

# **STRENGTHENING MODERNIZING AND REPOSITIONING THE ECONOMY**

**By**

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## **INTRODUCTION**

Mr Speaker, the 3.1% economic growth recorded in 1999 extends St Lucia's post election recovery into yet another year. Indeed, this is the highest growth rate achieved in the last seven years.

This growth has been produced through an appropriate mix of Government activity, private initiative and community participation. Growth has also been achieved jointly with small and large businesses. It has been achieved through rising foreign investment and expanding industry. This Government values those partnerships.

Some of this growth has also been created through improved efficiencies; particularly where Government has either restructured or reduced its presence in specific sectors. This has allowed Government to focus its concentration and its efforts in really critical areas.

That focus is reflected in this budget. By way of example, the Capital Programme contains those projects which are most likely to be growth producing; those projects most likely to create and sustain employment. It also takes a realistic view of what can be achieved within the financial year and what rates of non-inflationary growth can reasonably be achieved.

Mr Speaker it is already known that this year's budget is some 2.4% less than the last year's. It should also be known however, that we are entering a phase in our economic development where this is quite appropriate and there is every reason for such realism and constraint. Nor is this an anomaly as some radio pundits suggest. It happened in 94/95 and again in 98/99. Indeed, the shrinkage in 94/95 was as much as 6.8%. Nor are we alone. In Barbados, the capital account of the National Budget shrunk by 49% to a seven-year low between 1992 and 1993. And so we move on Mr Speaker, not only strengthening and modernising, but enlightening as well.

Mr Speaker, this budget contains those initiatives most likely to continue the process of strengthening, modernising and repositioning the economy. Moreover, Mr Speaker, it seeks to facilitate, support and sustain growth; not simply to expand the public sector at the expense of the rest of the economy.

True, we have had adjustments. We have created new and more efficient revenue measures, and abandoned others which were tedious and unjust. This has been part of the repositioning, Mr Speaker which allows for record growth and efficiency gains.

Not only has this strategy produced the highest growth rate in 7 years, it has also driven Direct Investment up by 4%. Other Investment, as reflected in the Balance of Payments, is up by 63.4 million dollars. At December 31, 1999 employment was up by an estimated 2,300 jobs. The transformation and diversification of the economy is proceeding apace.

## **THE INTERNATIONAL ECONOMIC ENVIRONMENT**

Mr Speaker, as we contemplate the position of our small country in the world economy, a few notable features of the changing international environment are inescapable.

In the 1990's, controls on the movement of foreign currency and capital were systematically reduced in emerging markets. This followed extensive liberalisation in developed countries during the 1970's and 1980's. As a result, global financial markets are today more integrated than ever.

This permits capital to flow from country to country with relative ease, thereby making additional resources potentially available to developing countries. Capital, however, can flow out as well as in, causing severe economic instability, as exemplified by the Asian financial crisis. Moreover, this integration of financial markets, facilitates the spread of financial shocks from country to country. Strategies to lessen these effects and to strengthen domestic financial systems, must become an integral part of the development of our own financial markets.

At present, the international economic environment is also characterised by low and stable inflation. This is attributable in part to the self-imposition of monetary and fiscal discipline by many developed and developing countries. It is also related to spread of competitive forces fuelled by changes in technology. These have helped to dampen global inflation to a 40-year low. This has proved to be a boon to small open economies such as ours. It means that the country's resources can stretch that much further, and costs can be contained.

Given the general global environment of low inflation, volatile financial markets and some degree of economic instability, how did the world economy fare during 1999 and what are its prospects for the year 2000?

In the aftermath of the 1998 financial crises, growth in the world economy recovered to 3% in 1999. Contributory factors include strong non-inflationary growth of 3.7% in the U.S.A., an apparent end of the Japanese recession, recovery in South-East Asia, relative stabilisation of financial markets and a relaxation of monetary policy in developed economies.

The major industrial countries as a group grew by 2.6% compared to 2.2% in 1998. Growth in the European Union slowed to 2.1% compared to 2.8% the previous year. The U.K grew by around 1.1% in 1999 compared to 2.2% in 1998. Germany grew by 1.4% as opposed to 3.2% in 1998, and the French economy grew by 2.5% against 3.2% in 1998. Restrictive labour market policies which inhibit efficient and productive employment may have been a significant factor in the sluggish growth in Europe. In Canada, which benefited from the strong performance of the U.S., growth was a robust 3.6%, compared to 3.1% the previous year.

### ***Developing Countries***

Developing countries as a group grew by 3.5% in 1999, compared to 3.2% in 1998. Weaker growth in Africa, the Middle East and Europe was offset by strong growth in Asia of 5.3%. The recovery in Asia followed closely on export growth, competitive exchange rates, lower inflation, recovery in capital inflows and restored confidence in the economies of the region.

The prognosis for the world economy this year, is for higher growth of around 3.5%. This is up from 3.0% last year, and is led by growth of 4.8% in the developing countries, compared to 3.5% in 1999. Prices are expected to continue their stable trend, despite the acute rise in last year's petroleum prices. Increases in fuel prices, particularly during the second half of last year, do not seem to have had a substantial effect on overall inflation in 1999.

Growth in the main markets for our exports, including service exports like tourism, is expected to be higher this year. The major exception is the U.S.A. which is expected to grow more slowly this year at 2.6%, compared to last year's 3.7%. It is anticipated that the U. S. economy be reigned in to avert higher inflation as resources become scarce. Strong U.S. growth in recent years is starting to stretch resources to their limit.

The lesson for us in the Caribbean Mr Speaker, is that we must position ourselves to take advantage of higher growth anticipated for the world as a whole and for most of our trading partners. This budget seeks to support such a process.

### **REVIEW OF REGIONAL ECONOMIES**

Taking the regional perspective, economic growth within CARICOM was consistently positive during 1999. As expected in an area with such diverse economies, the growth experience (compared to recent past performance), was mixed.

Regional economies, being open, have inherited benefits from low inflation and economic recovery in the industrial countries. On the other hand, foreign exchange earnings were adversely affected in some of the countries dependent on Agriculture. In addition, the damage caused by Hurricane Lenny late in 1999, had a negative effect on some countries, namely the Bahamas, St Kitts, Antigua and Barbuda, Dominica and St Lucia.

Our own experience of the destructiveness of Lenny, is sobering. We live in a region vulnerable to natural disasters. Hurricanes, landslides, earthquakes and the like, will continue to be a part of our "development" experience. We obviously cannot ignore them, and must set aside resources to meet unforeseen events, take steps to mitigate the effects of disasters and insure against associated risks.

It is in this connection that we have insisted on the regional Emergency and Disaster Mitigation projects which begun last year and are financed by the World Bank, the Caribbean Development Bank and regional Governments. Considerable resources have already been spent, and more will be spent this year, on strengthening the country's physical infrastructure of roads, bridges, sea defenses, etc. to minimise the impact of disasters on human settlements.

Mr Speaker, the main sectors which provided the impetus for growth in the CARICOM countries are Tourism and Services, Construction, Agriculture and Manufacturing.

In Tourism, stayover visitor arrivals grew by about 4% for the region as a whole. Although this figure is lower than the 5% recorded for 1998, it still provided a significant stimulus to growth. The increase occurred because of the availability of more hotel rooms and additional flights into the region. The countries with the fastest growing tourism sectors were the Bahamas (13%), the British Virgin Islands, and Turks and Caicos Islands, both of which grew by over 8%. Dominica, St Vincent and the Grenadines, and the Cayman Islands experienced declines, while St Lucia's stay-over arrivals were higher by around 4.6%.

Construction activity was generally buoyant throughout the region, including St Lucia. It was driven by public-sector projects, tourism infrastructure, including hotel refurbishment and construction, and residential accommodation. Its impact on both employment and economic growth was positive for the Region as a whole.

Agriculture in the Region was adversely affected by hurricane activity, and in the case of the banana industry, by the unresolved issues affecting that sector. However, improved banana quality and better prices helped to cushion the decline of the banana sector. Elsewhere in Agriculture, sugar production rose significantly in Barbados, Guyana, Jamaica and Trinidad and Tobago in response to better prices internationally. The Agro-Industrial and Manufacturing sectors in these four countries plus St Lucia, also improved somewhat during 1999.

Having touched on the main influences on economic activity in the CARICOM area, Mr Speaker, I am sure you will permit me to indicate to this Honourable House, the magnitude of real economic growth experienced by some of the region's economies.

Economic growth was positive and relatively non-inflationary throughout the islands in 1999, ranging from around 0.4% in Jamaica after three straight years of decline, to 8.7% in the Turks and Caicos Islands. It is noteworthy that reform of public sector bodies and the financial sector were significant factors in turning the Jamaican economy around.

It is also noteworthy that the countries with diversified economies including larger service sectors, fared better than others. The Turks and Caicos, the Bahamas, Antigua and Barbuda, and Barbados grew by 8.7%, 5%, 4% and 3.2% respectively, while Jamaica, Dominica, Guyana and St Lucia grew by 0.4%, 1%, 3.0% and 3.1% respectively. The exceptions among countries with strong agricultural bases were Grenada and St Vincent and the Grenadines. In Grenada, agricultural exports grew in response to strong demand for spices, while additional airline seats stimulated tourism. Similarly, substantial growth in tourist arrivals generated higher economic growth in St Vincent and the Grenadines.

The experience of countries with substantial touristic and service sectors and increasingly diversified economies, supports this government's approach to economic development. We must accelerate our efforts at putting our productive base on a more varied footing, in order to be in a better position to absorb shocks in any single sector.

With a few exceptions, there is evidence that, fiscal management has improved across the region. Public sector savings have grown in many countries. On the other hand, overall deficits, outstanding debt and debt servicing are on the increase, due in part to ambitious capital expenditure programmes, and in part to a decline in concessionary foreign assistance.

Mr Speaker, the recent economic performance of our Region has been strongly influenced by the international environment, and by domestic policies employed by individual countries. The development of the capital markets of the OECS countries and the growth of offshore financial services, are rapidly providing an added dimension to our economies. The challenge will be to continue to finance non-inflationary growth, to deliver essential services to our expanding populations at affordable cost, to ensure that growth is translated into greater employment and reduced poverty, and to do all of this within our means.

## **PERFORMANCE OF THE DOMESTIC ECONOMY**

As stated, the rate of real economic growth in St Lucia in 1999 was around 3.1%, the highest for the last seven years. Despite the decline of the banana sector, most performance indicators point to a steady improvement in economic activity.

Inflation, though higher at 3.5% than the 2.8% posted in 1998, was still moderate, despite the substantial increase in petroleum prices internationally. Higher oil prices in the rest of the world had an inflationary effect on import prices, but Government's decision to keep petrol prices down, helped to moderate the general inflation rate. I will say more about this later on.

## **Renewed Confidence In The Future**

An indication of the soundness of the economy, is the confidence demonstrated by foreign investors, external institutions and our own business sectors. Continuing investor interest shown in St Lucia, particularly in the hotel sector, is testimony to confidence in

the underlying economic fundamentals, in the good performance of the economy, and in the appropriateness of government policies. Mr Speaker, I applaud the initiatives undertaken by the private sector, particularly in respect of commercial expansion and modernisation.

The assessment of St Lucia's economic performance by external institutions is consistent with our own. Their comments about the country's future prospects are positive, and are predicated on the continuation of sound fiscal and economic management. Those institutions and organisations which have endorsed our development strategy include the Caribbean Development Bank, the Eastern Caribbean Central Bank, the World Bank and the European Union. The local business community is also upbeat about the economy. In referring to a Business Performance Survey for the first half of 1999, undertaken by the St Lucia Chamber of Commerce, Industry and Agriculture, the Chamber's Annual Report for 1999 reveals that members experienced significantly higher sales, compared to the same period in 1998. In addition, the Report had this to say about the confidence of its members and the prospects for the economy and for business growth this year:

*"Confidence in the economy appears to be high with 84% of all respondents forecasting growth in business in the year 2000".*

The Report goes on to indicate the positive effects which this confidence is likely to have on employment. It reads: *"The outlook for 2000 indicates that 43% of respondents plan to expand employment, while 45% plan no change, (and) decreases are anticipated by only 10%...."*

Mr Speaker, we share the confidence of the private sector, fellow St Lucians, regional and international agencies and foreign investors. We will invite the doubters to re-evaluate their position and participate to the fullest in the growth and diversification of economic activity now taking place around us.

### ***Expansion In Construction***

The growth of several sectors accounted for the overall economic growth in 1999. Construction, which strengthened by 6.0% compared to 3.4% in 1998, was a primary contributor. The main areas of growth in the private sector were in commercial, hotel and residential infrastructure. In addition, public sector construction grew by some 32.5%, mainly in road, transportation, security, fishing, free-zone facilities and government building infrastructure.

### ***Continued Growth In Tourism***

Tourism grew by 2.6% in 1999 compared to 2.4% the year before. Investment expenditure was considerable. The Hyatt Regency Hotel is ready for business. The Rosewood Hotel is now under construction. Plant expansion at Sandals, Bay Gardens and Le Sport have been completed. Related services in the areas of entertainment and transportation have also experienced growth.

The cruise ship sub-sector continued to grow, though at more realistic levels. The number of cruise ship calls increased by 12.3%, while the number of disembarking cruise passengers increased by 3.6%. Despite the growth in all categories of tourist arrivals, including a 3.3% increase in stay-overs compared to 1.5% in 1998, it is estimated that tourists spent less in 1999. We must do more to encourage the tourist to spend, but the key is to provide better quality and greater variety, to do so more efficiently and to package and market our product more effectively. The public and private sectors, indeed the entire community, must join forces in this effort.

### ***Decline In Manufacturing Arrested***

The negative growth experienced by the manufacturing sector over the three-year period, 1996-1998, was arrested in 1999. The sector as a whole did not expand in 1999, but neither did it contract. We expect that the consolidation which is underway will lay the basis for growth in the future. However, increasing international competitiveness will test our creativity to the fullest extent.

A decline of 17% in the output of paper products, was associated with the decline in the banana production, which uses cardboard boxes for packing fruit. Production of textiles, chemicals and rubber products also declined by approximately 13%, 7% and 4% respectively. On the other hand, the output of copra derivatives grew strongly by around 44%; the Food, Beverages and Tobacco category by 22%; Wearing Apparel by 15%; Electrical products by 11%; and Wood products by 9%. The net effect in manufacturing as a whole was the reversal of the decline of recent years. This is a vital source of growth, and our limited success in winning new export markets must be addressed if future growth in the sector is to be achieved. I appreciate that the situation in the manufacturing sector continues to be delicate, and so I have mandated the new Minister, Hon Philip J Pierre, to pay particular attention to the problems being experienced there and engage the manufactures in early dialogue to address existing concerns.

### ***Mixed Performance In Agriculture***

Banana production in 1999 decreased from the 1998 levels of 73,039 tonnes to 65,197 tonnes. Reductions in the tonnage of bananas exported were also experienced in Dominica and St Vincent and the Grenadines, demonstrating that these declines were due to problems experienced in all of the islands. Indeed, in the case of St Vincent, the overall decline was in the magnitude of 6%, despite the introduction of irrigation. While a Windward Islands Banana Industry Production Recovery Plan has been in operation for over one year, the positive benefits of this Plan have not yet been realized. A severe drought in 1999 caused production in St Lucia to decline, and the unavailability of funds for irrigation projects prevented the timely implementation of drought mitigation measures. While the revenue earned from banana exports suffered a commensurate decline, banana farmers in St Lucia, during the course of 1999, received a consistently higher price for their fruit than their counterparts in Dominica, Grenada and St Vincent and the Grenadines.

On the other hand, the production and exportation of most nontraditional crops expanded, cushioning the decline in the agricultural sector as a whole. Agriculture contracted by about 1%, despite the 8% decline in the banana sub-sector. The quantity of fish landed rose by 26%; egg production rose by 34% and copra production improved by 92%. Increases were recorded in most areas of livestock, avocado, hot pepper and mango production. Output of breadfruit, plantation and soursop declined somewhat, while that of cocoa continued to decrease, though at a slower rate of 5.5% compared to 24% in 1998. Nevertheless a 68% improvement in the quality of exported cocoa resulted in higher export earnings from that crop.

These developments in non-traditional agriculture are encouraging. They are an indication that Government's efforts at diversification, assisted by the European Union, are having positive effect. This government's commitment to agricultural diversification is not just a matter of rhetoric, but is demonstrated by concrete results. In spite of the vagaries of agriculture, there are viable markets available to us, and we must increase our efforts to supply them with quality produce on a consistent basis.

### ***Complementary Growth***

Different sectors support one another as growth takes place, and the expansion of Construction, Tourism, Manufacturing sub-sectors and Agriculture, is associated with substantial growth achieved in other sectors in 1999. They include growth of 9.8% in the Electricity and Water sector, compared to 0.7% in 1998; 5% expansion in Communications compared to 3.7% in 1998; and 3.4% growth in Transportation against 3.2% in 1998. Wholesale and Retail trade grew by a creditable 3%, although this was lower than the 4.5% recorded in 1998. The support of the banking and financial sector is reflected in growth of 4.9%, much lower than the 9.1% of the previous year, but still significant considering the problems of the banana sector and their significant effect on the overall growth rate.

### **Assessment of Fiscal Performance**

Mr Speaker, with your permission, I will now report on the government's fiscal performance against the targets set out in last year's budget. The fiscal targets and our performance for 1999 are as follows:

#### **TARGET ACTUAL**

Ratio of Central Government Savings

To GDP. Min. 3% Desired 5% 7.4%

Ratio of Current Revenue to

GDP Min. 26% 26.6%



Ratio of Current Expenditure to GDP Max. 25% 19.2%

Ratio of Capital Expenditure to

Total Expenditure Min. 30% 33.8%

Ratio of Public Sector

Savings to GDP Min. of 7.8% Not yet available, but believed to have been achieved

Ratio of Loans to Deposits - measure of bank liquidity 92% 96.4%

7. Real Economic Growth 3% 3.1%

Honourable members, all but one of the targets were surpassed. The Liquidity in the banking sector tightened. This was, in part, linked to the decline in the banana industry. However, it was also associated with the economic expansion which placed greater demands on the economy's financial resources. Bank lending increased by 9.7% to help finance economic growth.

It is noteworthy that the government increased its current account surplus from 5.2% in 1998 to 7.4% in 1999, in order to allocate more domestic resources to the financing of capital expenditure. In the new era of reduced preferences from developed countries, it is incumbent upon us to finance a significant part of our development from our own resources. The targetted ratio of capital to total expenditure of 30% was also surpassed. We achieved 33.8% and expect to increase this ratio even further, by continuing to improve our rate of project implementation.

St Lucia's debt ratios are well within acceptable limits, despite increases in the absolute debt outstanding and debt service in 1999. Total debt to GDP was virtually constant at 25.3%, indicating that our ability to sustain our debt obligations remains favourable. Our ability to service external debt, as measured by the ratio of external debt service to exports of goods and non-factor services, was 4.1% in 1999, compared to 3.7% in 1998. However, we are well within accepted norms of 15-20% for countries of our size and classification.

## **REPOSITIONING OF ECONOMY**

Mr Speaker, over the last two and a half years, we have been engaged in the process of strengthening, modernising and re-positioning the economy, after the years of decline and dysfunction. Our efforts have not been in vain. The recovery which began in 1998, has continued in 1999, and by all accounts will be further strengthened this year. In addition, we are at an advanced stage of the transition to a predominantly service economy, and must strive for common ground in the public and private sectors, in order to find ways of

bringing about the necessary structural adjustments associated with such fundamental changes.

It is well within our capability as a people to deal effectively with the issues affecting us, and I am confident that St Lucia can take advantage of the opportunities offered by the new international economy.

It must be recognised that the process of consolidation and re-positioning is not yet complete. We are in the process of establishing the Goods Distribution Free Zone and the rules of engagement for gaming facilities, and so on. The International Financial Services Sector has taken off. Our commitment to regional economic integration has taken one major step forward with the introduction of the third and fourth phases of the Common External Tariff. We have restructured the management of the Banana Industry, boldly re-engineered WASCO, privatised NCB, and are now reconfiguring Radio Saint Lucia and NDC.

In taking a new direction, it is essential to act in the best interest of the nation. The strategies adopted must serve to place the country firmly on the desired course, and to iron out the kinks that might appear or persist along the way. Distortions might surface here and there, but these are inevitable in the course of development, particularly in an environment of rapid and profound change. Success will come where there is oneness of purpose, tenacity and consistent policies, without compromising our capacity to interact with a dynamic environment.

This is what we have sought to do in the last 2½ years. This is what this government is about. This consolidation of the process of re-positioning, is what this year's budget is about.

## **THE CHALLENGE TO REDUCE UNEMPLOYMENT**

Mr Speaker, one of the most comforting items of information released in recent times was this statement by the Statistical Office:

*"During the past twelve months there has been a decrease in the unemployment rate in St Lucia from 21.5% in 1998 to 18.1% in 1999 (the rate in 1997 stood at 20.5%). In 1999 the rate of unemployment fell from 20.5% in the first half of the year to 15.7% in the second half of the year, a substantial decline even discounting the fact that there is a tendency towards lower unemployment rates in the second half. From 1998 to 1999 the total number of persons unemployed declined from 15,500 to 13,200, if the last half of 1998 is compared with the last half of 1999 the decline is even more apparent."*

According to the Director of Statistics:

*"The main reason for the decline in the unemployment rate was higher rates of employment in three sectors, namely construction in particular, followed by hotels and restaurants and wholesale and retail trade. In construction, approximately 1000 more*

*persons were employed during 1999, and in tourism and wholesale and retail, approximately 1500 more persons were employed. Employment rates in other sectors remained fairly constant (example agriculture and transport and communication); public sector employment showed a small decline which is however statistically insignificant."*

Mr Speaker, despite the significant decline, the existing unemployment rate remains unacceptably high. The challenge is to reduce it even further. Together, we must put an end to persistent unemployment.

In so doing, we must acknowledge that even as employment opportunities improve, there will be shifts in the pattern of demand for labour. Witness that while construction is demanding labour, the garment sub-sector is contracting. We are deeply concerned about the current difficulties at Belle Fashions and PLU. We are aware of the ongoing dialogue regarding each and are hopeful that positive outcomes can be agreed. These transitions reflect international trends. It also reminds us to remain competitively priced in the markets we choose to service. In the global market production will shift in response to cost changes. If our labour is to earn a quality wage it must produce a quality product.

According to a recent Eastern Caribbean Central Bank report:

*"it is generally accepted that "the most optimal strategy for reducing employment is to increase the demand for labour. This effectively means instituting measures to increase demand for goods and services since the demand for labour is derived demand. Implementing expansionary, fiscal and monetary policy or instituting special labour market measures can increase aggregate demand. However, in the context of St Lucia, expansionary policies would only provide short-term temporary relief and the extent to which such policies can be pursued is fortunately constrained by the existing monetary arrangement which necessitates prudent fiscal management."*

Ultimately, the best approach is to encourage an acceleration of domestic investment in the production of goods and services which attract strong external demand. It is for this reason that Government has identified Tourism and services in general, as the leading growth sectors.

If we are to sustain the production of high-demand goods and services, we must strengthen capacity by continued investment in our human resource base, maintain and strengthen our ability to attract and sustain domestic and external investment, and crucially develop a well-trained and diversified work force. Mr Speaker, a well-trained and diversified workforce is essential to the modernisation of our economy. We have to develop the response capacity to move from one economic activity to another. The emerging economic environment calls for flexibility. It is for that reason that Government is working to ensure that the Skills Training and Employment Resource Centre comes on stream as quickly as possible.

In order to reduce unemployment, Government will continue to apply a mix of policies to stimulate demand for labour. These include:

Continued efforts to stimulate investment in Tourism and Services;

Introduction of new areas of economic activity, such as the Free Zone, Financial Services and Gaming;

Maintenance of policies to stimulate construction in the public and private sectors;

Creation and expansion of opportunities for self-employment, particularly in small business;

Diversification of opportunities in the Agriculture sector;

Strengthening of capabilities to train and re-train our workforce.

## **THE BUDGETARY STATEMENT**

Mr Speaker, it is now time to present the Estimates for 2000-2001. Total Expenditure amounts to 726.4 million dollars. Of this, 40.1% or 291.2 million dollars is for Capital investment, 55.7% or 404.3 million dollars is for current operating expenditure and 4.2% is for meeting principal repayments on the public debt.

Total Government Expenditure of 726.4 million dollars will be financed from:

Capital revenue of 6.2 million dollars;

Grants of 78.9 million dollars;

Loans of 103.3 million dollars;

Bonds of 23.1 million dollars which will be available to St Lucians and overseas investors; and

Recurrent revenue of 514.9 million dollars.

Revenue last year included 36 million dollars of extra-ordinary revenue. Thus, the projection for 2000-2001 represents an actual increase in revenue of about 20 million dollars. This increase is the direct result of previous revenue measures and efficiencies in revenue collection. It is anticipated that Gaming Fees will result in an increase in revenue collections of 0.7 million dollars in the first instance.

### **The Capital Program**

The Capital Programme of 291.2 million dollars is financed by 205.3 million dollars from grants and loans, 79.8 million dollars from Current Revenue, and 6.2 million dollars from the Sale of Assets.

The Budget is designed to achieve a current surplus of 110.5 million dollars or 6.1% of G.D.P, which Mr Speaker, is in excess of the desired level of 5% and well over the 2000-2001 target of 3.2% agreed with the European Union. The target surplus for the public sector as a whole, over which we have limited control, is 8.0%.

Current Revenue of 514.9 million dollars is 28.4% of G.D.P compared with the minimum desired level of 26%. This Mr Speaker, reflects not only the optimism which St Lucians and outsiders have in our economy, but the achievement of continuous real growth in the various sectors.

Current Expenditure of 404.3 million dollars is 22.3% of G.D.P, well below the ceiling of 25%. The ratio of capital Expenditure to total expenditure is 40.1%, well above the desired minimum of 30%.

Mr Speaker, it will take some time to improve the liquidity of the banking system. The service sector does not have the cash impact of the banana sector, while the demand for finance for the growing sectors is expected to increase. Consequently, while it is desirable to reduce the Loan to Deposit ratio below 90%, we do not expect it to go below 95.5% this year.

We are still within the prudential external debt servicing to exports ratio of 15-20% and total outstanding external debt to GDP ratio of 30-35% for the public sector. The external debt service ratio implicit in this budget for the Central Government is 2.8%, while the external debt ratio is around 18%. For the public sector as a whole, the external debt service ratio goes up from 4.1 to 4.7%, while the external debt outstanding to GDP rises from 25.3% to around 29%. Our success in being able to borrow on concessionary terms, accounts for the low external debt service ratio, but opportunities to do so in the future will certainly be more limited. We are approaching the outside threshold of 35% for total external debt and must find alternative ways of financing capital investment.

In summary Mr Speaker, based on the public investment programme, and on the articulated expansion plans of the private sector, and consistent with our strategy for strengthening and re-positioning the economy, our target for real economic growth this year is 3.5%.

Permit me now, Mr Speaker, to highlight the distribution of total expenditure among the various Agencies and some investment expenditure of particular interest.

The agencies of Parliament, including the Office of the Governor General, the Legislature, the Service Commissions, the Electoral and Audit Departments will receive a total of 4.828 million dollars in total expenditure. Included in that allocation is the hosting of a conference for the Heads of State of CARICOM countries.

The General Service Agencies, which include the Office of the Prime Minister, the Ministry of the Public Service and the Parastatal Department will receive a total allocation of 45.1 million dollars. This allocation also includes 7.0 million dollars for

land acquisition, and 15.2 million dollars for the Black Mallet and Hurricane Lenny reconstruction. A sum of 1.0 million dollars will be made available to the Government Printery to purchase a multicolour-offset press. The National Trust will also receive an increase of 250,000 toward the establishment of a National Museum.

A total amount of 73.2 million dollars is allocated to the Justice Sector. This represents an increase of 3.8 million dollars. Portfolios under this sector include the Ministry of Legal Affairs, Home Affairs, Labour, Judiciary and DPP and the Attorney General's Chambers. The allocation includes 1.1 million dollars for the filling of 50 vacancies within the Royal St Lucia Police Force.

A total amount of 401.1 million dollars is allocated to the Economic Services Sector. Of that amount, 122 million dollars is provided for Debt Servicing, Pensions and Contingencies. A total of 196.7 million dollars is for the Capital Investment Programme of this sector. Agencies under this sector include:

The Ministry of Agriculture, Forestry and Fisheries;

The Ministry of Commerce, International Financial Services and Consumer Affairs;

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

The Ministry of Finance and Economic Affairs;

The Ministry of Tourism and Civil Aviation;

The Ministry of Development, Planning, Housing and the Environment.

The Ministry of Foreign Affairs & International Trade.

Capital inputs into the Sector include:

35.8 million dollars for the Ministry of Agriculture, Forestry and Fisheries. Of that money, 13.4 million dollars is for Banana Commercialisation to be dispersed to the Banana Industry Trust Fund, 4.8 million dollars for the Agriculture Diversification Programme, which is directed at reducing the levels of foreign exchange spent on food imports, while at the same time seeking to increase foreign exchange generation by encouraging greater production of a wider variety of export products.

\$400,000 to establish an appropriate Standard Industrial Classification system for the manufacturing sector and to provide a medium for systematically and empirically assessing the contribution of the industry to the Gross Domestic Product i.e. the output performance and productivity of the sector.

33.3 million dollars for the improvement of roads infrastructure throughout the country.

1.6 million dollars is earmarked for the completion of works on the Castries River Wall.

66.6 million dollars is allocated for various projects under the newly established Ministry of Development, Planning, Environment and Housing. These projects include PROUD, Solid Waste Management, Poverty Reduction and Disaster Mitigation.

22.4 million dollars is allocated to the Tourism Sector, an increase of 4.8 million dollars. This allocation will be distributed as follows: 16.7 million for Marketing and Promotion including 3.0 million dollars for the Tourism Repositioning Strategy, and \$250,000 for the construction of Community Tourism Outlets. Funding of 2.6 million dollars for the Nature Heritage Project and the National Conservation Authority is included in the Capital Expenditure for this Sector.

202.1 million dollars is allocated to the Social Services Sector. Portfolios under this sector include the Ministry of Education, Human Resource Development, Youth and Sports, the Ministry of Community Development and the Ministry of Health, Human Services, Family Affairs and Gender Relations.

Capital Projects under this Sector include: \$666,000 for the establishment of a National Heroes Park; 1.0 million dollars for the establishment of a Youth Venture Capital Programme which I will elaborate on shortly; and 5.0 million dollars towards the construction of a new National Hospital.

## **NO NEW TAX MEASURES**

Mr Speaker, I indicated earlier that Government has nearly completed its programme of fiscal re-positioning. It gives me great pleasure to advise Honourable Members that there will be no new tax measures, whether direct or indirect. I repeat, there will be no new taxes. It is now for the economy to grow on its new-found energy.

I shall now address certain fiscal issues. I start with the volatility of fuel prices on the international market.

## **FISCAL INITIATIVES**

### **IMPACT OF FUEL PRICES**

Mr Speaker, our decision to stabilise domestic petrol prices has come at a significant cost. Oil prices internationally have risen by 218.5%% over the last 12 months, (March 22, 1999 – March 5, 2000) and petrol prices in St Lucia should have risen to 8.03 for leaded gas, \$8.47 for unleaded gas and \$7.45 per gallon for diesel in accordance with the formula introduced last year. This formula allows government to share the cost of fuel increases with the public, by absorbing some, and passing on only part of the increase to consumers. On the other hand, if prices fall, both consumers and government enjoy the benefit. It is that same formula which allowed us to reduce fuel prices in December 1998.

However by managing the formula to maintain lower fuel prices to consumers, Government lost an estimated 11 million dollars in revenues. As a result, we had to curtail capital expenditure and the reduction of outstanding payables. On the positive side, inflation was kept at a moderate level.

Gas prices all over the non-oil exporting world have gone up significantly in the last few months. Most countries in the Caribbean have been unable or unwilling to keep down fuel prices, and there have been significant increases in some neighbouring countries.

Current fuel prices in some Caribbean countries, including the OECS are as follows:

<b>COUNTRY</b>	<b>FUEL TYPE</b>	<b>PUMP PRICES</b>
		<b>EC\$ equivalent</b>
Anguilla	Unleaded Gas – Company (a)	6.65
	Unleaded Gas – Company (b) subsidised	6.35
Antigua	Unleaded Gas	6.55
St Kitts	Unleaded Gas	5.70
Dominica	Unleaded Gas	6.90
	Leaded Gas	6.70
Grenada	Unleaded Gas	6.98
	Leaded Gas	6.99
St Vincent	Unleaded Gas	6.60
	Leaded Gas	6.10
Barbados	Unleaded Gas	9.76
	Leaded Gas	9.76
Guyana	Leaded Gas	5.14
St Lucia	Unleaded Gas	6.42
	Leaded	6.06



Apart from St Kitts and Guyana where the price is subsidised, St Lucia has the lowest prices of all those countries. Despite the steep increase in the price of imported fuel, I do not intend to raise fuel prices at this time. In part, this approach is influenced by the need to keep inflation at a moderate level, unless any negative effects of such an approach outweigh the benefits. The situation will be kept under constant review and, should the situation warrant it, I will inform you of any adjustments during the course of the financial year.

### **DEALER MARGINS ON FUEL**

Mr Speaker, all the players in the petroleum market in St Lucia have to play their role in the national effort to keep inflation at moderate levels. The fuel dealers are seeking an increase in their fuel margin. The following are the margins enjoyed by dealers in neighbouring OECS and CARICOM countries:

<b>COUNTRY</b>	<b>FUEL TYPE</b>	<b>DEALER MARGIN PER GAL.</b>
Anguilla	Petrol	38¢
Antigua	Petrol	55¢
St Kitts	Petrol	45¢
Dominica	Petrol	43¢
Grenada	Petrol	65¢
St Vincent	Petrol	50¢
Barbados	Petrol	89.8¢
Guyana	Petrol	26¢
St Lucia	Petrol	64¢

I note that, apart from Barbados and Grenada (which is almost on par with St Lucia), dealers in St Lucia receive the highest margins of all the countries mentioned. Taking all the circumstances into account, increasing dealer margins is not warranted at this time. However, I will also review their position later on, as part of the general review of which I spoke a minute ago.

### ***Phasing out Leaded Gas***

There is one fundamental change which we have to make this year. National health and environmental considerations, alongside market realities dictate that we phase out leaded fuel. It has been shown to be harmful to people, particularly children, as well as to the environment. The true cost of continuing to use leaded petrol includes the cost of producing it, the cost of treating the illnesses which it causes, and the environmental cost.

In addition, the Leeward Islands have all moved to phase out leaded fuel, as has Barbados from the 1<sup>st</sup> of May this year. In the face of dwindling demand and the health issues, suppliers in the region are themselves not renewing contracts to bring in leaded petroleum. Given the reduced demand, unit costs are likely to rise, if indeed leaded fuel continues to be readily available in the future.

As a consequence of all these factors, leaded fuel will be phased out completely by the end of August, 2000. I am giving everyone five months to make the necessary adjustments. The majority of vehicles in St Lucia are of Japanese origin and should already be capable of using unleaded fuel if they were made after the 1970's. The relevant dates for the U.S.A and Europe are after 1982 and 1986 respectively. The conversion to unleaded gas is both necessary and desirable, and the lead time of five months should enable everyone to make the transition smoothly.

### **ABOLITION OF DUTY AND CONSUMPTION TAX ON MOTOR VEHICLES FOR USE AS TAXIS**

Mr Speaker, I have stressed that equity must prevail between and within all economic sectors, including tourism. Since the advent of this Government, taxes on gratuities and tips received by hotel workers have been abolished. In 1999, concessions were extended to the car rental sector. On this occasion, I have decided to abolish duty and consumption taxes on new motor vehicles for use as taxis. The purchase of these vehicles will now be treated as an approved tourism venture. However, certain conditions will apply.

Duty and Consumption Tax will be waived on a motor vehicle imported by, or on behalf of an individual who currently operates a taxi service, solely as a replacement for a taxi operated by the individual, subject to the following conditions or any other conditions as may be determined by the Minister with responsibility for Finance:

that the motor vehicle to be replaced is at least five years old and has been used exclusively as a taxi for a period of at least five years immediately preceding the date of importation of the replacement motor vehicle;

that the replacement motor vehicle is used exclusively as a taxi for a period of at least five years after the date of its importation; that the replacement motor vehicle is not sold or disposed of until the expiration of a period of at least five years after the date of its importation;

that the individual keeps and renders accounts in respect of the use and disposal of a vehicle imported in such manner as the Comptroller of Customs requires.

In order to qualify, the following support documents, insofar as they apply, are required:

A Certificate issued by the Ministry of Tourism to certify that the owner is an approved taxi driver;

A Certificate of Clearance from the National Insurance Scheme;

A Certificate of Clearance from the Inland Revenue Department;

A letter from the Licensing Department confirming:

that the applicant is the owner of the vehicle being replaced, and

the number of years the vehicle was continuously registered to him/her.

A letter from the insurance company consenting to the comprehensive insurance coverage of the vehicle being purchased.

I must emphasize that all taxi importers remain liable for the payment of Service Charge and the Environmental Levy.

These concessions will come into effect after the Ministry of Tourism and Civil Aviation has met the representative bodies of taxi drivers and finalised specifications of the motor vehicles to be used as taxis. The concessions are also intended to encourage taxi drivers to modernise their vehicles and provide greater comfort to their clients.

## **PROPERTY TAX AMNESTY**

Mr Speaker, you will recall my announcement in the 1998/99 Budget Statement on the new initiatives to be undertaken for the management of property tax in the country. These measures included the centralizing of the management of Property Tax at the Inland Revenue Department. I am happy to report that the Inland Revenue Department has assumed responsibility for the collection and administration of this tax.

As we attempt to place the management of Property Tax on a firm footing, we are reminded of the many attempts to encourage defaulting taxpayers to pay up, often with limited success. Indeed, for some time now, business establishments in the city have refused to pay arrears because they deemed certain increases introduced by the Castries City Council and authorized by the former administration to be exorbitant and unjustifiable.

In fact, the Chamber of Commerce complained to the City Council, but to no avail. We know too, that there is a hardcore of arrears that probably will never be collected. Perhaps the owners of the property can no longer afford the tremendous burden that results from the accumulation of debt or that there is a perceived unfairness in the system. It is estimated that some 14.7 million dollars are owed in property taxes. However, Mr

Speaker, there is the need for us to try to clean up and clear away old assessments, and so we believe that it is time to take some bold steps.

Effective April 1, 2000 a national property tax amnesty will be in effect for a period of one year. All outstanding balances, which existed prior to April 1, 1997, will be written off completely. That is, Mr Speaker, taxpayers who have amounts owing prior to April 01, 1997 will not be asked to pay the principal amount, neither penalty nor interest, which has accumulated on the amount up to April 01, 2000. Put differently, individuals and companies would be liable only for property tax arrears, for the period April 01, 1997 to April 01, 2000. In addition, Mr Speaker, the following payment arrangements will be in effect during the amnesty period.

1. If payment is made by June 30, 2000 on property taxes which are due at April 1, 2000, then no interest or penalty fees will be charged;

2. If 30% of the amount due at April 1, 2000 is paid by June 30, 2000 and the balance is paid by September 30, 2000, then no interest or penalty fees will be charged;

3. No interest or penalty fees will be charged if payments during the amnesty period are made in accordance with the following schedule:

- 30% of tax paid by June 30, 2000;
- 30% of the tax paid by September 30, 2000;
- 40% of the tax paid by March 31, 2001

4. If the 30% payment payable by June 30, 2000 is missed, but the taxpayer wishes to pay the full amount by September 30, 2000, then 25% of the accumulated interest and no collection fee will be charged;

5. If the payments at June 30, 2000 and September 30, 2000 are missed, but the taxpayer wishes to make full payment between October 1, 2000 and March 31, 2001 then 50% interest and no collection fee will be charged.

Mr Speaker, I know that you will agree that this is a rather generous amnesty programme, and I implore all defaulters to make arrangements to take advantage of this offer. I think too that you will also agree that having offered this generous package of tax relief that perpetual defaulters will have to be sanctioned in accordance with the provisions of the law.

## **NEW BUSINESS START UPS**

Mr Speaker, since introducing the tax provisions for encouraging new business start-ups in conjunction with the small business development programme, there has been a great deal of interest shown in the programme, through the Small Enterprise Development

Unit. However, I believe that even greater interest can be stirred up if more effort is spent in promoting the concessions.

I understand that many persons would feel a great deal of trepidation in starting up their own business but I am convinced that we need to encourage and challenge the creativity of our young persons.

It is normal for businesses in their formative years to incur losses, so as an additional incentive, I propose to allow the 100% offset of tax losses to be carried forward against the succeeding years taxable income for a period of six years. This is 50% more than that allowed for established business operations.

### **PHASING OUT OF LICENSING REGIME**

Mr Speaker, one of the proposals submitted by the Chamber of Commerce to the Minister of Finance concerns the licensing regime. This regime was instituted to protect certain domestic products from external competition. At present, licenses have to be obtained to import several items. Not only is this requirement inconsistent with obligations to CARICOM and WTO, but it also consumes considerable time and effort of public officers. Indeed, no matter how honest officials are, there are persistent complaints of unfairness and favouritism. The Chamber of Commerce has recommended that the regime be "phased out or minimized". In the Chamber's view, this measure would "increase revenue, facilitate trade and make St Lucia's trading regime more WTO compatible". I concur with the Chamber of Commerce that the regime should, within the accepted rules, be phased out and replaced by tariffs cast at a level to offer protection to local manufacturers and exporters, as has been done in some CARICOM countries. While Government accepts this policy approach, it will be left to the Ministry of Commerce, Consumer Affairs and International Financial Services to consult the Chamber and advise the Minister of Finance on the appropriate tariffs.

### **RELIEF FOR PENSIONERS**

Mr Speaker, the pensions of Civil Servants are linked to their salary levels. This means that the recent salary increases awarded last year will improve the monthly pensions of those people who received them. However, those who had already retired from the service prior to the years to which the salary increases apply, would not have benefited.

In effect, those pensioners have been on fixed incomes since the last increase in 1996. In order to redress this situation and go some way towards compensating them for the erosion in their real salaries, I propose the following pension increases:

- (1) For persons who retired before March 31<sup>st</sup>, 1997, the increase will be 5 percent;
- (2) For pensioners who retired before March 31<sup>st</sup>, 1998, the increase will be 3 percent;
- (3) For those who retired before March 31<sup>st</sup>, 1999, the increase will be 2 percent.

You will note that those who retired in later years have received some measure of salary increase, and will, therefore, get a smaller pension increase.

There will be no retroactive payments. The increase takes effect at the beginning of the fiscal year 2000-2001, and the payment will be made from the end of May 2000.

### **INCENTIVE TO INVEST IN SECURITY EQUIPMENT AND REFURBISH BUSINESS PLACES**

Mr Speaker, individuals within the private sector have requested that the Government reintroduce for a further year, the initiative to remove duties and consumption tax on:

surveillance and security equipment imported by business places; and

all building materials and equipment purchased to repair, rehabilitate and renovate places of business in the centre and immediate periphery of Castries, Vieux Fort, Gros Islet and Soufriere. In the case of security equipment, the concessions ended on March 31, 1999 and in the case of building materials the concessions will end on December 31, 2000.

I propose to extend both concessions to December 31, 2001, but on this occasion, allow all towns and villages throughout Saint Lucia to benefit.

### **CAPITAL INVESTMENTS AND INITIATIVES**

Mr Speaker, I propose now to introduce the principal capital initiatives for this financial year. Unlike the approach adopted in the past budget presentations, the interventions will not be listed under Ministries with subject responsibility.

### **EDUCATION AND HUMAN RESOURCE DEVELOPMENT – THE HUMAN KEY TO COMPETITIVENESS**

Mr Speaker, Honourable members, this administration brought the portfolio of Education together with human resource development on the clear perception that the challenges of the 21<sup>st</sup> Century require that education become far more than the maintenance or expansion of the traditional educational system. Education and human resource development together constitute the basis for the emergence of a learning society – in other words a society in which learning takes place from the cradle to the grave, and in which the creation, digestion and dissemination of knowledge is a continuous process. Without dispute, every analysis of the globalization process emphasizes that knowledge is now both a factor of production and a product in its own right, and that the real competitive edge in national wealth creation is the educational level of the general population.

While challenging the Ministry of Education, Human Resource Development, Youth & Sports to achieve the tightest efficiencies in its recurrent expenditure, particular attention is being paid in the capital allocation to the major strategic initiatives of that portfolio.

This administration is concluding the Basic Education Reform Project funded jointly by the Government of St Lucia, the Caribbean Development Bank and the World Bank. It has been repeatedly suggested that this administration does not give credit to its predecessors where it is due. Mr Speaker, we are willing to do so graciously, if Her Majesty's Loyal Opposition will accept along with the credit, the responsibility for commitments made.

In this instance, the BERP Project included definitive commitments with respect to the ending of the schools transport subsidy. It was pointed out to the former government that the 3.2 million dollars spent on transportation of school children every year (taking for example, Micoud students to Vieux Fort and Vieux Fort students to Micoud), could have been better spent on construction of new secondary schools in different parts of the island, making it unnecessary to transport children for long distances. For the money saved every two and a half years, a new school could have been built. Yet having made this commitment, the former government was unable to muster the political nerve to implement that conditionality. Mr Speaker, this was a difficult but logical and necessary condition that this administration has fulfilled, and yet Mr Speaker they want credit without accepting responsibility. This project is ending, having now completed the construction of four new secondary schools, redesigned the original project to include the provision of computer facilities and multi-purpose courts for each new school, and converted sizeable funds originally allocated for external consultants to funding for local training. The project will end in June of this year and the sum of 2.8 million dollars will bring it to successful conclusion.

For twenty years, Mr Speaker, the Ave Maria and RC Boys Schools were placed on what was originally supposed to be a "temporary shift system"; they are still on shift. More than ten years ago, the Rock Hall Senior Primary School was told that it would be converted to a Secondary institution of some kind; it is still waiting. More than eight years ago, the Primary School in Jacmel was promised that a new wing to replace one burnt in a fire would be constructed; that new construction has only just begun. A new Basic Education Project with the Caribbean Development Bank will deliver on these tired promises made by a tired administration. For this financial year, the sum of 1.3 million dollars will begin to make these promises a reality. The entire project will cost 12.9 million dollars and will not only result in a new Secondary Technical Institute built in Ciceron but a new primary school in the Castries basin, the upgrading of the Grande Riviere Senior Primary (Mabouya Valley) and similar transformation of the Vieux Fort Primary into technical and vocational institutes.

Our schools infrastructure, Mr Speaker, is generally in a woeful condition of neglect due to the absence of a proper maintenance program. For many of these facilities, it is too late to talk about maintenance. We are incrementally seeking to undertake major replacements and extensions through an allocation of 1.6 million dollars in this financial year.

Among the capital commitments is the allocation of 1.23 million dollars from EU resources for the School Feeding Program. Here too Mr Speaker, deliberate distortions

have been perpetrated – contrary to the reports about the cutting back of this program, there has been an expansion of the program by the Ministry of Education, Human Resource Development, Youth & Sports. In the new thrust, 18 schools have been provided with greenhouses to undertake their own production of vegetables (linking school feeding with the teaching of agriculture in the school), and kitchens and cooking facilities have been constructed in schools unable to participate in the program on account of the previous lack of these facilities.

The capital allocation for education includes the sum of 4.8 million dollars for the new thrust in technical and vocational education. The Ministry has recently appointed – for the first time – an Education Officer for Technical & Vocational Education and an Education Officer for Special Education. The allocation for technical and vocational education will help to reequip tech-voc departments including the strengthening of information technology in Technical Education.

### **YOUTH VENTURE CAPITAL PROGRAMME**

There are many new business opportunities which present themselves in St Lucia today as a result of the Tourism and Hospitality Industry. We had in 1999 over 400,000 cruise ship passengers, and over 350,000 stay-over arrivals. We need to make use of these opportunities as they present themselves. However, we understand the frustrations that currently face young persons leaving the educational institutions with innovative ideas for businesses, full of enthusiasm, but with no means of financing their ventures. Young men and women who are desirous of being self-employed find extreme difficulty in accessing loans, but are often still burdened with debt incurred while they were students.

To assist with the difficulties confronting young people, the government is committing funds of 1.0 million dollars to set up a Youth Venture Capital Program. This will provide the youth, that is persons between 18-35 years old, with the capital required to set up a small business. Interest-free loans, of up to \$20,000 will be given depending on the requirements of the business. The funds will be repayable over a period of up to 5 years, **interest free**. This program will be set up as a **revolving fund**, to ensure continuity in the entrepreneurial spirit of tomorrow's youth.

This program is seen as a natural progression from the Junior Achievement Award scheme, where already about 850 students are benefiting from "hands-on" experience of running businesses. These businesses vary from craft making, car washing and electrical services to Tourism related services, such as, travel agencies. These students now have the option after school, of applying the knowledge learnt, to launch their own small business ventures under this program.

The Youth Venture Program will be administered by the Training and Employment Center. This Centre, announced in the 1999 Budget and in its final stages of implementation, will provide the applicants with the necessary skills required to set up and maintain their own small business venture. A certificate will be given on graduation,



which will be used as the key to entering the world of **VENTURE CAPITAL!** The criteria for financial assistance include:

Age between 18 and 35 years old

Graduation from the Junior Achievement Program

Graduation from the Entrepreneurial Program at the Training and Employment Center

The program is subject to an evaluation each year to assess its success in transforming entrepreneurial dreams of our young people into thriving business successes of the future.

## **REPOSITIONING AND MARKETING OF TOURISM**

Globally, tourism is the fastest growing international industry. In 1999, it accounted for 8% of total receipts from world exports and 34% of total world exports in services.

### **Redesigning Saint Lucia's Image**

In order to remain competitive in the global economy, a review of St Lucia's position in the market place is necessary at this time. In 1997, St Lucia's share of all Caribbean tourism including the Bahamas, Cancun and Cuba was only 1.3%. To maintain our momentum we must consolidate and increase arrivals from the traditional markets to 5% of the Caribbean market in the medium term. We will make every effort to achieve this over the next three years. Clearly, we need a new image for St Lucia in the market place. It is not enough to be "simply beautiful".

To facilitate this repositioning exercise, a sum of 3.0 million dollars has been allocated to the Ministry of Tourism and Civil Aviation, under the Capital Programme. This money has been provided by the European Union.

### **Marketing and Promotion**

In addition to this sum, an allocation of 13.5 million dollars has been made available, taking the total for marketing and promotion to 16.7 million dollars. Included in this amount is \$150,000 for community promotion of tourism. This amount is intended to assist efforts to spur the development of tourism in Vieux Fort, Soufriere and other villages throughout our island.

It is instructive, Mr Speaker, to note that the total expenditure on Tourism increased from 13.8 million dollars in 1999/2000 to 17.9 million dollars in 2000/2001 or 29.4%.

## **TOURISM MARKETING OUTLETS**

Everywhere throughout Saint Lucia efforts are underway to embrace tourism and explore its economic potential. I am anxious to assist the communities that wish to enter into the mainstream of economic activity.

In the course of this financial year, it is proposed to initiate the construction of Tourism Marketing Outlets, in two pilot communities. These facilities will be modelled on the Thomazo Market which was completed last year. This facility has attracted nothing but positive feedback from the public. I am sure, Mr Speaker, that you will also agree that it is indeed an aesthetically attractive structure.

The Thomazo Market concept was designed and its construction managed by the Architectural Section of the Ministry of Finance and Planning. We were so pleased with their efforts at Thomazo, that they have been commissioned to design facilities to accommodate tourism marketing activities in several other communities around St Lucia. This project targets small ongoing commercial activities that are inadequately housed, such as production of local foods and crafts, and seeks to further diversify and enhance our tourism product. Designs are now substantially complete for facilities at Dennery, Vieux Fort, Anse La Verdue and Roseau.

The design of the facilities will embody the character of our indigenous architecture, and provide entrepreneurs with better facilities in which to operate. The total estimated cost of these four (4) facilities is \$500,000. This budget makes provision for land acquisition and construction of the first two facilities in the amount of 250,000 from local revenue.

## **CONSTRUCTION OF A NEW NATIONAL HOSPITAL**

Mr Speaker, it is not long since I addressed this House on the decision to construct a new hospital for St Lucia. I indicated that we have held preliminary discussions with the European Delegation, as the European Union had already agreed to the allocation of some 30 million dollars of STABEX funds for the substantial improvements required at the Victoria Hospital.

The experience at Victoria Hospital over the last eight years has shown that attempting to operate a hospital on a site under construction is extremely difficult. The resulting scenario is one, that is, to say the least, challenging and inconvenient for health workers and patients, and adversely affects construction activities and costs. The design and reconstruction of Victoria Hospital would be constrained by existing buildings and services, topography, available space and the need to keep the hospital functioning during phased demolition and construction. There is no doubt that continuing with this option will produce a compromised hospital facility, at a higher construction cost.

We should note also that the decision to develop Victoria Hospital on the existing site was taken over a decade ago. This was prior to construction of the Millennium Highway, which has taken a considerable proportion of land that would have been available for present or future expansion of the hospital. Proceeding with reconstruction at the Victoria Hospital site at this juncture, therefore, would result in a hospital just adequate for the

existing population served by Victoria Hospital. Projected population growth and changing demographics can be expected to place additional demands on the existing site, which simply does not have the required capacity. Frankly, we must end the shame associated with Victoria Hospital.

Our fresh approach to this hospital project has a number of distinct advantages:

(a) It is more cost-effective to construct a new building on a new site. This allows for an optimum functional design, in a modern setting, with construction unencumbered by hospital operations. The 1999 consultant's report on Victoria Hospital indicated that the phased reconstruction of Victoria Hospital would take five years; the recent decision to start afresh at a new site has not delayed us.

(b) The operations and services at the existing Victoria Hospital can be addressed and improved without being compromised by ongoing construction. It is time to address the management and services at this site without the distraction of construction. The recent opening of the refurbished Accident and Emergency Department and the recruitment of qualified and competent staff, to that Department, are testimony to our commitment to improving the operations of, and services delivered by, Victoria Hospital.

(c) The new hospital on a new site will have the flexibility to be expanded to meet the future needs of Saint Lucia.

Mr Speaker, the European Delegation has endorsed our proposal to develop an entirely new facility. We have, since I last addressed this House on this issue, identified a site for the new Hospital along the Millennium Highway, and Cabinet has approved its acquisition. The New Hospital Task Force is currently negotiating with the consultants who were commissioned to undertake the preliminary design and costing study for Victoria Hospital, to undertake a secondary study for the new hospital project. Their work, scheduled to take approximately three months, will facilitate the preparation of a financing proposal for the construction of the new national hospital. The financing proposal will also address recommendations for the use of existing facilities, human resource needs and equipment, and transitional plans for the phasing and transfer of services. The detailed design work on the new hospital will commence within the year.

Budgetary provision to the tune of 5 million dollars has therefore been made in 2000/2001 for the acquisition of the proposed site and for associated design works. Full costings will be provided for in the 2001/2002 Budget.

## **ROAD DEVELOPMENT AND REHABILITATION**

In the 1999/2000 Budget, I announced an ambitious programme to be financed by the Caribbean Development Bank. A few weeks ago, Parliament approved a loan of 72.9 million dollars for this programme. Provision is made in the Capital Estimates for a total expenditure of 19.98 million dollars made up of a loan of 12.98 million dollars from the

Caribbean Development Bank, 3.5 million dollars from local revenue and a further 3.5 million dollars from the sale of bonds.

In addition to the above expenditure, a sum of 1.0 million dollars has been made available for road-reinstatement. A further sum of 3.5 million dollars has been allocated for rehabilitation of secondary roads. It is proposed to finance this latter expenditure by issuing bonds. The following areas and roads will be targeted:

1. Castries
  - Entrepot
  - Bocage
  - Sunny Acres
  - Hospital Road
  - Central Castries
2. Micoud Village
3. Dennery Village
4. Richfond, Grand Ravine
5. Belmont, Derniere Riviere
6. Belmont, Morne Panache
7. Vieux Fort

### **Upgrade of Castries to Gros Islet Highway**

The last two years have made ever more evident the inability of that section of the Castries Gros Islet Highway from Cap Estate to Sandals Halcyon to effectively handle the traffic demands during peak hours. The limitations of the road are plain to all and sundry.

This highway was, in large part, built at least two decades ago, before urban growth and development generated such a large number of vehicles and commuters. It is estimated that well over 70% of all motor vehicles in St Lucia which now number between 20,000 and 25,000 according to current estimates, are based in the **Castries and Gros Islet area**. Traffic along the highway is expected to increase by over 60% by 2003 and 120% by 2013. Road rehabilitation to meet current demand is impracticable, as the close proximity of dwelling and commercial houses to the roadside precludes the possibility of carriageway expansion. The entire network exhibits systemic structural failure due to a lack of continuity and the presence of various section changes, producing "bottlenecks" at various points in the system.

Given that the stretch of road between Rodney Bay and Choc is already operating at virtually full capacity, a rapid deterioration is imminent in the ability of the road to function as the main arterial route.

The short to medium term solutions will include some, if not all, of the following:

(a) The creation of a second south-bound lane south of Choc to facilitate channelisation from Union/Babonneau onto the Castries Gros Islet Highway;

(b) The creation of a one-way loop through Marisule/Corinth/ Grand Riviere/Union. This will, in the short term, contribute appreciably to an increase in flows from Marisule to Sandals Halcyon, translating by extension into a significant easing of the traffic congestion further north.

(c) Complete rehabilitation of the Vieux Sucrier road, so as to facilitate a motorable road link between Monchy and Corinth. This will provide a significant bypass to most of the already congested Castries/Gros Islet route.

(d) The creation of holding lanes for the junctions synonymous with residential and commercial developments along the route.

(e) The construction of parallel service roads where possible to service fringe developments in order to reduce the number of egress/access points off the various routes.

(f) Creation of a climbing lane for northbound Heavy Duty Vehicles on the incline near Wyndham Morgan Bay at Choc.

(g) Improvement of the existing junction at Choc via the construction of a roundabout, with a view to increasing capacity.

(h) Establishment of bus stops and laybys along the route in question.

(i) Establishment, jointly with the Chamber of Commerce, of a Pedestrian Bridge at Bisee to eliminate pedestrian vehicular conflict and ensure uninterrupted traffic flow in that area.

(j) Commencement of an aggressive information disseminating campaign with a view to educating the public on possible alternative routes for accessing or bypassing the city.

It is estimated that this capital intervention will cost 6 million dollars. Given the urgency, it is proposed to finance this by a loan raised on the regional capital market.

### **Agricultural Feeder Roads**

Agriculture is a vital sector in the economy of St Lucia, providing revenue, employment and sustainable local production and consumption.

In an attempt to improve efficiency, production, quality of produce and to facilitate diversification within the agricultural sector, a number of feeder roads will be addressed in this financial year. Provision has been made in the Capital Estimates for the

expenditure of \$600,000 to rehabilitate feeder roads, particularly in the crucial banana sector. Attention will be focussed on:

Barre Florent

Ti Rocher/ Calypso

Morne Bois Den

Bois Gwen For

Raillon.

Fond Bwa Pain

Victoria/Mon Jacques

Despointe/Malatigue

### **Side Walks & Road Shoulders.**

Mr Speaker, a number of communities throughout St Lucia are without side walks and road shoulders. This poses a hazard to daily commuters, particularly school children, who walk to and from their communities, attending school and work.

In response, the Government of St Lucia has seen it fit to finance the construction of sidewalks over a five-year span. An allocation of \$250,000 was approved for the establishment of sidewalks to serve the communities of Faux-A-Chaux, Vieux Fort and Sans Souci. Side walks will be constructed along the Bexon Road as soon as the re-paving of the highway in that area is completed.

### **Self Help Community Roads**

The Government of St Lucia will continue its efforts to engage a number of communities throughout the island in self-help programmes, aimed at rehabilitating their respective community roads. An amount of \$200,000 is allocated for that purpose.

Throughout financial year 1999-2000, communities such as " Odlum City" benefited from such an initiative, allowing for improved accessibility, as well as comfortable and suitable community roads.

Initiatives such as these are not simply aimed at achieving the basic rehabilitation of community roads or establishment of side walks, but they also empower communities throughout St Lucia with a sense of responsibility and governance of their affairs. They also enable constant skill development and utilization as well as community interaction.

## **FACILITIES FOR MINI-BUS OPERATORS**

Mr Speaker, for several years now, mini bus operators have pleaded for improved convenience facilities for users of bus stands in Castries and Vieux Fort. We reviewed the existing situation and propose to undertake improvements to some of the existing facilities, as well as construct new ones during this fiscal year.

### **Facilities In The Castries Basin**

Existing operational public conveniences in close proximity to some of the bus stands, include those near the St Lucia Marketing Board, the Castries Market and Leslie Land. We have reviewed the capacity of existing facilities and examined the feasibility of erecting new ones in priority locations.

Mr Speaker, it would be impractical to provide bus shelters and public conveniences at every one of the nineteen bus stands in Castries. However, those bus stands are located in the vicinity of five focal areas. Therefore, it is proposed in this financial year to fund four new public conveniences at George the fifth Park, Jeremie Street, Manoel Street and High Street. The provision of new facilities and the upgrading of existing ones will cost around \$645,000.

## **NEW TERMINAL FOR VIEUX FORT**

Mr Speaker, the Government has decided to proceed with the design and construction of a bus terminal in Vieux Fort. A sum of 1.2 million dollars has been allocated in the capital estimates for this project. A terminal is also badly needed in Castries and during the course of this year we will continue our efforts to identify an appropriate site.

## **CONSTRUCTION OF JETTIES**

In times past, each of the towns and villages on our eastern and windward coast had a jetty. In those days, boats such as Jewel, Canaries, M.V. Compton, Santa Maria, Gaedon, and Wellcome transported mail, cargo and passengers from the ports on the East to Castries and back. How times have changed! Over the years, we never adapted what history bequeathed us to the emerging economic landscape. To compound matters, our jetties became victims of the hungry and unrelenting sea.

Mr Speaker, in a bid to respond to the ever-changing leisure pursuits of our people and to bring our villages to the mainstream of tourism, Government proposes to commence construction of two jetties this financial year, one in the village of Laborie and the other in Canaries. Also, the jetty in Anse La Raye will be rehabilitated.

In the case of the Laborie jetty, Cable and Wireless has made a \$50,000 commitment to the village, through the efforts of Hon Velon John, Parliamentary Representative. It is hoped that these jetties will attract pleasure boats and day cruises and allow their passengers the opportunity to visit and enjoy these hinterland communities. It is

estimated that this capital initiative will cost 4.0 million dollars. Of this amount, 2.0 million dollars will be spent this year and will be financed from the bond issue.

### **SPECIAL FRAMEWORK OF ASSISTANCE FOR AGRICULTURE**

Mr Speaker, in April of last year, the Council of the European Communities established, through a special Council Regulation, a special framework of assistance for traditional African, Caribbean and Pacific (ACP) suppliers of bananas. This regulation established, for a ten-year period, a special framework of technical and financial assistance for the traditional ACP suppliers of bananas to allow them to adapt to the new market conditions, following the anticipated amendments to the common arrangements in the market for bananas.

In order to qualify for this assistance, the Government of Saint Lucia was requested to prepare a Country Strategy Paper for the Banana Industry, Agricultural Diversification and the Social Recovery of Rural Communities. Additionally, our Government, like the other three Windward Island Governments, was asked to initiate and implement specific actions designed to improve the regulatory and legislative framework within which the banana industry operates. Due to the hard work of our technical officers, and our bold steps in re-engineering the industry, the Government of Saint Lucia became the first of the four Windward Island Governments to receive approval from the European Commission for use of the new SFA funds. I wish to single out the Ministry of Agriculture, Forestry and Fisheries for its work in ensuring that Saint Lucia's Strategy Paper and Financing Proposal were submitted to the European Commission Delegation ahead of all the stipulated deadlines.

Mr Speaker, as of this financial year, Saint Lucia will receive 8.5 million Euros for the commercialization of the banana industry, agricultural and rural diversification, and the social recovery of those communities that are adversely affected by the restructuring of the banana industry. This amounts to a total of 23.5 million dollars every year for the next five years.

### **Funding For Irrigation And Drainage**

In the first year of the programme, over half of the funds will be used to provide on-farm irrigation and drainage infrastructure in the banana industry. It is expected that irrigation infrastructure will be provided for as many as 1047 acres of banana farms by the end of the first year. For too long we have spoken of the need for irrigation to modernize our banana industry. For years we have suffered through months of drought, which coincided with the period when market prices were most favourable for our bananas. For decades our farmers have had to bear the unfair burden of dead freight, caused by our inability to produce sufficient fruit to fill the storage space on the Geest boats.

Mr Speaker, something is finally being done to address this perennial problem. The irrigation of our major banana producing areas will allow us to modernize our banana industry, wipe out the troughs in production that are experienced during the dry months,



and permit our banana farmers to benefit from better prices and lower losses due to dead freight. The implementation of this project depends, to a very large extent, on the willingness of our private banana companies to act as project carriers. We are hopeful, therefore, Mr Speaker, that our companies will rise to this challenge and allow their farmers to benefit from this excellent opportunity.

### **Agricultural Diversification**

The second element of the SFA programme is Agricultural Diversification. Under this element, 4.69 million dollars will be made available in the first year to establish an Agricultural Investment Facility, create greater avenues for the marketing of agricultural produce, facilitate the transfer of appropriate technologies, and strengthen the farmer organizations that will be involved in the implementation of the programme.

### **SOCIAL RECOVERY PROGRAMME AND POVERTY ALLEVIATION**

Mr Speaker, one of the themes of my budget address last year was Social Recovery. It is no coincidence that I have returned to it. Government's commitment to eradicating poverty is unyielding in its intensity. The need to avoid creating a new class of poor is uppermost in our minds, as we attempt to grapple with the changing international economic order.

Mr Speaker, we were the first island to initiate a study on the socio-economic impact of the restructuring of the banana industry, precisely because we wanted to adopt a proactive approach to assisting this affected group of the population. The study indicated that up to 2,200 farmers were likely to be displaced as a result of restructuring efforts. If one factors in the families of these farmers, then as many as 10,000 persons will be affected.

The problems manifest in such families and communities are diverse. Not only is their economic stability compromised, but social problems as diverse as substance abuse, child and partner abuse, anxiety and depression and even suicide, are not uncommon. Mr Speaker, it is imperative that government takes the initiative in addressing these escalating problems. The Social Recovery Programme represents this government's commitment to fostering a holistic and practical programme of interventions for dislocated farmers and their families.

Mr Speaker, the Social Recovery Programme will receive 40.3 million dollars or 34% of all SFA resources, over the anticipated five (5) year duration of the programme. For this first year of operation, the total resource allocation is 5.7 million dollars. It is envisaged that the distribution of resources to this programme will progressively increase over the ensuing years of the SFA initiative.

Mr Speaker, the list of possible interventions is limitless. Specifically, over the next five years, the Social Recovery Programme will direct financial assistance to Adult Education, Housing and Sanitation, Reproductive Health Care, Recreation and Sports

activity, Child Protection Measures, Drug Prevention and Rehabilitation, Care for the Elderly, Skills Training, Land Reform and Community Empowerment activities.

While the government lauds the continued support of the European Union in our attempts to adjust to the new banana regime, I wish to sound a note of caution. This gesture, as considerable as it may well be, may represent the proverbial golden handshake. If that is the case, then the onus is on us as a people to ensure that it is utilised wisely and to the ultimate benefit of those for whom it was intended. This is the challenge that lies ahead. We must ensure that projects and programmes are viable and sustainable. We must instill within the target communities and among target groups the capacity to take charge of those issues and resources which impact on their lives. Ultimately, communities must be the ones to determine priority interventions and be actively involved in implementation. We cannot seek to implement projects which place undue burdens on Government or which are incompatible with national strategies and policies. We must be bold. We must be determined to succeed.

### **Increase In Subventions To NGO's**

In an environment of dwindling financial support from donor agencies and constraints on local resources, it is imperative that we continue to look inwards for solutions to the problems with which we have to contend. In this context, the role of NGOs assumes critical importance. Nowhere is this more evident than in the social sector, where NGOs and local organisations have traditionally proven to be the main, if not sole, means of support for those marginalised socio-economic groups in society.

Permit me, Mr Speaker, to highlight two NGOs that have ably demonstrated the vision, commitment and capacity to act as agents of change for their respective marginalised groups.

### **Strengthening The National Council For The Disabled**

Data from our last census indicate that almost 7% of our population are persons with various types of disabilities. The National Council for the Disabled (NCD) has for a long time been the lone voice in the wilderness crying out for the needs of the disabled in terms of education and training, employment, and access to public facilities. This organisation has recognised that it is not enough to depend on Government. They have submitted to government a five (5) year plan of action focussing on various forms of intervention for the disabled. They have clear and concrete ideas for policy development and over the course of this year, they intend to embark on a range of institution building, policy formulation and public sensitisation activities. In support of the efforts of the NCD, an allocation of \$50,000 was committed for the fiscal year 1999-2000. This amount will increase to \$150,000 in the new financial year, and in the four succeeding years.

### **INCREASED ALLOCATION TO CARE**

Mr Speaker, we are all aware of the perennial task of trying to find school places for all those students seeking to gain admittance to Secondary Schools. Despite Government's best efforts, a significant proportion of our adolescent population slips through and roams the streets with "nowhere to go and nothing to do". In 1993, the Centre for Adolescent Rehabilitation and Education (CARE) was established, operating at the Marchand Community Centre and catering for sixteen (16) students. Today, over 300 students are enrolled at Centres established in Castries, Gros Islet, Anse La Raye and Canaries. According to CARE's records approximately 80% of all graduates are now fully employed.

The growth of the programme is testimony to the need to provide meaningful education and marketable skills to our deprived and disadvantaged adolescents. The success of the programme is testimony to the capability and commitment of CARE. Mr Speaker, I would like to take the opportunity to commend Father Patrick Brunnock and his organisation for their contribution. I know there are plans for expansion of the programme and the government welcomes the opportunity to collaborate with CARE, as their interventions are consistent with, and complementary to, government's human resource development initiatives. In 1998 CARE received a subvention of 60,000. This figure was increased to 150,000 in 1999. I propose to increase the subvention to 200,000 in this financial year.

### **Support For The Elderly**

Mr Speaker, while the debate about the institutionalisation of the elderly rages on, there is no doubt that without the sterling efforts of the Marian Home, the St Lucy's Home and the Adelaide Frances Memorial Home, the lives of a number of our elderly population would be a lot poorer. We want to work with these institutions, to ensure that the services provided are in keeping with the respect, dignity and quality of life the elderly deserve.

Mr Speaker, as I have said in this Honourable House before, caring for the senior citizens of this country is the responsibility of us all. It is Government's responsibility; it is the responsibility of the private sector, of NGO's, of families and communities.

Mr Speaker, it is disheartening to note that more than three quarters of the older persons of this country who were interviewed during the recent study on Care for the Elderly in St Lucia, identified issues of isolation, neglect, abandonment, decline in family support and loneliness as the biggest social problems facing older people. In a word, Mr Speaker, a culture of loneliness and abandonment is sweeping our land!

Consistent with this Government's concern and commitment to improving the quality of life of our senior citizens, I propose to increase the annual contributions to private residential homes for older persons as follows:

<b>Homes for Elderly</b>	<b>Present Allocation</b>	<b>New Allocation</b>
St Lucy's Home	42,000	80,000

Villa St Joseph	10,000	26,000
Marian Home	50,000	66,000
Adelaide Frances Memorial Home	30,000	60,000

### **Interventions by Government**

Government is also playing its part more directly. For the first time, there is a programme to repair and rehabilitate the homes of the elderly and the destitute.

To date, seventy-three (73) older persons have benefited from this humanitarian project. Twenty-one (21) homes had to be completely rebuilt. Sixteen of the persons assisted were afflicted with some form of disability, but were independent and managed their daily living activities as effectively as they could. Two persons under the age of sixty were assisted, one of them being physically disabled and immobile, while the other lived with three children who were disabled in one way or another.

The needs in some constituencies were so extensive and demanding that some of them surpassed the amount allocated. Consequently, there is a dire need to continue this project. We intend to do so on a phased basis in order to have a significant positive impact on the conditions that exist in these communities and show equity in our dissemination of relief to older persons.

In this financial year, it is proposed to expand the programme to assist the elderly. The Human Services Division will be provided with \$800,000.00 in the Capital Estimates to assist with the care of the elderly and a further \$800,000 for integrated child protection and development. Additionally, Mr Speaker, a capital allocation of \$100,000 has been provided to enhance the physical and general living conditions of residents and staff at the Malgretoute Home for the Elderly.

### **ESTABLISHMENT OF THE PROGRAMME FOR THE RATIONALIZATION OF UNPLANNED DEVELOPMENTS (PROUD)**

In the 1999-2000 fiscal year the PROUD programme was conceptualized and launched, with the objective of rationalising unplanned settlements on public lands. Through PROUD households can be given security of tenure and benefit from the improvement of community infrastructure and services. The unit for implementing this programme has been established in the Ministry of Planning.

The PROUD programme recognizes the fact that spontaneous settlements have become so entrenched that it is socially, politically, financially and economically impractical to dislodge them. In such cases the pragmatic solution is to rationalize the affected lands and to regularize land tenure. This will allow for ownership by established occupants. This regularization of ownership will be the primary target of the program.

For this budgetary year, a sum of 6.75 million dollars has been made available to fund this programme. Of this amount, 6 million dollars will be provided by a Caribbean Development Bank loan and \$750,000 will be derived from local revenue.

## **INCREASED COMMITMENT TO YOUTH AND SPORTS**

Mr Speaker, it is a constant battle each year, for young people to find employment that is not only sustainable, but also challenging and progressive for the ever-increasing working population.

Mr Speaker, I now turn to the Government's commitment to the development of youth and sports. Ever since 1997, there has been an increasing allocation of resources to creating a social climate, conducive to the development of our youth. I have earlier outlined plans for the establishment of a Youth Venture Capital Programme, which is a direct response to the calls of young people for a source of financing to enable them to start their own enterprises.

This Government is concerned about the state of youth clubs in the country. In this year's estimates, a special allocation is available solely for the purpose of undertaking activities to encourage the establishment and sustenance of youth clubs.

But Mr Speaker, my greatest joy at this time is with the focus of the Government on the construction of sports and recreational facilities. The Government believes that sport must serve as a tool for development, and is committed to providing, as quickly as possible, the basic and modern facilities that our sports persons have long called for. Almost 7.5 million dollars will be spent in the financial year on the commencement of a programme aimed at creating a sporting infrastructure unparalleled in the OECS and comparable to any in the entire Caribbean.

In the next few days the formal ceremony to commence the construction of the national stadium will take place at St Urbain in Vieux Fort. In this financial year, 3.8 million dollars is allocated to complete the site preparation works for the actual construction due to commence in June. Never before has any Government invested a larger sum in the provision of a sporting facility in St Lucia. Notwithstanding our extensive efforts to provide facilities for national, regional and international events, our primary focus will be on ensuring that people in their communities have access to appropriate facilities. Towards this objective, 1.45 million dollars will be spent on establishing and upgrading playing fields. Mr Speaker, I ask that you compare last year's figure of \$450,000 with this allocation - *an increase of 1 million dollars*. In addition to playing fields, Government intends to spend \$650,000 on establishing and upgrading multi-purpose courts. Again, Mr Speaker, this represents an increase over last year's figure. Allocations will also be made to further work on the Vieux Fort Pavilion, and to acquire needed sports equipment for schools.

Such is our commitment to youth and sports in St Lucia.

## **INVESTMENTS BY PARASTATALS**

The capital programme in the public sector will be strengthened by approved investments by parastatals.

### **WASCO'S Capital Projects**

Mr Speaker, I am pleased to advise Honourable Members that the restructuring efforts at WASCO are beginning to inspire confidence. During the financial year 2000 to 2001, WASCO will undertake the following capital projects.

Construction of a twenty-inch transmission pipeline to Choc Bay. This will improve the supply of water to the north of the island. The project is expected to cost approximately 10 million dollars and will be funded by the Agence Francaise de Development, at an interest rate of 5%.

Installation of a booster pump at Sans Souci to improve the existing transmission and distribution line to the north of the island. This project is expected to cost about \$200,000 and will be completed this year.

Continued implementation of the Universal Meterisation programme. This programme is expected to cost some 3.5 million dollars. The programme is expected to lead to more efficient use of water and improvement in the financial viability of WASCO.

Commencement of the improvement of the intake and treatment facilities at Beausejour. This is expected to cost approximately \$395,000. This project will improve the quality and reliability of supply to the Vieux Fort community.

Commencement of the improvement of the intake and treatment facilities at Grace. This is expected to cost \$350,000.

Commencement of the improvement of the intake, treatment and storage capacity at Delcer, Choiseul. This is expected to cost approximately 1.175 million dollars.

### **Capital Investment by St Lucia Air & Sea Ports Authority (SLASPA)**

Mr Speaker, in the course of this financial year, the Saint Lucia Air and Sea Ports Authority expects to invest 30.1 million dollars in capital projects. Two of these projects merit special mention.

In the financial year 1998 to 1999, La Place Carenage produced a net income of \$600,000 for SLASPA. Despite this performance, the facility faces several constraints and these cannot be rectified unless the complex is expanded. SLASPA therefore purchased the Art Printery building and acquired the Peter Photo Studio building. Those two buildings, along with a small shed owned by SLASPA, will be demolished to make room for the much needed expansion.

The La Place Carenage Extension is scheduled to commence in June 2000 and should be completed in May 2001 at an approximate cost of 6.689 million dollars. The doors should be open to business in time for the start of the 2001 cruise season.

This extension will feature an area of small shop units solely for local vendors of indigenous products like jams, fudge, coconut cake, guava cheese, etc. Tourist and heritage tourism information booths; a taxi dispatch counter and a taxi driver rest area are all included in this project. Significantly, the second floor of the extension will be dedicated entirely to local artisans and craftsmen to both produce and sell their wares on site.

But the flagship of the extension will be an animation centre. This will be the first of its kind in this part of the Caribbean. This feature will use computerised audio and visual effects to depict and trace Saint Lucia's history and achievements. While it would no doubt provide an additional attraction for the visitor it would also be very educational for locals, in particular, school children.

This investment, together with other planned investments by the Private Sector, will transform lower Jeremie Street.

### **Improvements To Facilities At Hewanorra**

Some attention too, Mr Speaker, will be paid to our principal airport. During the coming fiscal year, most of the systems and services at Hewanorra Airport will be refurbished or replaced. These will include the air-conditioning system servicing the passenger lounges, the airport administration offices, the airline offices and other areas of the terminal. Much needed attention will be given to the passenger screening service, where new x-ray equipment will be installed.

Increased aircraft and passenger activities at that airport, along with the poor design and layout of the terminal building have resulted in congestion during peak periods. It is therefore necessary that any development or expansion of this airport be undertaken in accordance with a Master Plan. That plan will be prepared taking into consideration forecasted air traffic over the next ten to twenty years and the corresponding services be required to meet this demand. Overall, 6.5 million dollars will be spent on improving infrastructure and facilities at our airports. The projects include:

<b>Project</b>		<b>Cost</b>	<b>Status</b>
(1)	Improvements of Facilities at Hewanorra	347,000.00	New
(2)	Development of a Master Plan for Hewanorra	500,000.00	New
(3)	Acquisition of Two Fire Trucks for	2,400,000.00	New

	The Airports		
(4)	Shore Protection for Western End of GFLC Airport	818,000.00	On-going
(5)	Airport Extension at GFLC Airport	426,000.00	On-going
(6)	Access Road to Fuel Farm and Hangar at GFLC Airport	426,000.00	New
(7)	Acquisition of Distance Measuring Equipment for Hewanorra	459,000.00	New
<b>Total</b>		<b>6,568,000.00</b>	

## **INFORMATICS PARK AND SMALL BUSINESS INCUBATORS**

Mr Speaker, I am now in a position to advise Honourable Members that the National Development Corporation, NDC, will, at long last, commence the construction of two CDB-financed projects, during this financial year.

A new Informatics Park will be constructed in the Vieux Fort Industrial Zone. This facility will provide employment opportunities in informatics, including telemarketing, for the hundreds of secondary school graduates in the South. An area measuring four (4) acres of land has been designated for the Informatics Park. A total of 20,000 sq feet of space will be constructed at an estimated cost of 3.0 million dollars.

More interestingly, progress has been achieved on the Government's plan to establish Small Business Incubators. A total of 2.3 acres of land has been allocated in Odsan for the construction of a complex of five (5) buildings at a cost of 2.6 million dollars. This project fulfills, yet again, another commitment in the Contract of Faith.

## **DISASTER RESPONSE AND REHABILITATION**

### **Hurricane Lenny Reponse**

Mr Speaker, when Hurricane Lenny threatened the north Caribbean in November last year, we feared for our Caribbean neighbours, but heaved a sigh of relief that we were not in the direct path of the Hurricane. Unfortunately, we were not spared the effects of Lenny.

I wish to focus, in today's address, on the damage wrought by Hurricane Lenny in Baron's Drive and Coin de Lance, in Soufriere, which has further reinforced our recognition that we must mitigate the effects of such natural hazards in the future by avoiding certain types of development in hazard-prone areas, and by building to standards sufficient to withstand the effects of natural hazards. Ironically, Government



had already, under the housing programme, contemplated the need to relocate the entire Baron's Drive/Coin de Lance community. This was a deprived neighbourhood comprising more than 100 homes in poor condition. Some 53 of these were damaged by Hurricane Lenny, many beyond repair. Rather than assist the most severely affected residents, numbering approximately 200, to rebuild in Baron's Drive, a vulnerable and therefore unsuitable location, we are preparing sites with a view to relocating them permanently out of the area.

Two relocation sites in Soufriere have been identified and acquired by Government. HUDC's construction of housing units and infrastructure is underway at the Celines site, and we expect that those families who have endured life in the shelter for the past several months will be accommodated in these new homes very shortly.

Mr Speaker, Hurricane Lenny struck in the wake of the Black Mallet Landslide, and the need to respond to these two disastrous events has placed an immense strain on Government's limited contingency allocation. While Government, in response to Hurricane Lenny, substantially completed community clean ups, temporary reinstatement of some of the infrastructure and utilities, and commenced work on relocation sites, external assistance must be sought to support the Government's relief efforts, particularly in the Soufriere, Gros Islet and Choiseul communities. The Caribbean Development Bank came through, yet again, for the Government of St Lucia, and approved another emergency response loan, this time to assist the Government with the financing of the response to Hurricane Lenny.

We must not forget to thank our other friends who have pledged assistance to the Hurricane Lenny Response. These include the Regional Council of Martinique, USAID, OCHA, CIDA, UNDP and DFID, who, all told, have pledged the equivalent of \$819,500. We are particularly grateful to the Regional Council of Martinique for their commitment of \$446,000 in this regard. Unfortunately, these generous gifts are not sufficient to finance the full extent of restoration works required. The hard engineering works required, for which we have approached the World Bank and the CDB for assistance, are estimated to cost 8.5 million dollars. Loan funds combined with local resources, must be put towards the repair or reconstruction, as the case may be, of institutional buildings, markets, roads, jetties and sea defenses in Soufriere, Choiseul, Gros Islet, Canaries and Anse La Raye.

The Ministry of Communications, Works, Transport and Public Utilities has prepared detailed Terms of Reference for coastal studies, diagnostic analyses of shoreline erosion, and recommendations for remedial action, along the coastlines of Gros Islet, Anse La Raye, Canaries, Soufriere, Choiseul and Dennery. The OECS Secretariat has approached the German Technical Cooperation Agency GTZ, to fund these studies. GTZ has endorsed our proposal, and we now await confirmation of funding from the German Government.

Waterfront re-development plans, with an emphasis on improving the capacity of our communities' abilities to better cater to the demands of the tourism industry, are now

being prepared by the Ministry of Planning for the Soufriere and Gros Islet towns, in recognition of their significant tourism development potential. A similar exercise was underway before Lenny struck, in Anse La Raye, under the St Lucia Heritage Tourism Project, and this exercise continues.

We have provided in this budget, Mr Speaker, a total of 9.3 million dollars for the Lenny Response Effort over 2000/2001. Of this amount, 1.7 million dollars will derive from Local Revenue, and the balance from grants and loans.

### **LAND SLIPPAGE AT BLACK MALLET/MAYNARD HILL**

An even more worrying and haunting problem has been the land slippage at Black Mallet and Maynard Hill. To date, we have had to move more than 80 households out of that community, to temporary rental accommodation across the country. Government provided all affected households with transportation and 3 months rental in their new residences, whether they owned or rented houses in Black Mallet. This rental arrangement has been extended for all householders who owned properties in the affected area.

The condition of the houses within the area affected has deteriorated to the extent that they are, by and large, unsafe for occupation, and many have already had to be demolished in the interest of public safety, while facilitating salvaging by the owners to the extent possible. Many of the dwellings affected are constructed, either in part or in total, of blockwork rather than timber, so that the dismantling and re-erection of existing structures at another site was often not an option.

We are advised that stabilisation of the area can only be achieved through a combination of a variety of remedial actions. These include stabilisation of the toe of the land slip, improved surface and sub-surface drainage, and increasing the vegetative cover in the area. A stabilising toe berm was constructed, and drilling for the purposes of de-watering the sub-surface has been completed. Over the next few months, surface drainage improvements and bio-engineering measures will also be implemented in Black Mallet.

I must, Mr Speaker, take this opportunity to commend the residents of Black Mallet and Maynard Hill for their continued fortitude, and cooperation with the Task Force, particularly when circumstances warranted their immediate relocation out of the area. These families have been faced with an extremely difficult, and at times frightening, situation, and they have without exception, demonstrated strength of character and an innate capacity to respond to a trying situation with courage and vitality. While most residents in the immediate area affected have been relocated, some have been able to remain, and of course, there are the communities on the fringes of the affected area. We must ensure that these persons are not forgotten in our response to the situation at Black Mallet and Maynard Hill.

We recognise that contributing factors to the earth movement are poor planning, poor drainage and poor sanitation practices, all exacerbated by the high density of occupation

of the area. I note that this is not a situation unique to this community. The technical officers in the Ministries of Planning and of Communications and Works have been directed to review conditions in other communities facing a similar risk, with a view to developing recommendations to mitigate similar disasters in such areas. The dangers of poor planning, especially on slopes, have been brought into sharp focus, and we urge the public and particularly prospective developers to take due note.

We anticipate that many of the persons who have moved from the area of land slippage at Marchand will not move back into the area. Although the movement has slowed, conditions there must be closely monitored before a decision to put the land back to hard use can be taken. In most instances, return to the area, even in the medium term, is unlikely to be an option. Government has therefore identified a relocation site within the UDC Carellie Development. The subdivision design was undertaken by the Ministry of Planning in collaboration with the Ministry of Communications, Works, Transport and Public Utilities, and the utility companies. Tenders for the development of infrastructure at that site have already been invited.

Our response to date has been funded from the capital contingency vote. However, the Caribbean Development Bank has agreed to provide emergency loan funding as well as a longer term loan, to assist the Government of St Lucia in dealing with this disaster. Very early on, we declared the affected area a disaster area, which made us eligible for the emergency response loan from the CDB. With CDB assistance, we will complete the work required at Black Mallet and Maynard Hill, which includes remedial works on the water distribution, sanitation and road systems, clean up, improvements to the surface water drainage in the general area, sub-surface dewatering and re-vegetation. Infrastructural development at Carellie will also be funded under the CDB loan. However, not all expenditures, particularly those relating to relocation packages, will be eligible for reimbursement under these loans, and local revenue will have to bear the brunt of such costs.

We intend to have the affected properties in Marchand acquired and declared Special Enforcement Areas. To limit the strain on our local revenue resources, land exchange will be the preference, with parcels within the proposed relocation site at Carellie preferentially offered to land owners.

We have entered into discussions with all affected house owners, with a view to recommending packages of assistance to be offered to these persons, to aid them in re-establishing their families in a safe and wholesome environment within the shortest possible time. The proposals for assistance will be considered by Cabinet early in the new financial year. Special assistance will, of course, be provided to the senior citizens and disabled, who have little capacity to recover under these extremely difficult and trying circumstances.

Mr Speaker, we have, therefore, provided in the estimates of expenditure for 2000/2001, a total of just under 6.0 million dollars for the Black Mallet/Maynard Hill landslide

response. Of this amount, 1 million dollars will come from local revenue, and the balance from loans from the Caribbean Development Bank.

## **CONCLUSION**

Mr Speaker, a National Budget is both a philosophical statement and a practical tool. At the start of this, my third major budget address, I indicated that this was a budget to strengthen, modernise and reposition the economy. This is intended to lay the foundation for generating and sustaining economic growth well into the medium term. This is the practical tool at work. Many of the policies however, we have developed and introduced in concert with social partners. We have forged these evolving relationships to harness the creative energies of all our people and to stimulate their collective and individual development. Moreover, we foresee the growing participation of civil society in determining national economic priorities. That philosophy is enshrined in the design and implementation of the parameters of this budget.

Based on the policies that I have enunciated, there is every indication that the economy will grow by approximately 3.5% this year. However, in recent years, profound structural changes have occurred and continue to occur in the social and economic fabric of St Lucia and in the world beyond. We must therefore, adopt a mindset and a capacity which adjust to this new reality. This is critical if we are to achieve an even and equitable distribution of the material and human benefits of growth, among disparate sectors of our society.

Mr Speaker, we are confident that this budget will allow us to transform the hopes and dreams of our nation into sustainable processes and programmes for employment, economic growth and national development.

I move, Mr Speaker, the second reading of the Appropriation Bill 2000/2001.