

It is in the capital program that the vision of this administration is most apparent. Mr. Speaker, capital investment totals \$52,802,653, of which \$18,198,000 comes from local revenue. The initiatives that are funded here include:

Investment in Information Technology for school computer labs and the Millennium project (\$500,000);

\$50,000 in prize money for the 21st Anniversary independence projects for primary and secondary schools;

\$5,529,000 of local revenue for the completion of the Basic Education Reform Project (most of which will be utilized for the completion of construction on the Anse Ger and Babonneau Secondary Schools);

Local counterpart funds of \$2,000,000 as part of a Government/CDB project, which includes the construction of a new secondary school in the Castries Basin and the upgrading of senior primary schools;

An injection of \$9,000,000 in technical and vocational education from the European Community;

\$5,770,000 invested in the expansion and upgrading of educational plant and equipment island-wide;

\$475,000 of local revenue invested in library services;

An additional investment of \$280,000 in youth services emphasizing youth skills training; And to crown the investment portfolio of that Ministry, Mr. Speaker, the unparalleled investment of \$5,350,000 in sports. Of that sum, \$4.35 million will come from local revenue for major efforts such as the construction of the National Stadium and the National Cricket Ground which, on completion, will amount to \$59,460,000. No government, Mr. Speaker will have put so much into sports in the history of this country! ... and that is an expression of the quality of life and the calibre of civilization that we seek to build in this country.

MINISTRY OF COMMUNICATIONS, WORKS, TRANSPORT & PUBLIC UTILITIES

I advance now, to the Ministry of Communications, Works, Transport and Public Utilities. This Ministry will receive the third largest share of recurrent and capital

expenditure combined. Total budgeted expenditure increased over 1998/99 by 7.9%. The bulk of the increase will go to the purchase of equipment and to road rehabilitation.

Purchase of Equipment

In their effort to reverse the deterioration of our road infrastructure and extend the useful life of the roads through improved quality and regular maintenance, the Ministry of Communications, Works, Transport and Public Utilities will establish one additional Potholing Unit to concentrate on road repairs in the south of the island. In that regard, half a million dollars is allocated to purchase a potholing truck and the necessary lab equipment to enhance the quality control capability of the Dennery-based laboratory.

Road Rehabilitation

The Government of St Lucia will embark on a major road rehabilitation programme to prevent the further degradation of the country's 808 kms road network. It is estimated that 15% of our roads are in excellent condition, with a further 25% in fair condition and the remaining 60% on the verge of collapse. **What a legacy!**

In response, the Ministry of Communications, Works, Transport and Public Utilities has prepared a 5-year Road Maintenance Programme covering the period 1999 to 2004.

Mr Speaker, in this financial year, provision has been made in the Capital Estimates for the expenditure of \$11.0 million for the rehabilitation of our road network. Of that amount, \$2.9 million is allocated from local revenue, while \$8.1 million is to be funded under the STABEX Programme.

This programme of rehabilitation has identified several secondary and feeder roads including the following, for resealing and re-surfacing:

ROADS NO. OF KM

Grand Riviere - Monier 2.85

Cas-En-Bas & Extension 3.15

Guesneau – Forestierre 3.53

Fond Assau – Chassin 4.33

La Resource – Aux Leon 2.19

Dennery – St Joseph – Errand 8.86

Richfond Grand Riviere 3.25

Piton 4.82

Grace – Joyeau – Bellevue 3.06

Saltibus Main 8.53

Bouton 3.00

Anse-la-Raye – Venus 6.42

The full list of roads selected for resealing and re-surfacing is far too long to mention in this presentation. The entire list is appended to this Budget Statement for your ease of reference.

Rehabilitation of Primary Roads

One of the critical projects to be undertaken by the Government is the rehabilitation of the road leading from the upper part of Bridge Street, to The Morne and down into the Cul-de-Sac Valley. Mr Speaker, this road is in dire need of repair and I propose to allocate the sum of \$1.5 million towards the reconstruction of this important stretch of road.

East Coast Road

The Government of Saint Lucia has approached the Caribbean Development Bank for a loan of approximately \$30 million to reconstruct and rehabilitate the East Coast Road. The road was built in the early 1970's and neglect has resulted in the extreme dilapidation of certain key sections. The road will be rehabilitated as follows:

AREA LENGTH(KM) COST \$M

1. Cul-de-Sac to Ravine Poisson 8.05 2.2

2. Ravine Poisson/Barre D'lisle

To La Ressource Bridge 9.60 10.2

3. La Ressource Bridge to

Dennery Bridge 1.16 1.4

4. Dennery Bridge to Vieux Fort 33.00 16.0

Government's contribution to this project this financial year is \$2 million, with CDB providing \$10 million.

Four Lane Highway

The Kuwait Fund has approved grant funding for the feasibility study for the proposed Four-Lane Highway, which, when constructed will improve the flow of traffic between Castries and Vieux-Fort. Results of this study should be available early in the year 2000.

South West Coast Road

The upgrading and widening of the South West Coast Road, which runs from Soufriere to Vieux Fort, is a top priority of this Government. The South West Coast Road is the only component of our primary road network that has not been upgraded.

Mr Speaker, this will soon change. Government will be engaging consultants to prepare detailed designs for the transformation of this road. Actual construction is scheduled to commence during the early part of the next financial year. Meanwhile, Government will continue to maintain the existing road to ease the burden and discomfort of travelers and vehicle owners alike. I can only plead with the travelling public by explaining that Government cannot invest too much resources at this time, when the entire road will be redesigned and reconstructed in the next thirteen months

Road Improvement and Management Project (Phase 3)

Under Phase 3 of the Road Improvement and Management Project, a total of eight roads have been earmarked for improvement. The works will include the construction and strengthening of drainage infrastructure, road widening and alignment, and improvement and asphaltic pavement surfacing. Below are the roads targeted for improvement:

Secondary Roads Length(Km) Cost \$m

1. East Coast/Deglos/Trois Piton 2.67 2.2
2. Piaye/Saltibus 8.53 8.3
3. Gabriel/Roblot/Myers Bridge 6.7 5.0
4. Grand Riviere/Monier 2.8 3.2
5. Deniere Riviere/Aux Leon/
La Ressource 3.7 1.6
6. Millet/Venus/Anse-la-Raye 7.0 3.0
7. La Retraite/Pleet/Joyeaux Bell 4.0 1.7
8. Grace/Woodlands/Durban 4.0 1.7

In this financial year, the Ministry of Communications and Works will complete feasibility studies on the above roads. Construction is slated for next year. Until then, I ask the communities served by these roads to be patient.

Bridges and Culverts

In a bid to drastically reduce the incidence of flooding, river erosion and loss of life during the rainy season, a number of bridges and culverts have been listed, for reconstruction, replacement, underpinning of abutment walls and repairs.

Bridges identified under this project include:

La Resource

Troumasse

Bacadere

Augier-Grace

Anse Ger

Black Bay

Self Help Community Roads

Day by day this Government is demonstrating that community co-operation, self-help and interaction is a real resource in nation building. What better example of this than the Comfort 2000 project? In the last fiscal year, the Government received numerous requests with for road repairs from various communities. Many have said to me that, given the existing constraints facing the Government, they are prepared to help themselves if Government extends a helping hand. We have agreed to respond by adopting a community-based approach to fixing the roads, in certain communities.

Under this new initiative, communities are encouraged to work side-by-side with the Ministry of Communications, Works, Transport and Public Utilities. The communities will supply labour and material while the Ministry will furnish the specifications, machinery and technical assistance for repairing the roads. I have allocated the sum of \$500,000 for that purpose.

Public Utilities

Mr. Speaker, Honourable Members laid the stage for the transformation of WASA when they enacted the Water Sewerage Act. This Act transforms WASA from a statutory corporation to a corporate entity. Soon, WASA will die and WASCO will emerge. In the next few weeks, the Ministry with responsibility for Public Utilities will explain to the

public how the Government intends to tackle WASA's debts and set it firmly on a course of financial viability. I now wish to report to you on the performance of WASA in 1998/99

For the year ending 31st December 1998, the Authority invoiced customers up to EC\$18.4 million. Cash receipts amounted to EC\$14.1 million. This reflects a collection ratio of 0.76, meaning that for every dollar invoiced to its consumers, the Authority receives 76 cents. Credit adjustments, due to lack of water supply, faulty meters, poor water quality and billings, amounted to EC\$1.4 million.

However, some improvements were achieved in income generation and collection from water sales to ships and hotels. Three out of every four applications for new connections received in 1998 were effected. Disconnections totalled 2,265, with two-thirds (2/3) being re-connected.

Receivables at 31st December 1998 were estimated at EC\$17 million, while the unaudited operating loss for the financial year (WASA's, ending 31st December 1998) was estimated at EC\$12.5 million. Total revenue was estimated at EC\$19.6 million, while total direct and administrative expenses were estimated at EC\$16.9 million. In other words, 86% of the total estimated revenue of WASA went to the payment of direct and administrative expenses. Other operating expenses amounted to over EC\$15 million.

At the end of 1998, the total unaudited assets stood at \$256.5 million, while the total unaudited liabilities stood at \$231 million. Of the total liabilities, over 50% are long-term loans estimated at \$122.7 million.

WASA was unable to meet its financial obligations to several local and foreign agencies and businesses. As of 31st January, 1999, the level of indebtedness to LUCELEC was nearly \$5 million, and to NIS and the Inland Revenue Department, just under EC\$3 million each. In the case of the latter, this assumes that the penalties for non-payment are discounted.

Capital expenditure for 1998 was negligible.

Audited Financial Statements for the financial year 1995 were completed in December 1998. Audits for the financial years 1996 and 1997 are currently being prepared. Mr Speaker, the failure to produce these statements was a clear breach of the law. You know, Mr. Speaker, day by day, I become more and more aware of the fact that Saint Lucians have little or no idea of the mess left behind by the former administration. What is even more fascinating is the conspiracy of silence that clothed the financial operations of Government bodies. No one, Mr. Speaker, asked for accountability. No one!

Rural Water Supply Improvements

One of the disturbing aspects of the assessment of WASA is the disclosure that water quality in St Lucia, in a number of areas, must be improved. If not addressed, this water

quality issue will have serious health and social effects on the communities served. In view of the seriousness of the situation, the Government has decided as part of its handshake to WASA, to make available to WASA, an amount of \$2.8 million. The following criteria was established to identify the priority areas:

most polluted source;

population served;

worse water quality produced;

production level; and

economic importance to the country.

On the basis of the above criteria, the EC\$2.8 million will be allocated as follows:

SOURCE APPROXIMATE COST

US\$ EC\$

Thomazo 85,285.20 230,270.05

Au Leon 53,303.25 143,918.87

Deniere Riviere 106,606.50 287,837.55

Desruisseaux 202,552.35 546,891.34

Belle Vue 149,249.65 402,974.05

Anse La Raye 106,606.50 287,837.55

Patience 138,584.05 374,176.93

Other 194,849.50 526,093.66

TOTAL 1,037,037.00 2,800,000.00

Abolition of Duty and Consumption Tax on Plastic Tanks

Mr. Speaker, Government understands that because of WASA's limitations, some persons are compelled to purchase plastic water tanks to store water to alleviate persistent and chronic water shortages. Government has decided to extend a modest helping hand. Presently, plastic water tanks attract an import duty of 20% and consumption tax of 10%.

Government will abolish both the duty and consumption tax on plastic water tanks, effective 1st April, 1999.

New Storage Reserve Tanks

Government is also moving to ease the plight of consumers in the north. The existing Ciceron Storage Reserve is a 4.5 ML bolted galvanized coated steel panel tank, constructed twenty-eight years ago. The Reserve serves a resident population of about 80,000 persons, in addition to the hotels and other tourism facilities in the north-west of the island. A condition survey of the tank conducted in October 1995 revealed that 35% of the steel plates were extensively corroded and in need of replacement. A subsequent condition survey revealed that 75% of the tank was deemed to be unsalvageable, thus making refurbishment an uneconomical option. Consequently, the existing Ciceron Storage Reserve will be replaced with two storage reservoirs of 3.8 ML and 2.4 ML capacity made of reinforced concrete. Government has secured a loan of \$4.218 million from the Caribbean Development Bank. Tenders have already been invited for the construction of the replacement.

MINISTRY OF COMMUNITY DEVELOPMENT, CULTURE, LOCAL GOVERNMENT AND COOPERATIVES

Mr Speaker, this year will be an extraordinary and busy year for the Ministry of Community Development, Culture, Local Government and Cooperatives. This is the "Year of Cooperatives". It is the year when debate on Local Government will be intensified. It is also the year when the national cultural policy will be finalized.

Increased Contribution to Carnival

Mr. Speaker, we turn, first, to one of the major cultural events on our calendar – Carnival. Year after year, the focal point for this form of cultural expression continues to be the city of Castries. The Government is anxious to decentralize this activity and to encourage its celebration throughout our communities. We must afford each community the opportunity to plan and organize its own carnival. Communities must not watch things happen, or wonder what happened. They must make things happen.

The funding of this major cultural festival has, over the years, produced considerable embarrassment. Nearly every year, the National Carnival Development Committee has operated at a deficit. On each occasion, Government had to meet the deficit. In order to end this cycle of embarrassment, I propose to increase the allocation to Carnival from EC\$ 100,000 in 1998/99 to EC\$250,000 in 1999/2000. This is an increase of 150%. Given this generous increase, the Government will, under no circumstances, tolerate any over-expenditure beyond the allocated amount.

Maintenance of Cemeteries

Mr. Speaker, the resting-place of many of our departed beloved ones (who are now interred) concerns this Government. Most of our cemeteries are in a deplorable state. Somehow, we have created the impression that, in death, all is completely forgotten. We have become so insensitive and disrespectful. Not even our dead we care to honour.

It took this Labour Government to build a cemetery wall at Choc. It will take this Labour Government to return respect and dignity to our country. This Government cares not only about the living but also the dead.

An inventory of existing cemeteries will be prepared to provide detailed information on their state of disrepair. Some cemeteries must be relocated to more suitable sites. In the course of this year, a decision will be taken on the new site for a cemetery to replace the cemetery at La Reunion, Choiseul, now slowly awaiting its own death by landslide.

Under the John Compton administration, the amount allocated to cemeteries was \$50,000 in 1996/97 and \$65,000 in 1997/98. To ensure that we treat our dead in a more respectful manner, I propose to increase the allocation to cemeteries from EC\$100,000 in 1998/1999 to EC\$400,00 in 1999/2000. It is intended that this sum be utilized to improve both church owned cemeteries as well as public cemeteries. In the case of church owned cemeteries, it is expected that a matching fund or matching contribution mechanism would be put in place.

Gouvèdman sala konsènè epi kondisyon senmityè nou.

Pwèskè tout senmityè an peyi sala adan an move kondisyon ek I ka pawèt akòdi nou ka obliyé jan nou depi yo mo. No ni pou montjwé pli wèspe piski anba gouvedman John Compton, you paté ka bay désou pou tjenn senmityé adan a bon kondisyon. Lannésala gouvedman kay mété kat san mil dola pou fè semityè an peyi-a pli pwezantab.

Renovations to Vendors Arcade

Mr. Speaker, the vendors operating at the Vendors Arcade were extremely disappointed that the Government could not undertake repairs and rehabilitation work at the Arcade in 1998. I know that they continue to experience severe discomfort. In the course of the financial year, works to the amount of EC\$270,000 will be undertaken. The proposed works include, roof covering, drainage and strip metal flashing.

CULTURAL DEVELOPMENTS

Mr. Speaker, we have said that development is not just about roads, ports and buildings. It is about people; shaping the personality of our people and our country.

Observance of Emancipation Day

For years now, we have ignored one of the most sacred days in the life of all persons of African descent in the Caribbean. That day is 1st August, the date on which in 1838, our forefathers and mothers were formally emancipated. That date has not been given much prominence in St Lucia, except that the first Monday in August has been designated a public holiday (Emancipation Day). The significance of that great historical event to the people of St Lucia has therefore been lost. This Government wants to change that.

In order to deepen the consciousness of our people about their freedom, Government has decided, as a start, to allocate \$50,000 to formally observe Emancipation Day.

National Heroes Day

Mr. Speaker, there are many who have shaped the history of our country. I think of those who resisted slavery. I think of the Brigands who led the fight for freedom in the mountains of our country. I think too, of those who led the struggles for de-colonization in our island.

In the course of this year, legislation will be introduced to formally establish "The Order of National Hero". It is proposed that this legislation will also incorporate the awards of the "Order of Saint Lucia".

The Government proposes that one day of the year be identified to commemorate those persons, either living or deceased, whose achievements, exemplary leadership, heroic deeds, unstinted sacrifice and excellence have contributed enormously to the economic, social, cultural, educational, political and academic well being of the people of St Lucia generally. It is for us to decide whether this day should be celebrated on its own, or on Independence Day, so that we could have a combined Independence and Heroes Day or on Emancipation Day, so that we have a combined celebration of Emancipation and Heroes Day.

In order to finalize these activities and to formally launch National Heroes Day, Government has allocated a sum of EC\$50,000 in this year's estimates.

Kon mwen toujou ka di, dévèlòpman sé pa epi chimen, lawad eben gwo mézon selman. I osi ni anchay pou fè èk moun, mannyé nou ka endé dévèlopé kawakté jan péyi-a. Lanné sala, nou kay éséyé sélébwé jou-a ki pli enpòtan an lavi jan Sent Lisi ek kwayb-la ki desandan neg.

Pwèmyé Aou mil ywit san twan ywit tout nèg an sé péyi anba kondwit langlité té libéwé. Lanné sala gouvedman kay vweman sélébwé gwo lokazyon sala. Osi nou kay sélébwé endepandaus nou èk onnewé sé nonm èk fanm péyi-a ki ja bay tout lavi yo an sèvis pou jan peyi-a.

MINISTRY OF AGRICULTURE, FORESTRY, FISHERIES & THE ENVIRONMENT

Mr. Speaker, Honourable Members, I will now focus my attention on the Ministry of Agriculture, Forestry, Fisheries and the Environment. This Ministry's share of Recurrent Expenditure is \$11.7 million.

Institutional Strengthening

In response to the challenges facing the agricultural sector, the Ministry of Agriculture has, over the past twelve (12 months, embarked on a series of initiatives calculated to increase its efficiency and make it more responsive to the needs of its clientele. During the coming year an allocation has been made for the Institutional Strengthening of the Ministry of Agriculture, Forestry, Fisheries and the Environment. This exercise will build on the outputs of a Logical Framework Workshop, involving the Ministry's major stakeholders, which was conducted last year. The first part of the exercise will last three months, and will involve a review of the organizational structure of the Ministry and the overall needs of the sector it is required to service, culminating in the presentation of a report. After discussion, refinement and acceptance of this report, the project will move into its implementation phase, during which the actual restructuring and management upgrading of the Ministry will take place.

Rural Economic Diversification Incentives Project

The Rural Economic Diversification Incentives Project (REDIP), Mr. Speaker, ranks as one of the major success stories of the Ministry of Agriculture. In 1998, over \$2.4 Million in loans were disbursed, resulting in the creation of 56 new enterprises, the expansion of 97 existing diversification initiatives, the sustenance of 142 jobs and the creation of 73 new jobs. During the coming year, \$3.5 Million in STABEX resources will be allocated for the continuation of the work of this project in furthering the process of agricultural diversification.

Anse-La-Raye Fish Market and Fish Fry

One of the projects intended to be funded under the programme of economic diversification, is the construction of a Fish Market and Fish Fry in Anse-La-Raye. This initiative intends to bring the people of Anse-la-Raye into the mainstream of tourism activity and consequently, income generation. Retail outlets would be constructed to facilitate the sale of cooked fish and other delicacies to locals and visitors.

When this project is completed, Anse-la-Raye might well establish its own "Fish Night." A sum of \$300,000 has been allocated for this project.

St. Lucia Rural Enterprise Project

Closely allied to REDIP is the St. Lucia Rural Enterprise Project (SLREP), which targets agricultural diversification in a Southern arc covering Micoud to Choiseul. Although administrative and other difficulties retarded the progress of this project in 1998, it was still able to fund 48 new enterprises and facilitate the creation of over 150 new jobs,

while at the same time assisting the Ministry of Agriculture and farmer organizations with much-needed institutional support and strengthening. An allocation of \$449,140 from local revenue is made to cover the Government of St. Lucia's contribution to this project for the 1999 financial year. We are confident that with its initial teething problems behind it, the SLREP will make a meaningful impact on the lives of the rural communities that it services by increasing the avenues for economic empowerment of resource-poor households.

Multi-Purpose Agriculture Development Centres

Mr. Speaker, last year I informed this Honourable house of the initiation of a project to replace Banana Inland Buying Depots with three strategically placed Multi-Purpose Inland Reception and Distribution Centres. The preliminary work on this project is nearly complete, and construction is scheduled to commence in August of this year, with a scheduled completion date of January 2000. An allocation, this year under STABEX, of \$8.3 Million will facilitate the completion of this project.

Strengthening of Extension Delivery Services

The Extension Division of the Ministry of Agriculture has come under much criticism in recent times over its inability to provide meaningful support to the farmers of this country. In pursuit of a more focused and demand-driven Extension Service, the Ministry of Agriculture, in collaboration with the Food and Agriculture Organization of the United Nations (FAO) will be embarking on a project to Strengthen the Delivery of Agricultural Extension Services. FAO's contribution to this project will involve the facilitation of fifteen short-term training missions, ranging from one week to three months in duration. Additionally, FAO will fund the official travel, general operating expenses, materials and supplies, equipment, and other related costs to the amount of US\$ 155,000. This project is expected to commence in May and will be executed over a fifteen-month period.

Water Management Project

Mr Speaker, the issue of water management is one that is of critical importance to the agricultural sector. Last year, two water management studies were conducted: one by the Food and Agriculture Organization and the other commissioned by the European Union, to investigate the possibility of on-farm irrigation. Both of these studies pointed to the paucity of data on water resources, the apparent shortage of sufficient ground water supplies to meet our agricultural needs, the absence of an institutional and legislative structure to address our water resource management needs, and the necessity for remedial work in the water catchments. It is critically important, therefore, that the Ministry of Agriculture intervene immediately to improve the management of our water resource. To facilitate this, an amount of \$3 million has been allocated under STABEX for water resource management. These funds will be used to achieve the following:

the rehabilitation of some of our critical watersheds;

the development and implementation of a data collection system to facilitate the planning and management of the resource;

the extensive public education and sensitization necessary to ensure that cultural and other practices presently destroying our watersheds and compromising the integrity of our water courses, are stopped;

the establishment of community-based groups to assist in the management of the watersheds; and

the establishment of a water management unit, with the necessary cross-agency linkages.

MINISTRY OF HOME AFFAIRS, LEGAL AFFAIRS & LABOUR

Mr Speaker, in the 1998/99 financial year, considerable resources were made available to the Ministry of Legal Affairs, Home Affairs and Labour. Let us review the record.

Provision for 150 new police officers.

Purchase of:

24 new motor cycles; and

21 new motor vehicles

Reconstruction of the Gros Islet and Soufriere police stations.

Commencement of the new prison at Bordelais at an estimated cost of EC\$45 million.

Nou ka kontinè fè tout sa nou pé pou endé sitiwasyon se polis-la.

Nou bay you yon san senkant ofisyé nef.

Venn kat motor-bike. Ventenyen machin nèf.

Wanje kotgad Soufwiyè ek Gozilé.

Koumansman pwizon nèf Bodelais Dennery ki kay kouté kawant senk milyon dòla.

In the Capital Estimates this year, a further \$320,145.00 is provided for miscellaneous repairs to police facilities.

The time has come to pay some attention to the Fire Service. When the new fire stations at Gros Islet and Vieux Fort are constructed, it will be necessary to increase the establishment of fire officers. Meanwhile, Government has decided, within the limits of its resources, to increase the existing complement by twenty-one new officers.

Purchase of Fire Tenders

Additionally, some \$250,000 has been made available in the Capital Estimates for the purchase of fire tenders for use at our airports. The fire tenders will be jointly purchased by the St Lucia Air and Sea Ports Authority and the Government of St. Lucia.

Campaign Against Drug Abuse

Mr Speaker, there is a new initiative which merits highlighting. Government will now move in a determined way to strengthen its campaign against drug abuse and to build community resistance programmes. A sum of EC\$605,000 has been provided for these activities in the Capital Estimates. This is not just a significant but a massive increase in funding.

Gouvedman diteminé pou goumen kout maladi dwog an peyi-a ek nou kay mété anho sis san mil dòla asou koté pou wendé sitiwasyon sala.

Computerization of Court Registry

Finally, Mr Speaker, I wish to confirm that Government is determined to computerize court records and proceedings. To this end, a sum of \$200,000 has been provided in the Capital Estimates to undertake preliminary activities.

MINISTRY OF HEALTH, HUMAN SERVICES AND GENDER RELATIONS

It is now the turn of the Ministry of Health, Human Services and Gender Relations.

Increase in Support for Poor Persons

Mr Speaker, Government has decided to increase public assistance for the downtrodden, the dispossessed and the poor. Someone has to care for them.

The Public Assistance Act, No. 17 of 1967, relating to assistance to needy persons, defines a needy person as "*any and every person who by reason of infancy, old age, illness, disease, bodily infirmity or mental incapacity is unable to maintain himself or herself.*"

According to the 1995 Poverty Assessment Report, 18.7% of households or 25.1% of the population, i.e. 37,990 persons in St Lucia are poor; 5.3% of households or 7.1% of the population are indigent. This means that over 10,000 persons in St Lucia do not have the means to feed and clothe themselves.

Mr Speaker, up to February of fiscal year 1998/99 public assistance and auxiliary services were provided to 3,831 needy persons. This is coverage for a mere 10% of the poor or 36% if we had only assisted indigent persons. This, Mr Speaker, is most certainly, not good enough.

Mr Speaker, the last time public assistance was increased in this country was 1987 - some twelve years ago. So much for the previous Administration's concern for the poor and down trodden.

The budgetary allocation for public assistance will be increased to \$2,345,734 in the 1999/2000 fiscal year. We propose to increase the amount which beneficiaries have been receiving since 1987 by 50%. In other words Mr Speaker, effective 1st April, the individual who currently receives \$40.00 a month will receive \$60.00; the household of two persons which receives \$60.00 will now receive \$90.00 a month; the household of three persons who currently receive \$80.00 will receive \$120.00 a month; the household of four persons currently in receipt of \$100 will now receive \$150.00. Lastly, the household of five or more persons receipt of \$120.00 will now receive \$180.00 monthly.

Nou ulé tout moun sav si pyèssonn pa mélè epi jan peyi-a ki pov èk pa ni asé lajan pou endé ko yo. Gouvedman sala kay otjipéyo. Silon on wapo sou povté an Sent Lisi ki té fèt a kat lanne pasé, anho dis mil moun twò pou yo swen kò yo.

Lanné sala nou ja desidé pou bay le pou an ti lavi plis asou sa yo ka jwenn. Mou ki ka jwenn kawant dòla apwezan kay jwenn swasant dola èk moun ki ka jwenn swasant dòla apwezan kay jwenn katwiven dis dola pa mwa.

In passing Mr Speaker, allow me to mention that during the upcoming financial year, the Public Assistance Act will be repealed and replaced.

Increased Contribution to Ex-Servicemen League

Mr. Speaker, the Executive Members of the St Lucia Ex-Service League assist 40 needy World War II Ex-Service Veterans who are not as healthy as members of this House. In addition, the League administers to the needs of 20 widows, 5 of whom are widows of World War I veterans. The remaining 15 are widows of World War II veterans. The League also takes care of the dependents of veterans who are sick.

The veterans are unemployed. Many suffer from ill-health and infirmities. The League pays for medical and dental care not available at Government's health institutions.

Mr. Speaker, our veterans were given the responsibility of defending freedom in its period of greatest danger. Those veterans, who answered the call, and the surviving families of those who paid the ultimate price for freedom, must not be forgotten.

Consistent with a promise made to the League at the 1998 Remembrance Day "Get Together", I propose to increase Government's contribution to the League from \$24,000 to \$40,000 per annum. This represents an increase of 67% in the annual subvention to the League.

HEALTH SECTOR REFORM

Mr. Speaker, four weeks ago in a Radio and Television address to the nation, I urged all St. Lucians to participate fully in the Health Sector Reform Community Consultations spearheaded by the Ministry of Health, Human Services, Family Affairs and Gender Relations.

Mr. Speaker, the current stage of the consultative process will be completed tomorrow and the Ministry of Health, Human Services, Family Affairs and Gender Relation will, in a matter of weeks, submit the White Paper to the Cabinet of Ministers for further direction.

Mr. Speaker, I want to reassure the people of this country that their suggestions will be taken seriously. Health Sector Reform, however, is no easy challenge and the changes cannot be achieved overnight. It is an ongoing long-term process that has only just begun.

A total of \$300,000 has been allocated in the 1999/2000 budget for Health Sector Reform and to strengthen the merged Health Planning and Information Unit for more effective planning and to lay the foundation for advancing the reform process.

VICTORIA HOSPITAL - L - BLOCK

Last year, I spoke of the poor state of Victoria Hospital where the majority of buildings are in deplorable conditions and of Government's commitment to the total rehabilitation of this institution.

Mr. Speaker, the long overdue 'sore' project, the "L" Block, is expected to be finally completed within the first quarter of 1999/2000 fiscal year. An amount of \$821,000 has been allocated. The "L" Block will accommodate the Surgical and Medical Departments, the Recovery Room and two new Operating Theatres. The Franco-Caribe Association of Guadeloupe has already contributed the equipment for one of the theatres.

Accident and Emergency Services

In an effort to resolve the problems plaguing the Accident and Emergency Department of the Victoria Hospital, last year, this Government initiated a project for the re-organization and re-development of the emergency services at that Hospital. To date the physical improvements are almost complete and some of the essential equipment has been purchased including the procurement of a portable X-ray Unit in preparation of improved management and delivery.

In this budget, a total of \$965,000 has been allocated for completion of this project. The resources will be utilized to complete Phase I, that is the physical upgrading, equipment purchase and installation, and to initiate Phase II. This second Phase is most critical as it is intended to radically improve the quality and delivery of emergency services.

Victoria Hospital Rehabilitation Phase 3

Mr. Speaker, the Victoria Hospital Rehabilitation Project is another long overdue project whose delay has contributed to the frustration of the staff and patients at the hospital. In the new fiscal year we hope to gain momentum on this project as it approaches the detailed design stage. The project is co-financed by the European Development Fund who over the years has been providing the technical assistance for the development of this project to date. The tender preparation and detailed design will be financed by the EDF.

MENTAL HEALTH

Mr Speaker, Honourable Members, I wish to inform you that as part of the Health Sector Reform initiative, it is the intention of this Government to radically reform the system and delivery of mental health services in St. Lucia. Preparations for the development of mental services will constitute a major focus of the Ministry's work in the upcoming year. In this regard, the Government of Cuba and PAHO have both pledged their assistance. The Cuban Government is ready to provide training for local personnel and technical assistance for the organization and development of our mental health services. We have allocated an amount of \$135,000 in this budget to facilitate this endeavor and \$200,000 for much needed rehabilitation at Golden Hope Hospital.

This Government is also fully committed to the construction of a new Psychiatric Hospital and towards this end we have already secured the commitment of the People's Republic of China. It is now a question of determining the site of the new hospital.

MINISTRY OF TOURISM, CIVIL AVIATION AND FINANCIAL SERVICES

Mr Speaker, I said in my budget address last year that tourism was the guiding light of the economy, and it is expected to continue to be the leading earner of foreign exchange for the foreseeable future.

Developments in Infrastructure

There have been some exciting developments in the past year. The completion of an 18-hole golf course at Cap Estate will allow St Lucia to provide excellent sports tourism facilities, and improve our competitiveness.

Mr Speaker, our goal of achieving 5,000 rooms by the year 2000, draws closer to reality. We saw the commencement of the three hundred-room Hyatt Regency Hotel at Pigeon Point, a development that will augur well for St Lucia, since it will establish the island as a destination with a brand name five-star facility. We are confident that the partnership existing between the developers and Government will be strengthened for the benefit of St Lucians.

Sandals La Toc have also commenced their extension, and Sandals Halcyon is due to commence the construction of one hundred and twelve rooms on the Palm Beach site. Numerous small hotels including Bay Gardens and Glencastle are well advanced in their

expansion plans. Club St Lucia completed their upgrade and expansion, and Le Sport will commence in August, 1999. Soon, the Government will be positioned to make some exciting announcements.

It is clear Mr Speaker, that confidence in the industry is at an all-time high. Government will continue to encourage, assist, and nurse this burst of confidence.

Cruise Tourism

The year under review was a vibrant one for cruise tourism, with a double-digit increase in arrivals. With the completion of the berthing facilities this year, the new generation of mega ships will be able to visit our island. Government expects that these new facilities will improve the earning capacity of the cruise tourism sector in St Lucia.

Expansion Of Duty Free Shopping

Mr Speaker, this Government believes that St Lucia can emerge as the Duty Free Shopping Centre of the Eastern Caribbean. The Ministry of Tourism has been mandated to dialogue with Managers of Duty Free operations to develop and promote duty free shopping in St Lucia for Caribbean visitors. Government is prepared to assist in promoting special shopping holiday packages. We must not just be "simply beautiful." We must be, "simply the best."

Financial Services

In my address last year, I mentioned Offshore Financial Services as an area of new economic activity for St Lucia. The Ministry of Tourism, Civil Aviation and International Financial Services has, on the advice of Cabinet, decided on a model for St Lucia. An international firm, Inter American Partners Inc., will be the lead promoter, and the Government of St Lucia, through the Financial Services Unit of the Ministry, will provide regulatory and supervisory services.

Core pieces of legislation have been prepared and circulated. Hopefully, the legislation will be enacted within the next few months. Government has estimated that the sector will yield EC\$5 million in revenue in this financial year. A sum of \$350,000 has been allocated for professional training of the staff of the Financial Services Unit of the Ministry.

CONCLUSION: A SHORTENED RACE

Mr. Speaker, I am sorry to disappoint you, but the race this year has shortened. Last year, in my first full budget as Minister of Finance, I breasted the tape after a six-hour marathon presentation to this Honourable House of our blueprint for Stimulating and Re-orienting the Economy towards Sustained Growth. It was necessary then to explain the long-term goals, objectives and vision of the Government, and the extent to which the 1998/1999 Budget contributed to their attainment. Today, there is greater understanding

of that vision, and of the direction of our social and economic policy. We have also been successful in removing some of the hurdles and items of debris that our defeated opponents left on the track. Therefore, Mr. Speaker, although I have not managed to bring my presentation down to the level of a sprint, this year we have the equivalent of a middle distance effort. Perhaps, also Mr. Speaker, our ability this year to improve on our time may be indicative of a greater level of fitness and better conditioning on the part of the Government. At this current rate of improvement, I shudder to think of what our performance will be like next year.

On a more serious note, however, you will note that, consistent with our theme, we have embarked on a path of Institutional Reform, Economic Consolidation and Social Recovery. Our Capital programme, which this year reflects an increase in expenditure of 38.7%, is designed to stimulate growth, consolidate on the gains achieved during the past year, and further strengthen our economic infrastructure. We expect this Budget to catalyze further development in the economic sectors, to facilitate our country's social recovery, and to encourage the level of institutional reform necessary to allow our country to respond to the challenges of the new millenium. We are confident that this Budget will achieve these objectives.

Mr. Speaker, I want to end by expressing my sincere gratitude to the hard-working staff of the Ministry of Finance and Planning, particularly the Budget Department and the Research and Policy Division, and to the many public officers who made it possible for us to present this Budget in March, before the start of a new financial year. This step will allow for the execution of the work programme of the Government over a twelve-month period, without the traditional loss of one month caused by an April presentation of the Budget. Mr Speaker, the staff has been superb. With such depth, such quality, I have no need for IMF personnel in the corridors of the Ministry of Finance. St Lucia under the leadership of this Prime Minister will never, ever, concede its financial autonomy or sovereignty to IMF or any other institution or country.

In our Contract of Faith we pledged that "an SLP Government will insist that performance begins at the top and extends to all levels of the public service". Once again, Mr. Speaker, we have remained faithful to our promise.

I move, Mr. Speaker, the second reading of the Appropriation Bill 1999/2000.