



**Consolidating Gains,  
Developing a World Class Destination and  
Enhancing Human Resource Capacity**

**BUDGET ADDRESS 2005-2006**

**BY**

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## **INTRODUCTION**

Mr. Speaker, we are at the threshold of a new age where old paradigms are quickly disappearing and new ones emerging to take their place. There are new rules of engagement, novel institutional frameworks and changing standards which make no distinctions between that which is local and that which is international. It is an age that abounds with opportunities and challenges. The task for us as a nation is to find and take our place within this new global reality. Long as we may for ages past, they shall never return. Indeed, Longfellow reminds us to “look not mournfully into the past. It comes not back again. Wisely improve the present. It is thine. Go forth to meet the shadowy future, without fear.”

Mr. Speaker, as we prepare to engage in the debate over the planning and management of our economy for the coming year, the duty with which we are charged as the custodians of the development of this country is to wisely improve on the present and to provide the foundation from which to go forth to meet the shadowy future without fear. Growth cannot flourish in the absence of courage, nor can our nation and people realize their own greatness without courage.

In this new era in economic and social management where the role of the citizen will become even more critical than in times gone by, every individual will have his or her role carved out and must be fully prepared. It is a period where we must sharpen our skills and retool our economy for the changes in business that are brought about by new rules of trade and rapidly evolving technologies.

Our preparation for the 2007 ICC Cricket World Cup has taught us that where quality of infrastructure, services, security and human resource capacity are concerned, there is no such thing as a Saint Lucian or a Caribbean standard – there is only one parameter, and that is world class. We either measure up or we do not; there are no half measures.

Therefore, from this year onwards, our thinking and approach to everything that we do has to be world class. There will be precious little time for transition when our country fully opens for business within the CARICOM Single Market and Economy (CSME) and the Free Trade Area of the Americas (FTAA), or when protected quotas for our bananas are replaced with tariffs, and indeed when the thousands of Cricket World Cup visitors land on our shores in 2007.

So, as we embark on our annual journey of charting the development course for our country, we have chosen as the theme for this year’s budget “Consolidating Gains, Developing a World Class Destination and Enhancing Human Resource Capacity”. A better and more forward-looking Saint Lucia must be developed to take advantage of the opportunities that our presence on the world stage in 2007 will provide. Our role as a Government is to catalyze and facilitate the creation of this new Saint Lucia, and we are confident that the measures proposed in this year’s Estimates will have this effect.

## ***AN ECONOMY ON THE REBOUND***

Mr. Speaker, I am indeed delighted to report that despite all of the challenges, Saint Lucia is firmly on a growth path, having registered an improvement in Gross Domestic Product (GDP) of 3.6 per cent in 2004. This is the second consecutive year of accelerated growth, and in the context of the recessionary conditions which saw contraction in 2001, the performance of 2004 indicates that our economy has fully recovered.

The main impetus for GDP growth in 2004 emanated largely from the expansion in hotels and restaurants (5.9 per cent), government services (4 per cent), wholesale and retail trade (7.8 per cent), communication (4.6 per cent), banking and insurance (4.7 per cent) and agriculture (2.1 per cent). These indicators together accounted for 95.5 per cent of total value added. Reductions in value added were recorded in manufacturing (2.5 per cent), electricity and water (3.9 per cent), while construction activity remained high but increased only marginally by 0.4 per cent.

Saint Lucia's economic recovery is well-entrenched, and barring any major adverse shocks, a strong platform has been laid for sustained growth. All of the macroeconomic indicators are favourable. Inflation is low, exports are rising, investment is expanding, more jobs are being created and yes, Mr. Speaker, unemployment is beginning to fall. These positive indicators have been complemented by a major turnaround in our fiscal performance, which has been characterised by improved growth in tax revenues and moderate growth in expenditure. There is no doubt that our economic performance is robust and it is clear that our economic policies are working well.

Since 2001, we have had our fair share of challenges. In the face of adversity, we have been able to come through. But it would be foolish to think that the challenges are over. We live in a world of constant change and we therefore need to anticipate and meet the new challenges head on. This requires us to continually adapt to the changing world by restructuring and repositioning our economy. Only then will we be able to enhance our competitiveness and raise the standards of living for all.

The economic environment in the world economy remains highly favourable, notwithstanding some downside risks posed by the high oil prices. In particular, we need to be fully prepared for the coming into being of the CARICOM Single Market and Economy and take full advantage of Cricket World Cup 2007. It is absolutely important for us to exploit these opportunities so as to accelerate economic growth and development. We are presented with the unique opportunity to grow our economy on a lasting basis if we make the right choices now.

In order to enhance competitiveness and provide a solid foundation to accelerate economic growth, we need to initiate or accomplish six things.

- (1) First, we will fulfill our promise to reduce the corporate tax rate by a further two percentage points to 30 percent. This was announced in my 2003/04 Budget Address. We expect this reduction to facilitate the expansion of the private sector.

In addition, we need to ensure that our tax rates are the most competitive when we enter the CSME.

- (2) Secondly, we must undertake investments that are essential for enhancing the long term growth prospects of Saint Lucia's economy. Cricket World Cup 2007 provides us with a singular opportunity to propel the economy on a higher growth path and to achieve higher future potential growth rates. We need, however, to make the required investments now to benefit fully from the hosting of Cricket World Cup 2007. This requires the upgrading and expansion of the Beausejour Cricket Ground, the rehabilitation of our road network and improving our water supply. As I shall point out later, these investments are significant, but they are also necessary. They will lead to additional borrowing. The short term increases in Government's borrowing requirement will in no way jeopardise our longer term macroeconomic stability, provided that we make appropriate adjustments in subsequent years. As I have indicated in previous Budget Addresses, macroeconomic stability is the foundation for growth and stability and we shall never sacrifice this cherished goal. We are also confident that the returns in the long run will more than justify the short term costs.
- (3) We must prepare our workers for the needs of the new economy. In order to continue facilitating the structural transformation of our economy and to enable us to take full advantage of the opportunities presented by the CSME, it is important that we develop a workforce that possesses the requisite skills and is second to none.
- (4) We must continue to facilitate the growth of sectors considered to be of strategic importance to the future of our economy. In this regard, Mr. Speaker, we shall continue to utilise our grant resources and provide concessions to stimulate private sector growth.
- (5) Fifthly, we must continue to improve our social services and provide continued social protection to persons who have been affected by the new changes in the economy. Even as opportunities blossom, there will be some areas where adjustments will take their toll. This Government will continue to ameliorate the conditions of those who are affected, through our poverty reduction strategies and self employment opportunities created through the institutional support provided by the Small Enterprise Development Unit (SEDU), Belfund and the Youth Apprenticeship Programme. In addition, we shall continue our work on reforming the health sector and pave the way for the introduction of Universal Health Care.
- (6) Finally, Mr. Speaker, we must continue our work on improving the justice system and reducing the levels of crime. This requires investment on an ongoing basis.

The proposals that support these objectives shall be fully articulated later on in my presentation. It is important, Mr. Speaker, that we press ahead with the economic reforms that are essential to our very survival, security and success.

## ***PERFORMANCE OF THE DOMESTIC ECONOMY***

I shall now furnish further details on the performance of the various sectors of the economy.

### **TOURISM LEADS THE WAY**

Buoyed by the strength of the global economy and the appreciation of the Pound Sterling and the Euro against the US dollar, the tourism industry registered a 15.8 percent increase in total visitor arrivals to 813,681. It should be noted, Mr. Speaker, that this is the highest posting of visitor arrivals to Saint Lucia in any one calendar year.

Despite competition from regional destinations, Saint Lucia recorded a 7.7 percent increase in stay-over arrivals to an all-time high of 298,431. Additional visitors came from all of our three main source markets: the United States (9.2 percent more to 107,089), Europe (8.5 percent more to 97,862) and the Caribbean (5.2 percent more to 74,242). In keeping with the improved flows in total arrivals, the average occupancy rate increased by 2.1 percentage points to 64.8 percent. Accordingly, the industry recorded a 17.1 percent increase in earnings to \$879.3 million or 71 percent of the exports of goods and services.

In the cruise and yachting sectors Mr. Speaker, there were positive developments as well. Cruise ship arrivals increased by 22.4 percent to 481,239. An increase in the number of visiting yachts led to a 6.2 percent increase in visitors to 22,530, while the number of excursionists, the smallest segment of our visitor profile, fell by 10.7 percent to 11,441.

### **AGRICULTURE AND FISH PRODUCTION**

Mr. Speaker, during the past year the banana industry benefited from significant investments in irrigation, drainage and tissue culture plants. Therefore, despite damage by Hurricane Ivan in September and another flare-up of leaf spot disease, Saint Lucia experienced a 24.6 percent growth in banana exports to 42,326 tonnes. Accordingly, Saint Lucia's share of the Windward Islands' output of 78,015 tonnes increased from 51 to 54 percent as a result of declines in production from Dominica and St. Vincent.

Market conditions were characterized by price volatility. A 12.3 percent appreciation of the Pound Sterling against the US dollar combined with higher exports, resulted in a 24.7 percent increase in revenue to \$54.3 million.

However, Mr. Speaker, while we made some positive strides within the banana industry, available data indicate a less than positive performance in the production of non-traditional crops in 2004. There was an overall reduction in output, which was followed by a similar decline in exports of non-traditional crops. The volume of total production, which includes exports and purchases by supermarkets and hotels, fell by 15 percent to 4,854.8 tonnes. This was slightly offset by more favourable prices in 2004, so that the value of production declined by 11.7 percent to \$9.8 million. There were reductions in the level of purchases by both hotels and supermarkets; the former by 2.1 percent to 915.7 tonnes as a result of supply factors and unfavourable payment arrangements, and the latter by 9.8 percent to 1,664.8 tonnes, as the supermarkets resorted to sourcing cheaper produce from overseas. Exports of non-traditional crops declined by 22 percent to 2,274.7 tonnes, in line with reduced supply caused largely by the unusually heavy rains towards the latter part of the year.

In the livestock sector Mr. Speaker, Saint Lucia returned to self sufficiency in eggs as production increased by 21.2 percent to 889,000 dozen. Chicken production on the other hand is estimated to have fallen by 28.7 percent to 644.6 tonnes, while the consumption of local pork is estimated to have increased substantially. "Pork City" can attest to this.

The fisheries sector continues to perform well, justifying the significant investments made over the past seven years. There was a 5 percent increase in fish landings to an ex-vessel value of \$16.4 million, with two-thirds of that output recorded from January to June 2004.

## **INCREASE IN MANUFACTURING OUTPUT**

For 2004, Mr. Speaker, the value of manufacturing output is estimated to have increased by 6 percent to \$146.3 million.

Approximately 80 percent of the value of output came from three sub-sectors: *food and beverages* (48.2 percent), *electrical products* (17 percent) and *paper and paperboard* (15.9 percent). The combined growth of these sub-sectors was 11.9 percent. The value of output for *food and beverages* expanded for the fourth consecutive year and grew by 7.5 percent to \$69.1 million, as this sub-sector continued to benefit from strong domestic demand. The value of *electrical products* targeted mainly to the North American market increased by 32.6 percent to \$24.5 million while the value of *paper and paperboard* rose by 6.5 percent to \$21.4 million, reflecting increased production of commercial boxes for the banana industry and the wholesale and retail sectors.

## **MIXED PERFORMANCE IN CONSTRUCTION**

Mr. Speaker, the near completion of some of the major activities on the Roads Development Programme, especially on the South-West Coast Highway, led to a reduction in the level of public sector construction activity. In 2004, Central Government capital expenditure towards construction fell by almost 10 percent to \$62.2 million. Of Central Government construction



expenditure, 74 percent represented activity on economic infrastructure, that is, physical structures necessary for economic growth, while the remainder went to social infrastructure.

Expenditure by the Central Government on social infrastructure increased to \$15.9 million, a significant proportion of which was spent mainly on housing developments by the National Housing Corporation (\$5.8 million) and on education (\$2.1 million).

Indicators of private sector construction in 2004 were positive. There was an increase, for the third successive year, in the level of imports of construction material by 15 percent to \$75.9 million. Credit disbursed by financial institutions to the private construction sector more than doubled to \$180.4 million as increased liquidity and lower interest rates stimulated the housing market. This led to increases in lending for both residential housing, which attracted \$108.9 million, and commercial housing, which absorbed \$71.5 million.

## **DEVELOPMENTS IN THE FINANCIAL SECTOR**

Mr. Speaker, developments in the financial sector for 2004 were reflective of activity in the real economy. Liquidity, as measured by the loans to deposit ratio, improved by 1.2 percentage points from year end in 2003 to 80.7 per cent at year end 2004, as the growth in deposits outpaced that of loans and advances.

The increased economic activity experienced during 2004 was facilitated by increased financing from the banking system. As a result, the level of domestic credit rebounded by 11.1 per cent to \$1.47 billion. Credit to the private sector increased by 11.3 per cent to \$1.65 billion, of which, household credit amounted to \$839.5 million and business credit totalled \$810.5 million.

Overall, the availability of credit increased in 2004, reflecting the general expansion in economic activity. Financing to the personal category, which comprised mainly acquisition of property and consumer durables, accounted for the largest share of total credit (48 per cent) and increased by 7.5 per cent to \$860.3 million. This was partly as a result of a reduction in mortgage lending rates. Credit to the distributive trades of wholesale and retail increased 2.2 per cent to \$20.2 million, while that to the agriculture sector contracted for the third consecutive year reflecting the cautiousness of banks in lending to that sector because of the high level of non-performing loans. The manufacturing sector by contrast, saw a doubling of credit to \$103.2 million, while lending to tourism contracted for the second successive year, reflecting the sector's ability to access cheaper external borrowing, particularly on the regional market.

On the strength of increases in demand and foreign currency deposits, total deposit liabilities of the banking system increased by 10.7 per cent to \$2.24 billion or 76 per cent of total domestic liabilities. Buoyant economic activity generated increased demand for transactions balances which saw deposits by residents increase by 10.3 per cent to \$2.06 billion or 92 per cent of all deposits.

The stock of monetary liabilities in the domestic economy increased by 10.5 per cent to \$1.51 billion as a 7 per cent decline in net foreign assets was offset by a 16.2 per cent increase in net domestic assets, the largest component of which was domestic credit. Similarly Mr. Speaker, from the perspective of the monetary aggregates, there were increases in both the narrow measure of the money supply (MI), due mainly to an increase in private sector demand deposits, and quasi-money, on the strength of increases in savings deposits.

Interest rates on savings and the prime lending rates at commercial banks remained unchanged in 2004, while reductions were recorded for time and demand deposits and add-on loans. Lending interest rates are currently at the lowest ever in the past twenty years.

Mr. Speaker, Saint Lucia's net external performance improved during the year under review, as evidenced by a 24.4 per cent increase to \$351.51 million in the island share of imputed reserves at the Eastern Caribbean Central Bank.

The rate of inflation, as measured by the percentage change in the 12 month moving average of the consumer price index to December 2004, increased by 1.4 per cent. This increase was largely influenced by the food index, which is the most heavily weighted category, and also by higher international oil prices.

## **BALANCE OF PAYMENTS**

Mr. Speaker, in 2004 imports increased by 6.8 percent to \$1.0235 billion, while exports surged by 50 percent, but only amounted to \$250.2 million. Consequently, Saint Lucia's merchandise trade deficit narrowed to \$773.3 million. The movements in imports and exports can be attributed primarily to the increased aggregate demand that was fuelled by the expanding economy and increased banana revenue.

However Mr. Speaker, we fared better on the services account with a healthy surplus of \$564.3 million, influenced by a 16.6 percent growth in travel receipts. As a result, the current account deficit reduced to \$294.7 million or 14.3 percent of GDP. Despite the reduction in inflows on the capital and financial account by 14.8 percent to \$350.7 million, the overall surplus on the Balance of Payments doubled during 2004 to \$70.4 million on the strength of foreign direct investments.

## **FISCAL OPERATIONS AND DEBT**

Mr. Speaker, data on Government's fiscal operations in 2004 indicate that the overall fiscal deficit increased to \$93.2 million as growth in total expenditure exceeded that of total revenue and grants. Despite an increase in revenue by 12.3 percent to \$552.9 million on account of improved efficiencies and the collections of arrears, the cost of Government's operations climbed by 5.8 percent to \$646.0 million.

Government's efforts at addressing pressing developmental imperatives led to a 20 percent increase in capital expenditure to \$163.4 million. Current expenditure was restrained, and edged upwards by a mere 1.7 percent to \$482.7 million, resulting in an improved current account surplus of \$69.3 million or 3.3 percent of GDP. This development is a significant improvement from the \$16.8 million surplus registered in 2003.

The major components of current expenditure in 2004 remained wages and salaries at \$219.8 million, goods and services at \$92.1 million, interest payments at \$64.3 million and retirement benefits at \$38.8 million.

The overall deficit led to a 22.7 percent increase in the disbursed outstanding debt of Central Government to \$1,181.5 million. Although Government-guaranteed debt and non-guaranteed debt declined by 3.4 percent to \$180 million and 1.7 percent to \$56.2 million, respectively, the total outstanding liabilities of the public sector increased by 16.7 percent to \$1,437.9 million or approximately 69.6 percent of GDP at the end of December 2004.

In keeping with the policy of debt restructuring to take advantage of cheaper rates, there was a reduction in Central Government debt service by 10 percent to \$105.8 million. As a result, the Central Government debt service to current revenue ratio improved by 5.4 percentage points to 19.7 percent.

Mr. Speaker, just as the economy of Saint Lucia experienced solid growth, so too did the global economy.

### ***REVIEW OF ECONOMIC DEVELOPMENTS – INTERNATIONAL, AND REGIONAL***

Mr. Speaker, global output is estimated to have accelerated to 5 per cent in 2004, its highest rate in more than three decades. Developed economies as well as the emerging and transition economies in Asia, Africa and the Middle East also registered growth.

The volume of world trade in goods and services has been the major impetus for growth in 2004. It is estimated that trade in goods and services accelerated from 5 per cent in 2003 to about 9 per cent in 2004, despite a 33 per cent increase in the average price of oil. Global inflation edged upwards by just over 2 per cent from 1.3 per cent in 2003.

Significant increases in household spending and capital spending by businesses boosted output in the United States by 4.3 per cent, amidst speculative fiscal policy and significant gains in labour productivity. Following oil price increases, monetary policy stimulus was gradually withdrawn over the second half of the year as the Federal Reserve raised interest rates 5 times by year end. However, the US dollar depreciated against most international currencies as concerns grew over the financing of the growing US current deficit which reached more than 5.5 per cent of GDP.

Across the Atlantic in Europe, growth remained subdued at about 1.8 per cent, despite continued accommodative monetary policy by the European Central Bank. France registered a growth of

2.1 per cent and out performed fellow European Union member States of Italy with 1.3 per cent and Germany of 1.2 per cent, on account of higher growth in both industrial production and retail sales volumes. In 2004 the European Union continued to grapple with the need for structured reforms, and inflation averaged 2.1 per cent amidst relatively high unemployment, which reached 8.9 per cent last December. Both France and Germany continued to breach the EU growth and stability pacts benchmark for overall deficit, while Italy stood on the threshold.

Japan recorded growth of 3 per cent amidst unemployment of 4.4 per cent and an end to deflation. However, despite maintaining enviable trade and current account surpluses of over \$130 billion, that country experienced an overall budget deficit of almost 7 per cent of GDP.

Further east, China and India were buoyant with estimated growth rates of 9 per cent and 6.4 per cent respectively. In China, activity was boosted by rapid investment and credit growth, while in India output was fuelled by the global expansion and supportive monetary conditions.

## **REGIONAL ECONOMIC DEVELOPMENTS**

Closer to home Mr. Speaker, all regional economies, with the understandable exception of Grenada, recorded expansions in output while having to contend with major increases in oil prices, slightly higher inflation and a very active hurricane season in 2004. Buoyant global expansion in tourism served as the impetus for growth. The region benefited from the greater purchasing power of European currencies as a result of the depreciation of the United States dollar.

Trinidad and Tobago realized an estimated growth of 6.7 per cent as a result of a 10.5 per cent expansion in the energy sector. The rising oil prices on the international market encouraged increased exploration and production in the refining and petrochemicals sub-sectors.

Jamaica recorded more modest growth of less than 2 per cent as the potential growth of increased demand for bauxite and alumina and tourism were undermined by the passage of Hurricanes Charley and Ivan. However, as slippages in the exchange rate were contained in 2004, the rate of inflation was reduced to single digits from 14 per cent in 2003.

In neighbouring Barbados, Mr. Speaker, the real performance of the tourism sector accelerated overall growth to 3.4 per cent. There were declines in sugar production and other non-sugar agriculture. Inflation remained low at 0.8 per cent. However, increased aggregate demand was reflected in an increase in imports which pushed the external current account deficit to its highest level ever.

Guyana recorded the lowest growth of regional economies with an estimated 1.5 per cent increase in that country's GDP. Declines of 7.7 per cent and 15 per cent in gold and bauxite production respectively, as a consequence of excessive rainfall and unreliable power supplies, restrained Guyana's overall economic performance in 2004.

Among the OECS and other smaller economies, GDP growth ranged from 12.7 per cent in Anguilla to 2 per cent in the British Virgin Islands. Tourism, construction, transportation, agriculture and communications were the driving forces. Antigua and Barbuda and St. Kitts and Nevis registered tourism-led expansions of 5.1 per cent and 3.9 per cent respectively, but continued to carry significantly high levels of indebtedness. Dominica's continued adjustment program resulted in a growth of 2.6 per cent, led by increased activity in agriculture, construction and manufacturing.

Grenada suffered immensely from the passage of Hurricane Ivan in September 2004. By year end, Grenada reported a 3.2 per cent contraction in output, after suffering damage to the extent of 212 per cent of GDP.

### **FUEL PRICES: A CONTINUING THREAT**

Mr. Speaker, I now wish to turn to a matter that has the potential to become a grave threat to our economy – the volatility of fuel prices.

Mr. Speaker, since the last adjustment to fuel prices in Saint Lucia in June 2004, there has been no end to activity in the international petroleum markets. International oil prices increased from an average of US\$26.13 per barrel in 2002 to US\$31.29 in 2003, representing a 20 per cent increase. Petroleum prices rose by 32 per cent to US\$41.41 per barrel over the period 2003 to 2004. On April 04, 2005, petroleum prices peaked to reach US\$58 per barrel, representing a 40 per cent increase.

The backdrop to this steady rise in oil prices is strong global demand from the United States, and more particularly, the expanding economies of China and India. The supply side dynamics of the international petroleum market is by no means simple, Mr. Speaker. Firstly, the supply of oil has been restricted in some of the oil producing countries, through acts of vandalism or terrorism. These acts have often caused market participants to anticipate future oil shortages. Thus, short run demand has increased, placing upward pressure on prices. Secondly, petroleum is priced in United States dollars, a currency which has depreciated by approximately 10 per cent over the past year. Consequently, members of OPEC do not subscribe to the view that oil prices are high, and are therefore not likely to consider any action that will result in a fall in oil prices. Thirdly, Mr. Speaker, while the members of OPEC have agreed to increase the supply of petroleum by an additional 500,000 barrels per day, this amount may not be enough to impact on prices due to heavy demand.

### **THE FISCAL IMPACT**

Mr. Speaker, allow me to turn my attention to the impact that this upward spiral of international petroleum has had on the fiscal revenues of this country. The increases in oil prices have led to corresponding reductions in the average consumption tax rates for diesel and unleaded gasoline. Consequently, revenue from consumption tax on diesel and unleaded gasoline fell by 9.5 per cent in 2003, from a base of \$41.8 million in 2002. Despite an increase in the price of diesel and

unleaded gasoline in June 2004, consumption tax revenue from these products fell by 23 per cent in 2004 to \$29 million.

Further, during the first three months of 2005, the average unit consumption tax figures for unleaded gasoline and diesel have fallen further to \$1.87 and \$1.18 respectively, indicating that actual revenues will decline further by approximately 6 and 35 per cent respectively (that is if we assume that we will consume the same amount of fuel in 2005 as we did in 2004).

Since July 2004, kerosene and Liquid Petroleum Gas (LPG) have generated negative consumption taxes. This has resulted in a situation where the Government of Saint Lucia has granted refunds to importers of those products. With the increase in prices beyond US\$49, the negative amounts for kerosene in particular have become so large that they have led to a complete erosion of the suppliers' margin. This of course has raised concerns from the supplier, as it is no longer profitable from a business point of view to import the commodity. In effect, Mr. Speaker, the Government is now paying suppliers to provide these products to consumers.

## **THE WAY FORWARD**

Mr. Speaker, there is growing speculation among market analysts about the future movement of international oil prices.

Investment in refinery capacity is lagging behind, and this has generated fears of a sustained or prolonged period of high international oil prices. Supply is constrained, given its vulnerability to possible disruptions emanating from bad weather in the Gulf of Mexico, terrorism in the Middle East and political unrest in Venezuela or Nigeria. In the light of these factors, some analysts, including the IMF Managing Director, Rodrigo de Rato, recently forecasted that prices would remain high for the next two years. Other analysts have predicted that oil prices would remain within the US\$50 range.

A recently released study by Goldman Sachs forecasts that not only will prices stay high for years to come but they will reach as high as US\$100 a barrel! Unfortunately, Mr. Speaker, if these predictions are correct, these high oil prices will have serious implications for output and prices in all countries, and Saint Lucia is no exception.

Under such circumstances, Government's consumption tax revenue from petroleum products is likely to come under increasing pressure in the new fiscal year. In fact, sustained oil prices can completely erode the current consumption tax revenue on unleaded gasoline and diesel. Additionally, prices are also likely to increase due to higher prices from our trading partners.

These developments point to the need for continuous monitoring of trends within the international oil market and its impact on our economy. The Government urges all Saint Lucians to reflect on the important issues of energy and conservation during this period of sustained high oil prices. We recognize that further increases in gasoline, diesel and LPG prices may constrain the recovery that we have witnessed in the economy of our country. In the light of this, we have

chosen to keep fuel prices unchanged, for the time being, but if prices continue to rise, there will be no choice but to increase petroleum prices.

## **SUPPORT FOR ENERGY-SAVING DEVICES**

Meanwhile, in a bid to assist energy conscious consumers, Government will reduce Consumption Taxes on energy-saving devices. This will take effect on August 01, 2005. Government will for a second time, from income year 2005 up to and including income year 2007, allow the deduction of expenses reasonably incurred by a tax payer during the income year in the purchasing and installation of a new solar water heating system, up to a limit of \$6,500.

## **TOURISM COMES OF AGE**

Mr. Speaker, the structure of Saint Lucia's economy has undergone tremendous transformation over the past years, from one where primary production in the form of agriculture, light manufacturing and redistribution accounted for nearly half of the annual GDP. Today, those sectors continue to play an important role in the economic life of this country, but their percentage contribution to overall output has been far surpassed with the rise of the Services Sector, which now accounts for more than 60 percent of GDP.

## ***TRANSFORMATION TO A SERVICES INDUSTRY***

Mr. Speaker, over the past seven years, under the stewardship of this administration, Saint Lucia's economy has been transformed to a services based economy. This transformation process has accelerated in the past five years and evidence of this paradigm shift is clearly seen in the contribution that services have been making to our GDP. For example, in 1999, the contributions of Hotels and Restaurants, Communication and the Real Estate sectors were 12.29%, 8.28% and 11.22% respectively. In 2004 however, it is estimated that the same sectors contributed 13.57%, 11.25% and 12.68% respectively. This translates to the Hotels and Restaurant sector contributing an additional \$160 million in value added, the communications sector an additional \$373 million in value added, while the Real Estate sector provided an additional \$184 million in value added.

Mr. Speaker, the evidence speaks for itself. Our strategy to reposition the economy in the light of the pressures from the international and regional economic arena is bearing fruit. While we cannot ignore the contributions that our other productive sectors need to make to our economy, it is clear to us that services represent our best opportunity for accelerating growth.

For completeness, it is important that I summarize some of the policy initiatives to which I refer. This Government, conscious of the economic potential of the tourism sector, developed specific incentives aimed at encouraging investments and the development of the tourism industry. The private sector has taken advantage of those incentives and there has been a rapid expansion of the ancillary services associated with tourism. Those operators have benefited from the steady growth in arrivals with the continued strategic marketing supported by Government's increasing allocations to the Saint Lucia Tourist Board.

Mr. Speaker, our Government took the bold initiative to enter the international financial services environment and our nation has benefited. Today we can boast of operating a clean jurisdiction, with 1,517 registered institutions. These include International Trust Companies, International Business Companies, International Mutual Funds, International Mutual Fund Administrators, Registered Trustees, Registered Agents, and International Banks.

Further, we have facilitated public participation in the ownership of a state owned financial enterprise, the Bank of Saint Lucia, by offering the sale of shares to the public. Last year, the Bank of Saint Lucia reported a pre-tax profit of \$18 million.

The liberalization of the telecommunications market was another important step in the transformation process. You will recall that this administration was at the forefront of those initiatives within the region and enacted legislation to create the enabling environment for liberalization. As a result of our endeavours to date, there have been two new entrants providing mobile telecommunications services, after investments of over \$120 million locally within two years. Consequently, we have seen the creation of over 540 new jobs. We enjoy lower rates from the resulting competition as well as a wider range of services. Further, the establishment of the Eastern Caribbean Telecommunications Authority has facilitated the regulation of the telecommunications industry. Already, we are reaping the benefits of this initiative with a 20 percent reduction of the rates on fixed lines. In the future, benefits of the liberalisation process will be extended to other telecommunication services.

As a Government, we have spared no effort in attracting Foreign Direct Investment to assist with the development process to complement the enabling environment we have created through supportive legislation, incentives and the confidence we inspire.

## **INVESTMENTS IN TOURISM**

Mr. Speaker, this Government has created an incentive environment that is fair and attractive. We know this because of the large number of investors who have had the confidence to finance tourism infrastructure within this country. And they should have confidence, because the macroeconomic performance of the Saint Lucian economy under this Administration has been sound.

Using the provisions of the Tourism Incentive Act and the more recent Cricket World Cup (Accommodation) Incentives Act, there have been significant inflows of foreign direct investment into this country. The sheer scale of these investments is phenomenal and has never before been witnessed in Saint Lucia.

Permit me, Mr. Speaker, to outline some of these new developments.

- (1) *A new upscale product, **The Landing at Rodney Bay**, with an estimated investment of US\$120 million, is due to commence by the middle of 2005. This property will comprise 50 villas and 144 condominiums and will include an impressive array of*



marine facilities. According to the developers, 500 persons will be employed during construction and 500 will be employed on completion.

(2) ***Beaches: A New Sandals Product***

This hotel has been labelled as a premier family all-inclusive. The value of the development is estimated at US\$80 million and will consist of 300 upscale rooms. According to Sandals, some 250 persons will be employed during construction. Once the hotel is completed and open for business, the Sandals chain says 600 persons will be employed.

(3) ***Discovery at Marigot Bay nearing completion***

Valued at US\$18 million, this property comprises eight 3-bedroom apartments and forty-four 2-bedroom apartments. This property is currently under construction and should be operational by December 2005. Currently, 150 persons are employed. On opening, the developers expect to employ over 200 persons on a full-time basis.

(4) ***Praslin Bay on its Way***

This property will be located on the south-east coast and will serve as a nucleus for development in the surrounding communities. The Praslin Bay Resort investment is estimated at US\$90 million. Phase I of that project will consist of five executive suites, 110 two bedroom condominiums, 60 signature high end branded building plots, conference facilities, a health spa and fitness centre, and a showpiece of this phase – an 18 hole signature golf course spread out over 135 acres. Construction is expected to commence later this year. I am informed by the developers that some twenty (20) persons will be employed as of next week to prepare the site. In the first phase, the developers have advised that 500 persons will be employed. On completion, 200 full-time jobs will be available.

(5) ***St James' Club Becomes Almond***

The existing St. James' Club, formerly Wyndham Morgan Bay, will now come under new ownership under the Almond chain of hotels. This is a branch of an international chain with two successful hotels in Barbados. It is expected that an additional 100 rooms will be added to this property in time for the Cricket World Cup in 2007.

(6) ***Jalousie Hilton changes Ownership***

The Jalousie Hilton property has been purchased and will be managed by Sun-Swept Resorts, the owners of Le Sport and Rendezvous Hotels. The new owners plan to build an additional 50 units to complement the existing hotel plant.

(7) ***Expansion at Coconut Bay***

Formerly known as Club Med, this hotel has been refurbished, renovated and expanded and now boasts 256 rooms. These developments were undertaken at a cost of US\$19 million. The hotel opened during the Easter weekend and additional developmental works are continuing. It is expected that this hotel will be expanded by an additional 200 rooms later this year.

(8) ***Face-lift for Rex Resorts***

The Rex Resorts will embark on a major face-lift during 2005. These resorts have served as the beacon for tourism development in the North and the new face-lift is part of the effort to enhance the product.

(9) ***Bay Gardens Expansion***

Mr. Speaker, the well known Bay Gardens hotel chain is set to expand on its very successful operations, with an attractive, up-market resort, at a cost of over EC\$35 million.

(10) ***Lagoon Park at Rodney Bay***

This development is a Condominium complex, with café, yacht mooring and pool. Construction of twenty (20) condominiums at a cost of EC\$20 million started in January 2005.

(11) ***Coco Resorts at Rodney Bay***

This resort boasts 72 rooms and 12 suites to be constructed in two phases, at a cost of EC\$44 million. Further expansion is expected with a third phase of 51 rooms. At this time, there are 161 persons employed in construction activities. On completion, an additional 80 persons will be employed. The resort should be opened by the end of this month before Saint Lucia Jazz.

(12) ***Beau Estates Soufriere***

This new time share resort complex boasts 30 homes which are currently under construction. Four (4) of these homes have been completed.

(13) ***Anse Chastanet Expansion***

This resort is currently undergoing an expansion of 24 new villas, at an estimated cost of US\$18 million.

Mr. Speaker, in addition to these investments, there are two new developments that I wish to bring to the attention of Honourable Members.

**Choc Bay Marina and Condominium Development**

The first is the Choc Bay Marina and Condominium Development, a new joint venture between the J.Q. Charles Group of Saint Lucia and the C.O. Williams Group of Barbados, to construct a world-class marina and 200 luxury condominiums at Choc Bay.

This project, which is at an advanced planning stage, could generate employment for over 600 people during the construction phase and create permanent employment for approximately 200 persons within the condominium resort. This development will be styled after the acclaimed Port St. Charles Project in Barbados, and is a welcome addition to our up-market Tourism infrastructure.

The project represents a potential investment in the economy of EC\$320 million, of which some EC\$125 million will occur within the first eighteen months.

### **Sapphire Cove Resort and Spa**

The second major investment on the horizon is the Sapphire Cove Resort and Spa. This development, which will be located on the former Sapphire Estate, is expected to boost visitor capacity on the island by 3,000 beds. This five star resort will provide a luxurious holiday experience, and among its many amenities will be a 4000 delegate conference centre.

The project will be developed in three phases. The first phase will comprise 447 units, with the second and third phases accounting for 450 units and 280 units respectively.

Approval in principle has been granted to this development, which is expected to be officially launched in May. The Government can only hope that it becomes a reality.

Mr. Speaker, these impressive developments in tourism infrastructure have set the pace for unprecedented growth in the tourism sector. When totalled, they represent a cumulative investment of over EC\$1.8 billion. This level of investment equates to approximately 142 per cent of our annual Gross Domestic Product.

These large scale investments are expected to impact positively on all areas of economic life in Saint Lucia. They will also raise new challenges that we must address. Among these are our ability to supply the necessary trained labour to work and service those investments and the capacity of our public service agencies to process applications and grant approvals in a timely fashion. To deal with the latter, Government will establish a special Fast-Track Mechanism for approvals, which will facilitate efficient collaboration between the Ministry of Physical Development, its Development Control Authority, and all of the referral agencies. Additionally, four new Physical Planning officers will be contracted to the Fast-Track Unit to support its work. We cannot allow public service deficiencies or bureaucracies to frustrate these vital investments.

### **TOURISM OR AGRICULTURE?**

Mr. Speaker, the recent successes of the tourism sector have stirred a lively debate about the relative merits of tourism and agriculture.

Some believe that the Government is overemphasizing tourism at the expense of agriculture. On the other hand, those in the tourism sector argue that the country would have been better off if the Government had reallocated to the tourism sector the money which has been invested in the banana industry.

This is, Mr. Speaker, a good opportunity for the Government to restate its position and perspectives on this issue.

It is unhelpful if the issue is posed as if the choice is either tourism or agriculture. It is not one or the other. The reality is that the country requires both sectors, albeit in a symbiotic relationship, each sector contributing to the other's sustainability. Put differently, the tourism sector requires a vibrant but diversified agricultural sector. The agricultural sector needs a buoyant but responsive tourism sector. We need to ensure that agriculture derives greater value added from the tourism sector. The fact is that annually, we have over 500,000 tourists to feed and the opportunities for agriculture are obvious.

The Government has had to encourage expansion in tourism in recent times because that sector, in the face of the contraction in the banana sector, holds out the greatest prospects for growth and development. If it is agreed that unemployment is our greatest concern, then clearly, it is Government's responsibility to turn to the sector that has the greatest potential to help in the fight to reduce unemployment.

What is necessary now, especially in the face of the contraction of the banana industry, is to diversify agriculture as quickly and as efficiently we can. The agricultural sector must not only look to overseas markets, but it must also feed this nation and the rapidly expanding tourism sector. It is for these reasons that the Government has created SLADA, the Saint Lucia Agricultural Diversification Agency Ltd, a state-owned company managed by persons drawn from the private sector, to drive and direct investment in the sector. Indeed, this budget allocates \$11,750,034 solely to agricultural diversification, drawn largely from European Union Special Framework of Assistance (SFA) funds. The Government has deliberately moved diversification away from the Ministry of Agriculture to energize the process and to free the programme of the usual public service restrictions and red tape.

Later in this presentation, Mr. Speaker, when I review Sectoral Initiatives, I shall announce a comprehensive package of incentives to the agricultural sector to support this broader thrust of diversification.

#### **RESPONSIBILITY OF TOURISM FOR ECONOMY**

Mr. Speaker, earlier I explained that Tourism and Services had now become the major contributor to Saint Lucia's GDP. Indeed, as far back as 1994, the tourism sector, as measured by the performance in Hotels and Restaurants, had eclipsed agriculture's contribution to GDP.

A range of consequences flow from the position that tourism now occupies in the economic profile of Saint Lucia. It certainly does not mean a lessening of the vulnerabilities of our country. In some ways our vulnerabilities have become more acute. Until the advent of the World Trade Organisation (WTO) and the attack on preferential treatment, hurricanes posed the principal threat to the banana industry. In the case of tourism, the threat is not only hurricanes but also movements in the world economy and more specifically, the health of the economies of our principal markets, the United Kingdom and the United States. The boundaries of competition have also altered. Our tourism product competes not only with our regional neighbours but also, with products from other countries throughout the world.

This has a double significance. On the one hand, policy makers need to be alive and sensitive to the requirements of the tourism sector. On the other hand, those involved in the industry need to understand now, more than ever before, that tourism must assume a greater responsibility for the economic future of our country. Put crudely, the point is this: the tourism sector has to generate the revenue and resources to meet the ever rising cost of marketing of our product, the cost of providing infrastructure, and services, and income to its employees. A Government cannot continue to borrow indefinitely to do these things on behalf of the tourism industry.

Likewise, all stakeholders need to understand the requirements of the industry. This applies to taxi-drivers as it applies to tour operators, employees and citizens. Tourism has come of age, almost suddenly. It is time to bring an end to the squabbling in the sector. This is no time to reinforce differences among stake holders. Rather, the time has come to resolve these differences in the name of protecting and enhancing the product that we sell to the world.

## **THE 2007 ICC CRICKET WORLD CUP**

Mr. Speaker, I turn now to the issue that will attract the attention of our country for the next two years. Last year, our Government mobilized over 100 Saint Lucian professionals, representing a wide range of disciplines and interests, to produce Saint Lucia's Bid to the International Cricket Council and the West Indies Cricket Board to host matches in the 2007 Cricket World Cup. Our bid was successful, and the whole nation celebrated when it was announced that we had been awarded the highly prestigious Blue Group in the tournament.

Mr. Speaker, our bid for the Blue Package in the 2007 ICC Cricket World Cup was carefully thought out and selected, as we were of the opinion that this package would allow us to derive the maximum possible benefit from the event. We now know that in addition to England, which boasts the "Barmy Army" and the largest contingent of fans in the tournament, Saint Lucia will also be hosting New Zealand – a team that is currently ranked third in the world in One Day cricket, Kenya – one of the four semi-finalists in the 2003 ICC Cricket World Cup in South Africa, and the Associate team that places third in the ICC Trophy in Ireland in July of this year.

These teams will feature in an Opening Round that will comprise six matches spread out over two weeks. And, on top of this good cricket in the Opening Round, we will host a semi-final that will decide one of the two teams to play for the honour of being regarded as the best One Day International team in the world. What is even more remarkable in all of this, is that a mere five years after the opening of the Beausejour Cricket Ground, Saint Lucia will be participating in the third largest sporting event in the world, and our people will be in a position to enjoy the best of both worlds – exciting cricket and great economic opportunities.

Opportunities such as the Cricket World Cup come only once in a lifetime, if you are lucky. The tournament is expected to attract over 760,000 paying spectators, with over one quarter of a million of these coming from outside the Caribbean. It is obvious, therefore, that our country stands to benefit tremendously from a positive showing in the Cricket World Cup, and our image as a tourism and investment destination should improve substantially as a result of the event.

However, in order for us to derive the maximum possible benefits from the Cricket World Cup, there must be meticulous planning and preparation. This event is too important for us to approach it in an ad hoc or unstructured manner. So, we have set about establishing sector teams that will assist with planning in the critical areas. In much the same way we approached the development of our Bid Response, we have again mobilized scores of competent and experienced professionals to work with the Local Organising Committee to address the myriad issues that are critical to the hosting of the 'best Cricket World Cup ever'.

Our Master Plan for the 2007 ICC Cricket World Cup, while addressing a large number of issues, focuses on the following critical areas:

1. Accommodation
2. Transportation
3. Security
4. Public Education
5. Medical and Emergency Services
6. Immigration and Customs Processing
7. Ambush Marketing and Legal Issues
8. Generic or non Match-day Events
9. Marketing and Publicity
10. Venue Development
11. Service Delivery Improvement
12. Commercial Opportunity
13. Volunteer Programme

The 2007 ICC Cricket World Cup is about much more than preparing Saint Lucia to host a major global sporting event. It is about igniting the passions of our people, stirring the pride of our communities, and mobilising the resources of our nation, towards making the changes necessary to catalyse greater socio-economic development and transform our country into a more tourist and investor friendly destination. The changes that will be made for the Cricket World Cup will also improve the quality of life of Saint Lucians and many will leave legacy impacts that will redound to the benefit of large sections of our society.

### ***EXTENT OF INVESTMENT***

A total of \$56 million will be budgeted over the next two years to meet Saint Lucia's obligations for the 2007 ICC Cricket World Cup. The Mindoo Phillip Park and the Gros Islet Playing Field will be used as practice facilities during the tournament, and an amount of \$1.5 million has been set aside for their upgrade. Funds have also been allocated for training and disaster preparedness.

In order to gain the maximum possible economic benefit from the event, an amount of \$5 million will be assigned for marketing. We believe that Saint Lucia must begin to reap the benefits of our participation in the Cricket World Cup well before 2007. Cricket World Cup Saint Lucia Inc. will therefore work closely with the Saint Lucia Tourist Board to promote Saint Lucia in the relevant markets.

Volunteers will play an important role in the 2007 Cricket World Cup. They are the ones who will serve as the ambassadors for our island, and will see active duty both within the cricket ground and at remote locations. We need to mobilize and train hundreds of Saint Lucians to be the living symbols of our hospitality and warmth. This is a task we hope to assign to the National Skills Development Centre. A sum of \$1.05 million is assigned for this purpose. I want to encourage every Saint Lucian to volunteer some of their time over the next two years to

assist in preparing our country for 2007. This is a call to active duty. We need the help and support of every capable Saint Lucian if we are to succeed in this endeavour.

Mr. Speaker, it is important to bear in mind that although we are making these improvements to our infrastructure with the 2007 ICC Cricket World Cup in mind, the legacy to our country will be an improved road network; a better and more efficient transportation system that provides options to travellers; an expanded and diversified accommodation stock; an ameliorated water supply to our growing urban centres; expanded facilities at our ports of entry, thereby improving the travel experience for locals and visitors alike; a better trained and more customer-friendly work force, making us a more attractive tourism and investment destination; and a positive image as a country capable of hosting world events, which in turn will increase our marketing profile. We should see the Cricket World Cup as not just the mega event that it is, but also as a much-needed catalyst to get us to improve on our quality of life and our national infrastructure. Saint Lucia will change irrevocably and immeasurably as a result of the Cricket World Cup, and we must make the impact of that change as positive and profound as possible.

### ***ECONOMIC BENEFITS OF CRICKET WORLD CUP***

Mr. Speaker, last year I stated that I would commit Saint Lucia to hosting matches in the Cricket World Cup only if “at the regional level, the West Indies Cricket Board (offers) a distribution of profits that is more favourable than the one they are proposing”. I also stated that I wanted to be “able to assure the Saint Lucian public that we can meet all of our obligations, that we can raise the financing required without adversely affecting our country’s fiscal rating, and very importantly, that we can recover the expenses to our satisfaction”. I am pleased to be able to report that these concerns have been addressed to our Government’s satisfaction.

As a result of our Government’s intervention, the West Indies Cricket Board agreed to a better revenue distribution formula, which in the case of Saint Lucia, will see us receiving 100 percent of the gross ticket sales for matches held at the Beausejour Cricket Ground, minus a ticket administration charge amounting to the higher of 10% or US\$75,000 per event.

Given the level of investment that the Government will be committing to the hosting of the Cricket World Cup, we needed to determine whether the event will result in measurable economic benefits to the country. At the invitation of the Government, Mr. Jeffrey Stewart conducted an Economic Impact Study of the Cricket World Cup in Saint Lucia. His preliminary findings indicate that the overall impact from hosting the Cricket World Cup will arise from four main sources:

1. The expenditure which will be made by the Government of Saint Lucia and Cricket World Cup Saint Lucia Inc. to host the matches;
2. The dollars spent by visitors during the tournament;
3. The indirect and induced economic impact as these expenditures multiply or are re-spent in the local economy; and

4. The long-term benefits which will occur, especially in the tourism industry, due to the increased international awareness of Saint Lucia.

In summary, the report indicates that the following economic benefits will accrue to Saint Lucia:

- (1) Over EC\$134 million in inbound tourism spending;
- (2) Thousands of workers and volunteers who will be trained for their roles at the matches or in construction, tourism and other relevant industries;
- (3) Tax revenues estimated at EC\$71 million;
- (4) Total economic impact estimated at EC\$670 million;
- (5) The attraction of over 21,000 visitors;
- (6) Ticket sales of approximately EC\$23.4 million;
- (7) The injection of over EC\$750 million in infrastructural development; and
- (8) Total expenditure in the economy over a three-year period of EC\$1.2 billion;

It is estimated that Saint Lucia and the other seven venues will enjoy US\$83 million worth of international advertising and promotion, as the broadcasts and telecasts of the tournament are expected to reach an international audience of at least two billion people across 170 markets.

Mr. Speaker, it is interesting to note that the last host of the ICC Cricket World Cup, South Africa, recorded substantial benefits during the tournament period of February to March 2003. The report on the economic impact of the tournament on that country revealed the following:

- (1) The net foreign spend benefit to South Africa was approximately US\$135 million;
- (2) Overall economic activity was approximately US\$245 million;
- (3) 9,800 man-years of work were created around Cricket World Cup activities; and
- (4) 99% of foreign visitors said they would return to South Africa and would recommend it to family and friends.

An audit of the 2003 ICC Cricket World Cup in South Africa suggests that there were 18,515 foreign visitors to South Africa for the tournament. However, per capita expenditure by visitors was over 5 times that of a South African national tourist within South Africa.

These figures clearly demonstrate that an event of this nature will have significant economic impact on a host country. Therefore, by extension, we should expect significant positive economic effects in Saint Lucia.

Mr. Speaker, I wish to express my profound gratitude to Mr. Jeffrey Stewart who volunteered his time to produce this report. It is evidence of the sacrifice and support that should be given to ensure that Saint Lucia hosts the best Cricket World Cup ever.



## ***INCENTIVES FOR BED AND BREAKFAST***

Mr. Speaker, during the passage of the Cricket World Cup (Tourism Accommodation) Incentives Act, No. 6 of 2005, I advised Honourable Members that Government would unveil its package of support to Saint Lucians wishing to invest in providing bed and breakfast accommodation to visitors for the Cricket World Cup.

### **BED AND BREAKFAST ACCOMMODATION PROJECTS**

In order to assist persons who may wish to expand or renovate an existing property to provide bed and breakfast accommodation, the Government proposes to grant concessions to what may be described as “Bed and Breakfast Accommodation Projects”. Properties with six or more rooms are taken care of under the Cricket World Cup (Tourism Accommodation) Incentives Act, so, the challenge is to accommodate those persons who wish to provide accommodation for two or more persons to a maximum of five.

A Bed and Breakfast Accommodation Project will qualify for the following incentives:

- (1) 100% waiver of Duty and Consumption Tax on materials and fittings imported or bought locally for the expansion or renovation of the property;
- (2) An Income Tax Holiday of five (5) years on the income earned from renting the rooms;
- (3) A 50% reduction in Property Tax for a period of five (5) years in respect of the property or the entire property of which the addition or expanded property forms a part; and
- (4) A percentage tax credit for financial institutions providing finance for the accommodation based on the quantum of investment as follows:
  - (a) EC\$300,000.00 and under – 1%.
  - (b) Over EC\$300,000 and up to E.C\$ 600,000 – 2%.
  - (c) Over EC\$600,000 – 3%.

The following conditions will apply:

- (1) Properties will be inspected in advance of approval to determine their suitability for bed and breakfast accommodation;
- (2) Beneficiaries will have to sign an undertaking that the accommodation will be provided to Cricket World Cup visitors. If the incentives are used for purposes other than the Cricket World Cup, they will be revoked as appropriate, and the homeowner or investor will be required to refund Government duties and other taxes foregone; and
- (3) The accommodation must satisfy bed and breakfast criteria published by the Ministry of Tourism.

Mr. Speaker, I wish to make it absolutely clear that the Government is not accepting any responsibility for the success or failure of individual homeowners. Potential homeowners and investors must plan carefully. The Cricket World Cup has a duration of a little over two weeks

in Saint Lucia and seven (7) weeks in the region, so homeowners and investors need to be clear about the future and the viability of their properties beyond the Cricket World Cup. Our marketing strategy will seek to promote Saint Lucia as a home base or hub for the entire tournament, so there may be opportunities outside of the Opening Round and Semi-Finals. Additionally, any increase in our accommodation stock will improve our ability to market Saint Lucia in the future as a venue for mega events. There are, however, no guarantees.

A Cricket World Cup Accommodation Unit will be established in the Ministry of Tourism to process applications and to monitor implementation of the Programme. Government expects that the unit will be operationalised by August 01, 2005.

### ***RESTORATION OF INCENTIVES TO BUSINESS PLACES TO RENOVATE PROPERTIES***

Mr. Speaker, over the years, the Government has noted significant improvements in the appearance of buildings in the city centre. Some businesses were able to utilize the incentives offered by the Government in 1999/2000 and again in 2000/2001 to refurbish and modernize their business places.

At the behest of the Private Sector, Government has agreed to reintroduce these incentives. Effective May 1, 2005, business places will be exempted from paying duty and consumption tax on all building materials utilized in repairing, rehabilitating, and renovating places of business in Gros Islet, Castries, Anse La Raye, Canaries, Soufriere, Choiseul, Laborie, Vieux Fort, Micoud and Dennery. In effect, all of the major towns and villages will benefit. These incentives will terminate on January 31, 2007.

Applications supported by a Bill of Quantities should be forwarded to the Cabinet through the Office of Private Sector Relations for consideration.

Mr. Speaker, images of our island will be flashed to millions throughout the world during the Cricket World Cup. We need to ensure that our island radiates its beauty and its personality. We will be making a statement about our country and ourselves. Appearance therefore, matters. This applies to our roadsides, our beaches, our public places and, as well, our buildings.

I want to take this opportunity, Mr. Speaker, to impress on all Saint Lucians the importance of beautifying our country. As I have already stated, our entire country will be open and on display to the world, and we must project the right image. If we all were to take responsibility for the area where we live and not do anything to destroy the appearance of the places that we frequent, our task would be substantially easier. Let us agree to make Saint Lucia a clean and pristine island so that we may look with pride when images of our country are televised in 2007, and not have to cringe and bow our heads in shame when a television camera focuses on a pile of strewn garbage, a road verge littered with plastics and other used items, or a landscape defaced with indiscriminately and illegally posted signs and billboards.

## ***CONSTRUCTION OF ACCESS ROAD TO BEAUSEJOUR CRICKET GROUND***

Mr. Speaker, as a host venue for the 2007 ICC Cricket World Cup we have a head start. We already have excellent stadium facilities which only need to be enhanced with the establishment of temporary facilities. However, there will also be some permanent or legacy enhancements to the facility which will improve the stadium's stature as one of the best cricket grounds in the region.

One such permanent development will be the construction of a ring road which will provide access to the ground utilizing a one way system. The one-way system will see traffic moving eastward along the Beausejour road until it reaches the WASCO Sewerage treatment ponds, then south along the perimeter of the WASCO facility, and then westward towards the Johnson's Marine Centre to end adjacent to the CLICO development on the Castries-Gros Islet highway. The proposed road, inclusive of the already constructed Beausejour road, will be approximately 4 kilometres.

While the road will be specifically designed for traffic flow to the cricket facility on match days, its construction will allow residents of the area easier access to their homes. The proposed drop off points along the route will allow for the establishment of bus stops, thus enhancing the use of the road for the travelling public.

The construction of the road and drop off stops is estimated to be EC\$6.1 million.

## ***EXPANSION OF BEAUSEJOUR FACILITIES***

Mr. Speaker, there will also be enhancements in and around the Cricket Ground. The enhancements will be both permanent and temporary and will cost approximately EC\$ 17.5 million.

The permanent work will involve extensions to the parking area, paving of roadways and parking areas, plumbing and drainage infrastructure. A Police Command Centre will be built. The facilities in the Media Centre and the Corporate Boxes will also be enhanced. Cricket World Cup Saint Lucia is also considering the installation of lights for the purposes of hosting night cricket. If successful, Beausejour is likely to be the first cricket ground to be available to host night cricket in the region. That, Mr. Speaker, will be a legacy worth treasuring.

The temporary alterations to the Beausejour Cricket Ground will include the installation of temporary seating to increase the capacity to 21,000 seats. There will be temporary accommodation arrangements for VIPs, photographers, Doping Control and additional toilets. It is expected that there will be approximately 300 media personnel that will need to be accommodated at the cricket ground. Consequently, temporary media and broadcast facilities will have to be built.

Mr. Speaker, it is our intention to make the hosting of Cricket World Cup 2007 the best ever, and we believe the enhancements that will be done to the stadium will do just that.

## ***THE ISSUE OF SECURITY***

Mr. Speaker, I know that the matter of security for visitors during the Cricket World Cup is a concern of Saint Lucians. Staging a mega world event like the ICC Cricket World Cup brings with it a tremendous degree of responsibility on the part of the host country for the safety and security of patrons and guests. The eyes of a worldwide television audience will be focused on our island and every major regional and international media house will have a presence in our region during the fifty-one days of the tournament. While a positive experience of patrons in Saint Lucia can cause our profile as a tourism destination to soar to heights hitherto unknown, a negative, crime-troubled experience can cause our image to plummet to depths from which it will never recover. Therefore, it is the responsibility of every Saint Lucian to ensure that we have a crime-free country leading up to and during the tournament.

The results from the 2003 ICC Cricket World Cup in South Africa with respect to crime paint a very revealing picture. Over the entire tournament, there were only nine incidents of mugging, three incidents of theft, and one hijack. Of the thirteen affected persons, twelve reported that they would visit South Africa again. There were no reported incidents of crime in and around the cricket grounds. Mr. Speaker, our commitment to “hosting the best Cricket World Cup ever” means that we must better these impressive figures from South Africa. I believe this is possible. But all of us must take responsibility.

We must bear in mind, however, that every world event carries with it a security threat. Therefore, although we may do a good job of providing for the safety of our guests, we also have to be extra vigilant and take all necessary measures to ensure that our easy and relaxed way of life is not exploited by someone wishing to make a violence-punctuated statement. The movement of large numbers of persons into and out of our countries during the tournament will make this job even more difficult. I would not be overstating the cause by saying that security must be one of our major priorities in preparing for 2007.

I am aware that ICC Cricket World Cup West Indies 2007 Inc., the company established by the West Indies Cricket Board to manage the event, has established a security directorate that will manage the security plans across all of the venues. However, there is a significant amount of capacity building that must take place locally. We have allocated an amount of \$2.2 million to address Saint Lucia’s security concerns.

In order to ensure we have a peaceful and incident-free event, we must start training our security forces immediately, and for this our Government intends to enlist external assistance. There are countries such as South Africa that have excellent records in managing large events, and we believe that it is necessary to solicit their support. Given that the largest group of visitors that we will have to entertain during the tournament will come from the United Kingdom, our Government also intends to seek the assistance of Her Majesty’s Government in the training of our security forces.

Private security companies will have an important part to play in providing security during the event. Up until now, these companies have operated in an unregulated and unsupervised environment. As a first step, Government intends to hold discussions with these companies with a view towards introducing legislation to govern their operations. The Cricket World Cup will carry with it strict requirements for accountability and liability, and it is necessary that we address these issues up front. We will also seek to facilitate some level of training for our private security companies.

Once again, as it is with almost every aspect of our preparations for 2007, the investments that we will make in security will not be solely for the benefit of the Cricket World Cup. I can speak with confidence when I say that almost every Saint Lucian would welcome any initiatives that are pursued to make our country safer and more secure.

In closing on this subject, I want to reiterate the sentiments echoed by Her Excellency in the Throne Speech this morning – “we are all custodians of our country”. We must be the eyes and ears that remain always vigilant for suspicious activity and take whatever action necessary to save our country from embarrassment. Saint Lucia has too much at stake in this event for us to allow the senseless actions of a few to imperil our investment and sully our country’s name. Our Government will spare no effort in making our country peaceful and crime-free in the months leading up to 2007. But we need everyone’s help to make this work. Let us all demonstrate our resolve to get rid of this scourge.

Mr. Speaker, I will now move to other Sectoral initiatives.

## **INTRODUCTION OF TEXT BOOK RENTAL PROGRAMME**

Mr. Speaker, one of the major new initiatives in education to be implemented this year is the Textbook Rental Programme, designed to assist needy students in obtaining the required textbooks for school attendance.

In September 1997, this Government – recognising that there were thousands of students across the country who were not able to derive the full benefit of school attendance because of the inability of their parents or guardians to provide them with the textbooks needed for use in school – introduced a full-scale book bursary programme to assist needy students. Between September 1997 and now, an investment of \$4.7 million has been made in the book bursary programme and 7,256 students have been assisted in the process.

But, Mr. Speaker, as we prepare to usher in the era of universal secondary education in Saint Lucia, Government felt that a more organised system needed to be put in place. In the same way that we will guarantee every child in this country a place in secondary school, so too we want to guarantee every child attending secondary school affordable access to the required textbooks.

This will be achieved, Mr. Speaker, by investing the sum of \$1.7 million in the purchase of secondary school textbooks to be made available on a rental basis for students attending Forms 1 to 3.

The reason for targeting only Forms 1 to Forms 3 at the outset of the programme is that for these Forms we are able to mass purchase textbooks. Also, that is the stage where the foundation of a proper secondary education is laid. Therefore, the book rental programme will cater to the foundation stage of the secondary education system where the subjects taken and the books used are more standardised across all schools.

Mr. Speaker, it is expected that the programme will cater to between 25% and 35% of the students attending secondary school, based on a determination by the Ministry of Education that between one quarter and one third of our students require assistance in equipping themselves with the necessary books and supplies for school attendance.

The Textbook Rental Programme will be administered at the school level by a committee comprising representatives of the school (probably one teacher and one PTA member) and a representative of the Ministry of Education, selected by the Minister after appropriate consultations.

It is expected that a set of textbooks will be rented at a cost of \$175.00 per year per student, with discounts of up to 15% for students who take exemplary care of the rented books and penalties of up to 15% of the replacement cost of a book for loss or damage to rented books. A system is also expected to be put in place for complete rental waivers for the neediest of cases.

With the implementation of the Textbook Rental Programme in September 2005, no new bursaries will be issued to students attending secondary schools, but students already on the bursary programme will be allowed to continue to the end of their programmes at their current schools, while the bursary programme, for the time being at least, will remain in place for primary school students.

Mr. Speaker, I will now turn to investments in infrastructure.

Mr. Speaker, this Government's strategic investment in the development of Saint Lucia's road infrastructure is on-going, as two major road reconstruction initiatives targeting the island's most vital transportation arteries will commence this financial year.

## **INVESTING IN SAINT LUCIA'S ROAD INFRASTRUCTURE**

The Government will focus on two major projects, the upgrading of the Castries to Gros Islet Highway and the rehabilitation and resurfacing of the Castries to Vieux Fort Highway.

### ***THE CASTRIES TO GROS ISLET HIGHWAY***

Over the past five years, we have witnessed an unprecedented level of development in the northern corridor of the island, fuelled by this Government's conscious policies to enhance private sector investment and increase investor confidence in Saint Lucia's tourism product. Naturally, Mr. Speaker, whenever there is such an expansion in investment and services, both commercial and residential development increase, as it is logical for people to want to live within

close proximity of their place of work and within reach of the heartbeat of economic activity. The end result is the inability of the current configuration of the Castries to Gros-Islet Highway to effectively and efficiently serve as a conduit for our transportation needs.

Originally, the Government had intended to redesign the existing road into a four lane highway, replete with a flyover and several “roundabouts”. In the end, this proposal was abandoned in favour of a more modest programme of rehabilitation and upgrading of the existing highway. The cost of acquiring land was simply too prohibitive.

The Ministry of Communications, Works, Transport and Public Utilities will now be charged with the implementation of an integrated but phased approach to the reconstruction of this highway, with commencement of phase one (1) expected by the 2<sup>nd</sup> quarter of this financial year. This will entail the following:

1. The upgrading of sections of the highway to two (2) lane dual carriageways;
2. The integration of pedestrian bridges, bus-stops and road shoulders, as pedestrian safety is key; and
3. The improvement of drainage systems and traffic signage.

## **THE EAST COAST HIGHWAY: CASTRIES TO VIEUX FORT**

Mr. Speaker, the calendar year 2004 will certainly be remembered for the record rainfall experienced in the Caribbean. These torrential rains wreaked havoc on Saint Lucia’s road infrastructure, catalysing the erosion and deterioration of the aging road surfaces, blocking drains and water causeways and causing damage in excess of EC\$1 million through landslides and damaged properties.

Throughout that period, the surface of the East Coast Road deteriorated exponentially, causing great discomfort to motorists travelling that route.

In an effort to provide a temporary measure of relief, an extra-budgetary allocation of EC\$725,000 was approved and a potholing maintenance contract was awarded to C.O. Williams Construction (Saint Lucia) Ltd. This notwithstanding, Government saw it fitting to advance the rehabilitation of this road by directly contracting C.O. Williams Ltd. to rehabilitate 5 km from Grand Riviere to Fon d’Or, Dennery.

Tender documents are currently being finalised for the commencement of the remaining phases of this rehabilitation project. Phase two (2) of the rehabilitation of the East Coast Road entails the reconstruction of 29.68 km of road from Castries to Praslin (excluding the 5km currently being addressed) and is estimated at EC\$35.38 million. Phase three (3), covers Praslin to Vieux-Fort and is estimated at EC\$26.3 million. This phase will commence in the Financial Year 2006/07.

Mr. Speaker, this level of investment in infrastructural development is unprecedented in the history of our island, as the total cost of these two major capital projects (Reconstruction and Rehabilitation of the Castries to Gros-Islet Highway and the East Coast Road) is well over EC\$100 million, injecting a major inflow of resources into the economy, and boosting Saint Lucia's economic and social infrastructure.

### **RESEALING OF WEST COAST HIGHWAY**

Additionally, Mr. Speaker, the Government is aware of the steady deterioration of the West Coast Highway, that is the road from Cul de Sac to Soufriere. With each passing year, the deterioration intensifies. To forestall further deterioration, the Government has decided to commence the resealing of this highway. An amount of \$338,812 is allocated to commence this initiative in this year's Budget.

### ***PROCURING AND DELIVERY OF A RELIABLE WATER SUPPLY***

Mr. Speaker, it has been several years now since the Government announced its intention to commercialise the water utility company. This process began with the transformation of WASA into a new corporate entity called WASCO Inc. This has resulted in a more private sector orientation of the operations of the utility, with the strengthening of management along with modern day management practices. But that was only the beginning. We are still faced with the challenges of providing an adequate water supply to all areas in the country. In addition, WASCO continues to be challenged by weak cash flow and little investment capital. There are urgent needs related to improving water supply reliability in the north, investing in the Vieux Fort system, rebuilding a supply system in Dennery, and expanding sewerage connections, outfalls and wastewater treatment capacity. Most importantly, there is a desperate need to rebuild the confidence of the domestic and commercial consumers of water in the efficiency and integrity of the utility company.

### **A THREE-PRONGED STRATEGY**

After a critical review of WASCO and with the assistance of the World Bank and the Caribbean Development Bank, we have decided to pursue a three-pronged strategy:

- (1) Launch an urgent investment program, financed with US\$7.7 million from the World Bank, to relieve the water shortage problems in the north. It is anticipated that this project will be completed in time for the 2007 Cricket World Cup.
- (2) Operationalise the newly established legal framework that establishes efficiency incentives and economic rewards for higher levels of service and performance in the water sector; and



- (3) Create a public-private sector partnership for the water utility that opens up Board and Management control of WASCO to the private sector, thus facilitating the transition of WASCO into an efficiently managed and operated, financially self-sustainable, customer oriented company.

The investment program to be funded by the World Bank to improve water supply to the north will lead to the following:

- (1) *Roseau Dam Pumping Station Upgrade*: The upgrading of pumping capacity to match forecast demand.
- (2) *Vanard-Sarot Pipe Replacement*: The installment of a new 24” ductile iron pipe to be installed from Varnard to Sarot (1.3 km) parallel to the existing 18”, which will upgrade the raw water transmission pipeline capacity up to 10 million gallons of water per day.
- (3) *Theobalds Treatment Plant Upgrade*: The doubling of the capacity of the treatment plant by adding the treatment units that were envisioned in the original design of the Plant.
- (4) *Morne-Bocage Distribution Pipeline*: The construction of a dedicated transmission pipeline directly to existing storage tanks at the Morne and Bocage for enhancing water supply to the Hill 20 area.

Owing to the urgent nature of the works and the close inter-relationship among the components of the project, the World Bank has concluded that a turnkey contract is the safest and most efficient way to implement this project.

Concurrently with the World Bank financed programme, the Caribbean Development Bank will be financing four programmes:

1. Metering and Leak Detection;
2. Improvement of the Vieux Fort Water Supply;
3. Upgrading of Hill 20 Raw Water Supply; and
4. Upgrading of the Castries Sewerage System.

I will now explain these programmes.

### ***METERING AND LEAK DETECTION***

These works entail the procurement and installation of domestic meters and bulk meters which can be easily configured in the future for electronic and remote sensing, along with all the necessary appurtenances to form a complete looped supply as established by WASCO’s Standards. It shall also include the procurement of relevant and appropriate technologically advanced leak detection equipment, which will be used in reducing the level of wastage due to leaking pipes, resulting in the lowering of unaccounted-for water.

### ***VIEUX FORT WATER SUPPLY (GRACE)***

These works entail the procurement and installation of a direct immersed, ultra filtration, membrane filtration plant. This plant will have the capacity to produce 1.5 million gallons of water per day. The water intake will be upgraded according to WASCO's design and standards.

### ***UPGRADE OF HILL 20 RAW WATER SUPPLY***

These works entail the procurement and installation of relevant pump sets and switch gear for the Talvern Pump station, complete with the improvement and upgrade of the standby power generation plant, along with the refurbishment and upgrade of all existing structures.

### ***CASTRIES SEWERAGE SYSTEM***

This entails the procurement and installation of five adequately sized grinder pump sets, complete with switchgear, bulk magnetic flow meters and standby power generation, along with the refurbishment and upgrading of all existing structures.

## **TOWARDS A PUBLIC-PRIVATE SECTOR PARTNERSHIP**

Honourable Members will recall the debate and passage of the new Water & Sewerage Act, which will provide the platform for the quality of service and the protection and management of the resource base to attract private sector investment. In pursuit of this latter objective, the Government has decided to pursue a public-private sector partnership for WASCO that will permit the Government to remain on the Board of Directors as the protector of the public interest, but will also allow for the divestment of the majority shares of WASCO. We have chosen this option for the following three main reasons:

1. Our experience with the privatisation of LUCELEC;
2. Current international experiences in water utility management that have proven to be innovative and sustainable; and
3. The current attitude of the international investment community, who are reluctant to risk their own capital resources in exchange for an operating contract to manage a utility.

The scheme of divestment would involve the transfer of ownership of assets such as pipes, pumps, buildings etc., to the new operator, instead of allowing the operator to utilize assets owned by the Government. One exception would be the Roseau Dam, which will remain in the public domain with the operating company being granted rights and responsibilities associated with its operations and the safe maintenance of the reservoir.

Already Mr. Speaker, discussions have been held with prospective national, regional and international investor groups. These discussions have been facilitated by the World Bank. The management of the National Insurance Corporation has expressed an interest in possible participation. Given the commitment of our international and regional partners, we are confident that the process of commercialization of the water sector, along with the necessary oversight of Government, will ensure stability and viability in the provision of this vital resource to our citizens.

### ***ADDITIONAL DEVELOPMENT OF WATER INFRASTRUCTURE***

Mr. Speaker you will recall that in my New Year's Address, I indicated that we will be placing some focus on the Dennery water system. It was our original intention to seek funding from the European Union (EU) in order to finance the project, but unfortunately because of new arrangements promulgated by the EU, we were unable to finalise the funding arrangements. This year we will be seeking funds from our own resources. Therefore, we are more confident that we will be able to make some progress in alleviating the water crises that often develop in the Dennery area.

The Dennery area is isolated from the Castries area by the main north/south ridge that divides the island. It comprises a separate group of communities, which would best be served by a single integrated system. WASCO has studied this area and has recommended works to increase the capacity of the supply, provide water treatment and improve distribution. WASCO proposes the development of the Tournesse water supply system at an estimate of \$12.5 million as a long-term solution. This year, short-term amelioration works totaling \$2 million will commence. The proposed works will see the maximization of the supply capacities of existing sources. This would have two major benefits:

1. The utilization of the daily loss due to turbid water, approximately 680,000 gallons per month, which averages 13 percent of monthly production.
2. Improvement of the water quality in the distribution system.

The Dennery South area has been severely affected by supply constraints. The situation is further exacerbated in the dry season. Accordingly, this year we will seek to upgrade the infrastructure through the following:

1. The use of new sources of water, namely the main Errard River.
2. The installation of a raw water transmission main from Errard to Bois Jolie.
3. The upgrade of the water treatment through the installation of an automatic backwash rapid sand filter.
4. Improved storage and distribution within the village of Dennery.

This project is estimated at a total cost of \$5.7 million.

## ***INFRASTRUCTURAL PREPARATIONS FOR NATIONAL HOSPITALS***

This financial year, Mr. Speaker, will bring the construction of the new national hospitals a step closer to reality. It is expected that construction of the new Psychiatric Hospital will commence within the next three months. Architectural drawings for the new National Hospital are in the final stages of completion.

It is the responsibility of the Government of Saint Lucia to prepare the sites for construction. To that end, provision is made for the expenditure of EC\$4.4 million for constructing an access road to the sites of the hospital and a “roundabout” to facilitate traffic to and from the Millennium Highway.

Additionally, Mr. Speaker, a sum of EC\$1.5 million dollars has been allocated towards the construction of a retaining wall to arrest any potential instability arising from the site location of the Psychiatric Hospital.

## ***JOURNEY TO UNIVERSAL HEALTH CARE (UHC)***

In last year’s budget, I outlined the Universal Health Care (UHC) proposal produced by the National Health Insurance (NHI) Task Force. I concluded that section of my address with the statement the “the journey is a long one, but one that is worthwhile and necessary for us as a people”. Let me report on the progress made in this journey.

One of the major issues identified by the NHI Task Force, health care workers and the general public is the quality of care. Therefore, we contracted the Canadian Council on Health Services Accreditation to address this issue. This is an internationally recognized accreditation body with experience in the Caribbean region, and is the body that accredits health institutions in Canada. A team of Consultants arrived in Saint Lucia in October 2004 and conducted in-depth assessments of Victoria Hospital, Saint Jude’s Hospital, Tapion Hospital, Golden Hope Hospital and Turning Point. In February 2005, they delivered individual reports for each institution, a report on Standards and Criteria and an overall report with their findings and recommendations. They returned in March 2005 and conducted consultations with each institution and the Ministry of Health to help these institutions with the implementation of the recommendations. The process towards accreditation has now started, and every institution, including the Ministry of Health, is required to have a documented quality improvement plan with specific defined deliverables in a structured review process. This ongoing initiative will drive the health system towards the goal of international accreditation, which would translate to improved quality of health care for our people.

Another major issue identified is human resource development and management. A consulting firm is in the final stages of a detailed human resource plan for the health sector. This will be complemented by a detailed health sector training plan which will be produced this year as part of the national health strategic plan.

Mr. Speaker, we need joint national action to ensure that we manage these forces and produce the type of health service that we need and indeed deserve.

Members of the UHC have had discussions with no less than eight (8) communities. The business sector, workers of the various institutions, as well as members of the opposite side of this Honourable House have been consulted on the programme. These discussions have also considered the funding mechanism. To date I can report that these public discussions have indicated that people prefer an earmarked, broad, transaction based tax. This is in keeping with the principle of a universal tax for a system of universal access to health care.

Mr. Speaker, this Government has placed the health of our people very high on our agenda.

We believe that our people deserve an improved health system and I call on members on the opposite side to work with us in attaining this noble goal.

### ***INTRODUCTION OF MACHINE READABLE PASSPORTS***

Mr. Speaker, the events of September 11, 2001 changed the world forever. For the United States, security and the threat of terrorism became preoccupations, understandably so.

One consequence has been the introduction of tighter passport controls at ports of entry in the United States, Europe and elsewhere. Most of these countries now require machine readable passports for travellers.

There are, however, other compelling reasons why we must improve the security features of our passports. Saint Lucian passports have become attractive to persons who engage in the fraudulent production of passports. As a result of the unlawful trade in our passports, Government has had to introduce heavy fines on individuals who have unlawfully procured Saint Lucian passports.

These factors have led the Government of Saint Lucia to move towards the introduction of machine readable passports and its complementary system of Border Controls. The Border Control System (BCS) will comprise the following key elements:

- (1) A personal computer-based programme with a reader to check whether a passport is authentic and whether it is compliant with the prescribed standards of the International Civil Aviation Organisation;
- (2) The acquisition and installation of machine readers for Machine Readable Passports and ancillary equipment at the various Ports of Entry;
- (3) The establishment of a system for non Machine Readable passports; and
- (4) The establishment of a Passenger Watch List.

Government plans to introduce Machine Readable Passports by November 01, 2005. The introduction of these passports will be preceded by an extensive public education campaign to explain the features of the new passports and the timetable for their issuance.

The introduction of the Machine Readable Passports and the Border Control Systems is budgeted to cost EC\$3 million. This year, Government proposes to fund the equipment for the Machine Readable Passports at a cost of EC\$1.35 million.

### ***INVESTMENTS IN PORTS INFRASTRUCTURE***

Mr. Speaker, during the course of the year, the Saint Lucia Air and Seaports Authority (SLASPA) will be undertaking two major capital projects. Both projects are scheduled to commence at the end of May. The first project is the rehabilitation of the runway at the George F. L. Charles Airport, while the second is the rehabilitation of the Northern Wharf at Port Castries. It is estimated that the two projects will cost SLASPA approximately \$35 million dollars.

### **RESURFACING OF GEORGE F.L. CHARLES AIRPORT RUNWAY**

The scope of the first project involves the complete resurfacing of the runway and construction is expected to last nine weeks. As Honourable Members are aware, the airport is a very busy facility. Consequently, the works to be undertaken have to be carefully planned so as to minimize disruptions to travellers.

In evaluating the planned works, SLASPA considered the following three options:

1. Allow only night-time construction;
2. Complete shutdown; and
3. Construction by sections

### ***NIGHT-TIME CONSTRUCTION OPERATIONS***

Night-time construction operations would mean that the facility would be shut down from approximately 6 pm to 6 am to allow for construction activities. It is estimated that the airport would have to be closed to night traffic for approximately twelve weeks. This would cause disruptions to flight schedules as all nocturnal flights would have to be diverted to Hewannora International Airport during construction.

### ***COMPLETE SHUTDOWN***

The second option, a complete shutdown, would mean that the airport would have to be closed for approximately six weeks, and all flights would have to be accommodated at Hewannora International Airport.

## ***CONSTRUCTION BY SECTIONS***

The third option explored is to phase construction by sections. This option will see resurfacing being undertaken in sections. Sections one and three would be undertaken at night, while section two will see the complete closure of the airport for a shorter period of approximately one week. Under this option there will be minimum disruptions to flights, as the regional airlines will reschedule to accommodate the night closure.

SLASPA has decided to go with Option 3. The successful contractor will be asked to engage two paving crews so that work can be expedited to meet the project time lines. SLASPA is cognizant of the fact that the Airport would be in great demand for the Jazz and Carnival activities and so have scheduled the works to accommodate these activities. Allowances have been made for the inevitable rainy season.

Mr. Speaker, I would expect that during the construction period, many of our travelling citizens, the taxi drivers and all who depend on the operations of the Airport for their livelihood will feel the displacement that this construction activity will inevitably cause. But we cannot compromise on the safety of the travelling public. So, given the necessity of this construction activity, I urge patience and consideration by all.

## **REHABILITATION OF THE NORTHERN WHARF AT PORT CASTRIES**

Mr. Speaker, the second major capital project which SLASPA will be undertaking this year is the rehabilitation of the Northern Wharf at Port Castries. The original structure on which the berths now stand is over one hundred years old, having been constructed of concrete caissons in 1888. Since then the berths have undergone rehabilitation to modernize the structures to cope with the increasing tonnage and technological advances made to ships that use the berths.

However, Mr. Speaker, as with most assets that are in continuous use, the passage of time will cause some deterioration of the assets. This fact and the increased sophistication of the thrusters employed by the mega cruise vessels that berth at the docks have compromised the integrity of the berths. Consequently, there is a need for urgent remedial work.

The rehabilitation work is also expected to commence at the end of May and will be for a period of approximately five months. SLASPA expects to have the berths ready for use by the beginning of the next cruise season.

The design methodology involves the stabilization of the structure, removing the concrete caissons that are failing and constructing a new quay structure. An interesting development in the design of the rehabilitation of the berths is the contributions made by design engineers of the cruise lines. This collaborative approach will ensure that the design meets the specifications of the cruise lines.

During the construction period, SLASPA expects that there will be minimum disruption to port operations as visiting vessels will be accommodated elsewhere.

## ***BEAUTIFICATION OF CITY CENTRE***

Mr. Speaker, you may recall that in the 2003/2004 Budget presentation, I spoke on the imminent refurbishment of the former J. Q. Charles Building and the implications of such refurbishment on the rejuvenation of the city centre.

I must report Mr. Speaker, that I am deeply disappointed at the delay in the commencement of this project. I have been in constant dialogue with the owners of the building, Blue Coral Ltd, who have assured me that we will see commencement of this project by late June this year.

I am pleased, therefore, to update Honourable Members on the project.

1. All architectural work for the design of the building is now completed and has been presented to the Development Control Authority for its consideration;
2. The tenders for technical services, namely air conditioners, plumbing and electrical, have been issued and are now being evaluated;
3. Tenders for the main contractor are being prepared;
4. The gutting of the internal structure is now completed; and
5. The owners have conducted a feasibility study on the utilization concept presented by the architects and have used the result of this study to modify the original concept.

Mr. Speaker, I am informed that the building will be substantially remodelled at an estimated cost of EC\$16 million and will include the following:

A café and some large tenants on the ground floor; Rental units ranging from 600 – 2300 square feet on the first floor;

A cinema/theatre, a bar/lounge and an open space for a fitness centre on the second floor; and

A restaurant, roof terrace and bamboo garden on the third floor.

Mindful of the delays on this project, the owners are requesting a double shift arrangement from the contractors to reduce the construction time. It is anticipated that the project will be completed by June 2006.

Mr. Speaker, I believe that although we have had delays on this project, we will not be disappointed with the final product.

## **DEVELOPMENT OF BOULEVARD PROMENADE**

Mr. Speaker, during working hours, the city of Castries is a focal point of commerce and activity. However, the city appears to lose its appeal after hours. Moreover, despite the efforts of some business houses, most notably the banks, the city centre is still in need of some aesthetic enhancement. Therefore, in order to spur even further the revitalization of our city, Government



has now decided to allow the National Insurance Corporation (NIC) to take responsibility for the conversion of the William Peter Boulevard into an attractive pedestrian-only promenade.

Originally, I had announced that the Castries City Council would undertake this initiative, but I am satisfied that the NIC is in a much better position to do so, given its overall responsibility for the refurbishment and renovations to the former J.Q. Charles Building.

Working together with the business houses that operate on the Boulevard and the Castries City Council, the NIC will be expected to transform the area into a modern, energized, and pleasing commercial and tourist centre. This development must be carefully designed, planned and executed, and it must not give rise to greater traffic congestion in adjacent streets or more problems with unsolicited vending.

### ***VOICE AND DATA NETWORK FOR POLICE***

Mr. Speaker, in this cycle of expenditure, Government proposes to invest in a new Voice and Data Network with Frame Relay Connectivity for the Royal Saint Lucia Police Force at a cost of EC\$1.89 million.

Currently, Police Stations island-wide operate their own individual telephone systems with no direct connection to Police Headquarters at Bridge Street. In essence, there is no centralized voice or data network in operation at the Department, which results in many challenges. These include:

- (a) A separate network for voice, and no substantive data network island-wide to allow for seamless and secure exchange of information between sites;
- (b) No data link interconnecting branches;
- (c) No possibility of real-time exchange of information between branch offices, thus limiting crime solving capability and intervention;
- (d) A confusing variety of non-standard interfaces in the current Voice Network – this is expensive, inefficient and limits the freedom of movement between sites;
- (e) No centralized control or management of telephone expenses; and
- (f) Difficulty in planning, due to the absence of a shared database to facilitate sound decision making.

The Police Department's current telephone system (Mitel SX – 50), which is installed at La Toc and is the core of the network, has no expansion and growth capability. It is, therefore, unsuited to the Department's present and future requirements. The maximum number of extensions is currently being utilized by the Department.

The new Voice and Data Network with Frame Relay Connectivity is specifically tailored to meet the needs and requirements of the Royal Saint Lucia Police Force. It is expected to fulfill and surpass the expectations of their clients (the general public, as well as other Government Agencies) who contact them daily on sensitive, urgent and important State and private matters.

The new system will allow police stations to share files and access each other's information in real time, whenever needed. Management at Police Headquarters will now have a shared database, accessible by Police Stations island-wide, which will provide management with swift and detailed information to help improve service, reduce costs, improve and speed-up decision making, for effective management of the Police Department.

With the advent of increasing technological advancements and the recent construction and refurbishment of several Police Stations, the ability to communicate rapidly and securely is critical for the speedy and efficient dissemination of information, management of information, and decision making.

The system is expected to realize appreciable savings through a reduction in the current level of expenditure for telephone services.

## **INVESTMENTS IN AGRICULTURE AND FISHERIES**

Mr. Speaker, earlier I spoke of the need to support our diversification efforts through the development of a regime of incentives for agricultural development.

### ***INCENTIVES REGIME FOR AGRICULTURE***

While our Government has invested heavily over the past eight years in repositioning the banana industry to allow it to cope with the challenges and vagaries of the new global marketplace, we recognize that there is still some work to be done in the non-banana sub-sectors. This has become even more necessary in the light of new and evolving regimes with our traditional trading partners.

Therefore, in a bid to lend further support, Government is pleased to announce a new incentives regime to support agri-business development. In this regime, we clearly articulate the criteria for qualification, the range of goods and services that will be supported, and the administrative process by which persons or businesses may apply for concessions. Attention is also paid to special incentive measures that encourage youth participation in agriculture programmes and promote sustainable land management.

Let me now explain the key elements of the regime:

### **QUALIFICATION**

To access concessions all applicants will need to present a proper business plan that unequivocally demonstrates the viability of the proposed enterprise. Persons already engaged in agri-business who are applying for new concessions or renewals will need to provide evidence of relevant prior business transactions. For new enterprises, evidence of access to financial resources to invest will also be required. Another important pre-qualification for crop or livestock production will be title to the land. For agro-processing enterprises, it will be

necessary to demonstrate evidence of access to appropriate facilities, which meet standards established by the Saint Lucia Bureau of Standards.

## **EMPHASIS ON COOPERATIVES**

A major constraint of our agricultural production systems lies in the absence of economies of scale. Our banana industry has been able to survive in the United Kingdom market because of a pooling of resources of the banana farmers in the four Windward Islands. Unfortunately, we have not been able to replicate that success in other sub-sectors. Consequently, a key element of the incentive regime will be the focus on groupings, associations or cooperatives. Registered cooperatives or associations will receive a benefit that is greater than what will be given to individual farmers.

Therefore, although all local enterprises, once they meet the qualifying criteria, will be eligible for concessions under the regime, there will be expanded accessibility for farmers and fishers through legally established cooperative groups or associations.

## **CONCESSIONS AVAILABLE**

As an example, a registered cooperative will qualify for a 100 percent waiver of import duty and consumption tax on generic materials and supplies, such as fertilizers and animal feed, which are imported through an approved distributor, while an individual farmer will qualify for a partial waiver of import duty and consumption tax on the same items. In that way, the viability of the cooperative is increased, as is its ability to service the needs of its members, while the members benefit from both the bulk purchasing discount of the cooperative as well as the added concessions made available to it.

The regime will make concessions available through a partial or complete waiver of import duties, consumption or excise taxes on a very wide range of items and inputs used in agricultural production and processing.

Waivers will be applicable for goods vehicles, refrigerated trucks and farm equipment such as tractors. Also covered are fertilizers, agro-chemicals, medications, safety gear (in the case of fisheries), and land preparation tools and equipment. The regime also seeks to enhance the adoption of technologies that will assist producers in meeting compliance for product standards based on Good Agricultural Practices and enhancing environmentally sustainable practices. In this regard, concessions will be made available for the procurement of improved plant and livestock varieties and associated tools and equipment that include irrigation infrastructure and energy saving devices. Similarly in the fisheries sub-sector, the regime will maintain concessions on vessels and equipment.

Mr. Speaker, I wish to sound a strong note of caution. Government will not provide incentives for enterprises that involve poor land use practices or compromise the integrity of water courses

or other natural resources. Similarly, a development that may create a public nuisance or problem will not be encouraged.

## **COMPATIBILITY WITH WTO AND CSME**

The level of support being offered through this new incentives regime is compliant with the support measures allowed under the World Trade Organization Agreement on Agriculture (WTO-AoA) and the CARICOM Single Market and Economy.

## **MONITORING AND EVALUATION**

An important feature of the agriculture incentives regime will be the obligations of the recipients of concessions. At the end of each year, recipients will be required to submit declarations that provide evidence that the concessions granted were used for the specified purpose. Additionally, each recipient must supply monthly production and relevant statistical data to the Ministry of Agriculture, Forestry and Fisheries so that the Ministry may better monitor and plan the development of the sector. Failure to comply with this reporting policy may result in the withdrawal of the concession.

The Ministry of Agriculture, Forestry and Fisheries in turn, must monitor all beneficiaries to ensure that the concessions are being utilized for the purposes intended and are having the desired impact.

## **ADMINISTRATION**

On a final note, the incentives regime will seek to simplify the bureaucratic process that currently exists when one applies for concessions. Currently, all applications go to the Cabinet of Ministers for consideration. Under the new regime, requests up to a threshold of EC\$100,000 will be subject to the consideration of an internal committee within the Ministry of Agriculture, Forestry and Fisheries, headed by the Permanent Secretary. The Permanent Secretary in the Ministry of Agriculture will be required to submit a monthly listing of approvals to the Minister for Finance.

Beyond this threshold, applicants will be considered at Cabinet level, given the potential impact on revenue generation.

The Government is hopeful that this incentives regime will provide a strong stimulus for further development in the agricultural sector, and together with the Saint Lucia Agricultural Diversification Agency, facilitate the emergence of a vibrant agricultural sector. This regime provides further evidence, although none should be necessary, of this Government's strong commitment and support for agriculture and for our farmers and fishers.

### ***CONSTRUCTION OF ANSE LA RAYE FISH LANDNG FACILITY***

Mr. Speaker, for sometime now, the people of Anse La Raye have expressed the wish to either repair or construct a new jetty in their village. Their request has been given further impetus by the Fish Friday Fiesta, now a “must visit” event in the calendar of visitors.

Originally, Government had planned to construct a new jetty, but had to revise its approach to accommodate the planned construction of a Fishing Landing Facility by the Japanese Government.

I am pleased to advise that during this financial year, construction of a Fish Landing Facility in Anse-La-Raye will commence. This improvement project will assume a multi-sectoral nature with tourism issues at the waterfront also being addressed.

The project is expected to provide for the transformation of the old jetty structure into a suitably designed modern jetty. Shoreline protection works will also be undertaken through an appropriately engineered rubble revetment system that will provide for the stabilization of the beach area and the waterfront.

The existing facilities will be demolished and rebuilt to provide this fishing village with critical support in stimulating its economy and enhancing its capacity for fish production.

Tourism has become a very important component in the economic landscape of Anse-La-Raye. In recognition of this and the popular Friday Fish Fry, the project will transform the area with the construction of a number of vending booths, smartly designed to enhance the appearance of the Waterfront and to allow for the handling of food, in keeping with internationally accepted standards.

### **NATIONAL EXPORT DEVELOPMENT STRATEGY**

Mr. Speaker, during the course of the year, the Ministry of Commerce will be initiating a National Export Development Strategy. The overall objective of the strategy is to coordinate and direct the efforts of Government and the private sector in export development, combining competitive advantages with production and marketing interventions to enhance export growth.

Saint Lucia’s commitment to CSME and its participation in other trading arenas make it imperative that we pursue the goal of competitiveness. Therefore, the formulation of a national strategic plan for export development becomes pivotal for effective participation in these trade regimes.

The National Export Development Strategy will involve the following interventions:

- Product development and diversification;
- Product and service development;
- Product diversification and the development of new and improved products;
- Market development and expansion.

To accomplish these interventions a number of supporting institutional and legal changes will be implemented.

The total cost of developing the strategy is \$1.5 million, and for this financial year \$200,000 has been allocated.

### **INVESTMENTS IN THE SOCIAL SECTOR**

Mr. Speaker, this Government is very concerned about issues of social protection and social vulnerability. This concern is reflected in the myriad social programmes implemented under this administration. Some of these programmes have focused on providing relief to the unemployed through the labour intensive programs of the Poverty Reduction Fund and the Short Term Employment Programme (STEP). Other programmes have focused on the development of a pool of entrepreneurial talent through institutional support provided by the Small Enterprise Development Unit (SEDU), the James Belgrave Enterprise Fund, the National Skills Development Centre and the Youth Apprenticeship Program.

### ***FARMERS AND FISHERS PENSION PROGRAMME***

While this Government is concerned about the section of the population that forms part of the workforce, it also wants to ensure that those who have made significant contributions to the development of this country are catered for during their retirement. Rudimentary analysis, Mr. Speaker, reveals that the farmer and fisher folk stand out as sections of the workforce where automatic financial provisions for retirement have not been made. I hasten to add that while members of the workforce should challenge themselves to set financial resources aside during their productive years to handle post-retirement expenses, we should not turn our backs on those who have laboured to promote the development of this country, during the sunset period of their lives.

Mr. Speaker, as recently as 1993, agriculture was second only to the Wholesale and Retail sector in terms of contribution to GDP. During that year, the contribution of the Agriculture Sector to GDP stood at 11.3 per cent. It should be noted that the Agriculture Sector stands out as the only sector which has made a contribution to GDP in excess of 17 per cent in any one year. In the light of the significant contribution of this sector to development, and the challenges faced by farmers in the banana industry, this Government felt compelled to evaluate the possibility of developing a pension fund for farmers and fishers of this country.

The National Insurance Corporation, under the Sociological Data Capture Analysis Program, funded by the European Development Fund, engaged the services of consultants from the International Labour Organization (ILO) to determine the feasibility of extending pensions to

farmers, fishers and ex-farmers. The National Insurance Corporation and the Government of Saint Lucia are currently evaluating the details of the report.

Mr. Speaker, while we examine the modalities for providing pensions to farmers, fishers and ex-farmers, this Government has set aside \$1 million of the funds allocated for the Sociological Data Capture Programme to facilitate the establishment of a pension fund for those farmers and fishers who have made invaluable contributions to the development of this country. I have no doubt that the establishment of such a fund will positively impact on the living standards of retired fishers and farmers. This is, therefore, a first step in ameliorating living conditions of an important group of people who have made an immeasurable contribution to the development of this country.

### ***LANDSLIDE RISK REDUCTION PROGRAMME***

Mr. Speaker, over the past seven years this Government has had to contend with several landslides. First there was Boguis, then Black Mallet, and in recent times, Tapion. We have paid dearly for these slippages. Indeed, the removal and relocation of persons from Black Mallet has cost this Government \$16.7 million. Most of that expenditure has been incurred in providing alternative housing, surveying lots, and constructing roads and drainage in Carellie to receive the relocated residents.

The lessons are hard, but we must draw and learn from them. Unquestionably, the communities which are most vulnerable to landslides and land slippages are the unplanned communities habituated by the poor and the dispossessed.

“Prevention is truly better than cure,” and so, Mr. Speaker, the Government proposes to reduce landslide risk by implementing a programme of low cost, community-based slope drainage improvements.

At the invitation of the Government, the Mosaic Team of Professor Malcolm Anderson and Liz Holcombe of the School of Geographical Science, University of Bristol, have designed a programme of low-cost, community based, slope drainage improvements to reduce the risk of land slides. Such a low cost, community intervention programme will provide an offset to the potentially large Government costs that could be encountered if relocation of communities were necessary due to landslide occurrence. Black Mallet is a stark reminder.

The Mosaic Team identified and prioritized five communities within the Castries Basin requiring low cost, landslide risk reduction measures. These are Skate Town, Trou Rouge, Pavee/Parkers Hill, Bagatelle and Morne Du Don, including the Black Star and Gaboo Lands. Additionally, one community in Vieux Fort, Bruce Ville, was similarly identified and prioritised as requiring landslide risk reduction measures.

Essentially, the programme will entail the provisioning of guttering, down pipes, and water tanks to individual households. In some instances, the programme will involve the construction of household drains as well as feeder and main drains.

The programme will be managed by the Poverty Reduction Fund. The total cost will be EC\$1.35 million and it will benefit 428 house owners, distributed as follows:

COMMUNITY	NO OF HOUSEOWNERS	COST
TROU ROUGE	66	\$ 237,000.00
PAVEE/PARKERS HILL	52	\$ 175,900.00
BAGATELLE	100	\$ 323,000.00
MORNE DU DON (Including Black Stars & Gaboo Lands)	120	\$ 385,000.00
BRUCE VILLE	90	\$ 236,500.00
<b>TOTAL</b>	<b>428</b>	<b>\$1,357,400</b>

### ***CONWAY RELOCATION (PHASES 1, 2 AND 3)***

Mr. Speaker, this financial year will see the commencement, or more accurately, the recommencement of the relocation of residents of Conway. Attempts to relocate households out of this community commenced as far back as the 1980's. However, the absence of a development plan for Conway and the apparent lack of will to take decisive action to control unauthorized development, have led to the reoccupation of the sections that had been cleared but left undeveloped. This administration, however, is committed to bringing closure to this age-old problem and within this financial year a programme of relocation will commence. Plans are also in train for the redevelopment of the Conway site.

The Conway Relocation Programme will be implemented in three phases and will be guided by a comprehensive resettlement plan, which focuses on improving the overall quality of life of the targeted households. The exercise will involve the transfer of over 115 households to new and/or existing communities where planned developments provide access to serviced lots, i.e. with access to water, electricity, proper sanitary waste disposal, drainage and other social amenities. The residents of Conway will be given the opportunity to become landowners, as they will be offered the option to purchase serviced lots at affordable rates. Government will also assist with the construction of replacement homes at the resettlement sites.

It must be noted however, that any household/individual who has benefited under previous resettlement schemes will not be considered in the current programme.



## PHASE I: RELOCATION OF FIRE VICTIMS

Implementation of Phase I of the Relocation Programme has commenced, having been spurred on by the fire of June 6, 2004, which created an immediate need to resettle the households. Five sites have been identified and approved for resettlement. They are as follows:

- **Morne D'or** 10 lots
- **Fond Manger** 6 lots
- **Belair** 1 lot
- **Pays Perdu** 3 lots
- **Cendre De Feu** 2 lots

Implementation activities are expected to be completed by December 2006, given that two of the resettlement sites, Morne D'or and Fond Manger, require major infrastructure input such as roads, water and electricity.

Government has provided a sum of \$521,000.00 to facilitate Phase 1 of the resettlement process. Ninety three percent (93%) of the funds, or approximately \$486,000.00, will be utilized to provide infrastructure at Morne D'or and Fond Manger. The remaining funds will be used to provide housing and other types of assistance.

Each household has been offered a **relocation assistance package**, which shall comprise a combination of the following:

1. A **recuperation grant** for expenses incidental to resettlement;
2. A **materials grant** valued at ten thousand dollars (\$10,000.00);
3. **Technical Assistance** to facilitate the construction of a replacement home; and
4. The **opportunity to purchase land** at the subsidized price of \$1.50 per square foot.

## PHASE II: RELOCATION TO RESETTLEMENT SITE

Under Phase II of the Programme, thirty (30) households will be relocated to a resettlement site at Monchy. The Government has acquired 42 acres of land in this community for the purpose of a proposed residential development, which will be funded under the Sites and Services Revolving Fund component of the Shelter Development Project.

The development plan for the Monchy site makes provision for the regularization of a small squatter settlement, which has become established there. The additional lots, which will be created through the regularization process, will be utilised for the resettlement of the households identified for relocation under Phase II of the Programme.

Implementation of Phase II is expected to commence in October 2006. Government will allocate approximately \$1 million to this phase of the Programme. The funds will be utilized for relocation grants, housing assistance, community consultations and site clearance at Conway.

### **PHASE III: RELOCATION OF REMAINING HOUSEHOLDS**

Phase III will involve the relocation of the remaining households. The resettlement site has not yet been identified by the Ministry of Physical Development, and this exercise is expected to benefit from the lessons learnt during implementation of the two previous phases.

### **RELOCATION ASSISTANCE PACKAGE FOR PHASES II AND III**

The relocation assistance package for Phases II and III shall comprise the following:

- (1) The provision of a house and land package at the resettlement site for purchase at a subsidized price; **or** The provision of a lot of land at the resettlement site for purchase at a subsidized price;
- (2) The provision of cash in respect of equity (for those households that do not wish to be relocated to the approved resettlement site);
- (3) The provision of a relocation grant for expenses incidental to the resettlement.

Other forms of assistance offered under the Programme include:

1. Title deeds will be prepared by the office of the Attorney General at no cost to the household;
2. Beneficiaries will be exempted from the payment of registration fees and stamp duties that are associated with the conveyance of title to property in Saint Lucia; and
3. The tenure of 'Lifetime Enjoyment' will be granted to the head of the household who is a senior citizen (i.e. sixty years and over) and/or a physically challenged person who is unable to purchase property at the resettlement site.

### ***INCREASES TO PENSIONERS***

Mr. Speaker, in my budget presentation for fiscal year 2000/01, I announced an increase in pension payments to Government pensioners. It is true that the real income of pensioners has improved as a result of increases in the tax threshold and their exemption from the payment of property tax. However, there have been some increases in the prices of medication, medical services and the other services that pensioners use often.

This Government is committed to continue looking after the welfare of our senior citizens. I feel it necessary, therefore, to make some adjustment in the monthly pensions paid to former Government employees. Consequently, after careful consideration, I wish to announce the following increases in pension payments.

- (1) For persons who retired prior to April 1, 2000 – 5%
- (2) For persons who retired prior to April 1, 2001 – 4%
- (3) For persons who retired prior to April 1, 2002 – 3%
- (4) For persons who retired prior to April 1 2003 – 2%

Mr. Speaker, the above formula was used to effect increases in pension payments in 2000. I am of the view that this formula best captures an equitable distribution of increases for the more affected persons - pensioners who retired earlier get larger increases as they are most affected by changes in buying power. Also they are older and more likely to incur higher medical costs.

I propose that the increases in pension payments be made effective May 1, 2005.

***INCREASE IN PUBLIC ASSISTANCE***

Mr. Speaker, there are many among us who by reason of old age, illness, disease, bodily infirmity or mental incapacity are unable to maintain themselves. The Government usually extends support to them through the Public Assistance Programme.

In 1999 the Government of Saint Lucia increased the amount to beneficiaries by 50%. I accept that further support needs to be extended to our poor and dispossessed. I propose, therefore, to increase the level of Public Assistance by amounts ranging from 37.5% to 41%.

Effective June 01, 2005 a single person who receives \$60 will now receive \$85; a family of two persons who receive \$90 will now receive \$125; a family of three or four persons who currently receive \$120 will now receive \$165; a household of five persons who currently receive \$150 will be entitled to \$200, while a household or family of five or more persons who receive \$180 will now be entitled to \$250.

***INCREASED ALLOCATIONS TO HOMES FOR THE ELDERLY***

Mr. Speaker, consistent with the Government’s policy of extending support to the marginalized, those ravaged by alcohol and substance abuse, and to our elderly, I propose to increase the subventions to homes for the elderly by an average of fifty percent, spread out over two phases.

In this budget cycle, the allocations will be increased by 25%, and in the budget cycle of 2006/2007 by a further 25%.

Thus, the various homes will receive as follows:

Institutions	Current Subvention	2005/2006 Increase	2006/2007 Increase
Frances & Adelaide Home	\$60,000	\$15,000	\$15,000
St. Lucy’s Home	\$80,000	\$20,000	\$20,000
Marian Home	\$58,400	\$14,600	\$14,600
Cornerstone	\$50,000	\$12,500	\$12,500
Villa St. Joseph	\$24,000	\$6,000	\$6,000

## **EXPANSION IN INFORMATION TECHNOLOGY**

Our Government is cognizant of the critical role of Information Technology (IT) in today's global economic environment. As a result, we have embarked on several IT initiatives within the Public Service. I am pleased to note that information technology now plays a significant role in many of our Ministries and Departments.

### ***TECHNOLOGY DRIVEN INITIATIVES***

Over the past years, Government has embarked on several technology-driven initiatives that are aimed at improving the efficiency and reach of services. Among these are:

1. The computerization of the Treasury Department and the accounting functions of all line Ministries, including streamlining operating procedures in the procurement and payment processing functions;
2. The implementation of a specialized computer system for the Inland Revenue Department (Standard Integrated Government Tax Administration System - SIGTAS);
3. The upgrade of the Customs computer system (Automated Systems for Customs Data - ASYCUDA++), which is an automation platform for trade facilitation and customs modernization that will serve as the catalyst for achieving the Department's main strategic objective of the attainment of world class administration and operational efficiency.
4. The production of Machine Readable Passports, planned for November of this year, and a comprehensive Immigration Management and Control System, including Border Control Systems with databases which maintain pertinent traveller information. These will serve to strengthen security controls at our ports of entry;
5. The implementation of a new National Identification System, the key element of which will be a unique number assigned to each individual from cradle to grave, with technology that will allow the card to be swiped through a reader and provide secure access to data and services. In 2002, Cabinet agreed to the 'assignment of a single identification number to an infant from birth to ease the management of records and reduce redundancy', and this has established the basic framework required for the successful implementation of this system.
6. The integration of information technology in the education sector. All of the nineteen (19) secondary schools have at least one fully equipped computer lab and an island-wide computer network for all schools and District Education Offices has been set-up.
7. Finally, the recently completed island-wide Voice and Data/Frame Relay Network for the Police Department will result in the implementation of several modern systems and software programs for law enforcement;

The use of Information Technology in several other areas is well advanced and will be developed further during this financial year, including the Analysis and Design of Computer Systems for the establishment of Universal Health Care and the new General Hospital; the implementation of a computerized network solution to forecast demand and schedule production in agriculture; and

the upgrade and rationalization of the Government's Wide Area Network Infrastructure, as well as the Online Services and Web Sites in the Public Sector.

### ***E-GOVERNMENT: INTEGRATION OF SYSTEMS***

In order to ensure the strategic and coordinated development at the organizational and national levels, key integration measures must accompany the expansion of Information Technology infrastructure in the Public Service. Computer Systems need to be integrated with each other, with the Data and Information resources that they act upon, with related Business Processes and Procedures, and executed within a suitable Institutional Framework.

### ***INSTITUTIONAL FRAMEWORK***

To facilitate this objective, the Electronic Government Unit in the Office of the Prime Minister will be expanded to allow it to coordinate the IT initiatives within the Public Service.

The E-government Unit will also be supported by an Executing/Implementing Agency. This will entail the restructuring of the Government-owned Computer Center Limited (CCL) as the Central IT Executing agency for the Public Service, operating within a clear mandate and with the necessary Policy and Strategic direction.

### ***LEGISLATIVE ENVIRONMENT***

An enabling legislative and regulatory environment is critical to the success of these initiatives. Hopefully, this year, Honourable Members will have before them three (3) key items of legislation that were announced last year.

These are:

- (1) An Electronic Transactions Bill, which will establish the legal basis for the safe, but free conduct of electronic commerce, by making provision for electronic signatures, and rules of evidence for electronic transactions, among other areas;
- (2) A Privacy and Data Protection Bill, which will safeguard citizens from the potential abuse of their personal data through Computer systems; and
- (3) A Computer Misuse Bill, which will protect the rights of the owners of valuable data and computer systems.

A total of \$1.5 million has been allocated for the project on "Expanding Information Technology (IT) and Electronic Government" for the current financial year, with a total cost of \$8.4 million over the four (4) year period of the project.

The foregoing, Mr. Speaker, is a summary of the principal initiatives of the Government for this financial year.

At some point, Mr. Speaker, the question which must have arisen is ‘how is Government hoping to finance these initiatives?’ I am pleased to report to this Honourable House that there will be no new taxes imposed by this Budget.

## **FINANCING THE 2005/06 BUDGET**

Mr. Speaker, this Budget seeks to provide the best combination of policies that will propel the economy on a higher permanent growth path and safeguard our macroeconomic stability over the medium to long run.

I shall now proceed to the details of the 2005-06 Budget Estimates. The total planned budgetary outlay amounts to \$954.1 million, 24.1% higher than in the previous fiscal year. The details are as follows:

- (1) The planned level of recurrent expenditure exclusive of debt amortisation amounts to \$557.2 million, 9.7% higher than in the previous fiscal year and accounts for 58.4 percent of the total budget.
- (2) Amortisation payments are forecast at \$61.3 million. This represents 6.4 percent of total planned expenditure, compared with 5.1 percent in 2004/05. Lower interest rates have impacted on the returns to the sinking funds, and we are now required to increase the provisioning for sinking fund contributions to meet our future debt obligations.
- (3) In keeping largely with our decision to host Cricket World Cup 2007, the planned level of the capital expenditure programme is projected to increase appreciably by 51.5% to \$335.7 million or 35.2 percent of total planned expenditure. If one excludes the provision for Cricket World Cup 2007, the planned level of increase in the capital expenditure programme is just over 26%. This figure still overstates the overall increase in the planned level of capital expenditure, as it incorporates the associated infrastructural improvements required for Cricket World Cup 2007.

The 2005/06 Budget is proposed to be financed from the following sources:

1. Recurrent revenue of \$546.2 million
2. Excess revenue of \$51.4 million, carried over from 2004/05. I shall say a little more on this later
3. Capital revenue of \$1.0 million
4. Grant funding of \$76.8 million, of which \$61.1 million is funding from the European Union
5. Excess bond funding of \$22 million carried over from previous fiscal years
6. New bond funding of \$188.4 million, and
7. Other loan funds of \$68.3 million from the following sources :

- (a) \$32.2 million from the CDB;
- (b) \$29.1 million from the World Bank;
- (c) \$5.8 million from the Kuwaiti Fund; and
- (d) \$1.2 million from Agence Francaise de Development (AFD)

Last year, I indicated that we were extremely conservative in projecting recurrent revenue at \$500.1 million and that we would comfortably achieve and surpass our revenue target. I am pleased to announce, Honourable Members, that revenue collections totalled \$566.1 million, \$66.0 million or 13.2 percent higher than the Approved Estimates. This, Mr. Speaker explains why we have excess revenue available to finance this year's budget. For 2005/06, while we are projecting real economic growth conservatively at 2.8 percent in 2005 and would normally expect revenues to increase in line with the nominal increase in GDP (4.8 percent), we are again cautious, Mr. Speaker. The major reason for this cautious projection is the worrying trend of increasing oil prices, which peaked above \$58 in the first week of April, and the concomitant erosion in the revenue base as a result of the sustained high prices. We have therefore projected recurrent revenue at \$546.2 million, \$19.9 million below last year's collections.

### ***TAX REVENUE***

Tax revenue accounted for the major source of growth in 2004/05. I would like to point out that the Inland Revenue Department exceeded its forecast by \$41.0 million, while the Customs and Excise Department surpassed its revenue target by \$23.7 million. This provides overwhelming evidence of the substantial expansion in the economy.

Last year we forecast tax revenue at \$437.4 million or 87.5 percent of total recurrent revenue. This year, we have projected tax revenue at \$482.7 million, representing 88.4 percent of total recurrent revenue and an increase of 10.4 percent over the previous year. While this represents a substantial increase, it is important to note that tax revenue collections amounted to \$502.7 million in 2004/05.

Non-tax revenue is projected to increase by just under \$1 million to \$63.5 million or 11.6 percent of total revenue.

### **THE ALLOCATION OF EXPENDITURE**

Mr. Speaker, I wish now to move onto a subject that I am sure will arouse great interest, particularly among Honourable Members – the distribution of the budget among agencies. This is always a difficult topic to deal with as everyone wants a larger slice of the cake.

Every one can get a larger slice if we succeed in increasing the size of the cake. The best way of accomplishing this, Mr. Speaker, is to increase economic growth. Higher rates of economic growth will allow us to spend more money on public services, security and poverty reduction.

## ***ECONOMIC SERVICE AGENCIES***

I therefore propose to allocate \$547.2 million to the Economic Service Agencies. This represents 57.3% of the total budget, and represents a significant increase of 30.2 percent over the previous year. The allocation to recurrent expenditure is \$331.1 million, of which \$141.9 million is earmarked for debt servicing and \$38.9 million is for retiring benefits.

## ***ALLOCATION TO CRICKET WORLD CUP***

In keeping with our objective to increase the rate of economic growth and to meet the infrastructural requirements associated with Cricket World Cup 2007, I have increased the allocation to capital expenditure by \$65.3 million or 43.3 percent to \$216.1 million. Mr. Speaker, you would appreciate that this represents a significant increase. I will therefore provide you with the details of the key areas of investment.

It is no surprise, Mr. Speaker, that Cricket World Cup 2007 is the largest project in our public expenditure programme. The total cost of upgrading and expanding the Beausejour Cricket Ground and other related expenditure is estimated at \$56 million, of which \$34.2 million is projected to be spent in this fiscal year. In order to take advantage of the low interest rate environment, I propose to raise the full funding for this project this year. World interest rates have been rising and rates appear to be inching upwards in the region.

## ***ALLOCATION TO INFRASTRUCTURE***

Last year, Mr. Speaker, we allocated \$59.3 million to the Ministry of Communications, Works, Transport and Public Utilities, of which \$48.0 million was allocated to road infrastructure. Honourable Members would appreciate that this represents a significant investment in road infrastructure, accounting for around 2.4% of our GDP at market prices. This year, Mr. Speaker, I propose to allocate \$60.8 million to the Ministry of Communications, Works, Transport and Public Utilities. Of this amount, the lion's share is again for roads infrastructure - \$44.0 million – a reflection of our firm commitment to rehabilitating our island's road network. This year, I have allocated \$18.0 million to continue our work on the rehabilitation of the East Coast Road and \$7.3 million towards the Castries to Gros Islet Highway Improvement. The rehabilitation works on these roads are projected to be completed next year before Cricket World Cup 2007. A smooth road network running from the north to the south of the island would no doubt boost Saint Lucia's image among the thousands of visitors who are expected to visit our island for the Cricket World Cup. In addition, an allocation of \$8.6 million is provided for the ongoing Tertiary Roads Programme and I have again allocated \$4 million for the reconstruction and rehabilitation of roads.

## ***FLOOD MITIGATION ACTIVITIES***

The importance of disaster mitigation cannot be overstated, both in social and economic terms. Honourable Members would be aware that this Government has invested heavily in this area



over the past few months. This year special attention is given to the Castries and Anse-La-Raye Flood Mitigation Project for which a sum of \$9 million has been allocated.

### ***SAFE AND RELIABLE WATER SUPPLY***

In my New Year's address to the Nation, I indicated that there is an overriding need to resolve the issue of supplying safe and reliable water to many of our communities. As you heard earlier, this year, we intend to address the water supply concerns in Dennery North and Dennery South. A sum of \$5.3 million has been allocated for the development of water infrastructure in Dennery North and South.

### ***AGRICULTURE INVESTMENT PROGRAMME***

As mentioned previously, we suffered a major setback in project implementation because of the delayed receipt of European Union (EU) grant funds. These delays were encountered because the EU had changed their regulations and it took some time to understand and operationalise the new regulations. This hurdle has now been resolved and it is expected that grant funding will flow more freely in this budget cycle.

The capital investment programme of the Ministry of Agriculture is heavily dependent on grant funding from the EU. This year, the Agricultural Diversification Programme is expected to be implemented and I have allocated a sum of \$11.8 million for the Agriculture Diversification Projects. The Agricultural Diversification Agency has been established and will be charged with the responsibility for the implementation of projects.

Mr. Speaker, the move towards tariffication in the EU banana market in 2006 will have implications for our banana industry and it is important that our industry continues the restructuring process to become more efficient. In keeping with this need, a sum of \$7.5 million is allocated to this sector, of which \$3.6 million is for banana commercialisation, which is principally for continuing the irrigation and drainage works and \$3.9 million is for the banana emergency recovery project managed by the Banana Emergency Recovery Unit (BERU).

### ***ALLOCATION TO TOURISM***

Last year, I allocated \$21.6 million to the tourism sector, of which \$20.5 million was for tourism marketing. I indicated that there was a need to increase the allocation and that I would do so next year once the economy fully recovers. In keeping with this commitment, I propose to allocate \$23.9 million to the tourism sector, of which \$23 million is earmarked for tourism marketing.

### ***INVESTMENT IN PHYSICAL DEVELOPMENT AND THE ENVIRONMENT***

The Ministry of Physical Development, Environment and Housing shall receive a projected capital allocation of \$32.7 million. The major priority areas of this Ministry this year are disaster mitigation and emergency recovery, water sector reform, housing and settlement and sustainable

development and the environment. In the areas of disaster mitigation and emergency recovery, a total of \$10.5 million is allocated, of which \$4.7 million is earmarked for SLASPA for the security works at the air and sea ports. A sum of \$2.4 million is for phase 2 of the World Bank funded Emergency Recovery and Disaster Management Project. The principal component to be funded is the coastal protection works for the Dennerly Village.

Allocations of \$6.9 million, \$6.7 million and \$3.8 million respectively are allocated to housing and settlement, sustainable development and the environment and water sector reform.

### ***SOCIAL SERVICE AGENCIES***

Mr. Speaker, Honourable Members will be pleased to know that the Social Service Agencies will receive an increase of \$49.0 million over last year. The total amount allocated is \$274.3 million, of which \$190.7 million is for recurrent expenditure and \$83.6 million is for capital expenditure.

### ***ALLOCATION TO EDUCATION***

Mr. Speaker, earlier in my presentation, I highlighted the need for preparing our workforce for the needs of the new economy and of the need to develop a workforce that is second to none. Consistent with this position, I have increased the allocation to the Ministry of Education by \$30 million to \$162.7 million. The recurrent budget has been increased by \$2.0 million to \$117.5 million, while the capital budget has been increased by \$28 million to \$45.2 million. The major capital project funded is the Education Development Project, for which an allocation of \$28.4 million is made. It is expected that construction of the two secondary schools will start this year and bring the dream of universal secondary education closer to reality. A total allocation of \$9.9 million is provided for extension, rehabilitation and repairs of schools.

### ***ALLOCATION TO THE YOUTH SECTOR***

Youth skills remain an important component of our training programme. This year, we have allocated \$3.6 million to the National Skills Development Centre, of which \$2.6 million is for the Youth Apprenticeship Programme. I have also allocated a sum of \$2.1 million for sports, of which \$1 million is allocated for the construction of the Soufriere Pavillion.

### ***INVESTMENTS IN HEALTH CARE***

Mr. Speaker, it is well known that the escalating cost of health care has posed significant challenges worldwide. Increasing life expectancy and changes in the demographics are factors that are beginning to affect Saint Lucia and have resulted in a greater demand on our health services. In an attempt to deal with the challenges confronting us in the health sector, I propose to increase the budget of the Ministry of Health by \$16.7 million. The recurrent budget is increased by \$3.3 million, of which an increase of \$1.4 million is provided for the Victoria Hospital, and the capital budget is increased by \$13.5 million.

The major works to be undertaken this year include:

- (1) Preliminary works for the New National and Psychiatric Hospitals for which a total of \$9.9 million is allocated;
- (2) The CDB-funded minor repairs for health centres, for which \$5.9 million is provided; and
- (3) The World Bank funded HIV/AIDS Prevention and Control Project for which a sum of \$4.9 million is made.

### ***EXPENDITURE IN SOCIAL TRANSFORMATION***

The Ministry of Social Transformation, Culture and Local Government shall receive an increase of \$2.4 million over last year. This agency's total allocation is \$25.6 million, of which \$13.9 million is for recurrent expenditure and \$11.7 million for capital expenditure. The major initiatives to be undertaken this year fall within the purview of Poverty Reduction and Social Protection. The Poverty Reduction Fund (PRF) and the Basic Needs Trust Fund (BNTF) are the agencies responsible for implementing the major projects of this Ministry. An allocation of \$4.4 million is made to the PRF, of which \$3.4 million is for ongoing programmes and \$1 million is for the Mosaic Landslide Mitigation Project. The BNTF shall receive \$5 million for the various projects in different communities.

### ***ALLOCATION TO THE JUSTICE AND SECURITY SECTORS***

The Justice Sector, which comprises the Attorney General's Chambers, the Ministry of Justice and the Ministry of Home Affairs and Internal Security, will receive a total of \$73.9 million, 14 percent higher than in the previous year. As is evident by the allocation, the Government will continue its programme of significant investment in this sector.

In keeping with our continued thrust to improve security, I have increased the budget of the Ministry of Home Affairs and Internal Security by \$6.7 million to \$59.9 million. A major initiative to be undertaken this year is the introduction of Machine Readable Passports and Border Controls at Immigration. A sum of \$1.4 million is allocated to this initiative. In addition, I propose to allocate \$1.9 million to upgrade the telecommunications network for the police force. This is expected to enhance the overall performance of the police force in dealing with crime.

The allocation to the Ministry of Justice is increased by \$2.7 million to \$11.5 million. This agency will receive an increase of \$1.8 million in its recurrent budget to fund the newly established Crown Prosecution Service, Criminal Division of the High Court and Court Reporting Unit.

### ***ALLOCATION TO GENERAL SERVICE AGENCIES***

I propose, Mr. Speaker, to allocate \$50.1 million to the General Service Agencies, of which \$31.3 million is allocated to Office of the Prime Minister and \$18.8 million is allocated to the Ministry of Labour Relations, Public Service and Cooperatives. This year, I have allocated a sum

of \$7.3 million to the Office of Privatisation and Private Sector Relations to continue our ongoing programme on private sector development. Allocations of \$6.4 million, \$3.2 million and \$2.1 million are made to the Rural Small Business Credit Facility, Low Income Housing and Human Resource Development Credit Facility respectively. All of these projects have been resounding successes and I look forward to their continuation.

Mr. Speaker, there is no doubt that the introduction of information technology has improved efficiency in the workplace. We have yet to reap the full benefits in the public sector. In order to ensure that a more focused and targeted approach is taken in reviewing the information technology needs of the public sector, I have allocated \$1.4 million for the Establishment of E-Government. I wish to state for the information of Honourable Members that all of these projects are funded from EU grant resources.

The Office of the Governor General and the agencies of Parliament, namely, the Legislature, the Service Commissions, the Electoral and Audit Departments will receive a total allocation of \$8.7 million, \$3.2 million higher than in 2004/05. Mr. Speaker, I have allocated a total sum of \$3.1 million for a Voter Registration Programme. Of this amount, \$1.3 million is allocated for the Voter Enumeration Project and \$1.8 million is allocated for the National Card Issuance Project.

## **CONCLUSION**

As I draw to the end of my presentation, I wish to remind the entire world that the Saint Lucian spirit is strong and resolute. We are continuing our journey and confronting our challenges one by one. This budget is reassurance that hope is more than alive.

We have faced adversity, but our responses revealed the fundamental strengths of this Government and the people of Saint Lucia. We have come through the restructuring of our banana industry, the turbulence of a global recession, a terrorist attack that caused tectonic shifts in global relations, and volatilities accentuated by the uncertainties of war.

I have reported to you on the economic health of our country, and there is good reason to believe that improvement will continue throughout the years to come. There is renewed energy and optimism throughout the business community. Saint Lucia is standing tall, looking to 2007 and beyond, with confidence. Though we are a small nation, only 238 square miles, our dreams or sense of self must not be.

The proposals I have presented in this budget are about securing Saint Lucia's next frontiers. They are about widening the gates of opportunity, providing greater protection for all, and ensuring steady economic growth, with no barriers of bigotry or discrimination.

We must do what is right and required to protect and preserve the opportunities presented in this budget. Some persons cower at the burden of their obligations, the complexity of their decisions, and the agony of their choices. But there is no comfort or security in evasion, no solution in abdication, and no relief in irresponsibility. We must continue to be decisive, steadfast, and responsible.

This Government shall continue to approach the months ahead with great expectation and excitement for our nation. And we should be filled with absolute determination to make the most of our opportunities. Together we must go forward with confidence and resolve, being the best we can be, and advancing the agenda of national progress.

I am therefore, honoured, Mr. Speaker, to move the second reading of the Appropriation Bill 2005/2006.