



*St. Lucia*

*Budget Address 2007 - 2008*



## **BUDGET ADDRESS**

**For the Financial Year 2007/2008**

**By the Right Honourable Sir John George Melvin Compton  
Prime Minister & Minister for Finance**

**Thursday, April 19, 2007**

**Bridging the Divide and Re-uniting St. Lucia  
Forging One Destiny by Creating Opportunities for All**

## INTRODUCTION

Madam Speaker,

It is twelve years since I last had the privilege of addressing this Honourable House to present the annual Estimates of Expenditure.

It has often been said that a week is a long time in politics. If that is true then twelve years is an eternity.

Honourable Members will therefore forgive me if I take a few moments to walk down memory lane to recall just two quotations from presentations made to this Honourable House during budget addresses over that period.

The first quotation is the following:

“ the people of St. Lucia spoke decisively..... they removed from the seat of power and authority a government that had become arrogant, abusive, self serving and contemptuous.”

The member who spoke these words on November 4, 1997 is now the Leader of the Opposition who may have been prophesying the events of December 11, 2006.

The people of St. Lucia may well have recalled these words when they went to the polls on December 11, 2006 and decisively removed his Administration that had broken faith with the people and so recklessly and contemptuously squandered their trust.

The second quotation is as follows:

“...let me from the beginning state emphatically the things that will not be done.

1. the Public Sector Investment Programme (PSIP) will not be cut.
2. the expenditure on the maintenance of government capital stock such as roads and public buildings will not be reduced.
3. the expenditure on the education of our children will not be cut as this is our investment in our future.
4. there will be no reduction of expenditure in the health and welfare of our people; and finally
5. ....there will be no increases in taxes.

Madam Speaker, Honourable Members, ..... I spoke these words on June 14, 1995.

We have come full circle ..... because that quote reflects the essence of the Budget that I present this afternoon.

Madam Speaker, since assuming office four months ago, my Administration has faced a major challenge.

Our time has been spent in trying to come to grips with the maze that has been created in the name of Government; in making sense of a seemingly endless stream of poorly developed initiatives; in confronting layer upon layer of a bureaucracy that refuses to acknowledge responsibility for its actions, and in trying to work through the obstacle of a Public Service in which many persons holding senior positions obtained their appointments not by virtue of ability or merit, but because of the colour of their politics. It was difficult to

discover where Party ended and Government began. The Government was completely absorbed into the Party machinery.

This Budget therefore, represents the first step in a process of transition that will find full expression over the next few years as my Administration resolutely sets about the task of restoring sound and prudent financial principles to the management of the finances of the country.

Madam Speaker, notwithstanding the short period of time that has been available to us and notwithstanding the obstacles to which I have alluded, this Budget clearly represents a turning of the tide and reflects the approach to financial management that will characterize the policies of this Administration.

Madam Speaker, I invite Honourable Members to approve expenditure totalling \$1,249,250,800 that comprises the following elements:-

1. Recurrent Expenditure - \$ 696,500,000
2. Capital Expenditure - \$ 552,750,800

The recurrent expenditure is financed entirely from local revenues, while the capital expenditure is funded as follows:-

1. Local Revenue – \$ 67,982,648
2. Grants – \$ 265,874,729
3. Loans – \$ 122,648,606
4. Bonds – \$ 96,244,817

Madam Speaker, before we delve into the specifics of this year's Estimates of Expenditure, permit me to provide an overview of the economic circumstances that prevailed last year at the international, regional and domestic levels.

## **ECONOMIC OVERVIEW**

### **International Developments**

Madam Speaker, despite challenges such as the limited spare capacity in oil and metal markets, coupled with rising geo-political tensions, the global economy recorded an estimated growth of 3.8 percent in 2006.

This was influenced by strong growth in China and India and a recovery in the economies of the Euro-zone. Notwithstanding, world economies experienced inflationary pressures from developments in the oil market and increased demand from the rapid growth of the Asian developing economies. Consequently, global inflation was 2.6 percent in 2006 compared with 2.3 percent in the previous year. However, emerging and developing countries experienced higher rates of inflation estimated at 5.2 percent.

Madam Speaker, the pace of economic growth of our major trading partner, the United States did not increase significantly. Economic activity grew by 3.2 percent, as the cooling of the US housing market dampened private consumption and residential investment. This was accompanied by moderate inflation of 3.3 percent.

Growth in the Euro zone strengthened to 2.5 percent relative to an outturn of 1.3 percent in 2005, while China and India experienced real output growth of 10.0 and 8.3 percent respectively, primarily due to strong investment and export performance.

## **Regional Developments**

Madam Speaker, during 2006, the regional economies experienced strong growth, despite major downside risks. These included the volatility of oil prices that rose a further 20 percent above prices in 2005; the depreciation of the US dollar and continued geo-political tensions and the associated security concerns.

Within the larger regional economies, the economy of Barbados, buoyed by activity in non-traded sectors including construction, experienced real GDP growth of 3.5 percent. Barbados experienced a rebound in the dominant tourism sector in 2006 as stay-over arrivals increased by 4.3 percent.

Trinidad and Tobago experienced its thirteenth consecutive year of economic expansion, growing by 12.0 percent in 2006. The economy continued to reap the benefits from the global demand for energy and this was reflected in historically low levels of unemployment.

Both of these economies, however, were subject to increased inflationary pressures. Inflation was recorded at 7 percent in Barbados and 9.1 percent in Trinidad & Tobago, prompting the central banks to introduce tighter monetary policies.

Madam Speaker, during 2006, output growth for the ECCU is estimated at 7.1 percent, representing one of the highest growth rates in recent times. This performance was influenced by significant activity in the construction sector ahead of Cricket World Cup, the recovery of tourism and favourable monetary and credit conditions.

Similar to other regional economies, consumer prices rose in most ECCU member countries due to increases in import prices of oil, cement, food and general inflationary pressures associated with increased regional demand for construction materials.

## **Domestic Developments**

Madam Speaker, St. Lucia recorded its fifth consecutive year of growth expanding by 5.4 percent in 2006. This was driven by increased value-added in the construction and banking sectors. Inflationary pressures grew at a moderate pace of 2.3 percent and this, as is the case with our regional neighbours, emanated from the direct effects of increases in international oil prices, particularly in the first half of 2006.

### ***Expansion in Construction***

Building on the momentum in 2005, the construction sector was the engine of growth in 2006, with value-added growing by 13.2 percent. This was fuelled by \$212.4 million of public investment in infrastructure, 73 percent of which was spent on road construction. Significant foreign direct investment, which was channelled into hotel construction and tourism related facilities and growth in the domestic housing stock, further fuelled the construction boom.

### ***Further Growth in Manufacturing***

Preliminary data suggest that the value of production in the manufacturing sector grew by 5.6 percent to \$168.1 million. This outturn is attributed to a narrow base of manufactured goods specifically: the food and beverage, paper and paperboard and electrical sub-sectors that together accounted for 78 percent of output. Adding to the performance of these major sub-sectors, there was resurgence in other sub-sectors such as, chemicals, furniture, plastic products, rubber products and metal products. This expansion is attributed to the spill-over effects of the construction boom.

### ***A Mixed Performance in the Agriculture Sector***

Honourable Members will note that the agricultural revival began to take place after March 2005, when renewal in the Leadership of the United Workers Party gave the people hope for a change in the Government to one conscious of and sympathetic to the needs of the farmers. Agricultural outputs increased by 9.8% with the banana sector rising by 13.3% or 30,007 tons valued at \$4,133,598 in 2005 to 33,982 tons valued at \$47,154,263.

With farmers confidence in the industry being restored assisted by favourable weather, this trend shows every sign of continuing. For the first quarter of this year, production has increased to 11265 tons as against 7485 tons in 2005 and 7007 in 2006.

Madam Speaker, data available indicate an increase in production of non-traditional crops and fish landings. However, the livestock sector continued to face challenges.

### ***Concerns in the Tourism Sector***

Despite the solid growth reported in global and most regional tourism destinations, St. Lucia's tourism sector experienced its first period of contraction since the recovery from the downturn associated with the 9/11 terrorist attacks on the United States.

Madam Speaker, total visitor arrivals declined by 7.1 percent to 694,509. There were lower arrivals in all categories of visitors but, most significantly, arrivals in the stay-over and yachting sub-sectors that contribute more to the GDP, fell by 4.9 percent and 7.7 percent respectively. While growth continued in visitor arrivals from the North American market, all other markets registered declines.

The explanation for these developments has many facets:- inadequate airlift, inadequate marketing of the island in the European market, the increased popularity of cruise vacations and, I venture to add another, the impact of increases in the level of crime.

As a consequence of this decline, average hotel occupancy fell by 3.8 percentage points to 64.9 percent and, Madam Speaker, as the Minister of Tourism is fond of pointing out, every unoccupied room has a cost, not only to the hotelier, but also to the farmer, to the taxi driver and to the vendor.

### ***Government Fiscal Performance***

Madam Speaker, despite a 12.1 percent increase in tax revenue in the fiscal year 2006/2007, the fiscal position of the central government continued to deteriorate. The overall deficit was \$158.6 million, an increase of \$5.7 million over the period 2005/06.

Driven by increases in the Public Service wage and salary bill; goods and services consumed by the central government and interest payments on the outstanding debt, current expenditure recorded a 7.7 percent increase and rose to \$555.3 million. Notwithstanding the rising current expenditure, a current surplus was realized. However, this was insufficient to fully finance capital expenditure. Capital spending was recorded at \$264.5 million and as I indicated earlier, was largely associated with road construction.

Madam Speaker, as a result of the ballooning deficit, the Central Government's outstanding debt rose by 10.1 percent to \$1,427.4 million or \$1.4 billion. As a result, the ratio of central government debt to GDP rose from 54.7 percent to 57.1 percent. This expanded borrowing by the Central Government increased the total public sector debt to \$1,624.9 million and the debt to GDP ratio from 63.8 to 65 percent, well above the prudential guideline of 60 percent set by the Monetary Council of the Eastern Caribbean Central Bank.

Activity in the monetary sector reflected the heightened activity in the wider economy. Liquidity tightened as loans and advances rose by 25.7 percent, outpacing the increase of 15.1 percent in deposits. Money supply recorded a growth rate of 20.1 percent, marking the highest rate of growth in more than five years.

Madam Speaker, the balance of payments also mirrored developments in the wider economy. The result was a worsening of the current account deficit. This was linked to the decline in tourism earnings, coupled with a widening of the merchandise trade deficit, a trend typical to small, open economies.

### **Interpreting the Main Macro-economic Indicators**

Madam Speaker, how do we make sense of all these indicators?

Do we smugly sit back and pat ourselves on the back because these raw statistics paint a reasonably satisfactory picture?

Or, do we openly acknowledge the truth that there is a real divide in our country between the picture presented by our growth rates which are mere statistics and the reality represented by true indicators of our development progress and the reality of the living conditions of many of our less fortunate citizens?

For years, at Budget presentation after Budget presentation, we have been fed with a diet of progressive increases in economic growth rates.

The reality is that these have been only statistics....statistics that, by and large, have not reflected the reality experienced by many of our citizens. In fact they have not been translated into real and sustainable jobs. Economists have said that "growth without development is a zero end game".

Did the farmers feel that they experienced a four or five percent growth rate? Did the workers in the shops and supermarkets benefit from these growth rates? Did the single mothers struggling to provide for their children feel an improvement in their circumstances?

Last year, the Honourable Member for Vieux Fort South, while delivering the Budget Address, heaped great praise on his own Administration when he noted that the unemployment rate of 15.7% recorded for the period October to December 2005 was one of the three lowest rates recorded since the year 1992, when the compilation of such data was initiated. No doubt, he would have been ecstatic had he been able to report to this Honourable House this time around, that by December 2006, the rate was said to have been further

reduced to 13.7%, which was an artificial “spike” created by the Short Term Employment Programme (STEP) for election purposes.

Madam Speaker, the people of St. Lucia are not fools and they saw through these statistics. That is why, on December 11, 2006, they voted for change and they said a decisive No! to Spin, and No! to Kenny Economics!

Permit me to highlight some statistics that were conveniently overlooked – the statistics that really matter. These statistics represent the other face of St. Lucia, a reality that we have shied away from, a reality that has been allowed to persist for too long.

Madam Speaker, the 15.7% rate referred to by the Honourable Leader of the Opposition, then Prime Minister, during the 2006/2007 Budget Presentation for the period October to December 2005 masks:-

- A rate of 53% unemployment among persons aged 15 – 19 and 40% unemployment among persons aged 20 – 34.

The 13.7% rate cited for the period October to December 2006 hides the following:-

- A rate of 69.2% unemployment among persons aged 15 – 19 and 38% unemployment among persons aged 20 – 34.

But, Madam Speaker, the picture gets even worse.

It is mystifying to note that while the previous administration made a Poverty Assessment Study for the year 1995 a major justification for their call for change during the 1997 election campaign, they were strangely silent on a similar study conducted ten years later for the years 2005/2006, the findings of which were available before last year’s budget presentation.

Madam Speaker, why did the Honourable Leader of the Opposition neglect to share the findings of the 2005/2006 Poverty Assessment with Honourable Members during the 2006/2007 Budget Presentation?

I submit that the findings of the Assessment were deliberately withheld from Honourable Members because they would have contradicted the conclusions that the Honourable Member was trying to force down the throats of Members of this Honourable House.

Madam Speaker, let me share with you and Honourable Members statistics that more accurately reflect the realities of life in St. Lucia today.

- The number of poor households increased from 18.7% in 1995 to 21.4% in 2005
- The number of poor persons increased from 25.1% of the population in 1995 to 28.8% in 2005
- An additional 16.2% of the population are deemed to be vulnerable to shocks that could easily put them below the poverty line
- Rural districts have exhibited excessive rates of poverty: Anse-la-Raye (44.9%), Soufriere (42.4%), Laborie (42.1%), Micoud (43.6%) and Choiseul (38.4%)
- The level of inequality, though declining slightly, is unacceptably high. We cannot exist in a country where the poorest 20% of our population has 5.7% of purchasing power compared to almost 50% enjoyed by the richest 20%

## **FORGING ONE DESTINY – OUR VISION FOR ST. LUCIA**

Madam Speaker, the findings of the 2005/2006 Poverty Assessment are our reality check.

The Assessment confirms that there are two faces to St. Lucia just as, permit me to say Madam Speaker, the whole country knows that there are two faces to the Honourable Leader of the Opposition, as the Calypsonian so accurately revealed.

Madam Speaker, this Assessment must form the basis for action and, just like a recovering alcoholic, the first step in the recovery process is to acknowledge the problem.

This Administration must act decisively to stop this country from drifting further and further into the abyss of poverty. Our challenge is to accelerate and sustain growth while addressing the imperatives of unemployment, poverty and inequality of income distribution. Moreover this needs to be done in an environment where fiscal prudence and debt sustainability have to be restored.

Madam Speaker, the theme of this Budget Address is Bridging the Divide and Reuniting St. Lucia – Forging One Destiny Creating Opportunity for All. I have chosen this theme because it is imperative that we create a Saint Lucia in which there is a level platform for citizens in all walks of life, irrespective of the circumstances of their birth, so that all have access on equal terms to educational, employment and business opportunities, and can participate meaningfully in its development.

Many of the problems that we are currently experiencing stem from a general feeling of social and economic exclusion that has bred apathy and, in some cases, rebellion. This, Madam Speaker, may well account for the high incidence of crime and violence that we have witnessed in the recent past.

These problems are most acute among our youth and other vulnerable and disadvantaged sectors of our society.

Madam Speaker, a Saint Lucia devoid of socio-economic, political and geographic barriers to the personal growth, development and fulfilment of the self-actualization needs of citizens, is not inconceivable. In fact, it is only through progress by all our citizens that national development will be assured.

We will therefore begin to systematically dismantle the barriers to individual progress through a series of policies, legislative and programmatic interventions. Our vision is for inclusive development that makes it possible for every Saint Lucian to eagerly and enthusiastically participate in national development.

I will now set out the strategy of my Administration for Bridging the Divide and Reuniting St. Lucia. Forging One Destiny by Creating Opportunities for All.

### **The Development Planning Framework**

Madam Speaker, we will return to a development planning approach. In the space of twelve years, we have quite literally destroyed any semblance of planning in this country and this deficiency has wrought havoc on our efforts at systematic national development.



The legacy that we have inherited from the former Administration includes:-

- Low levels of implementation of projects and programmes
- Projects and programmes that are poorly conceptualized
- Cost overruns on a massive scale have become the norm
- Fragmentation of donor assistance
- Duplication of efforts and actions, particularly in programmes designed to help the poor and needy
- A Public Sector Investment Programme (PSIP) that is uncoordinated and lacking in coherence.

This piecemeal approach to development will be a thing of the past, as Madam Speaker, under this Administration a five-year national development plan is formulated from the various sector plans that will also have to be prepared.

As a result of this approach, the annual Budget exercise will become less like a stampede at a sale, where items are plucked from any and every shelf, whether they are necessary. Instead, this process will become a measured selection of programmes and projects that are essential elements of a well-thought-out development strategy.

Madam Speaker, the national development plan that is to be formulated will be underpinned by several imperatives.

The first, and arguably the most important, imperative, is to move our economy up the value chain. This means generating new sources of wealth and new employment opportunities in both the traditional and non-traditional sectors. It must of necessity also mean establishing new economic spaces, fostering new partnerships with the private sector and encouraging new modalities for our people to save in order for there to be local participation in and ownership of the economic opportunities that will be created.

In establishing new economic spaces, we must address the decline of our rural communities and, Madam Speaker, given the disturbing statistics on rural poverty, this Government proposes a new approach.

Regional interventions will be designed to initiate, stimulate and sustain economic activity within targeted rural communities, so as to ensure equal access by these populations to employment opportunities and the overall benefits of economic growth. This strategy Madam Speaker, will also serve to reduce the problem of rural-urban drift and to limit the pressures placed on Castries and other urban centres.

Madam Speaker, we cannot continue to create a platform upon which “others” speculate, get rich and leave. The platform and the foundation that we build must be for our own people and our children, to share in the benefits and rewards from development.

This approach, Madam Speaker, is a major departure from the approach of the past where opportunities were created at the national level which benefited a mere handful in our society who had the ability to take advantage of them. Madam Speaker, such an approach will only create social disharmony in the future and from this point forward, we will design our policies and programmes with the specific objective of ensuring that our own people are the direct beneficiaries of the development process.

The second imperative that must underpin our development planning agenda is the need to raise the skills and knowledge base of our population. Madam Speaker, the Poverty Assessment to which I referred earlier, indicated that 64.5 percent of poor persons are without the required skills for the job market.

Clearly, it is imperative that we continue to invest in universal education for our young persons. However, we must reach beyond this and also examine the quality and relevance of such education. A study carried out by the University of the West Indies showed that while St. Lucia's expenditure on education is among the top three in the Caribbean Community – the ranking being Barbados, Grenada and St. Lucia – St. Lucia's output in the secondary and post secondary level is amongst the lowest.

Something must be wrong – not with the level of investment but with the system employed in education – and this must be researched and remedies found for this malaise. Additionally, Madam Speaker, it is necessary for us to also give urgent attention to skills enhancement as well as to the allocation of resources to technical and vocational training for those who are outside of the formal education system.

Madam Speaker, when we speak of education and training, we must also ensure that as part of that process, we engender the kind of mindset, philosophy and attitudes that are essential to our progress. We cannot continue to speak of globalization as if it is about to happen. It is here and here to stay, whether we like it or not...and so is CSME, even if its full implementation is somewhat delayed.

This world demands discipline. It craves innovation and competition. It embraces franchises and niche markets. It does not tolerate mediocrity. We, as a people, have to accept these realities and to live and breathe these ideals every single day for the rest of our lives.

Madam Speaker, another imperative is that we continue to address and systematically eliminate some of the challenges to our efforts at enhancing our quality of life. The level and quality of housing, the health care system, the water supply, and the transportation system are all areas that we need to focus on, because of their direct impact on all our lives. We must create a social safety net that ensures that every one of our citizens is cared for through all stages of life and is able to enjoy a standard of living that is acceptable for the maintenance of human dignity. While we must endeavour to give to each according to his or her needs, we should be brave enough to demand from each according to his or her ability.

Finally, Madam Speaker, a major imperative is the need to address the issue of institutional and implementation capacity. "Government" must undergo a period of introspection. Emerging from this exercise, we must strengthen our institutions and legal framework to remove the administrative and operational bottlenecks that impede government's facilitation of our development thrust. Of primary concern is the need to enhance the public service as a key delivery mechanism. We have to "find the government", so that every public servant is accountable.

We must improve our capacity for implementation, as, all our best laid plans will come to naught if we cannot convert them into reality. Government must decentralize where appropriate and must maximize on the comparative advantage of other entities to get the job done. Government must gear itself to facilitate the efforts of the private sector that, more and more, will become the primary engine of the country's growth and development. In short – Government must be the "facilitator" and the private sector the "implementer".

Having provided this broad overview of our approach to development, permit me, Madam Speaker, to highlight some of the main initiatives that will form the basis of this year's Estimates of Expenditure. Inevitably, as this is the first Budget of a new Administration, this presentation of the Estimates will address in some detail the policy context within which this Government will operate during this legislative term. I will commence with the economic sectors.

## **THE ESTIMATES OF EXPENDITURE**

### **The Creation of New Economic Spaces**

Madam Speaker, Saint Lucia has been blessed with flora, fauna and a topography that makes for fantastic scenery and breathtaking views. This natural endowment has however imposed its own constraints on our development.

The terrain is rugged and mountainous, impairing the establishment of a sound integrated road network that can provide fast and efficient links from the north to the south of the island, and along the east and west coasts.

The challenges that our terrain pose and our poor internal communication system also explains in part, the high incidence of rural to urban drift which we have witnessed over the last two decades and which has led to 60% of our population congregating in the north-western quadrant of our fair Helen where the concentration of employment and other economic opportunities lie. Employment statistics for 2006 produced by the Government Statistics Department reveal that unemployment in Vieux Fort was as high as 17.2%, while unemployment in Gros-Islet was 9.9%.

In retrospect, Madam Speaker, the failure at ensuring effective linkages between our rural agricultural sectors and the booming tourism sector is symptomatic, among other factors, of the lack of the enabling economic infrastructure to allow such linkages to occur. What we see, therefore, is a North-Western corridor of tourism activity from Gros-Islet to Castries which is totally disconnected from the major rural agricultural regions. This geographic divide has also reflected itself in other dimensions of our development.

In this Budget, we will target five major geographic regions with a view to bridging the divide and stimulating economic activity throughout the length and breadth of the country so that opportunities are created for all St. Lucians.

#### *Central Region Tunnel Connector Project*

Madame Speaker, nature in the creation of St. Lucia gave us the hills and valleys to which we give adoration in our National Anthem. But these hills and valleys, one of the most prominent is the Barre-de-L'isle – the ridge which divides our island. This ridge cannot be avoided as we journey from north to south. If we cannot conquer it by going over it or going around it, we shall try to tame it by going under it.

Government has therefore engaged Consultants to examine the physical and geological structure and advise whether the problem can be solved by going through and under this barrier. When the engineers and scientists would have reported, if favourably, Government will proceed to seek funding for engineering designs to build what will be known as the Central Region Tunnel. This will revolutionize St. Lucia and St. Lucians by having one country which will be opened to all for development and without that physical barrier which has conditioned our minds and created obstacles to so many opportunities.

### West-Central Quadrant Programme

Madam Speaker, the reality is that in some instances, specific regions will continue to remain physically remote and logistically secluded from wider economic activity so that they will not benefit from anticipated multiplier developments in other parts of St. Lucia.

It is the recognition of this reality that has led to the formulation of a geographic targeting approach to economic development. The idea is to concentrate a comprehensive series of development initiatives within isolated areas in order to develop and sustain a vibrant micro-economy which will ultimately benefit the economy as a whole. In pursuit of this policy, St. Lucia will be divided into four quadrants.

The West-Central Quadrant, spanning Anse- la-Raye to Laborie is conceived in this regard. It will include specific policy measures and programmes for the establishment of eco-tourism lodges and hotels along the West Coast with the expectation that employment and entrepreneurial opportunities will be created for the local populace. This initiative will also incorporate a deliberate strategy to promote organic farming for the production of non-traditional vegetable crops to support the eco-tourism hotel strategy, using such methods as green houses and irrigation.

### Vieux-Fort and Southern Region Economic Development Programme

Another major development programme conceptualized on the basis that the potential for economic activity must be created at the regional level is the Southern Region Economic Development Programme.

This programme, Madam Speaker, targets Laborie, Vieux Fort and Micoud. The programme involves the construction of a major cruise ship terminal and marina in Vieux-Fort, the establishment of a theme park and public golf course, the creation of two large, fully planned, residential communities, and an integrated sewerage system.

From current interest, it is expected that 7,000 new hotel rooms will be constructed over the next ten years and part of the strategy involves the revitalization of the agricultural sector to serve the massive demands for agricultural and horticultural produce that will be generated by the construction of this large number of new hotel rooms.

For years, the development potential of this Region has been stymied by the absence of a reliable supply of potable water. The Programme therefore includes the construction of a major new water storage dam with a capacity of approximately 10 million gallons per day, in the Vieux Fort area, that will service the entire Southern Region.

Work on this initiative is well underway and feasibility studies are being conducted. Work on some components of this initiative will commence within this financial year but major construction activity is projected for the 2008/2009 financial year. Some components of the project have already been constructed but now lie idle for lack of funding.

In this regard, Madam Speaker, due cognizance will be taken of the environmental and archaeological significance of the region in question and the necessary management and conservation measures will be adopted.

## Castries Economic Development Programme

In many ways, Madam Speaker, Castries has become the visible manifestation of our failure to promote the holistic development of our nation. Although we expect that over time our geographic targeting of regions for specific development will pay dividends by relieving the demand pressure and strain on our capital city, immediate measures must be implemented to improve the ambience within Castries and to position it to become a major commercial centre within the Caribbean and in particular, the Southern Caribbean.

Problems that have been created in the city as a result of urban pressures include those of inadequate solid waste disposal, poor sewage disposal systems, inadequate drainage, flooding, traffic congestion, poor housing conditions and spontaneous and unplanned settlements.

Our major thrust is to ensure the maximum utilization of our resources, the largest of which being the city and Port of Castries – assets over which for centuries – 14 times – nations battled. Now at last they are ours and we shall make maximum use of them for our own development.

These will include:

- the construction of a new terminal building at George F. L. Charles Airport;
- the transformation of the existing terminal building into a dedicated facility for private aircraft;
- the construction of new cruise ship berths in Port Castries and the conversion of Port Castries into a dedicated cruise-ship facility;
- the transfer of all container and cargo operations from Castries Port to a new port and inland cargo depot to be constructed at Cul-de-Sac;
- the establishment of a comprehensive sewerage system to serve Castries and environs;
- the gradual replacement and redevelopment of the present housing stock which, built some fifty (50) years ago, have outlived their useful life;
- the demolition of existing buildings that have outlived their economic lives for the construction of new commercial and office structures;
- the conversion of Castries into a dedicated duty-free shopping centre;

Madam Speaker, all our plans for the redevelopment of the Castries area will be futile should the problems of the Castries River not be tackled with foresight and determination. Developments upstream, much of which are unplanned, has reduced this river to an open sewer discharging tons of garbage into the harbour after every shower of rain.

Many solutions have been proposed and the one which finds favour with Government is that of culverting that part of the river from Entrepot to the sea. This will not only deal with the problem of the sewage and garbage discharge but will serve as a main highway from the suburban areas of Entrepot, Waterworks and Leslie Land into the city, thus easing traffic congestion in that area.

The culverting of the Castries River will therefore transform it into a major outer perimeter highway to allow traffic to by-pass the city centre. This development of the Castries River will include the creation of retention devices to improve the quality of water discharged into the Castries Harbour.

Madam Speaker, as it is apparent that ongoing improvement and expansion works on the Castries to Gros-Islet Highway will only serve to increase the volume of traffic converging into the city, the Castries

Economic Development Programme also includes provisions for the alleviation of the traffic congestion generated by the northern corridor of the island between Castries and Gros-Islet.

The feasibility will be explored, Madam Speaker, of constructing a new primary access and bypass road from the North that connects to the Allan Bousquet Highway and then proceeds to connect to the proposed Castries River Highway at the eastern suburb of Entrepot. The intention is for the road to continue through a short tunnel under the Bocage Ridge, to connect to the Cul-de Sac highway thereby linking to the proposed Central Region Tunnel Connector to Vieux-Fort.

#### Reduction in Recurrent Expenditure

Many a time I have stated our intention to eliminate wastage and reduce wasteful expenditure. One glaring area that cries out for remedial action is the cost of renting properties. This figure moved from \$6 million in 1996/97 to \$20 million in 2006/07.

Madam Speaker this increase of 233% is but another glaring example of the wasteful extravagance of the past administration. Government now currently pays – or should pay - \$5.7 million to the National Insurance Corporation (NIC), for the lease - purchase of Police and Fire Stations; \$5.3 million for the rental of waterfront offices and another \$5.2 million for other privately contracted offices in the Castries area. This approach demonstrates a “lack of” foresight and can best be described as unstructured, ad hoc, sporadic and piecemeal.

This Government is determined to correct this by acquiring and owning the office space required for the effective and efficient operations of Government.

An opportunity has arisen, that if grasped, will not only provide offices for Government but will be a useful addition to the amenities of the North-Western corridor. The uncompleted building – the Charles Daher Building at Bois d’Orange is now in receivership and Government is at present negotiating for its purchase. Not only will this building provide much needed office space but will provide commercial space for Banks and Supermarkets and other amenities.

Contracts had already been negotiated by the previous owners and these will form the initial rentals for the building. If negotiations are successful, the building will be operated by a Management Company, and the Bank providing the requisite finance, will be invited to sit on the Board to ensure proper management. The rents for the properties vacated, will be hypothecated for servicing the loan.

#### North-East Quadrant Economic Development Programme

Madam Speaker, the disproportionate population settlement patterns characterised by the approximately 2,194 persons per square mile density in Castries compared to just 554 and 494 persons per square mile in Micoud and Dennery, respectively, which are of comparable land area to Castries, makes it imperative that persons be offered alternatives for internal migration.

While we do not advocate that persons reside permanently within the districts of their birth, we are committed to the creation of economic and social opportunities in all parts of the country so that people who migrate do so by choice and not because of economic necessity or because of a disparity in the quality of education and social opportunities in the region of their birth.

One component of the North-East Quadrant Economic Development Programme will involve the construction of a 26.5 kilometre road from La Caye/Lumiere La Perle in Dennery connecting Louvet, Grand Anse and Marquis Estate to Babonneau in the north-east and terminating at an existing road in Dauphin. Madam Speaker, the prospects which this proposed new road presents for the creation of new urban and suburban communities and the expansion of our tourism plant and product, are immense.

Madam Speaker, the treasures and wonders of the scenic north-eastern coast that include the Grande Anse Area and the old airstrip, fall within an area that apart from the central mountainous region, remains one of the least populated areas of St. Lucia. This potential will be uncovered through the provision of the necessary economic infrastructure, thereby creating the potential for major tourism investment and the generation of large numbers of new jobs. The Programme includes the creation of these new master planned residential communities that will provide every type of social and community amenity.

This development program will also incorporate the long delayed solution to the water problems experienced by the Mabouya Valley as it will provide for the establishment of a significantly enlarged water intake and improvement scheme within the Fond d'Or Catchment Area.

Once again, Madam Speaker, given the relative ecological fragility of some areas in the north-eastern quadrant, development activities will be undertaken with the necessary sensitivity and care.

Madam Speaker, these exciting Regional initiatives have to be facilitated by a development planning and control process that is knowledgeable, efficient and thorough. We can no longer afford to operate with bureaucratic and archaic systems. It is inconceivable that in this technological age we are still operating with outdated topographical maps and manually produced land databases. In this fiscal year Madam Speaker, through an allocation of \$5.9 million, the neglect by the former Administration of these critical underpinnings of our development process will be addressed and rectified.

This type of disjointed planning is obvious even now in our city as a result of the disconnect between the new passport system and the Registry Office, resulting in persons having to wait hours in the sun for Birth Certificates required to obtain the new passports.

Madam Speaker, I have alluded to the strategy to be pursued by my Administration that focuses on specific geographic zones within the country. This strategy also incorporates another dimension to which I will now make reference.

### **Information and Communication Technology Parks**

In this modern age, Information and Communication Technology (ICT), that I will discuss in another context later in this address, pervades every aspect of our lives.

During the recently concluded election campaign we pledged that a United Workers Party would create 7,000 new jobs within the ICT sector within a five-year period.

Madam Speaker, within these Estimates of Expenditure, we have put in place provisions that will allow us to make good on this promise.

The reality is that even if investors were to approach us now with projects that could create 7,000 new jobs we do not have the facilities in which to house or locate these jobs.

In these Estimates, therefore, provision is made to establish five dedicated ICT parks to which investors can be attracted. This is not all, Madam Speaker, for, as part of our strategy to eradicate the poverty that is so closely associated with certain of our rural communities and to ensure that the benefits of development are spread throughout our country, we propose to locate these parks in proximity to communities that have the population catchments that can support them.

Accordingly, these parks will be located within the following communities

- Mabouya Valley and Dennery
- Micoud
- Vieux Fort and Laborie
- Choiseul and Soufriere
- Anse la Raye and Canaries

These communities are characterized by high unemployment rates, particularly among females and young persons and this initiative will seek to draw such persons into the economic mainstream.

This component of ICT-related infrastructural development will be underpinned by an overall programme of ICT-related skills training targeting young persons and school leavers from these communities. The success of this initiative will depend not only on the provision of physical infrastructure, but more importantly on an educational system, which must even now, prepare our school-leavers for a job market which is truly globalized and for which the competition is in those far away places with strange sounding names.

## **Agriculture**

Madam Speaker, I will now turn my attention to the Agricultural sector. With its plethora of constraints, the critical question is how we revitalize the Agriculture sector.

This is a massive challenge, but one that this Government is prepared to address immediately. Government will give priority to modernizing agriculture and its related sectors (fisheries and forestry). We have to rekindle confidence among our farmers; we have to encourage the interest of the youth and give the private sector the confidence to participate in this sector; we have to use this sector to establish a platform for greater social stability within our rural communities and to promote food security for our population. This is the real value of Agriculture and this is why we cannot afford to let it wither away.

Therefore, Madam Speaker, our specific short-term agenda is to embark on a complete revitalization of the Agriculture Sector, beginning with the Banana Sector, as one of the pillars of our thrust for economic growth and sustainable development. This revitalization will be accomplished by, firstly, encouraging greater investment in farming, fisheries and agro-processing industries. Secondly, Madam Speaker and Honourable Members, Government intends to review the incentives required to stimulate activity across the sector.

For this fiscal year and for the medium term generally, the investment in the Agriculture Sector will focus on four (4) major areas:



## ***Agricultural Diversification***

One of the major initiatives under agricultural diversification, Madam Speaker, is the Agriculture Diversification Programme to be financed primarily with EU resources. This programme will facilitate the evolution and modernisation of the agricultural sector into an internationally competitive, market-oriented sector. Under this programme, farmers will be trained to use modern technology and modern agricultural practices; to adopt modern production systems; to increase agricultural production to meet domestic and international trade requirements and standards, including those related to product diversification, presentation, labelling, marketing, packaging and distribution systems. Further, the capacity of agribusiness will be developed in the areas of market strategies to improve domestic and international market penetration.

Other major initiatives to be undertaken through EU support include the rehabilitation and expansion of selected crop commodities such as hot peppers, passion fruit, pineapple and plantains, and the support for, and enhancement of, livestock production.

This initiative Madam Speaker can result in the improvement in farmers' income and be a catalyst for diversification, but more importantly it can result in the reduction of our food bill which for the last five (5) years has risen inexorably from \$168.9 million in the year 2002 to \$255 million in 2006, a rise of 51.7%.

St. Lucia is fortunate that we are supported by the Eastern Caribbean Central Bank and the Currency Authority otherwise our currency would have been quite worthless.

Madam Speaker, we are all aware of the difficulties that have been encountered with accessing this source of funding and, while we have been reassured that funding under the Special Framework of Assistance (SFA) financing instrument will be available to us this fiscal year, we will not – indeed we cannot, rely solely on this source.

Our inability to support the agricultural sector must not be attributed to the unavailability of EU resources. We, as a nation, must stand up and be counted. We must make our own resources available as a statement of our commitment to what we believe must be undertaken in the Sector. Our donor friends must follow our lead. In this fiscal year, therefore, Madam Speaker, we have made available an allocation of \$4.2 million for assistance for agricultural inputs, greenhouse vegetable production and aquaculture development.

## ***Modernisation of Marketing and Distribution Services***

Madam Speaker, the marketing and distribution of agricultural produce is the key to the successful realization of agricultural diversification in the Sector. To this end, this Government has made provision for the establishment of an Agricultural Marketing and Promotion Agency.

Madam Speaker, we cannot continue to develop our economic base without creating and reinforcing self-sustaining linkages between our key sectors. Over the last decade, some have sat helplessly by almost as if struck by paralysis and have presided over the decline of the Agriculture sector. Could we not have tried harder to secure the domestic market for our agricultural produce in our local hotels and supermarkets and in so doing enhance the viability of both the Tourism and Agricultural sectors?

This administration, as a matter of priority, will seek to promote the sale of domestic agricultural produce to the hotels and restaurants and supermarkets through the creation of an effective national marketing

infrastructure designed to promote agricultural diversification and the strengthening of the linkage between agriculture and tourism and its ancillary services sector.

The institutional hindrances for integrating and coordinating production and marketing of agricultural produce will therefore be tackled head-on.

The St. Lucia Marketing Board (SLMB), will be completely restructured and re-organised and renamed the Agricultural Marketing and Promotion Agency. It is intended that the Agency will be owned by the farmers, the hotels, the supermarkets and indeed the public of St. Lucia will be invited to participate in its ownership and management to ensure the success of this important venture.

Government's shareholding interest will be derived from the existing asset base of the SLMB, which will serve to reduce on the initial capital requirements of the new entity. Government's continued involvement through share ownership in the new entity can be considered as being representative of the number of organized farmer/producer organisations who have remained committed to the SLMB over the years, but who for one reason or another might not be able to purchase shares when the initial public offerings of the new entity is made.

The new entity will serve to surmount the barriers to local agricultural production and marketing by performing the following important functions:

- A central warehouse, cold storage facility, pack-house and processing facility for the preparation for sale to the local and overseas market;
- Scheduled collection and transportation of agricultural produce to the central warehouse and processing facility;
- Central procurement and supply of planting material and inputs for mass distribution;
- A demonstration centre for new farming technology and equipment;
- An out-grower scheme which will involve the reintroduction through contracts of the cultivation of exotic tropical fruits;
- Technical Assistance through extension services in agricultural practices, production planning, market information and farm management;
- Establishment of a National Market Information System;

This initiative Madam Speaker, we anticipate, will result in a reduction in the food import bill, improvement in rural incomes and serve as a catalyst to agricultural diversification.

### ***Investment in Rural Infrastructure***

The investment in infrastructure for agriculture is a critical element in the revitalisation of the Agriculture sector. In this fiscal year, Madam Speaker, this Government will undertake major investments in infrastructure. Permit me to briefly highlight a few.

#### **Modernisation of Agricultural Service Facilities**

The condition of much of the existing physical infrastructure and associated ancillary facilities and equipment has been allowed to deteriorate to an alarming extent. This situation must be reversed and to this end some major initiatives will be initiated. These include:

### Establishment of Centres of Excellence

The renewal of the Union Agricultural Station and the development of the Roseau Research Complex and the Beausejour Station as centres of excellence, will provide capacity-building and information services, laboratory services, including food technology and agro-processing facilities, germplasm banks, aquaculture facilities, tissue culture and mushroom development facilities, hydroponics production facilities and demonstrations of advanced and appropriate technologies, in support of both crops and livestock production systems.

### The Establishment of New Fisheries Facilities

This Government will give assistance to persons wishing to exploit the resources of the 200 mile Exclusive Economic Zone and will improve the capacity of the Fish Marketing Corporation to prepare our fish catch for the hotels and the supermarkets. These improvements will occur at both the Castries and Vieux-Fort facilities.

The St. Lucia Fish Marketing Corporation will be placed under new management in which private participation will be invited.

Assistance from the Government of Japan which has modernised our Fishing Industry continues, and during this year improvements will be made to the facilities at Gros Islet and Anse-la-Raye. Assistance will be sought for the dredging and sheet piling of the Canaries River in order to enable fishermen to better secure their boats and also for the construction of a jetty and appropriate support facilities for the fishermen of Micoud.

### National Abattoir Project

Madam Speaker, for far too long, our livestock producers have been promised an Abattoir as a means of breathing new life into this sub-sector. For years these promises have proven hollow and de-motivating all at a time when we have been shouting from the rooftops about our commitment to diversification. Madam Speaker, we have to say – enough is enough! This Administration is serious about diversification and will, starting this fiscal year, ensure that such a facility is available to our livestock producers and their customers within the next eighteen months.

This will enable our livestock farmers to produce meats and poultry of the quality required by the supermarkets and the hotels and to compete with outside producers who, in accordance with the obligations under the WTO and CSME, must have access to our markets.

### The Establishment of Reception Facilities/Upgrading of Inland Reception and Distribution Centres (IRDCs)

Madam Speaker, it has been recognised for some time now that the current IRDCs are not only underutilised but ill-equipped to serve as reception facilities that can cater to a wide range of agricultural produce. In this regard an allocation of \$929,000 has been made available to facilitate the retrofitting of the IRDCs and packaging facilities, where agricultural produce can be received, graded and packed for distribution. This will be done as one element of the programme associated with the establishment of the Agricultural Marketing and Promotion Agency that I have previously described.

## ***Revitalisation of the Banana Industry***

The farmers who for 50 years bore the heat and burden of the day and laid the foundation for our economic development are in danger of being cast aside and like Cinderella, the golden carriage has now turned into a mere pumpkin.

We must never forget the role that the Banana sector and banana farmers have played in the growth and development of our nation, Madam Speaker, nor must we simply sit back, shrug our shoulders and meekly leave the fate of the Industry to market forces. We must fight back and we must not stop fighting, because this industry is important to us. It has impacted and will continue to impact on our social fabric. It is the core around which our diversification efforts must revolve.

Madam Speaker, the Government of St. Lucia will embark on a production and quality revitalization programme over the next two years, with the following key objectives:

1. To increase extra-regional exports to sixty thousand (60,000) tonnes per year;
2. To establish a **Banana Production Management** Agency (BPMA), to sustain the provision of production-related technical and other support services to the industry (*since the BERU and the Banana Recovery Programme, BRP, will soon come to a close*);
3. To improve the quality of support to the industry, and the farming community in general, through the provision of technical services, credit mechanisms, technological inputs and incentives to facilitate the improvement of farm productivity, produce quality and diversification with and around bananas. The target over the next three years is to increase the national average yield/acre from 8 tons to at least 12 tons;
4. To increase banana production for the domestic and regional markets (*including cruise tourism*), with focus on the promotion of ripe bananas as a healthy and nutritious food for all.

With the increase in the price of oil and paper, the cost of packaging material has risen. In order to give assistance to the banana farmers and to save over 100 jobs at the box making plant at Vieux Fort, provision of \$1 million has been made to subsidize the cost of boxes. This will mean an extra 2 ½ cents per lb or \$1.00 per box to the farmers for bananas exported from St. Lucia. A further \$3 million is provided for the purchasing of inputs.

Further, Madam Speaker, there are several issues within this sector which are of concern to this Government. These will be examined during this fiscal year with a view to identifying and instituting specific measures of redress.

This Government is very concerned with the virtual non-existence of affordable capital to assist farmers and agribusiness enterprises in the rural communities, and in this regard, will ensure that the Development Bank, when re-established, gives priority attention to this sub sector.

The issue of the protection of the remaining arable lands, so as to maintain their usage for agricultural production and/or agri-enterprise developments, must also be addressed as a matter of urgency.

Madam Speaker, the lack of interest bordering on contempt that the former administration had for agriculture, is clearly demonstrated by its decision to destroy a well established facility located in a fertile

valley and use it for a football facility although the technical examination showed the ground to be unstable and incapable of supporting the required structure. This is but another instance when politics took precedence over common sense.

This folly will be corrected by this Government and another suitable site provided for the Football Stadium. Such monies as may have been spent will be refunded to enable the project to proceed.

Madam Speaker we will also be exploring ways to provide social protection for our farmers and fishers, whether through a more formal social security arrangement or a social safety net programme.

Madam Speaker, all of these initiatives that I have briefly outlined will be in vain if we do not address the overall policy and institutional environment in which the sector is to operate. This challenge falls squarely on the shoulders of the Ministry of Agriculture. It must therefore become more in-tune with the needs of the sector.

If it is to play the lead role as change driver, the Ministry must itself become transformed. It must embrace new technologies and new approaches. Only then will it be able to deal with the types of policy and legislative reviews and adjustments that will enable the sector to adequately deal with issues of economic integration, globalisation and trade liberalisation.

## **Tourism**

Madam Speaker, Tourism has become, and will continue to be, the main engine of growth in the economy. St. Lucia is recognized internationally as having a unique, competitive and high quality product that meets the expectations of visitors.

Our goal therefore, Madam Speaker, is to ensure the sustainability of this sector through the creation of a well trained customer-focused workforce; product development; continuous adherence to industry standards; application of industry best practice and reduction of crime on the island.

In order to achieve this, this Administration has established 8 broad national policy goals including:

1. Establishing tourism as a strategic economic development priority;
2. Expanding local participation, investment and ownership directly and indirectly in the tourism sector;
3. Continuously improving the quality of the tourism experience and product;
4. Stimulating and facilitating additional investment in the upgrading, expansion and diversification of the tourism infrastructure and production base;
5. Strengthening the backward and forward linkages between tourism and agriculture and other sectors of the economy;
6. Projecting a positive and unique identity for Saint Lucia in traditional and non-traditional tourism markets;
7. Improving the public's perception and attitude, towards tourism;
8. Participating actively in, and taking full advantage of regional and international initiatives.

Madam Speaker, to implement a structured approach to the development of the tourism product so that every citizen can benefit from the gains and opportunities in the sector, my Administration has identified several strategic goals for the industry that we will pursue in the short to medium term to further develop the industry.

These strategic goals are as follows:

- Establish a strong brand and deliver effective “destination marketing” in new and existing markets;
- Develop a tourism product that is responsive to the needs of the market and generates high visitor satisfaction;
- Build the human resource base to meet the existing and developing needs of the sector;
- Manage the economic, environmental, and social impacts of the sector to provide maximum and sustainable benefits to all stakeholders;
- Provide the appropriate institutional structure to facilitate the use of public/private participation in the effective co-ordination and management of the tourism sector.

These programmes are as follows:

- Developing and upgrading facilities in the various villages and communities to enhance their unique historical and cultural attributes, thereby attracting visitors and generating income;
- Providing incentives to St. Lucian entrepreneurs to become involved in ancillary services that support the tourism industry;
- Providing incentives for the expansion of the yachting industry
- Recognising, supporting and expand the eco-tourism sector by encouraging greater participation by St. Lucians in the development of this element of our product offering;
- Maintaining a balance between all-inclusives and traditional EP hotels as well as pursuing niche marketing to ensure expansion of the industry;
- Improving the road network island wide to enhance the travelling experience of both nationals and visitors and giving consideration to re-introducing coastal sea transport as a means of travel;
- Instituting standards in all areas of the tourism product.

Madam Speaker, there has been a significant expansion of hotel rooms in St. Lucia, brought about by the investment made by both local and foreign investors. Several new hotels have been constructed and the room stock was expanded by several locally-owned hotels and guest houses to meet the anticipated demand for rooms for the ICC Cricket World Cup where St. Lucia hosted first round matches and will soon be hosting the second semi-final game.

Madam Speaker, the ICC Cricket World Cup will be over within weeks and it is left to us as a country to ensure that the increased room capacity on the island is fully utilized. We will endeavour to ensure that there is no hang-over after the party is over. In this regard, Government will vigorously pursue a strategy for increasing airlift to St. Lucia, especially out of traditional European markets; Germany, France, Italy, and will in addition, develop Short Hubs (e.g. Barbados) to be serviced by carriers such as American Eagle. This particular service from Barbados will commence in July.

### ***Tourism Marketing***

Madam Speaker, increasing airlift to St. Lucia will only be successful if visitors are aware of the diverse tourism product that St. Lucia has to offer. This requires that the Government allocate sufficient resources for the marketing and promotion of the tourism product while ensuring that these resources are utilized in the most effective and efficient manner.

In this regard Madam Speaker, an allocation of \$50,000,000 million has been provided in these Estimates for marketing our tourism product. Also, because this Administration views this allocation as an investment in the development of the Sector, no different from our investment in the roads that facilitate the movement of tourism traffic and our investment in the airports through which visitors arrive on our shores, we have included this allocation for marketing of \$50 million as an item of Capital expenditure.

### ***Casinos***

Madam Speaker, I have no doubt that Honourable Members will agree with me that if we are to expand and create a sustainable tourism industry from which all citizens benefit, then we must provide a product that is diversified and that caters for all categories of visitor. Some visitors come to our shores to experience our sea and sand, some come for adventure, some come here as eco-tourist; many come here to be married and others for jazz or cricket or for sports tourism. We must now consider how it is possible to provide our visitors with even more options.

### ***Duty Free Shopping Centres***

Madam Speaker, another initiative to further diversify our tourism product is the Castries Redevelopment Programme that I have already described. The programme will transform the City of Castries into a dedicated duty-free shopping centre and a hub for tourism activity centred on the expansion of our relationship with the cruise ship industry. This programme is mirrored by the Vieux-Fort and Southern Region Development Programme that also has as one of its objectives, the transformation of Vieux-Fort into a major duty free shopping centre.

### ***Village and Community Tourism***

Madam Speaker, another exciting initiative that will provide direct benefits to St. Lucians especially in rural communities and that the Government will introduce in this fiscal year, is the Community or Village Tourism initiative. One component of this initiative is “Community Branding” through which each community is encouraged to develop its unique characteristics that can be used to generate revenue for the community, leading to the creation of employment for residents and an improvement in the standard of living within the community.

This, Madam Speaker, is sustainable tourism from which all St. Lucians can benefit and through which the impact can be felt throughout the economy. This initiative is also consistent with the specific initiative that I described earlier that will directly target the establishment of eco-tourism hotels and lodges along the West Coast, stretching from Laborie to Anse-la-Raye. As you can see Madam Speaker, there is a strategic coherence in our approach to the development of our outlying communities as they will be integrated into the mainstream of economic activity within the leading growth sector of tourism.

### ***National Ownership of Hotels and Tourism Facilities***

Madam Speaker, lip service has been paid for a long time to the need to ensure that St. Lucians benefit directly from tourism and have ownership of hotels and tourism establishment within our country.

The time has come for us to do more to ensure that this happens and today, I announce that, with immediate effect, investments in hotels below an internationally recognized four-star standard will be reserved for St. Lucian nationals and that incentives will not be granted to foreign nationals to invest in such properties.

Investment incentives to foreign nationals will now be reserved for those projects that are designed to achieve an internationally recognized four-star standard and above and that can add value to our tourism product by moving it towards the upper-end of the tourism market.

Madam Speaker, this policy is a clear indication of the intent of this Administration to re-position St. Lucia as a leading top-class tourism destination and to ensure that St. Lucians are provided with specific opportunities for ownership of major assets within the tourism sector.

### **The Private Sector, Trade, Industry and Commerce**

Madam Speaker, the Private Sector has consistently been described as the “Engine of Growth” of the economy. Both economic growth and national development are driven as much by Government action as by the response of the private sector to commercial opportunities that government policy serves to create.

Madam Speaker, this Government believes that a vibrant private sector is critical to the sustained economic growth of the economy. In addition, Madam Speaker, a private sector where micro, small and medium size entrepreneurs are successful, and are therefore able to progress from one level to the another, provides an indication of the success of the private sector in providing employment, and provides for an improvement in the standard of living of entrepreneurs that allows, in turn, for the improvement of the standard of living of the employers of the entrepreneurs.

Madam Speaker, in the current international economic context, both large and small businesses need to restructure and become more aggressive about their own futures if they are to successfully compete in the fierce international competitive environment. I need not remind Honourable Members that CSME is at our door and the critical question is whether the private sector is ready for the challenges it presents. Another important question is what can be done to assist the private sector in acquiring the aggressive perspective towards excellence and productivity that is essential for success in light of the challenges presented by CSME and other international imperatives.

Madam Speaker, the main challenge facing the private sector is the need to enhance competitiveness and this challenge can be overcome by adopting an approach of capacity-building through human resource development as the primary response.

Madam Speaker, the current approach to private sector development focuses primarily on internal capacity enhancement (particularly human resource development) as the channel through which the competitiveness of firms can be enhanced. While this approach is critically important from a human development perspective it comes with several inherent difficulties the main ones being that while increasing skills training and internal capacity development may increase competitiveness of the firm these interventions do not necessarily result in business expansion and or employment increase.

In fact, Madam Speaker, in the case of employment generation, these types of intervention may actually lead to a reduction in the work force if personnel become better skilled and multi-skilled and productivity increases without corresponding increase in market demand.



On the other hand, Madam Speaker, the current best practice approach to firm level assistance for competitiveness enhancement focuses directly on market expansion and product development as opposed to capacity building. Thus, Madam Speaker, the main focus of this government in its quest for private sector development and competitiveness is to encourage the identification and introduction of new products to market and placing attention on identifying new markets, diagnosing problems and factors that hinder sales and promoting product improvement to meet market requirements.

Madam Speaker, the Private Sector Development programme, to be implemented by the Office of Private Sector Relations, will focus on two major objectives in relation to “economic diversification and “national development”: (a) Growth and expansion in business activity (number of businesses and volume of output) and (b) increase in employment.

This Government believes that such an approach presents a more realistic strategy, one that views private sector development as a compound of activities geared towards the emergence of new business ventures and the strengthening of existing ones.

Madam Speaker, changes in the international business environment, especially throughout the latter half of the decade of the 90’s, ushered in an era of increased emphasis on trade liberalization and globalization.

A rules-based system that emphasizes free trade and the use of internationally recognized and agreed tariffs, as opposed to the regime of import duties and quotas, is now the dominant regime governing international trade. In recognition of this, Government must move to introduce an environment where production throughout the country, but more specifically, in the private sector, takes place in a framework based on competition.

Madam Speaker, the thrust of this Government’s interventions in the manufacturing and services sectors will centre on building competitiveness at the firm and industry levels. In this regard, implementation of the National Export Strategy will be one of the main areas of emphasis of the Ministry of Trade, Industry and Commerce. The strategy identifies six services sectors and four goods sectors as priority sectors for intervention. These interventions will address matters pertaining to trade financing, market intelligence and trade information in export markets, transportation and standards.

But, Madam Speaker, even as we prepare our private sector for participating in the regional and international marketplace, we recognize that the CARICOM Single Market (CSM) arrangement coupled with increased trade liberalisation, will inevitably give rise to increased competition on the local market due to the influx of cheaper goods and services into Saint Lucia.

In recognition of this, Government, through the Ministry of Trade, Industry and Commerce, will embark on a Domestic Trade Promotion Programme which will seek to encourage Saint Lucians and visitors to our shores to consume locally produced goods and services.

Madam Speaker, this programme will be implemented in close collaboration with private sector bodies such as the Saint Lucia Manufacturers Association (SMA), the Saint Lucia Industrial and Small Business Association (SLISBA), the Saint Lucia Hotel and Tourism Association (SLHTA) and the Saint Lucia Chamber of Commerce, all of which are expected to have a vested interest in the Programme. Government, being a major consumer of goods and services, will play its part in purchasing a greater percentage of its goods and services from local producers.

Madam Speaker, Government recognizes that product development and research are vital to the expansion and diversification of businesses. In this regard, the Ministry of Trade, Industry and Commerce will assist firms in addressing these issues through an ongoing Product Development and Research programme. This Programme consists of skills development training which is geared towards enhancing the technical skills of companies' employee's in-firm interventions through consultancies to assist firms to improve on production methodologies and implement quality management systems to ensure consistency in product quality.

At the small firm level, emphasis will be placed on implementing the Micro and Small Scale Business Development Act which was passed in this Honourable House since 1998 but which has not been operationalized as important aspects of the legislation were not implemented. Government, by implementing this Act, will seek to assist the micro and small business sector to become part of the formal business community by encouraging the incorporation of these businesses. Assistance with incorporation will be provided in this financial year.

Madam Speaker, Saint Lucia, having signed on to the Revised Treaty of Chaguaramas, has to meet a number of binding constraints. One of these relates to the establishment of a Regional Competition Commission. To this end the necessary action will be initiated to ensure that Saint Lucia makes its contribution towards the establishment of the Community Competition Commission that is earmarked to become fully operational in November 2007. Further, Madam Speaker, Saint Lucia will cooperate with other OECS Member States at the sub-regional level, in the implementation of a joint policy on competition and the establishment of a sub-regional authority to monitor, investigate, detect and prohibit anti-competitive conduct and practices.

Similarly, appropriate action will be initiated through the enactment of relevant legislation and other regulatory measures to promote and protect consumer welfare. A new draft Consumer Protection Bill has been developed by the Attorney General's Office and, in the coming months, public consultation will be held with stakeholders to give them another opportunity to express their views and concerns before a Consumer Protection Act, one that is fully compatible with our CSME obligations, is enacted into Law.

Madam Speaker, globalization and trade liberalization have brought many changes to the environment in which we live today. More and more we are being asked to give up whatever protection that we have been able to provide to our domestic private sector and are simultaneously being asked to compete with the giants of international business.

In this context, Madam Speaker, CARICOM and the Dominican Republic (CARIFORUM) are engaged in negotiations with the EU to develop a new trading arrangement to replace the Cotonou arrangements that have provided some protection for our business sector. Government will pay very close attention to these negotiations as this represents perhaps the most important bilateral trade arrangement that will impact on Saint Lucia and the CARICOM in the foreseeable future.

Madam Speaker, Government will also continue to prepare Saint Lucians for full participation in the CARICOM Single Market and Economy by ensuring that emphasis is placed on certifying persons in the various skilled categories that are currently approved by the Heads of Government and the new skills categories that will inevitably be liberalized in the near future. Public education on the CSME will be stepped up so that all Saint Lucians understand what this means to their collective future.

Government will also pay attention to negotiations in the WTO especially in the areas of services and market access to non-agricultural goods. Saint Lucia will also place great priority in the coming months on the negotiations with respect to the banana industry that will be taking place in the WTO.

## **Information and Communication Technology**

Madam Speaker, the modern knowledge-based economy and the technologically driven nature of the world requires that we position our economies accordingly. Information Communication Technology (ICT) represents an effective means of expanding our economic potential far beyond the traditional economic boundaries, thus allowing remote areas to become integrated with the global mainstream without the traditional time, distance and cost inhibitors.

In recognition of the potential which ICT presents for fostering growth and development, interventions will be focused within both the public and private sectors.

### ***Public Sector***

Through the effective use of ICT in Public Administration, and through the development of the ICT Sector, Madam Speaker, Government will promote and exploit ICT to enhance economic and social development and improve St. Lucia's profile and competitiveness as a services-oriented knowledge- based economy.

Therefore, Madam Speaker, Government will move forward with the Public Sector Information and Communication Technology (ICT) and Electronic Government Project to develop an ICT and Electronic Government policy and strategy for St. Lucia.

The project will seek to address the current ad hoc, sporadic and disjointed approach to ICT development within the public sector that is characterized by:

- A lack of coordination and integration in the planning and implementation of ICT initiatives;
- The failure to change business processes, procedures and workflows;
- Limited evaluation and measurement of the extent of success, or otherwise, of ICT implementation; and
- Absence of a Policy and Strategy which would provide the requisite framework, guidelines and direction for the adoption and utilization of ICT resources.

As part of the reform process, Madam Speaker, E-government will facilitate increased transparency, greater convenience, revenue growth and or cost reduction for Government. The goal is to rationalize and optimize the adoption and utilization of ICT across the public service, including quasi- governmental agencies. The accomplishment of this objective will greatly enhance public-private sector relations, with respect to Government's facilitation of trade in goods and services, through improved service delivery to the private sector and efficiency in the delivery of services to the public.

### ***Private Sector***

Madam Speaker, it has been well recognized that successful economies are built on successful firms. To improve the performance of an economy, one must improve the ability of firms to compete in the global market-place.

One way to improve their competitiveness is to encourage the use of ICT by the private sector.

Madam Speaker, this government will therefore offer incentives to the private sector for the development of IT products and services.

### **Communications, Works, Transport and Utilities**

Madam Speaker, the communications and transport sector is seen by this Government as a vehicle for spurring economic development. Government intends to build upon the previous major investments in this sector, including the East and West Coast Roads development, the Millennium Highway, the Castries to Gros-Islet Road Improvement Project and the extensive secondary road network.

#### ***Road Infrastructure***

Madam Speaker, road infrastructure is vital for communication and economic development and is important to all St. Lucians. In the same vein, Madam Speaker, Road Maintenance is also essential and a road maintenance plan is required for an efficient road maintenance programme. In this fiscal year, an allocation of \$4 million has been made for the procurement of the necessary road maintenance software and associated equipment that will assist in the establishment of a maintenance system and facilitate the proper planning and scheduling of road maintenance for the entire road network. We can no longer leave such critical activities to chance, nor can we afford to be wasteful in our maintenance expenditures.

Madam Speaker, for the fiscal year 2007/2008, Government's investment in the Road Infrastructure sub-sector will be through several initiatives including: the secondary road rehabilitation programme; the community and agricultural feeder roads programme; the West Coast Road overlay the East cost road repairs; and the traditional reconstruction and rehabilitation programme.

We will, over the course of this fiscal year, allocate over \$37 million to these initiatives. It is our aim to ensure that the strength and general condition of the island's road network is improved. The major goal is to maintain and improve the condition of our roads, and the safety and motorability thereof, thereby reducing users costs to a minimum.

#### ***Communications***

Madam Speaker, we live in an era where communication is the key to our very existence and yet, we have been unable to reflect this reality in the operations of the Postal Services. In this fiscal year, we will seek to initiate reform and modernization in the postal sector. We must ensure that the postal service can begin to capitalize on the opportunities that will be presented by the expansion of E-Commerce.

#### ***Public Utilities***

##### **The Water Sector**

Madam Speaker, this Administration is fully committed to the provision of a reliable supply of potable water service to our population.

Madam Speaker, earlier in my address to the Honourable House, I was very expansive in setting out Government's development plans for the four development quadrants. This will involve opening up large

under-developed areas for development and in turn will require the necessary infrastructure as roads, electricity and water. In the present dispensation water is the most important of these elements.

In the 1970's and 80's the United Workers Party embarked on a comprehensive rural water development programme and was identified by the United Nations as one of the few developing countries which met the United Nations goal for the decade of water. As a result, water borne diseases and infant mortality dropped dramatically.

The dramatic expansion in the numbers and quality of houses has placed enormous pressures on existing supplies and urgent action must now be taken to improve existing supplies such as increasing the capacity of the Roseau Dam and finding new sources of supplies. I have already referred to studies being conducted in the Vieux Fort area for the construction of a dam to supply the Southern and South-Eastern quadrant and there have been encouraging signs of underground water in the Praslin area of Micoud.

If the development envisaged for this area is to proceed, some 15 million gallons per day must be available within the next ten years.

The institutional requirements of the water sector have not kept pace with demand hence the poor delivery of service which is currently experienced throughout the island. The answer suggested by the World Bank is one of "privatization". This by itself, without a proper management and institutional framework will not solve the problem and the chronic lack of finance always experienced by the Water and Sewerage Company (WASCO), is only one of the problems and money alone, without proper management, will not be the answer.

## **The Environment**

Madam Speaker, economic growth is essential for generating employment and income and for fostering an improvement in the quality of life for our people. However, it is just as essential that our economic activities do not compromise the natural resources upon which they depend.

For example, it is well known that one of the great attractions for visitors is our island's natural beauty, including its sandy beaches. Yet, if we are not careful, poorly managed economic expansion can lead to the destruction of our beaches and the exclusion of our people from those that remain.

Madam Speaker, it is in this light that we shall seek to foster improved environmental management. In the first instance, we shall take steps to strengthen the institutional and policy framework for environmental management. One important step to be taken is the re-establishment of the National Environmental Commission. The Commission was initially established during my tenure in the 1990s, but did not become fully functional. I am pleased to indicate that that it will now be reconstituted and given the mandate it requires to oversee environmental management in this country.

Madam Speaker, at the policy level, the long-awaited National Land Policy will be adopted. In addition, a concerted effort will be made to take action based on the key imperatives of this policy.

The Special Framework of Assistance (SFA), under which the European Union provides funding to support economic diversification, will also provide avenues for policy and institutional development. However, even more critically, it will provide resources for the implementation of tangible activities at the community level through community, private-public and public-community collaboration. It will also feed into our regional development initiatives highlighted previously.

Madam Speaker, over the years, Saint Lucia has become signatory to a number of important international Conventions and has sought to take meaningful action in fulfilling their aims and objectives.

For example, we continue to be ahead of target in phasing out substances that deplete the ozone layer and in the coming fiscal year, the training of persons in the use of ozone-friendly refrigerants will continue. In the area of climate change, we will see progress in the preparation of Saint Lucia's Second National Communication on Climate Change as well as the start of a Special project on Climate Change aimed at undertaking pilot activities in the areas of water and coastal management, and in assisting in adapting to the anticipated effects of climate change.

During the fiscal year, Madam Speaker, we will also expect to see progress in a number of other areas including coastal zone management and solid waste management. Very critically, steps will be taken to assess future action with regard to coastal development and coastal water quality.

Madam Speaker, we have all come to recognize that the leading engine of growth for the economy is tourism. Yet, I am not sure that this recognition has translated itself into recognition of the environmental imperatives that we must follow in this regard.

Madam Speaker, we must protect our environment; we must protect our air quality; we must avoid indiscriminate littering; we must ensure proper disposal of solid waste; we must protect the quality of our beaches.

During this fiscal year, Madam Speaker, this Administration will examine existing legislation and strengthen measures aimed at combating littering. We will take measures to ensure that our air quality is protected by setting requirements for vehicle emissions, and Madam Speaker, we will introduce measures related to the recycling of solid waste, especially plastics and metals.

### ***Energy Planning***

Madam Speaker, any Government operating within today's context of rising fuel prices and an exhaustible supply of oil and natural gas would be irresponsible if adequate provisions were not made for the exploration of renewable and alternative sources of energy. Indeed, it is inconceivable that under such conditions, Government has up to now been unable to formulate and articulate a coherent energy policy.

We spend a significant percentage of our valuable foreign exchange on petroleum products that are used mainly for generating electricity and for transportation. In recent times, we have witnessed an overall rise in oil prices and increasing volatility in the global oil market.

Madam Speaker, energy is a necessity for human existence and for economic activity. Therefore, energy security is critical to Saint Lucia's long-term development. This country cannot afford to remain forever subject to the vagaries of the oil market and must now seriously explore opportunities to diversify its energy portfolio. In this regard, emphasis must be placed on avenues for producing energy from renewable sources, using environmentally-friendly technologies and for providing energy to the consumer at the lowest feasible cost.

Government will also be working with LUCELEC in an effort to facilitate a shift from diesel to less-expensive fuels. Should this prove successful, consumers will benefit from a reduction in their monthly electricity bills.

Over the years, there have been numerous attempts to identify and tap geothermal resources. Recent reviews of explorations to date indicate that a substantial, commercially viable, geothermal resource does exist. It is therefore Government's intention to further reduce Saint Lucia's dependence on imported fossil fuels by seeking the necessary injection of capital to realize geothermal electricity generation. This will of course be done with consideration for pertinent environmental issues, in particular, maintaining the integrity of the Pitons Management Area.

In a further effort to promote the use of renewable energy, efforts will be made to realize the commencement of commercial bio-fuel production in Saint Lucia by private investors. Fuels produced from local and imported plant material will be used in combination with conventional fuels in the domestic transport sector. Some will also be exported.

All of the foregoing energy-related measures will require adjustments in the existing policy and legislative environment. In this regard, Government will therefore move speedily to ensure the completion and adoption of the long-outstanding National Energy Policy.

## **THE SOCIAL SECTOR**

### **Health**

Madam Speaker, I earlier alluded to the need to ensure that each citizen is in a position to take advantage of opportunities created during the development process. Too often, however, our citizens face disadvantages as far as physical and mental wellness is concerned, thus rendering them less than capable of being fully productive.

Madam Speaker, although over the last quarter century we have seen improvements in most health related indicators including life expectancy, immunization coverage, infant, child and maternal mortality and reductions in communicable diseases, new patterns of diseases, particularly lifestyle-related illnesses, are being revealed.

In particular, since 2003, chronic non-communicable diseases such as heart disease, diabetes mellitus, hypertension and cerebral-vascular disease have been among the principal causes of death in Saint Lucia have been. In addition, intentional and non-intentional injuries are rapidly increasing and are the major cause of morbidity and mortality among children, adolescents and young adults. There are also major challenges posed by communicable diseases including HIV/AIDS that has increased since 1985 when it was first diagnosed in Saint Lucia.

Madam Speaker, in response to these prevailing patterns of morbidity and mortality, the Ministry of Health has charted the way forward over the medium term, through the articulation of a Five (5) Year National Health Strategic Plan to cover the period 2006-2011. The plan, which was devised through a broad-based consultative process, identifies thirteen (13) priority areas ranging from communicable diseases, sexual and reproductive health, mental health and substance abuse to areas such as food and nutrition and health promotion. The basic premise upon which the National Health Strategic Plan was created will be upheld and will form the basis for our action in promoting health and wellness.

Integral to all this, Madam Speaker, will be the phased development of the Universal Health Care system of national health insurance. I say phased, Madam Speaker, because from all indications it has become apparent that the financial implications of that system are huge and that the impact will have to be conclusively quantified and managed before we plunge headlong into this unknown territory. Further, it would be difficult to institute UHC without the comprehensive reforms envisioned through the National Health Strategic Plan.

Our focus, therefore, will be on ensuring that the measures required for the successful rolling out of the UHC are in place. These include, the Policy and Legislation to govern the UHC; the establishment of a National Health Management Information System; a National System for Standards and Quality Assurance applicable to all service providers; the statutorization of public health institutions and continued upgrading and improvement of all health facilities responsible for administering the package of health services assigned to them under the UHC.

Pivotal to this will be the construction of the New National Hospital that will be the main secondary and tertiary care facility on the island, replacing the Victoria Hospital. It is expected that work on this project will commence during this financial year with funds from the European Union.

Even while we continue to plan for the construction and eventual commissioning of the New National Hospital, we will ensure that the level of expenditure on existing health services will not be reduced. This is because, even as we invest heavily in infrastructure, we will also continue to address human resource deficiencies in the sector.

In spite of this, Madam Speaker, while we talk about expenditure in the Health sector and in particular the financing of UHC, we must remain focused on the need to address the prevention side of the equation for this, ultimately, is the only way that we will ensure that our people remain healthy and productive over time.

For the concept of wellness to take root, it must be part and parcel of our everyday life. We must therefore become more creative in our efforts to promote wellness. For example, we cannot preach wellness in our health centres when these facilities are ill-equipped to facilitate even the most basic form of exercise and physical fitness activities.

Madam Speaker, is it unreasonable for us, therefore, to begin to design or retrofit these facilities with gymnasias? Shouldn't our Community Centres and Schools implement health and fitness programmes within their establishment? Shouldn't the private sector encourage their employees to patronize gymnasias in close proximity to their place of work or even establish their own gymnasias? Madam Speaker, this Administration intends to explore these possibilities over the course of the next fiscal year and will be in dialogue with some of our donor partners with a view to encouraging this approach in some of our ongoing programmes.



## **Transforming Our Communities**

Madam Speaker, combating the social ills that confront our nation is a Herculean task that will not be achieved overnight. Over a sustained period of time, we have witnessed a decline in the traditional spheres of influence that have impacted positively on our families and communities. Here I speak specifically of :-

- The extended family
- Our elders
- Uniformed groups and community organizations.

As a first step to addressing this situation, Government has brought most of the key departments and agencies that interface with our communities and our vulnerable populations under one umbrella Ministry. Community development, youth, sports, gender relations and human services are all rooted in community life.

This year's capital allocation to the Ministry of Social Transformation reflects our determination to support positive activities at the community level. We are committed to ensuring that the necessary community infrastructure is in place, through the establishment and/or upgrading of community centres, playing field and multi-purpose courts.

However, we must begin to maximize on these facilities. Nowhere is the need for this more evident than in the development of our sporting infrastructure at the community level. The simple fact is that these facilities are currently underutilized because, for the most part, they are only available during the day. We have to adopt a new approach by providing lighting at all of these facilities. The impact of making these facilities available during the evening would be enormous, both in terms of wider access and the level of organized, competitive and disciplined activities that would take place.

We have to begin to use these facilities to transform the mindsets of our people to understand the rules of the global game. But we must also realize, Madam Speaker that with the introduction of these new features comes the added responsibility of maintenance and ownership of these facilities. The days of "repairs to facilities" being a major line item in our budgets are over. We must organize ourselves properly, making sure that the requisite programmes are in place at the community level for the upkeep of the facilities. That will be the challenge of this Ministry.

This year, Madam Speaker, we will also be providing direct support to some of our more vulnerable populations. Thus \$ 835,734 has been made available to ensure that the Transit Home is fully equipped and furnished to become operational. This year we will also ensure that the relocation of the Senior Citizen's Home and the Boys Training Centre will come to fruition, after years of talk and promises.

We will also provide support for the upgrading of the Children's Home in Ciceron, that for years has been the lone gladiator standing up to the forces of child abuse and neglect. As I stated earlier, Madam Speaker, we must recognize these efforts and help the home to consolidate the comparative advantage that it possesses in the delivery of services, since Government cannot do it all.

Madam Speaker, we have deliberately avoided the temptation to overload this Ministry with interventions, even though it would be quite tempting to do so in the face of the findings of the Country Poverty Assessment Study.

We believe that this year would be best served if the Ministry were to undergo a period of relative introspection, to re-organise itself, to re-connect with the communities and their representative organizations and structures and to facilitate their re-socialisation within the broader aims and objectives of the nation. That, ultimately, is what social transformation should be about.

Madam Speaker, I cannot leave this subject area without making mention of the Government's position on the so-called FIFA Goal Project.

After careful examination of all the issues, Government has decided that this project would not be appropriately located at Union and has therefore identified a more suitable location at Bexon.

The Minister with responsibility for Sports will provide a full explanation of Government's rationale for this decision during his presentation to this Honourable House, but I wish to indicate, Madam Speaker, that arising from this decision an allocation of \$1.5 million that is equivalent to that provided by FIFA, has been made available in these Estimates to enable the relocation of this Football Complex to become a reality.

Madam Speaker, the recent report by Dr Michael Graven of Dalhousie University, Halifax Nova Scotia, about our lifestyle and dietary habits must be a wake up call for all St. Lucians. Indeed, in a rare compliment to the Leader of the Opposition, I must note that he drew attention to the problem in one of his "Conversations with the Nation" about one year ago.

The Ministry of Sports must work in tandem with the Ministry of Health to address this. This can best be done by providing adequate sporting facilities in every community and by the organisation of the young people in Clubs supported by the Ministry. The use of the sporting facilities will therefore be maximised. The motto of the Ministry should therefore be "Form Clubs, not Gangs. Shoot Goals not your Brother".

A systematic drive must be made to provide multi-purpose courts in every community and to encourage greater usage of the Stadiums which exist in the major communities. To reduce the cost of lighting these facilities, investigations should be made of the use of solar power or other energy saving devices. This Administration is fortunate to include a Minister whose prowess on the field of sport and whose expertise in sports medicine is well known.

Madam Speaker, an allocation of \$2,000,000 has been made for the establishment of Beach Parks and associated amenities and facilities.

As the pace of tourism development along our beaches accelerates, there is need for Government to intervene to ensure that access to the beaches for St. Lucia is maintained and that a quality environment exists for family recreation and enjoyment of our beachfront areas.

Accordingly, Madam Speaker, during this financial year, our beachfront recreation parks will be created at Vigie Beach, at Pigeon Island, on both ends of the Causeway and at the Ramp.

Madam Speaker, I also wish to make mention of the work that has been started on the Gros Islet Waterfront and that will continue during this financial year.

The construction of a jetty at Gros Islet has already transformed that community and, during the coming year, Government will undertake a major development along the Waterfront, ensuring that the opportunities thereby created are reserved for the residents of the town of Gros Islet.

Madam Speaker, Government will provide incentives to St. Lucians to develop that area into a zone of small hotels and guest-houses that will integrate the town of Gros Islet into the mainstream of economic activity, thereby creating much-needed employment and income-generating opportunities.

### **Education and Human Resource Development**

Madam Speaker, I am preaching to the converted when I say that investment in human resources is the key to escaping poverty and this theme will underpin Government's development efforts.

However, we will approach it from a much broader perspective than our predecessors. The call for, and pursuit of, universal secondary education was noble and necessary, but it was hastily implemented without adequate thought and planning.

It has been noted by several sources that although St. Lucia, and the OECS in general, has made progress in expanding access to secondary education, quality and equity remain critical deficiencies and have ultimately contributed to the high rates of unemployment recorded among the youth. The following quote from a World Bank Report entitled "Towards a new agenda for Growth", best summarizes our current predicament.

"..... poor educational outcomes have emerged despite high spending, indicating serious inefficiencies in the education system. .... it also masks severe inequities in the system".

Madam Speaker, we must as a matter of urgency address issues of:-

- Teacher training
- Reform of the school curriculum
- Providing more support to the non – performing schools
- Low levels of literacy
- Facilitating greater levels of inclusive education so as to cater for persons with disabilities

If we do not find the answers to these issues we will have failed our children even though we shout "universal secondary education" a thousand times. This is precisely why we have established an Education Task Force. The role of the Task Force will be:

- (1) To review the Universal Secondary Education (USE) system and make recommendations for modifications and improvements
- (2) To examine the feasibility of and approach to transforming the Sir Arthur Lewis Community College into a full fledged University.

Madam Speaker, while the expansion of the secondary school education system is a necessary objective, just as necessary is the need to upgrade the skills of the existing workforce and of persons of working age. In the case of the latter, we are pleased to announce that in this fiscal year we will commence implementation of a skills enhancement project through funding from the World Bank.

However, lest my Honourable friends from the opposition chastise me for claiming this initiative as ours, let me acknowledge the fact that this project was originally conceptualized under the previous Administration. However, in keeping with our overall approach in adding value to ongoing initiatives, major adjustments were made to the design of the project to reflect the realities of our circumstances.

Madam Speaker, the reality is that we could not agree to an initiative that sought to focus solely on the hospitality sector. We have a responsibility to our people to promote balanced development and this demands that equal attention be given to other sectors. We have therefore given equal priority to training in agriculture, construction and ICT. This initiative, which is being piloted in St. Lucia, but implemented throughout the OECS, will be demand driven, reflecting the needs and priorities of the private sector. The project will also address issues of accreditation and standards.

Another clear departure from the original project concept is the attempt to address the deficiency of communication that will compromise our competitiveness at the global level. The simple truth is that we must improve on our ability to communicate effectively with our clients both in terms of the English language as well as in foreign languages. This will be particularly pertinent for the hospitality and ICT sectors. We have also included a component that will recognize the imperative for training that is continuous and offers scope for mobility for existing workers within the sectors, through acquiring higher levels of competence.

Madam Speaker, it is anticipated that about 1,600 unemployed individuals will benefit from this initiative. We are convinced that through this collaborative approach with the private sector, up to 85% of trainees will be retained by employers following the training period.

Madam Speaker, the development of our people to enable them to be effective and active participants in the knowledge-based economy of the world demands that we give priority attention to the shortage of tertiary education opportunities. At present, only a small percentage of students enjoy such status. We can no longer allow that level of education to remain a luxury to our people. Consequently, this year we will actively pursue efforts to upgrade the Sir Arthur Lewis Community College into a full-fledged University.

## **Housing**

Madam Speaker, our housing agenda for this fiscal year will be focused on three main elements. The first is the effective implementation of the CDB- funded Shelter Development Programme, for which we have experienced excessive and inordinate delays. Secondly, we will implement specific relocation and rationalization programmes in Baron's Drive, Anse Canot and Piaye/Balembouche. The third component of our agenda speaks to the establishment of new residential developments in Vieux-Fort, and more specifically, in La Tourney and along the St. Jude's Highway.

As we open up new economic spaces, we will simultaneously seek to establish new towns/settlements that will allow more orderly and planned residential developments to emerge. We need to provide our people with the options to move out of their existing residential spaces, which are often constraining and a breeding ground for the types of activities and behaviours that are unacceptable to us as a people. In our view, this is a more optimal use of our scarce resources.

## **Crime and National Security**

Madam Speaker, it is not by accident that I have left the issue of crime and national security for last. Rather, it is because we believe that once the appropriate socio-economic fabric of our society has been established, then the basis for dealing with the issue of crime will have been substantially laid.

We believe that if we create the necessary environment in which our people can flourish as productive participants, then, over time, we will minimize the levels of crime. Therefore, rather than investing heavily in new police stations, we will redirect these investments towards our economic and social infrastructure.

Notwithstanding, Madam Speaker, in order to achieve any significant reduction in crime, the law must have a greater presence. It is extremely revealing to find that as burdened as we have been by crime over the recent past, it has been highly unlikely that you would be greeted with the presence of a police officer even in those areas most afflicted by crime.

This situation will, of necessity, be addressed through a continued increase in police patrols and a concerted effort at decreasing the lag-time for response to distress calls by citizens. To this end, and in pursuit of this goal, the police will be supported with the necessary expansion and improvement to its communications network, systems and equipment.

Importantly for this Administration, and as part of an innovative approach to crime reduction, we will embark this year upon a programme that will see the progressive phasing-in of CCTV cameras at specific public locations island wide, which for the time being and for obvious reasons will remain undisclosed.

Madam Speaker, suffice it to say that the major crime hotspots will receive priority attention under this programme. There can be no denying that this technology is at the vanguard of crime reduction strategies employed by developed countries and even with the limited local application of this technology, primarily by private interests, there has been a measure of success. Hence our commitment Madam Speaker, of an amount of \$4.5 million to the introduction of this technology into the public domain. This initiative will not only serve as a deterrent to criminals but will also give our citizens a greater feeling of security and lead to a greater success rate in solving crimes. Indeed Madam Speaker, this Government will be guarding its citizens so that they may go about their daily routines confidently and reassured in their security.

## **ECONOMIC EMPOWERMENT**

Madam Speaker, the theme of this Budget Presentation makes clear Government's intention to bridge the divide between the more economically fortunate and the most economically disadvantaged within our country.

We take this approach because it is just, fair and right and because we are mindful that a society built on inequity is ultimately an unstable and fragile society. Unless all people within a society participate in the gains of development and identify with its social and development goals, there is always potential for instability that can serve to undermine the very progress that is being sought.

In the past Madam Speaker, the promotion of economic equity has been promulgated and the Honourable Members on the other side even dubbed themselves as "the Government of the Malayway" But, Madam Speaker, as we all know, and as the recently published Poverty Assessment confirms, all they succeeded in doing was in creating a lot more "Malayway".

Madam Speaker, one of the proudest acts of the Honourable Member for Vieux-Fort South and Leader of the Opposition, in his former capacity, was to close down the St. Lucia Development Bank, the bank that served the farmer, the fisherman, the small entrepreneurs and the students seeking loans for their education. This was a critical blow that literally abandoned some of the more economically vulnerable members of our society to the mercy and the vagaries of the commercial financial market.

### ***National Development Bank***

Madam Speaker, a major constraint to the economic empowerment of our people, and an impediment to the rise of an entrepreneurial class, is a lack of access to affordable credit. This constraint is particularly acute in the farming community. Commercial banking statistics indicate that less than 1% of credit is directed to the agricultural sector.

It is equally difficult and frustrating for a small business to obtain credit to establish or expand its operations. These business persons, often young entrepreneurs, are considered too great a risk by the commercial banking sector and yet, institutions like the Belfund, invariably do not provide them with the scale of credit, financial advice and guidance necessary for their success.

Madam Speaker, this administration is convinced that if we are to groom entrepreneurs to participate in the economic opportunities that are presented, we must have an institution sensitive to their distinctive needs. While we are not diminishing the successful evolution of the Bank of St. Lucia, this Administration will over the course of the current financial year re-establish the National Development Bank.

I wish to point out, Madam Speaker, that a specific mandate of this newly established bank will be to provide financing to St. Lucians to enable them to take advantage of the economic and investment opportunities that are created by the Castries Redevelopment initiative and the similar initiatives in Vieux-Fort and in the East Coast and West Coast communities.

### ***Unit Trust***

Madam Speaker, if we are to sustain a high level of local participation in economic opportunities, then we must inculcate in our people the necessity for saving.

Government must play its part by creating avenues into which savings can be channeled. Therefore, Madam Speaker, this Administration will be exploring the establishment of a Unit Trust that will mobilize the savings of the population and move them into desirable investments. All St. Lucians, with their modest resources, will be able to own shares of businesses, and therefore a piece of the economic pie.

### ***Minimum Wages and Productivity***

Madam Speaker, as I indicated earlier, the 2005 Country Poverty Assessment Report highlighted severe income inequalities among our population.

One way of closing this divide is to address the issue of the minimum wage. We cannot close our eyes to the fact that the working poor constitute a significant proportion of our population. We are all aware that there are individuals who can barely survive on the wages they earn simply because the cost of transportation, utilities and other family and household commitments is too onerous.

It is a simple fact of life that a minimum level of income is needed to preserve human dignity and ensure survival in a modern economy. How they manage to survive is testimony to their courage and basic survival instincts. But in reality, they are condemned to a life that seems worthless and demeaning. The “Malayway” mindset inevitably festers and germinates and we are suddenly caught up in the vicious cycle of poor attitudes and values leading to poorer and poorer prospects for national self-advancement.

Madam Speaker, we must raise the level of self-worth of our vulnerable populations. In this fiscal year, this Administration will therefore undertake the necessary research with a view to introducing Minimum Wage Legislation.

I need to stress, Madam Speaker, that while we must reward our people for their efforts, we must all aspire to greater levels of productivity.

Productivity is another word that has become part of the jargon but for which no concrete actions have been articulated, let alone implemented. As a nation, we have to rise to this challenge.

Our national efforts at development require balance and consensus. We cannot implement Minimum Wage Legislation if it will become a burden on the business community and the economy as a whole. It is about “give and take”, bound by a collective responsibility and commitment to making us more competitive as individual workers, as firms and as a nation. Development spans not just economic and social arguments but moral and ethical ones as well.

### **The Labour Code and National Economic and Social Council**

Madam Speaker, this Administration will re-establish the tripartite dialogue between the State, the Unions, and the Private Sector and civil society, under the aegis of the National Economic and Social Council.

The first order of business will be to revisit the Labour Code that was so hurriedly brought to this Honourable House late last year, as well as to review any recommendations emerging from the research on the Minimum Wage.

Madam Speaker, this is far too important a matter for us to address with haste. We will be deliberate. We will be thorough. We will be engaging. It is this approach, Madam Speaker, that will redound to the benefit of all of us. It is this approach that will help us to close the gap and to ensure economic equity for all our citizens.

## **ECONOMIC MANAGEMENT**

### **Public Debt**

Madam Speaker, let me remind this Honourable House of this Government’s philosophy in financing the budget for both recurrent and developmental purposes. The primary source must come from taxation. If political independence is to have any meaning, it must be buttressed by economic and financial independence.

The second source of financing if the economy is strong, should be from loans, but this power should be used sparingly and only for Capital and developmental projects, whilst the third source would be from grants, the grace and favour of friendly Governments and institutions such as the World Bank and the Caribbean Development Bank.

It is the policy of this Government which in biblical terms should be like the “laws of the Medes and the Persians which should not be changed” that a minimum of 10% of the recurrent revenues should be allocated to the development of our country and the maintenance of our capital infrastructure.

Madam Speaker, the economy of St. Lucia can best be compared to an athlete poised at the starting block, built with a sound infrastructure of roads, electricity, reliable water-supply, and modern telephone system but whose ankles are shackled by the heavy burden of debt placed on the St. Lucia economy by the previous administration – debt it used to finance its excesses and to cover its mismanagement.

As of December 1996, St. Lucia’s debt burden stood at an acceptable \$567.2 million or a mere 35% of the GDP. By 31<sup>st</sup> December 2006, this debt had risen to \$1.624.95 billion or 65.04% of GDP; and what have we got to show for it? Two miles of road with roundabouts leading to no where and barriers through which the emergency vehicles cannot cross? What with land acquisition included will cost the people of this country approximately \$22 million per mile! Perhaps one of the most expensive roads in the entire hemisphere, and this when people at Tete Chemin, Millet or Vigier – Vieux Fort cannot get to their homes. Or perhaps the Soufriere-Vieux Fort Highway completed at a cost of nearly \$100 million when the original cost was \$42 million dollars.

It is not surprising therefore that debt servicing has risen from a mere 7.7% of recurrent revenue in 1997 to 19.8% in 2006, an increase of \$100 million. This means that after paying debts there is little left for doing other things and we have – hospitals without medicines, schools without supplies, roads in disrepair and so the litany of neglect goes on.

But we were warned about this, the IMF in its report on St. Lucia “expressed concern” about the rising level of debt and unfed moderation in expenditure. We did not take the advice but continued to borrow as if there was no tomorrow. But tomorrow did come on the 11<sup>th</sup> of December 2006. Sadly those who danced on the grave of St. Lucia are not there to face the music.

There is however an alarming dimension to this. The normal practice is to create a sinking fund to permit the bonds to be paid on maturity, or to choose the more dangerous path of “roll over” or refinance these bonds when they mature. But as of today Central Government Bonds include twenty issues totally \$764 million of which six issues do not require sinking funds. However, there are eight Bond issues amounting to \$307.0 million for which no sinking fund provision has been made.

These are as follows:

<b>Amount</b>	<b>Date Contracted</b>	<b>Tenor</b>	<b>Maturity</b>
\$50.0 M	2004	5 years	2009
\$27.0 M	2004	6 years	2010
\$50.0 M	2005	5 years	2010
\$50.0 M	2004	10 years	2014
\$30.0 M	2004	10 years	2014
\$25.0 M	2005	10 years	2015
\$25.0 M	2006	10 years	2016
\$50.0 M	2006	10 years	2016



I have over the years in or out of Government warned of the danger of excessive borrowings and the pain and suffering which can be inflicted on the population if economic restructuring and structural adjustments become necessary.

Madam Speaker, the people of St. Lucia having relieved themselves of this reckless and oppressive Government, must also have the pain of debt and debt servicing eased. In this regard this Government will carry out and indeed is carrying out clinical examination of all loans already contracted to determine what measures are available to effect cost savings in the servicing of such debts.

Madam Speaker, this Government like every other Government in the world will from time to time find it necessary to borrow and when we do we shall as we did in the past seek the assistance of such multilateral agencies as the World Bank, the Caribbean Development Bank and the European Investment Bank where the terms are softer and debt serving a lost more manageable.

Loans contracted will be invested in such projects which will ensure economic growth and which will result in containing the debt level and effectively reducing the debt to GDP ratio and bringing it down to well within prudential limits.

To give this level of assurance to the international agencies whose support we seek, Madam Speaker, I wish to set out clearly the policy framework within which this Administration will operate during its current term in office.

The following policy initiatives will be adopted following a period of thorough review:

- National Export Development strategy
- Land Policy
- Human and Social Development Policy
- National Policy and Strategic plan for the development of the agricultural sector
- Poverty Reduction Strategy and Action Plan
- Rural/Agricultural Sector Policy

We will resort to commercial borrowing and fund-raising on the Regional Government Securities Market only when it is necessary and only if the terms and conditions are sufficiently attractive to warrant such borrowing.

### ***Establish Sinking Funds to support Bond Issues***

As was revealed earlier, a significant part of Government's debt portfolio is in the form of bonds that are not supported by sinking funds. This means that on maturity there will be no funds available to redeem these bonds and as a result, arrangement will have to be made by this Government to rollover those debts. In cases where the debts are rolled over into bonds, we will ensure that the necessary sinking funds are established to facilitate the full redemption of the bonds on maturity, notwithstanding the effect this is expected to have in terms of increasing the debt service ratio.

## ***Refinancing of Debt***

We intend to undertake a clinical examination of all loan contracts to ascertain whether there is any scope for refinancing existing debts. The objective of this exercise is to achieve interest cost savings and in general, to reduce debt service provisions.

Madam Speaker, while we apply all of the debt containment and debt management strategies already outlined, a main objective of this Administration will be to realize economic growth.

This Government will seek to grow the economy at an accelerated rate, to increase the size of the Gross Domestic Product while ensuring that there is equity in the distribution of the benefits from that growth.

Madam Speaker, if, as we anticipate, we are able to grow the economy while containing the level of debt, we will effectively reduce the debt to GDP ratio, bringing it down to well within the prudential limits.

## **Tax Reform and Fiscal Planning**

Madam Speaker, I wish to highlight at this point that St. Lucia is confronted with major issues related to rising fiscal deficits and a burgeoning debt stock. If not addressed immediately, this could stymie the very growth and development that we are embarking on.

A comprehensive fiscal stabilization and reform programme is required to correct these growing imbalances and to place St. Lucia on a more sustainable path towards growth and development. In this regard, this government will undertake a comprehensive review of our tax system in order to improve our fiscal situation, reduce debt and the onerous debt service burden. This proposed tax reform will seek to ensure a simpler, fairer and more equitable tax system.

Madam Speaker in these days of globalisation with the impact of the WTO rules and the CSME, the economy must change and so too must the tax systems that regulate it.

The Leader of the Opposition is no stranger to this requirement. Indeed as Minister of Finance, in his Budget Address of 2003/04, he reported to this Honourable House that he had received a copy of the OECS Tax Reform report prepared by Sir Alistair McIntyre, which was commissioned by the Monetary Council in 2002. This report advised that in light of the shrinking tax base on imported goods and services from WTO arrangements to which they have subscribed, the Governments of the OECS should move to a value added tax or VAT.

Again in his 2006/07 Budget presentation the then Minister of Finance returned to the subject under the heading CHANGING TAX POLICY ENVIRONMENT. He indicated that Government had commissioned a review of the report by a group of citizens and that their report would be released soon for public scrutiny.

To date this important report has not been released. The then Minister of Finance drew attention to the need for Tax Reform which he indicated should have been undertaken three years previously but as usual he procrastinated and said that the matter of tax reform “will be considered after the election”. Although the people of St. Lucia did not give him the opportunity, Madam Speaker, the then Minister of Finance indicated that he would analyse the decision of the OECS on this matter but they certainly did not wait for him. Dominica introduced VAT in March 2006; Antigua/Barbuda in January 2007; St. Vincent and the Grenadines will act in May and both Grenada and St. Kitts/Nevis will be introducing this system later this

year. St. Lucia “stands on the burning deck while all but she hath fled”. But we must get in step with all our neighbours and stop playing the political game with so important an initiative.

The National Economic Council appointed to advise the Government on this matter in April 2005 advised Government to adopt a broad based consumption or value added tax – VAT, possibly including taxes on services.

Madam Speaker, we have two choices namely:- to keep our tax system unchanged and suffer the consequences of a dwindling tax base or to reform the tax structure to make it move appropriately to the new global and domestic environment. Madam Speaker, this Government has made the latter choice. This Government will seek external assistance to advise on the implementation of the VAT and at the same time to remove a host of nuisance taxes which add little to the revenue but are serious impediments to the transaction of business in these modern times.

Government aims for the introduction of the Value Added Tax or VAT within 12 months – that is by May 01, 2008.

### ***VAT***

Madam Speaker, I wish to draw to the attention of this Honourable House that VAT is not a tax with which we are unfamiliar. We currently have on our books a number of transaction taxes such as the consumption tax, hotel accommodation tax and the travel tax. It is more efficient to bring all those taxes under a single legislative and administrative structure that would widen the tax base while easing the burden of existing taxpayers. The VAT will not be another tax, but a replacement for some existing taxes. It will be a broad-based comprehensive and simplified system of taxation on transactions.

During the course of this financial year, we will be consulting with you on an appropriate schedule for implementation of this modified tax system. We wish to proceed with great care and caution so as to ensure that the vulnerable groups amongst us will be provided with adequate protection and will not suffer or be made worse off.

### ***Property Taxes***

Madam Speaker, the collection of property taxes requires some attention. This was acknowledged by the previous Administration that began the process. The Inland Revenue Department has been engaged in the registration of all properties in St. Lucia to establish the basis for these taxes. As part of the tax review initiative, Government will assess and consider various options with regard to the appropriate rate of taxation on properties. I wish to point out that most countries in the Region have moved towards a similar market-based system of property taxes.

Madam Speaker, as part of the tax reform study that will be conducted during this financial year, our personal income tax system will also be placed under the microscope. At the moment there are twenty-six separate allowances and this makes the process of the assessment of tax returns slow and costly from our administration standpoint. The objective of this review will be to simplify the administration of the income tax reform and to make the process more transparent.

On the tax administration side, we will also embark on a review of the possibility of establishing of a single Revenue Authority in order to improve/enhance the administrative capability of our revenue collection departments.

Madam Speaker, I wish to stress that restructuring the tax system does not automatically mean an increase in the tax burden on individuals. Rather the objective is to spread the burden across many more agents and even to reduce the burden on existing tax payers.

Madam Speaker, I am therefore pleased to announce that this Budget contains no new taxes except those necessary to strengthen administrative control, to remove the subsidy on cooking gas and to keep faith with out promises to the people of St. Lucia.

Madam Speaker, there is increasing carnage on our roads as the number of motor vehicles increases. The number of accidents and road deaths is a cause for grave concern. But, Madam Speaker, what is even worse is the fact that many of the drivers involved cannot be made accountable for their negligence or recklessness.

This is because Madam Speaker, according to a survey sponsored by the Transport Division, as many as 40% of the vehicles on our roads are either not insured or their drivers are not licensed.

Madam Speaker, to address this situation, an annual vehicle license of \$100 will be introduced that requires every vehicle on our roads to be licensed. For the license to be issued, evidence of valid insurance coverage will have to be provided.

This should not be considered a tax but rather a method of control to ensure that all vehicles on our roads comply with the law and ensure the safety of all road users.

#### Review of Administration of Firearm Licenses

Madam Speaker, at present firearm licenses are to be paid every three years. This arrangement has however posed problems as the keeping of records by the Police is made more difficult than if an annual payment requirement existed. Also, Madam Speaker, it is easier for owners of firearms to develop the habit of paying licenses annually.

Accordingly, the payment of firearm licenses on an annual basis will be re-instituted with effect from May 02, 2007. The cost to the owners of firearms will remain unchanged so that instead of paying a fee of \$300 for three years, the license fee will be \$100 annually.

## REVIEW OF THE SUBSIDY ON LPG

Madam Speaker, LPG is currently being heavily subsidised. This subsidy started in July 2004 when the price of petroleum products increased appreciably. Data from the Customs and Excise show that the amount of the subsidy was \$5.86 million in 2006. In other words, Madam Speaker, the Government of Saint Lucia paid out \$5.86 million to the suppliers of LPG in order to keep the price constant. The average level of the subsidy based on the most recent consumption tax notices over the period 23<sup>rd</sup> to 27<sup>th</sup> March, 2007 is as follows:

- LPG -20 Pound Cylinder – 48.41 cents per pound. This amount translates into a subsidy of \$9.68 per 20 pound cylinder.
- LPG – 100 pound Cylinder – 39.41 cents per pound. This amount Madame Speaker translates into a subsidy of \$39.41 cents per 100 pound cylinder.

The current prices of LPG in our sister OECS states are as follows:

	<u>20 Pounds</u>	<u>100 Pounds</u>
Anguilla	\$37.00	\$163.50
Dominica	\$34.99	\$169.68
Grenada	\$36.27	\$164.50
Montserrat	\$29.00	\$145.00
St. Kitts & Nevis	\$30.00	\$140.00
St. Vincent & Grenadines	\$37.00	\$173.50

In St. Lucia, Madam speaker the price of a 20 pound cylinder of gas is \$28.20, while the price of a 100 pound cylinder is \$150.00.

In keeping with the need to provide appropriate protection to consumers while at the same time reducing the haemorrhage from the Consolidated Fund, I wish to recommend the following small changes in the retail prices of LPG:

- The price of the 20 pound cylinder will be increased to \$30, an increase of \$1.80.
- The price of the 100 pound cylinder will be increased to \$170, an increase of \$20.

The increases are to take effect from May 02<sup>nd</sup> 2007.

Madam Speaker, we understand that nobody likes paying taxes, but I think the people of Saint Lucia will understand that these small adjustments are necessary in light of the continued high prices on the world market.

## Review of the Environmental Levy on Motor Vehicles

Madam Speaker, the Environmental Protection Levy Act No. 15 of 1999 was introduced by the former Administration. The Act imposes a levy on goods imported into Saint Lucia. The Act, as currently administered is posing problems for St. Lucia at all levels of trade, that is, regional and international trade.

The Act is considered to be discriminatory as it relates to trade and this Government is currently reviewing the Act as part of our tax reform programme.

Madam Speaker, I wish to now turn my attention to the Environmental Levy on vehicles.

When the Act was first introduced in 1999, the Environmental Levy on Vehicles was as follows:

Motor Vehicles 3 years and under -	\$	300.00
Three years and over	- \$	400.00

These rates were subsequently revised in 2002 to the following:

New Vehicles -	\$	1,000.00
Used Vehicles:		
Up to 2 years	\$	6,000.00
Exceeding 2 years but not		
Exceeding 4 years	\$	9,000.00
Exceeding 4 years	\$	12,000.00

Madam Speaker, the rates on used cars have proven to be prohibitive and as a result, the “small” man can no longer afford to purchase a vehicle. In keeping with our campaign promise, Honourable Members will be extremely pleased to know that I wish to make the following adjustments in the levy on vehicles:

New Vehicles -	\$	1,000.00
Used Vehicles up to 5 years	\$	4,000.00

All vehicles over 5 years, with the exception of lorries, will be prohibited from entering the country. Lorries over 5 years will attract an environmental levy of \$ 4,000. It is proposed that that these new rates will come into effect on May 02, 2007.

Unlike the previous Administration, this Government will adhere to a policy of fiscal prudence, fiscal responsibility and fiscal sustainability. To begin this process and to pursue our economic transformation agenda, we have sought to contain the growth in recurrent expenditure.

## Recurrent Expenditure

Madam Speaker, control of the recurrent expenditure is one of the principal economic management priorities of this Administration.

During the recent election campaign, Madam Speaker, it was made clear that a United Worker Party Administration would give priority to the reduction of recurrent expenditure as a means of making more of the nation's revenue available for financing of the capital programme.

Madam Speaker, Honourable Members, changing the direction of a country is like altering the course of an ocean liner...it takes time.

Control of the recurrent expenditure is a continuing objective, Madam Speaker, and in this first Budget, we have taken the first step towards bringing the recurrent expenditure in line with our targets. For the first time in years, recurrent expenditure has been reduced below the level of the preceding year, and over the next few budgets this process will continue until we have eliminated all wasteful and non-productive expenditure.

In these Estimates, Madam Speaker, the recurrent expenditure is allocated as follows:

<b>Agency</b>	<b>Recurrent Expenditure</b>
Governor General	767,250
Legislature	2,025,330
Service Commissions	576,366
Electoral Department	966,851
Audit	1,720,202
Office of the Prime Minister	5,863,533
Ministry of Econ. Affairs and Econ. Planning, Nat'l Dev't and the Public Service	22,659,098
Ministry of Justice and Attorney General's Chambers	14,399,909
Ministry of Home Affairs & National Security	69,000,000
Ministry of Agriculture, Forestry and Fisheries	14,154,826
Ministry of Trade, Industry and Commerce	3,961,199
Ministry of Communications, Works, Transport and Public Utilities	34,285,264
Ministry of Finance	277,103,165
Ministry of External Affairs, International Financial Services and Broadcasting	20,281,475
Ministry of Tourism and Civil Aviation	1,805,601
Ministry of Physical Development	11,016,661
Ministry of Housing, Urban Renewal and Local Government	9,459,756
Ministry of Social Transformation, Human Services, Family Affairs, Youth & Sports	18,802,084
Ministry of Education and Culture	127,247,481
Ministry of Health and Labour Relations	60,403,949
<b>Total Expenditure</b>	<b>696,500,000</b>

## *Capital Expenditure*

Madam Speaker, the Capital Expenditure for the fiscal year 2007/2008 is the basis for the new investment that will promote further economic growth and development.

This expenditure is as follows:

<b>Agency</b>	<b>Capital</b>
Governor General	504,052
Legislature	80,010
Service Commissions	
Electoral Department	
Audit	
Office of the Prime Minister	809,241
Ministry of Econ. Affairs and Econ. Planning, Nat'l Dev't and the Public Service	123,806,688
Ministry of Justice and Attorney General's Chambers	2,388,427
Ministry of Home Affairs & National Security	11,353,146
Ministry of Agriculture, Forestry and Fisheries	43,330,231
Ministry of Trade, Industry and Commerce	5,532,490
Ministry of Communications, Works, Transport and Public Utilities	95,089,422
Ministry of Finance	39,565,421
Ministry of External Affairs, International Financial Services and Broadcasting	165,141
Ministry of Tourism and Civil Aviation	54,341,248
Ministry of Physical Development	20,081,483
Ministry of Housing, Urban Renewal and Local Government	18,258,369
Ministry of Social Transformation, Human Services, Family Affairs, Youth & Sports	26,786,033
Ministry of Education and Culture	34,266,510
Ministry of Health and Labour Relations	76,392,888
<b>Total Expenditure</b>	<b>552,750,800</b>



The Capital Programme is financed overall from four sources:

Local Revenue	\$ 67,982,648
Grants	\$ 265,874,729
Bonds	\$ 96,244,817
Loans	<u>\$ 122,648,606</u>
Total	\$ 552,750,800

Madam Speaker, as will be obvious from an examination of the Estimates, most of the loans are associated with ongoing programmes that were inherited from the previous Administration.

The items under “grants” are projects to be proposed for the consideration of International Financial Institutions and our traditional friends.

### *Financing the Budget*

Madam Speaker, a summary of the Estimates of Expenditure for the 2007 financial year is presented below together with an indication of the proposed financing arrangement.

Comparative figures for the 2007/2008 Estimates of Expenditure are also provided.

	<b>2007/2008</b>	<b>2006/2007</b>
Recurrent Expenditure	696,500,000	700.1 million
Capital Expenditure	<u>552,750,800</u>	<u>421.7 million</u>
<b>TOTAL</b>	<b>1,249,250,800</b>	<b>1,121.5 million</b>

Financed by:

Recurrent Revenue	718,482,648	621.6 million
Excess Revenue	30,000,000	16.0 million
Capital Revenue	16,000,000	9.2 million
Grants	265,874,729	76.5 million
Bonds	96,244,817	244.3 million
Other Loans	<u>122,648,606</u>	<u>153.8 million</u>
<b>TOTAL</b>	<b>1,249,250,800</b>	<b>1,121.5 million</b>

Madam Speaker, in all fundamental respects the estimates presented for the 2007/2008 represent an improvement over those presented to this Honourable House for the preceding period.

Madam Speaker, the recurrent expenditure is reduced; the capital expenditure is increased; the recurrent revenue is increased; the level of grant revenue is higher; the requirement for the sale of bonds is more than halved and the requirement for additional loans is significantly lower.

Madam Speaker, we have been able to accomplish this after only four months of work. Madam Speaker, by the time that we present the Estimates next year, I am confident that we will see an even more dramatic difference.

## **Conclusion**

Madam Speaker, our needs are endless and our resources limited. We will not therefore engage in any “scattershot” approaches. We must be strategic. We must be targeted. We must be measured, but we must be flexible.

Our most recent experience has taught us that it is not acceptable to our people for those in Government to speak of progress in grand terms, using the current jargon—“economic growth”, “universal secondary education”, “universal health care”. However popular these expressions may have become, what is important is that we make them real for our people. That is the language that our people understand... the language of true development, the language of feeling the improvement in the standard of living.

This budget is constructed in reality. This is a budget that has had to do some weeding and re-ploughing on lands that were once fertile. This is the budget that will plant seedlings for Saint Lucia to blossom once more. It will require that we all nurture it, nourish it, and protect it from unsavoury conditions and elements. It is our collective responsibility but this Administration will provide the necessary vision and leadership.

Madam Speaker, these are challenging times, but these are exciting times as well. Opportunities exist for us, as a country, to move forward. This Budget will kick-start our efforts. We have no option but to bridge the divide that separates us as a people and as communities, and that has, until now, confined us to an existence that represents a mere fraction of our true potential and worth.

Let us seize this opportunity now.

Madam Speaker, I beg to move.