



GOVERNMENT OF SAINT LUCIA

2009 BUDGET ADDRESS

for the Financial Year 2009/2010

*“Generating Growth, Securing Jobs, Promoting
Competitiveness and Protecting Vulnerable
Citizens in the Face of Global Recession.”*

Delivered by



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Prime Minister & Minister for Finance

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TABLE OF CONTENTS

Theme: Generating Growth, Securing Jobs, Promoting Competitiveness, and Protecting Vulnerable Citizens in the Face of Global Recession.

1.	INTRODUCTION	1
2.	CRISIS IN THE WORLD ECONOMY	3
	The Impact on our Region	4
	How Saint Lucia Performed Last Year	5
	<i>Tourism</i>	5
	<i>Agriculture</i>	5
	<i>Manufacturing</i>	6
	<i>Construction</i>	6
	<i>Central Government Fiscal Operations</i>	6
3.	STRATEGIC PRIORITIES	8
4.	SECTORAL INITIATIVES	12
	Tourism	12
	<i>Product Development Initiatives</i>	12
	<i>Village Tourism</i>	12
	<i>Maritime Programme</i>	13
	<i>Tourism Promotion and Marketing</i>	13
	<i>Tourism Related Developments</i>	14
	<i>Intersectoral Linkages</i>	14
	Agriculture	15
	<i>Creation of New Agricultural Marketing and Distribution Facility ...</i>	15
	<i>Construction of a Meat Processing Plant</i>	15
	<i>Reactivation of the Beausejour Agricultural Station</i>	16
	<i>Anse-la-Raye Fisheries Project</i>	16
	<i>SFA Projects – 2001, 2002, 2006</i>	16

Manufacturing and Commerce	17
<i>The Private Sector Development Strategy (PSDS)</i>	17
<i>Creating an Enabling Environment for Business and Investment.....</i>	17
<i>Investment by the Saint Lucia Diaspora</i>	18
<i>Reviewing the Incentives Regime</i>	18
<i>National Export Development Strategy</i>	18
<i>Buy Local Philosophy</i>	19
<i>Standards, Consumer Protection and Competition Policy</i>	19
<i>International Trade</i>	19
Construction	20
Housing Construction	20
<i>National Housing Policy and Strategic Plan of Action</i>	20
<i>Incentives for the Housing Sector</i>	21
<i>Plans for Providing Affordable Housing</i>	21
<i>Shelter Development Project - Core Unit Construction Programme ...</i>	21
<i>Land Use Planning/Zoning</i>	21
<i>Extension of Special Development Areas to Include Buildings With Specific Designs</i>	22
<i>Housing Development Projects</i>	22
Other Construction	23
Financial Sector	23
Health	24
<i>Policy Direction</i>	24
<i>Integrated Health Strategy</i>	25
Education	25
<i>Basic Education Enhancement Project (CDB)</i>	25
<i>Computer Education in Primary/Secondary Schools</i>	26
<i>Initiatives to Improve Discipline in Schools.....</i>	26
<i>Upgrading SALCC to a University College</i>	27
<i>National Education Commission</i>	27
<i>Language Policy</i>	28
<i>Arts, Entertainment and Culture</i>	28

Social Transformation Youth and Sports	29
<i>Holistic Opportunities for Personal Empowerment</i>	30
<i>Social Protection</i>	31
<i>Public Assistance</i>	32
<i>Increases to Pensioners</i>	32
Sustainable Development	33
<i>Environment</i>	33
<i>Energy</i>	33
Economic Infrastructure	34
<i>Road Development Programme</i>	34
<i>Rehabilitation of Feeder and Agricultural Roads</i>	36
<i>Port Castries Development</i>	37
<i>Hewanorra International Airport Development</i>	39
<i>Government's Plans for WASCO Including Possible Privatization</i>	40
National Security	40
5. FISCAL OBJECTIVES AND BUDGET MEASURES	41
Overall Fiscal Strategy	41
Fiscal Operations	43
Allocation of Expenditure	44
Stimulating the Economy and Generating Growth	47
<i>Increase in the Personal Income Tax Threshold</i>	47
<i>Increase in Deductions for Mortgage Interest</i>	47
<i>Timely Payment of Income Tax Refunds</i>	48
<i>Tax Amnesty</i>	48
The Contribution of Public Sector Investment Programmes to the Economic Stimulus	49
<i>Central Government</i>	49
- <i>Wider Public Sector</i>	49
- <i>SLDB's Programme for Financing Development</i>	49
▫ <i>Exogenous Shock Facility</i>	50
▫ <i>Youth Enterprise Equity Fund</i>	50

Private Sector/Government Partnership Programmes	51
Other Private Sector Programmes	51
Increased Efficiency in Operations and Revenue Collection	52
<i>Measures to Enhance Efficiency in Revenue Collection</i>	52
<i>Introduction of Taxes on Dividends Paid to Non-Residents</i>	52
<i>Property Repairs and Maintenance</i>	54
<i>Reintroduction of Vehicle License Fees</i>	54
<i>Environmental Levy on Motor Vehicles</i>	55
<i>Measures to Reduce Waste and Inefficiency and Contain Expenditure Growth</i>	55
- Operational and Efficiency Reviews	55
- Capping the Size of the Public Service.....	56
<i>Introduction of Fuel Pass-Through Mechanism</i>	56
Measures Pertaining to Alcohol and Cigarettes	58
<i>Increase in Tax on Alcoholic Beverages</i>	58
<i>Increase in Tax on Cigarettes</i>	58
Tax Reform	58
Prospects for Growth	59
6. CONCLUSION	60

1. INTRODUCTION

Madam Speaker, in rising to present this Budget for 2009/2010, I cannot help but reflect on how much and how quickly the world has changed since I delivered my first Budget Address one year ago. On reflection, growth in the international economy has changed to recession, optimism has become pessimism, confidence has turned into uncertainty, trust among financial institutions has disappeared into oblivion and now replaced with distrust, and their willingness to underwrite business expansion and development, has all but withered away.

Banks and businesses throughout the world have failed at an alarming rate and economic activity in the global economy as a whole is on the decline. All this is taking place despite the concerted efforts of policy makers to diagnose and prescribe correctly the remedy for economic recovery and survival. The implications for Saint Lucia and the Caribbean are serious, considering our dependency on Tourism, Primary Commodities, Trade and Development Finance.

Madam Speaker, this ensuing year will be a difficult one for Saint Lucia and Saint Lucians. It is a year for “belt tightening” and prioritizing. It is a year for sacrifices and one for truly being our “brother’s keeper”. Yet, it is with optimism that I present our economic plans for 2009, and given the multi-year effects of our policies and programs, the impact of the Budget will be felt for years to come.

Madam Speaker, my optimism is based in no small measure on my conviction that Saint Lucians have the capacity to successfully plot and follow our own course; as indeed we must, if we are to thrive in the current global environment – or for that matter, in any environment. Let me emphasize: we can and must take firm charge of our destiny, for no one else will do it for us, since no one else owes it to us. There is no Godfather out there, who will save us from the economic ravages of our time, or from the domestic problems that we have created for ourselves over the years. We must therefore take full responsibility for our problems (crime, violence, complacency to name a few). We have the ability to solve them and we shall solve them if only we focus firmly our attention on the task ahead.

My optimism, Madam Speaker, is also based largely on the relevance and expected impact of the fiscal and economic policies and programmes embodied in this year’s Budget. The context, as everyone knows, is the global economic situation and its impact on Saint Lucia, combined with domestic issues pertaining to criminal activity and to efficiency and productivity. Given the context, this Budget has a specific focus on a number of key areas relevant to our economic recovery, improving our effectiveness in world markets and creating a more conducive climate for ensuring the well-being of our people – “...sons and daughters of Saint Lucia” .

With these considerations foremost in mind, my theme for this year's budget is "**Generating Growth, Securing Jobs, Promoting Competitiveness and Protecting Vulnerable Citizens in the Face of Global Recession**". With these set objectives, it is our conviction that we can achieve "a secure and brighter future" for all Saint Lucians.

Therefore, Madam Speaker, in the quest for a brighter Saint Lucia, this Government has chosen to anchor our policies and initiatives in five (5) economic guidelines that we shall pursue with vigour:

1. Formulating a strategic vision for our Nation to provide long term direction and vision, so as to clearly delineate where we are headed,
2. Setting clear objectives which involve converting strategic vision into specific performance outcomes,
3. Creating a national development strategy, designed to achieve the desired outcomes of national growth, development and social change,
4. Implementing and executing the chosen strategy effectively and efficiently, and
5. Evaluating performance and initiating corrective adjustments in vision, long term direction, objectives, strategy and implementation activities, in light of actual experience, changing conditions, new ideas and new opportunities.

Madam Speaker, these guidelines should adequately equip us to respond favourably to the global economic crisis. The current international recession and the poor prospects for recovery in the near future, require a response aimed at stimulating growth and securing jobs. Our approach in this Budget is, in part, to initiate policies geared to improving disposable income and reducing costs to the consumer in some key areas, without creating untenable fiscal imbalances.

To complement those efforts, the Budget aims to reduce the costs borne by exporters in targeted sectors and at least maintain the level of public investment and, where possible, increase spending in the productive sector.

Some of those measures are expected to have a positive impact on the competitiveness of Saint Lucia's exports of goods and services, while other programmes are aimed at stimulating local production for domestic use and encouraging self-reliance, particularly in agriculture and other selected services. Efficiencies are also expected to be realized in Government's own operations, making the country more able to deal with future challenges.

In our society; with all its challenges – social and otherwise, there will always be people who require assistance, above and beyond the rights and benefits enjoyed by others, as provided by our Constitution. I speak of the youth - the physically, sexually and psychologically abused children, the elderly, the homeless, the indigent, the hopeless and confused, the physically and mentally challenged, the dull and the ignorant. All too frequently, those vulnerable groups fall through the

social and economic cracks of our society, unnoticed, amidst the glimmer, the glitter, and the glamour of the prosperous, the fortunate and wealthy in our community. Their cries echo in the distant wilderness and their screams subdued amid the noise and the haste in our bustling municipalities. Madam Speaker, they speak their truth quietly and clearly, yet too often, they are neither heard, nor listened to. However, they too have their voice. They too have their story.

This Government has heard their stories and their voices and will this year provide even greater “Hope, Opportunity and Security” to them. We will seek to better target social assistance programs and initiatives, and merge some of those actions in order to achieve greater efficiency in their management and delivery.

I am confident, that the programmes I have included in this year’s Budget and which are consistent with the theme that I have articulated, will provide the basis for modest growth over the next couple of years and position us to take advantage of the global recovery at the end of the current recession.

2. CRISIS IN THE WORLD ECONOMY

Madam Speaker, the world economy is facing its worst crisis in over 60 years with global economic activity projected to contract significantly in 2009. The crisis, which began in the United States’ financial sector has spread to virtually every country on the planet and has resulted in job losses and a substantial reduction in demand. In the United States, the number of job losses since the start of the recession in December 2007 has exceeded five million. The rate of unemployment has risen to 8.5 per cent, the highest since 1983. In the first three months of 2009 approximately two million jobs have been lost and analysts predict that the rate of unemployment in the United States may grow to as high as 10 per cent before the economy comes out of the recession in 2010.

Other advanced economies such as those of the Euro zone and Japan are also in recession. In the Euro area, growth slowed to 0.9 per cent in 2008 reflecting slower growth in the United Kingdom, Germany, France and Spain and negative growth in Italy. Although the economies of emerging and developing countries expanded by a robust 6.1 per cent led by China and India, this growth rate was lower than the 8.3 per cent achieved in the previous year.

Developing countries have also been affected by the credit crunch, experiencing weak export and domestic demand and in some cases, lower prices for their exports. Earlier this week, the IMF projected that world output will contract by 1.3 per cent in 2009, with that of advanced countries falling by 3.8 per cent and output in developing countries growing by 1.6 per cent compared to 6.1 per cent in 2008.

At their meeting held in London earlier this month, the leaders of the G-20 countries agreed among other things, to work together to restore confidence, growth and jobs in the world economy, to repair the international financial system

and to restore lending. They pledged to substantially increase financial resources available to the IMF and other lending institutions. In addition, it is expected that US\$5 trillion will be spent by various countries by the end of 2010 on fiscal stimulus packages aimed at creating jobs. If implemented according to plan, these measures are expected to lift the global economy out of its current recession by the end of 2010. In fact, analysts predict that the US economy should be out of recession by the second quarter of 2010.

It is recognized that the lack of strong regulation and supervision of the financial system was a major contributor to the global financial crisis. To that end, member countries of the G-20 have agreed to take specific measures to build confidence in the global financial system by strengthening financial regulation and supervision.

The Impact on our Region

Madam Speaker, the global economic crisis had a negative impact on Caribbean countries in 2008. The region experienced slower growth relative to 2007, thus reflecting the downturn in the tourism industry, high oil and other commodity prices and a decline in inflows of foreign direct investment. The tourism industry which represents the largest income earner in most Caribbean countries, contracted significantly, particularly in the second half of the year as the economies of the major source markets slid into recession. The freezing of international credit markets resulted in a decline in inflows of foreign direct investment to the region, which in turn had a negative impact on the construction sector. The region was also adversely affected by high commodity prices, particularly energy and food, which contributed to weaker growth by dampening domestic demand.

In **Jamaica**, for example, output in the bauxite, agricultural and tourism sectors contracted substantially. As a result, GDP is estimated to have fallen by 0.5 per cent in 2008 compared with growth of 1.2 per cent in the previous year.

Barbados registered real GDP growth of 0.7 per cent in 2008, substantially below the 3.3 per cent of 2007, reflecting the impact of a fall in tourist arrivals and contraction in construction activity. As a result, the rate of unemployment rose about two percentage points to 8.6 per cent in the first half of 2008.

Economic activity in the member States of the **Eastern Caribbean Currency Union** as a whole slowed, with GDP growth of 1.7 per cent down from 5.2 per cent in 2007. Like most countries in the region, this performance was largely brought about by a fall in tourist arrivals, lower inflows of foreign direct investment and a decline in construction.

How Saint Lucia Performed Last Year

Madam Speaker, here at home the deteriorating external environment resulted in a slowdown in domestic economic activity in 2008. GDP growth is estimated at 0.7 per cent in 2008 down from 1.5 per cent in 2007. The downturn is associated mainly with a decline in construction and manufacturing, with spillover effects on other sectors such as mining and quarrying, electricity and water and the wholesale and retail trade. The transport, communications and banking and insurance sectors also recorded lower rates of growth. The decline in construction is largely attributable to a fall in foreign direct investment inflows.

Tourism

The tourism sector recovered somewhat in 2008, with growth estimated at 2.2 per cent compared with a decline of 7.4 per cent in 2007. The number of stay-over and cruise visitors increased by 2.9 per cent and 1.5 per cent respectively. The turnaround mainly reflects increases in the number of visitors from Canada and the United Kingdom as new airlift from those markets came into effect in 2008 coupled with intense marketing efforts. The Canadian market recorded a 41 per cent increase over the previous year, stemming from the introduction of new flights including three additional charters into Saint Lucia. Both British Airways and Virgin Atlantic increased their flights to Saint Lucia in 2008, contributing to the resurgence in visitors from the United Kingdom. However, the number of visitors from the United States of America, the largest source of visitors to Saint Lucia, declined by 4.3 per cent to 108,596, representing the second consecutive yearly fall in arrivals. The Caribbean, which is the third largest source of visitors to Saint Lucia, recorded moderate growth of 1.2 per cent to 59,757 stay-over visitors reflecting increases in arrivals from the French territories.

Nevertheless, despite the increase in the number of visitors to the Inland, revenue generated from the tourism industry declined, as many hotels discounted their room rates in order to be internationally competitive. Some of the hotels offered discounts of up to 60 per cent even during the peak winter season.

Agriculture

The positive performance of the agriculture sector was one of the highlights of the domestic economy in 2008. Its performance was sustained by strong growth in banana production of 26.5 per cent to 38,360 tonnes after a 10.8 per cent decline in the previous year. The rebound in the banana industry in 2008 reflected replanting efforts by farmers in the aftermath of the effects of hurricane Dean in August 2007 when the industry was almost completely devastated. Earnings from banana exports to the United Kingdom, Madam Speaker, were also up by 35 per cent to \$58.9 million in contrast to a decline in 2007, notwithstanding the depreciation of the pound sterling against the US dollar.

The production of fruit, vegetables, tubers and root crops together, increased by 21.7 per cent. Local egg production was up by 10.7 per cent to 922,000 dozen and was sufficient to satisfy domestic demand as there were no imports of eggs in 2008. Total fish landings, particularly tuna and flying fish, increased by 12.3 per cent. Our recent efforts to become more self-reliant in food production, are taking root. The Ministry of Agriculture has begun working more closely with farmers and is making its services more responsive to their needs.

Manufacturing

The output of the manufacturing sector declined by 5.4 per cent to \$84.1 million in 2008. Its performance is attributable mainly to a decline in exports to regional markets as demand from their tourism sectors waned. The problems experienced by the manufacturing sector were further compounded by rising costs of inputs including fuel and other raw materials. Elsewhere in the manufacturing sector, the production of paper, paperboard, electrical and metal items increased, while food products and alcoholic and non alcoholic beverages fell.

Construction

Madam Speaker, the construction sector, which has been a leading determinant of economic growth in the past, suffered its second straight year of decline in 2008, falling by an estimated 14.4 per cent. The lower than expected performance of the sector is attributable to a significant decline in public sector construction, coupled with a fall in private construction, linked to the reduction in external investment finance. In 2008 there were fewer major public sector construction projects, as compared to the previous year. This was mainly due to weak implementation capacity and bottlenecks in the receipt of funding. We have since taken steps to correct both of those weaknesses, which we anticipate will enhance Government's rate of implementation of its Public Sector Investment Programme. In the private sector, a number of hotel related construction projects that were due to commence in 2008 were delayed, mainly because investors were faced with greater financial and liquidity constraints. Government is working closely with investors to ensure that those projects are not delayed any further.

Madam Speaker, I have received an interesting proposal from the construction industry, aimed at stimulating that sector. This, unfortunately, came too late for inclusion in this budget but will be considered throughout the course of this fiscal year.

Central Government Fiscal Operations

Madam Speaker, reflecting the sluggishness of the economy, the central government recurrent surplus declined by 25.1 per cent to \$64.6 million compared with the previous fiscal year. This performance largely reflected an increase in recurrent expenditure of 12.7 per cent compared with growth in recurrent revenue

of 8.4 per cent. The faster pace of expenditure growth is attributed to increased spending on salaries and wages, goods and services and current transfers.

On the revenue side, the lower rate of growth in revenue is partly attributed to lower than anticipated receipts from consumption taxes on fuel due to price subsidization in 2008. As a result, Government lost \$13.6 million in consumption tax on fuel in the period April to September 2008. Revenue from import duties and excise tax on imports was also lower, reflecting a slowdown in imports, particularly in the second half of the fiscal year.

Despite the fall in revenue, grant receipts rose by \$53.6 million, largely reflecting disbursements of EU grant funds under the Special Framework of Assistance (SFA) 2003 and 2004 which included funding for various developmental programmes. This positive development is an indication of the success of Government's efforts in collaboration with other OECS member countries and the willingness of the EU to work towards improving the disbursement of funds. However, while total revenue and grants increased, total expenditure grew at a higher rate resulting in a larger overall deficit of \$167.4 million compared with a deficit of \$141.7 million in 2007-08.

Madam Speaker, at the end of 2008 total public sector debt stood at \$1,770.8 million (i.e. \$1.77 billion), an increase of 1.4 per cent over 2007 - the lowest rate of increase in over seven years. A quick glance of Government's debt position since 1997 reflects the following:

- Total public debt which stood at \$598.9 million at December 31, 1997 increased by \$1.148 billion to a staggering level of \$1.75 billion at the end of 2007. This reflects an unprecedented level of accelerated borrowing by Government in the history of this country;
- Debt servicing (i.e. payment of interest and principal and provision for sinking funds) amounted to \$55.3 million in 1997. In 2007, it cost as much as \$164.1 million to service the debt, reflecting a phenomenal increase of \$108.8 million or 196.7 per cent increase over the period. It is important to note, Madam Speaker, because a large portion of the debt contracted by the previous Government is now expiring at a high rate, it cost this Government \$181.8 million to service the debt.
- Over the period 1997 to 2007, the debt to GDP ratio accelerated from 38 per cent to 67 per cent.

This year, Central Government debt increased by 1.3 per cent while Government guaranteed debt grew by 5.0 per cent. The increase in debt at a slower rate than nominal GDP, gave rise to a lower ratio of total public debt to GDP of 65.8 per cent at the end of 2008, compared to 67.3 per cent in 2007.

Madam Speaker, though small, this encouraging performance by my administration, in the management of central government debt is a revelation of the fulfilment of a promise made in the December 2006 General Election campaign. My Party vowed in its "Manifesto 2006 A Secure Future", to "... reduce the national debt....through increased productivity particularly in agriculture, increased activity by small entrepreneurs, prudent fiscal management, less borrowing, reduction of waste and improved trade balance through increase in exports". We further promised, "The fluctuating rate of growth per capita GDP will be reversed and a steady growth rate (is) maintained".

3. STRATEGIC PRIORITIES

Madam Speaker, every challenge is invariably ripe with opportunities to strike out boldly in a new direction, to weather the storm and break away from outmoded approaches. The effects of the current international crisis and our own teething pains as we strive to improve the quality of life in Saint Lucia, demand that we devise effective strategies and establish appropriate priorities.

The Budget is not just about the estimates of revenue and expenditure, but must be firmly rooted in objectives, strategies, plans and programmes designed to address the context and circumstances facing the country. After careful consideration, we have set out the following priorities for the Budget and the medium term agenda: -

- (i) *Given the current economic situation, the first priority is to stimulate the economy and set the stage for higher and sustained growth in the medium term.*

Government must take immediate measures to stimulate economic activity and protect jobs, while at the same time pursuing action to ensure our medium-to-long term growth. This balancing act requires a delicate mix of expansionary policies and fiscal responsibility, to ensure that future growth is not threatened by a heavy fiscal burden

- (ii) *Secondly, we must ensure that the financial sector is in good health and effectively regulated.*

The difficulties being experienced in the non-bank financial sector and the crisis in the world financial system mean that we must institute measures to strengthen the supervisory and regulatory framework of these sectors. Further, it is imperative that we act together with the other members of the Eastern Caribbean Currency Union to provide that relevant framework and guaranteed liquidity support to the financial sector in the ECCU.

(iii) We must simultaneously focus on economic and social re-engineering for empowerment of households and poverty reduction.

The world economic crisis has brought to the fore the need to have social stability and provide security for our people. As we face turbulent economic waters and an increasingly challenging international environment characterized by rising unemployment and increasing poverty, there is a greater need to provide new safety nets and to extend existing ones to reach out to the vulnerable. This is a priority of my Administration, and it is enshrined in the Budget.

(iv) Another area of priority in this budget is the continuation of efforts aimed at the decentralization and integration of regions.

Government will continue efforts toward ensuring the decentralization and integration of new regions, through the adoption of a National Vision Plan; presently before the Cabinet for consideration, which seeks to provide the guiding principles and strategies for the implementation of a National Economic Quadrant Development Plan for Saint Lucia.

(v) One of the key priorities of Government, is establishing and strengthening the partnership between Government and the private sector.

Madam Speaker, the concept of Public/Private Sector Partnership; not “the Frenwell” style, has been with us for some time. Prior to 2006, some steps were initiated to operationalize a particular model Public/Private Sector Partnership through initiatives in the Water Sector. This Government; with a more nationalistic policy, intends to take the concept to a new level by collaborating with the private sector – individuals and corporations.

In addition, in the area of manufacturing, Government is seriously considering another initiative intended to revitalize the garment industry in Dennery. I wish therefore to applaud the National Workers Union for their initiative in response to discussions emanating from the economic dialogues which were held earlier in January this year, during which the issue was discussed, and for which they have proactively outlined a concept for the way forward. The intention is to transform Dennery as the Textile and Garment Centre of Saint Lucia through the establishment of a Private/Public Sector Company involving the Private Sector, the Union, the workers and Government as the catalyst and the old Belle Fashions plant as the incubator for the venture.

Indeed, as we seek to stabilize the economy and increase the growth rate, the instrument of public/private partnership will be a key tool. Government also proposes to enter into joint public/private sector partnerships in the area of construction and real estate development.

In my opening remarks, I stated that we must take responsibility for our problems. We have the ability to solve them and we shall solve them. What is required is the harnessing of the resources and energies of our people and involving them in constant dialogue and discussions. We have already begun this process through the National Consultative Council. The process of building consensus will be further enhanced through the establishment of a Tripartite Council, where employers, Government and Worker Organizations will be brought together for regular dialogue and agreement on the social and economic issues affecting the people of our country.

(vi) Economic diversification and strengthening sectoral linkages which has always been recognized as vital to broadening the economic base of the country, is another of our priorities.

Madam Speaker, countries like Saint Lucia tend to be heavily dependent upon a single commodity or service for their economic growth. From the mid-fifties to the early nineties, we were heavily dependent upon agriculture, principally bananas. Agriculture was one leg of the tripod economy throughout the 1970's into the early 90's. – the other two being manufacturing and tourism. Since then, we have relied greatly on the tourism sector. Government, through the various initiatives in the Budget, will seek, once again, to encourage further diversification of our economy. We will also seek to strengthen the link between agriculture and tourism. I believe it is fair to say that most persons in the tourism and agriculture sectors have seen the need for this initiative. Madam Speaker, we are determined to succeed at this, as it has very serious implications for the balance of payments of the country and by extension, our currency union.

(vii) Maintaining environmental sustainability is another important thematic area for us.

In light of the global crisis, governments everywhere have been attempting to lead their countries out of the crisis and have examined a range of measures. One approach that has gained increasing attention is that of encouraging investment in environmental technologies and programmes. In this fiscal year, Government will create the enabling environment and put together a package of incentives to encourage environmentally biased entrepreneurs desirous of investing in sustainable and clean energy initiatives for Saint Lucia. We will also continue to promote the use of wind, solar and other green and renewable technologies. Further, attention must be given to issues such as agricultural zoning, land tenure and wasteland management.

(viii) An area of great importance, which cannot be overstated, is the state of our country's internal security

Significantly reducing criminal activity is an indispensable component of the well-being of everyone who lives here, and of any effort to improve our economic

circumstances. However, it requires a substantial and sustained investment in institutions, infrastructure, personnel, assets, programmes and other related activities. In this years Budget I have set aside resources to continue our efforts in fighting crime and reinforcing the security of our Nation and its people.

(ix) The last priority is reform of the public service and operations of Government Departments.

Our ability to meet the challenges posed by the global financial crisis must also rest on the effectiveness and efficiency of the public services as, to a large extent, public officials will be the ones called upon to implement most of the measures proposed in the Budget. In that context, the Public Service must take full responsibility in ensuring that all impediments to the achievement of Government's stated objectives are dismantled.

The Public Service must itself be concerned with its effectiveness and ensure that Government and the people of this country get value for money. To that end, immediate action will be taken to ensure the proper use and management of Government's fleet of vehicles, rationalization of office space and a review of the telecommunication systems within the Public Service.

Government also intends to undertake a review of the Public Service, to streamline existing organizational structures in order to ensure that its human resource is properly utilized and that all agencies are adequately, effectively and efficiently staffed with the competencies necessary to deliver efficient quality services to the public.

Madam Speaker, two days ago in London, the Chancellor of the Exchequer in presenting his 2009/2010 Budget, announced major job cuts in the British Public Service for the next three years. Only yesterday, just a little over twenty-four hours, Lloyds Banking Group, the British Government-controlled banking giant, said that it would cut nearly 1,000 jobs over the next two years. Madam Speaker, throughout the world, banks, corporations, agencies and Governments are cutting jobs. For us here in Saint Lucia; given the measures that we will be taking, I wish to assure Public Officers that Government will do everything in its power to prevent any lay-offs within the Public Service. However, Government has decided to hold the size of the Public Service to its current level for this fiscal year.

Members of this Honourable House are aware that expenditure by Government on its capital programme has a significant impact on growth and employment. The rate of implementation of the Capital Programme is, therefore, critical. Government will pursue in this financial year, certain initiatives aimed at improving the rate of implementation of its Capital Programme.

Madam Speaker, having provided this Honourable House with the context within which this Budget is being presented, I now wish to pay attention to some of the specific programmes that will be embarked upon within the various sectors

4. SECTORAL INITIATIVES

Tourism

Like many other industries, the Tourism industry is striving to attain a competitive advantage in an increasingly complex world. The focus of this Government is to find ways to maximize the benefits to the industry and country through product improvement, new product development, product mix, infrastructure reinforcement and innovative promotion and marketing strategies.

Product Development Initiatives

Government will seek to establish Standing Committees with representation from the Chamber of Commerce, the Saint Lucia Hotel and Tourism Association, the Ministries of Commerce, Tourism, Finance and Economic Affairs, the National Development Corporation, the Police, Towns and Village Councils and other partners in development. Such strategic alliances should result in initiatives aimed at enhancing our tourism product.

Government also intends to develop and introduce a number of standards which persons must meet in order for them to operate in the tourism industry and in order to ensure quality and consistency in our tourism product.

Village Tourism

Madam Speaker, for tourism to bolster and transform our economy it must be geographically dispersed to ensure that the benefits are equally distributed throughout every nook and cranny in Saint Lucia.

During this fiscal year, we shall launch the “Village Tourism” programme. Through Village Tourism we will define the essential character of each village/community, and what sets it apart from other communities, and market these as being unique to that particular community.

The essence of the concept of village tourism will be experienced through the creation and development of tourism enterprises to be operated and owned by local people. This fiscal year, we shall work on creating a formal entity to coordinate and manage our village tourism issues. The village of Dennery has already been identified by the Ministry of Tourism, to launch the pilot of this new initiative.

Maritime Programme

Madam Speaker, one of the fastest growing sub-sectors of the tourism industry is the yachting sector. The redevelopment of the IGY Rodney Bay Marina is a bold statement that the yachting sector's contribution to the national economy can no longer go un-noticed. The acclaim that the Marina has received, especially from participants in the last ARC Festival, points to the tremendous potential and opportunities presented by the existence of the marina.

During this fiscal year, we shall seek to establish the long talked about Maritime Registry on the island. Work in that regard was initiated two years ago when I participated in the Fort Lauderdale Boat Show and profited the opportunity to solicit technical assistance from the Cayman Islands Ship Registry. To date proposed draft legislation has been prepared for review and final determination by Government. Concomitant with the establishment of the Registry is a review of our operating policies and standards, particularly as it relates to issues surrounding immigration procedures pertaining to "yachties".

Tourism Promotion and Marketing

Madam Speaker, the United Nation's World Tourism Organization reports that the number of trips taken by international travellers that is stopover visitors traveling from one country to another, reached 924 million in 2008. This number has been growing steadily over the past 20 years at about 4 per cent per annum. The Caribbean received just \$19.7 million or just 2.13 per cent of all international tourist arrivals. This number has been shrinking for some years now and as recently as 2005 stood at 2.35 per cent of global tourism. This means the Caribbean has been losing its competitive edge to other destinations worldwide.

In 2008 Saint Lucia received just 1.5 per cent of all stopover travel to the Caribbean. Madam Speaker, while the Caribbean has been losing market share to its international competitors, Saint Lucia has been losing share to its Caribbean competitors. This is a trend we are now seeking to reverse.

Our broad strategy will be to focus on our key markets of the USA, the United Kingdom, the Caribbean and Canada. At the same time, we will diversify into other markets, for example, we will be supporting the introduction of a non-stop weekly service from Germany to Saint Lucia which begins this coming November.

There are two primary marketing elements which must be considered for all markets. The first is to secure and maintain sufficient reasonably priced airlift to allow our visitors to get to Saint Lucia. The second is to have a consistent and comprehensive marketing presence in key markets to stimulate traffic. Madam Speaker, despite our fiscal pressures, we have ensured that adequate resources are provided for our tourism marketing efforts, given the size and importance of that sector to the local economy.

Tourism-Related Developments

Madam Speaker, in my budget address to this honourable House last year I announced a number of tourism-related projects that were expected to commence in 2008. However, as I indicated earlier the implementation of these projects were delayed or in some cases came to a halt due to the adverse impact of the global financial crisis that resulted in a freezing of liquidity and a decline in inflows of foreign direct investment. Notwithstanding these developments, we have been working closely with a number of investors to ensure that implementation of some of the projects commence this year. I am therefore pleased to announce that the following tourism-related construction projects are likely to commence in 2009:

- **Ritz Carlton** in Black Bay Vieux Fort at a total cost of \$200 million. The 250 room resort will include an 18 hole Arnold Palmer golf course and construction is likely to commence in November 2009.
- **Raffles, now Point Hardy**, is a 150 room villa resort and construction is due to begin later this year.
- Construction work on **Island Villas**, a \$30 million, 100 unit resort, is likely to restart this summer.
- An additional 50 rooms will be constructed at **Jalousie (now Tides Sugar Bay)**
- The third phase of construction at the **Landings** has commenced and is expected to be completed by December 2009

It should be noted Madam Speaker that work on a number of other properties may start in 2009 but financing for these projects have not been finalized and given the precarious nature of accessing financing for these types of projects we are hoping that the funding can be secured this year.

Intersectoral Linkages

Madam Speaker, I have spoken about the need to build economic resilience. This can only be achieved if we build linkages between various sectors of the economy and ensure that each sector receives its fair share of attention.

Government will therefore continue to seek ways to further diversify the economy and strengthen the linkages between agriculture, tourism and industry. Through the Agro/Ecotourism Sector Programme funded by the European Union, resources will be provided to undertake a detailed study and implement initiatives aimed at linking small-scale rural farming with tourism. In addition, the programme will focus on:

1. Community branding through which selected communities will be branded to accentuate their cultural uniqueness and strength;
2. Upgrading of existing products and services in rural communities including initiatives such as Youth in Tourism Development, training in agro-tourism and micro enterprise development with a focus on agro-tourism.

The strengthening of the linkage between the agricultural and tourism sectors makes it mandatory that attention be given to such areas as agricultural zoning, land tenure and watershed management. Already some work has begun. The output from these activities will influence the development of strategies aimed at safeguarding our biodiversity, including forest and wildlife resources, all of which are critical to sustainable development.

Agriculture

Madam Speaker, the agricultural sector continues to be a critical sector in the economy of Saint Lucia and although its contribution to GDP declined over the ten (10) year period up to 2005, it continues to play a significant role in the country's socio-economic development. The sector plays a multi-functional role by earning foreign exchange, generating employment especially in the rural economy, and contributing towards economic growth and food security.

Creation of New Agricultural Marketing and Distribution Facility

One of the areas central to providing confidence to the farming community is the identification of markets for commodities produced. It is with this in mind that the Saint Lucia Marketing Board (SLMB) was first established. It used to be a self-financing body, but Government has subsidized its operations over the last few years. This is not sustainable and Government has moved to establish a new marketing and distribution service for non-banana agriculture. A new Agricultural Marketing and Distribution Facility is currently being explored to replace the SLMB. This has resulted in the formation of a committee made up of the Private Sector, the Hotel and Tourism Sector, WIBDECO, the Marketing Board and the Ministries of Finance, Economic Affairs and Agriculture. The committee's mandate is to advise on the best option for the new entity, set a timeline for the switchover and ensure that all mechanisms are in place for the transition. The committee is to report to the Minister of Agriculture on or before May 15, 2009.

Construction of a Meat Processing Facility

Madam Speaker, after many years of discussion, this Government on April 15, 2009, turned the sod for the commencement of construction on the long awaited meat processing facility at Beausejour. The goal of the project is to increase local livestock production, processing and marketing of meat in a viable and sustainable

manner. It is expected that this facility will serve as a catalyst for the growth and development of the livestock sector and as a central marketing and processing facility.

This “state of the art” Meat Processing Facility will create the marketing network to supply hotels, supermarkets and community based distribution outlets, and lead to a reduction in the food import bill and by extension increase employment within the sector. The Government of the Republic of China on Taiwan is providing funding for this facility at a total cost of approximately EC\$12.5 million.

The Government of Saint Lucia wishes to express our gratitude to the Government and people of Taiwan for their generosity in this regard.

Reactivation of the Beausejour Agricultural Station

Madam Speaker, not only is the Government establishing the infrastructure to process meat but we are approaching the livestock sector in a holistic manner. In that regard, we will be reestablishing the Beausejour Agricultural Station (BAS). The objective of this development initiative is to enhance the capacity of the Beausejour Agricultural Station to service effectively the agriculture community with emphasis on the livestock sub-sector. This initiative will lead to improved quality in the breeding of stock, implementation of a national breeding program and provision of training for farmers and other interest groups in livestock production. The initial cost of the project is estimated at EC\$3 million.

Anse La Raye Fisheries Project

Madam Speaker, we are also paying attention to the fisheries sector and in this regard, work on the Anse La Raye Fisheries Complex should be completed next year. So far, a contract has been signed with Tokura Corporation of Japan to construct the US\$5.5 million Facility, which includes a new Jetty, Fisherman Locker Rooms and Administrative Block to house the offices of the Fishermen’s Cooperative, the Department of Fisheries Extension Office, Storage Facility and the Ice Making Facility. The Government of Japan is funding the project. The Government of Saint Lucia wishes to express its gratitude to the Government of Japan for the many years of co-operation assistance Saint Lucia has benefited under the Co-operation Agreement our two countries.

SFA Projects – 2001, 2002, 2006

Madam Speaker, under the SFA programmes for 2001, 2002 and 2006 we were able to undertake a number of initiatives during the last financial year. These included the strengthening of quarantine and agricultural health, completion of feeder roads (Phases 1 and 2), establishment of a port storage facility for fresh produce and flowers, establishment of a digital land resource information

management system and development of alternative sources of income generation to remove the dependence on a single crop.

During this financial year we will undertake a land tenure study, develop a strategic management plan for the Ministry of Agriculture, develop and implement a quality standards and certification system for major agricultural products and construct two human resource development centres. In addition, we will embark on an agro-enterprise development project through which we will conduct an audit of agro-processors and artisans to determine the packaging and small equipment needs of these industries and assist in meeting those needs. We will also undertake a project encouraging the consumption of fresh domestic agricultural produce aimed primarily at changing the eating habits of Saint Lucians in an attempt to reduce lifestyle illnesses and support local enterprise.

Manufacturing and Commerce

The Private Sector Development Strategy (PSDS)

Madam Speaker, for the private sector to achieve its full potential, there is need for clear direction and a strategy to allow it to fulfill its obligations. Against this background, the Government called on the private sector to help chart a new strategy for the development of the sector. Over 200 private sector leaders met to determine their involvement in the future national development of their country.

The recommendations made by the sector will be used as the basis to formulate a Private Sector Development Strategy for the sustainable growth and development of the sector here in Saint Lucia.

Creating an Enabling Environment for Business and Investment

The creation of an enabling business environment is paramount and the Ministry of Commerce, Industry and Consumer Affairs has identified a number of policy areas for immediate attention including poor regulation, excessive red tape and lengthy administrative processes. The United States Agency for International Development and the World Bank have, together with the Government, identified three areas for immediate reform. These are (1) starting a business, (2) dealing with licenses and (3) registering property.

A new On-line Company Registry System (OCRS) has reduced the time taken for businesses to be registered and incorporated from 20 days to 2 days and together with the elimination by Government of administrative bottlenecks relating to investment and trade processes, has enhanced Saint Lucia's status as an efficient place for doing business. Further database development and improvements in the delivery of investor services, will be given special emphasis this year.

Investment by the Saint Lucia Diaspora

One of the missions of this Government is to facilitate the deepening and strengthening of connections between our nationals overseas and their homeland. We must ensure that Saint Lucians living overseas are encouraged to invest their resources, skills and time in strengthening our society. In this fiscal year we will undertake a road show that will persuade our nationals living overseas to invest in their country.

They have already made significant contributions to the economy of this country, through remittances of foreign exchange, regular travel back home and investments in various sectors, including real estate. We must now move some steps further to the creation of more consolidated groups that can invest socially and economically. Plans are in an advanced stage to host a "Home Coming" year in 2010. This inaugural Homecoming must signal to all, that our nationals can continue to make their contributions to socio-economic development of their country wherever they live.

Reviewing the Incentives Regime

This year, the outdated Harmonized Fiscal Incentives Act of 1974, under which manufacturers enjoy a range of incentives, will be reviewed.

Additionally, the full liberalization of Saint Lucia's entire services sector under the CSME and over 40 per cent under the EU-CARIFORUM Economic Partnership Agreement necessitates that we continue the development of regulations and legislation for select services. The first phase towards fulfilling these requirements was achieved last year, with the assistance of the OAS under a three-year project.

Government will also commence the development of incentive regimes for the services sector, 70 per cent of which comprises small and micro enterprises.

Government plans to put into full operation the Micro and Small Scale Enterprise Act of 1998 and to facilitate and assist over 300 small businesses to regularize their operations through incorporation this year. In addition, small businesses will be counseled on the need to adopt best practices, to improve competitiveness, sustainability, and quality and quantity of jobs.

National Export Development Strategy

The National Export Strategy, completed in 2005 is now much closer to implementation. Throughout my consultations with the private sector, one of the recurring issues that surfaced was the implementation of the national export strategy. I am pleased to report that the consultancy to determine the best institutional model to implement the strategy should be completed by the end of May this year clearing the way for the strategy to be implemented.

Buy Local Philosophy

Madam Speaker, in the midst of the current economic recession, even the most advanced countries are encouraging their people, seeking their support for local goods and services in order to stimulate their economies, save foreign exchange and create jobs. In Saint Lucia, the Cabinet has decided that all Government Ministries, Departments and Statutory Organizations must give first priority to purchasing domestically produced goods and services wherever they are of a comparable price and quality to goods and services available elsewhere.

This year we will continue to bolster our efforts and promote the buy local philosophy and take every opportunity to showcase Saint Lucian goods and services at all times. I therefore appeal to all Saint Lucians to be nationalistic, be patriotic and buy local.

Standards, Consumer Protection and Competition Policy

Madam Speaker, as the world liberalizes trade and we import a greater range of goods from more countries, we must strengthen our systems aimed at consumer protection. In this regard, work on the establishment of a Consumer Protection Board and a Consumer Protection Tribunal will continue. We will work with the sub-regional authorities on the Model OECS Competition Law, revise the Shopping Hours Ordinance and enact the Consumer Protection Bill.

We will strongly support the Saint Lucia Bureau of Standards in its efforts to establish high standards, quality assurance and proper accreditation practices. We will also intensify our drive to convert our system to full metric by January 01, 2010 through public education.

Madam Speaker, in our efforts to facilitate trade, we have restructured the Import Licensing Unit and very soon will integrate it with Customs clearance procedures to improve efficiency and enhance trade facilitation.

International Trade

Madam Speaker, we are now full members of the CSME and are dedicated to implementing and engaging in widespread public education on the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union, which we have already signed.

Discussions with the private sector will soon commence to examine proposals for a Free Trade Agreement between Canada and CARICOM.

Construction

Madam Speaker, this Government is committed to the continued enhancement and support for critical traditional development sectors such as the construction industry. This sector is important to stimulating and sustaining economic growth and is a vital source of employment for our skilled and semi-skilled people.

To improve on the sector's contribution to GDP, we must become more innovative and be fully informed through consultations with the relevant stakeholders groups within this sector. With this in mind Madam Speaker, we have established a task force comprising representatives of the construction sector and Government to determine policy and strategies geared towards the development of the sector. We expect that the task force will propose measures that will include incentives and other mechanisms. The recommended measures will enable the sector to continue to contribute to the growth of the economy and the generation of employment opportunities, on a sustainable basis.

Housing Construction

Madam Speaker, this Government is conscious that one of the basic rights of man is the right to housing. In this regard, Government will undertake a number of policy initiatives aimed at regulating the housing sector and providing incentives for the construction and ownership of houses especially for low income earners.

National Housing Policy and Strategic Plan of Action

The 2007 National Report on Housing and Resettlement in Saint Lucia identified the need for the development of measures to address the current and future housing deficit, to improve institutional procedures involved in the housing delivery system and to improve the general quality of the housing stock. The Ministry of Housing, Urban Renewal and Local Government has, therefore, coordinated the preparation of a Draft National Housing and Resettlement Policy and Strategic Plan of Action for implementation, expected to be approved by June 2009. The National Housing Policy will provide a much needed macro- policy framework to influence and provide a blueprint for all public and private sector housing planning and development initiatives.

Madam Speaker, Government proposes to establish a comprehensive database for the housing account within the land bank established by the National Land Policy. This would strengthen the institutional capacity to provide direction and guidance with reference to housing provision.

Incentives for the Housing Sector

Madam Speaker, in terms of providing assistance to prospective homeowners, especially for low-income earners, a low income housing incentive programme had previously been established. This programme sought to increase the housing supply available to low income groups by providing fiscal incentives to housing developers desirous of engaging in housing projects targeted at the relevant income segments. The existing incentives programme, including the concessions regime to developers, will be reviewed.

The revised fiscal incentive programme, along with the amended procedures for processing and monitoring, will be submitted to Cabinet for review and approval by May 2009. This incentive programme should provide incentives and inducements through duty free concessions on building materials to be used by developers for low to middle income housing developments.

Plans for Providing Affordable Housing

The provision of an affordable, cost effective housing delivery system also incorporates the development of programmes that would provide some degree of housing assistance for vulnerable households. The Government will continue its Housing Assistance Programme, which seeks to provide technical and limited financial assistance to persons in extreme situations of destitution, who require assistance in the provision of housing or the repair of existing housing stock.

Shelter Development Project – Core Unit Construction Programme

Madam Speaker, another housing programme which will provide affordable housing to Saint Lucians, is the Shelter Development Project. This programme, implemented by the National Housing Corporation, is expected to provide in the new financial year a number of housing units to low income persons to be relocated under various relocation programmes.

Housing models and systems from private sector interests which have been appropriately designed and which utilize building materials in innovative, inventive and creative ways and which also adopt construction and management approaches and practices aimed at affordable and cost effective housing for low and middle income groups, will be given favourable consideration.

Land Use Planning / Zoning

The affordability of housing is also dependent on coordinated, holistic, integrated and sustainable land use planning over the short, medium and long term planning horizons. This four-pronged approach when driven by appropriate and effective forward planning for residential and infrastructural development, will ensure that

high land, building, infrastructure and utility costs are kept to a minimum, thereby enhancing affordability levels.

This land use planning approach will encompass the identification and zoning of residential lands in suitable locations for low, medium and high income housing development with corresponding housing types and densities respectively and thus cater to all the housing needs.

Extension of Special Development Areas to Include Buildings With Specific Designs

Madam Speaker, the need to preserve residential buildings with designs of historical and architectural merit and which reflect the socio-cultural traditions of Saint Lucia as well as contributes to a uniquely local architectural vernacular, is compelling and overdue. The urban areas and periphery of the city, towns and villages are replete with such buildings whose design character and morphology are worthy of preservation.

The Ministries of Housing and Physical Development & Environment, as well as the National Trust and the Archaeological and Historical Society, will collaborate and coordinate efforts to institute appropriate mechanisms through the physical planning and development process to preserve this vital aspect of Saint Lucia's patrimony.

Housing Development Projects

As Government attempts to provide sufficient housing to the citizenry, we have embarked on a number of housing development projects, including those at Marigot, Monchy, Cresslands, Balembouche, St. Jude and Anse La Raye.

These six (6) housing development projects will provide a total of 1,229 residential units and 1,352 lots on approximately 304.3 acres. They will be implemented in 2009 and 2010 and are targeted at the low, middle and upper middle income groups.

The total cost of the six (6) housing development projects is approximately \$31 million. The National Housing Corporation will be the implementing agency for those housing projects, in collaboration with the Ministry of Housing.

As of March 2009 approximately six hundred and sixty-five (665) serviced housing lots were created at various sites such as Des Barras, Pays Perdu, Ravine Poisson, L'Abbayee, Piaye, La Ressource, La Tournay and Derriere Morne with an estimated eight hundred and ninety-one (891) to be created by March, 2010.

Other Construction

Madam Speaker, you would recall that the Saint Lucia Fire Services Headquarters building, which stood for many years on Jeremie Street, was severely damaged by the earthquake of November 29, 2007. The Fire Station and its Administrative offices have had to be relocated to temporary premises as a result. I am pleased to announce that the National Insurance Corporation has agreed to facilitate Government through loan funding, for the construction of a new Fire Services Headquarters along the John Compton Highway, on property adjoining Northwest Limited and extending to the Vide Boutielle Road. The property will be financed and constructed through the NIC on a “design, finance, build” agreement between the NIC and the Government. In addition, construction of an office complex, to meet the growing demands for rental of office space in Saint Lucia, will be done on that same property. The construction of the two buildings is expected to commence before the end of the second quarter of this financial year and is estimated to cost a total of EC\$35 million.

Financial Sector

Madam Speaker, I now wish to say a few words about the financial services sector. The genesis and nature of the current global recession has impressed upon us the need for effective supervision and regulation of the banking and financial sector. This is especially important in Saint Lucia and the Caribbean, where financial institutions play a substantial role in the provision of resources for operational and developmental purposes.

It is the Government’s policy, in conjunction with the ECCB, other regional and international institutions and friendly countries, to preserve the integrity of the financial system. Poor and improper financial practices, abuse, fraud and money laundering or any other practice inclined to adversely affect the viability and credibility of the system as a whole, can have a detrimental effect on the cost and availability of financial resources and on economic activity.

To that end, we are working assiduously with the ECCB and our regional partners to resolve any outstanding issues concerning CLICO and to strengthen the regional regulatory mechanisms for supervising the financial system. Tax Information Exchange Agreements are among the initiatives being explored at present.

The Single Regulatory Unit for the supervision of the off-shore sector and domestic non-bank entities (such as insurance companies, credit unions, money service and hire purchase businesses, etc), will be established and become fully operational as an autonomous entity by the second quarter of this financial year.

Health

Madam Speaker, our ability to enhance the competitive advantage of this country and play our part in supporting regional development, is heavily dependent on the responsiveness of the health sector to client needs and regional and global challenges. In order to expand choices to improve health and create investment opportunities we will continue to pay particular attention to strengthening our health system. This process will commence by ensuring the right of every resident to the highest attainable level of health, developing policies and offering incentives to generate and sustain growth in health and related sectors.

The activities to strengthen the health system will be conducted within the framework of the Primary Health Care Approach. This means that our health sector policies will support wellness, access of all clients to quality health care, involving the community in health planning and decision-making and working collaboratively with other sectors to create healthy people and healthy environments.

Policy Direction

Over the past two years, Madam Speaker, I have carefully studied this environment against the commitment of the Government to improving the health and well-being of all residents. The national strategic plan for health details the priorities of the health system to move from a focus on caring for the sick to a focus on keeping people well. It is time to accelerate progress towards strengthening the building blocks of our health system, the main components of which are Governance, Quality Health Care, Health Information, Health Financing, Human Resources and Health Infrastructure.

In about 33 months, a new secondary health facility funded by the European Union will open its doors to serve this population and visitors. This facility, after many years of negotiations has finally come to realization and as a consequence, on behalf of the Government and People of Saint Lucia, I am obliged to express our sincere gratitude to the EU, particularly the governments of the United Kingdom and France. Without their determination and interest, during the last twenty years, this “state-of-the-art” facility would not have materialized.

With this proud gift, we must be prepared therefore to ensure that the new facility represents not just a concrete statement, but rather a testimony of how well our services can be coordinated and integrated. Against this background, therefore, the policy direction to guide this transformation of our health sector will be geared towards improving access to quality health care services that are people centred and focused on preventing illness. This Government will endeavour to position Saint Lucia as a “world-class” health and wellness destination through the successful implementation a health strategy supported by excellent infrastructure and services.

Integrated Health Strategy

To position Saint Lucia as intended, Government will implement an Accelerated Health System Strengthening Strategy. The strategy will focus on fast tracking the reform of all existing structures and services through implementation of a thirty-six (36) month health system strengthening project. Madam Speaker, the three main aspects of this strategy are: the establishment of a mechanism which will raise sufficient funds to cover the health of every resident and sustain investment in health; implementation of appropriate governance and quality structures, human resource development and staffing strategies and a health information system and finally development of wellness centers (e.g. Castries Urban Polyclinic, Anse-La-Raye Wellness Centre) and commissioning of secondary and tertiary care facilities.

The primary focus this year, will be on infrastructural development, with the completion of a Neo-Psychiatric Hospital estimated to cost EC\$13.5 million and the commencement in earnest of the New National Hospital. Additionally, provision has been made for refurbishment and upgrade of a number of our Health Centres under the CDB funded Economic Reconstruction Programme. Madam Speaker, our overall aim is to transform these facilities into wellness centers.

Education

Madam Speaker, I now wish to turn to another important arm of the social sector, education and I begin with an update on progress to date on the Basic Education Enhancement Project.

Basic Education Enhancement Project (CDB) - Saint Lucia (US\$12 million)

With respect to the CDB funded Basic Education Enhancement Project, approximately US\$12 million will be spent that will directly benefit present and future students and teaching staff at the eight schools participating in the project. This includes five primary and three secondary schools which have a total enrolment of approximately 3,700 students and 200 teachers. Students will be relieved of being accommodated in hazardous facilities which presently predisposes them to ill-health. The improved physical facilities and equipment will motivate the students to higher levels of educational achievements and the teachers to higher levels of performance.

The project will also focus on institutional strengthening and capacity-building to improve education quality. Approximately 1,300 teaching staff at primary and secondary schools will benefit from training geared to enhancing competencies in key academic subjects and non-academic areas such as early childhood

screening and diagnosis, multigrade teaching methods, classroom management, differentiated instruction, student assessment, multi-media teaching methodology and technology in education.

Approximately 210 education officers, principals and vice principals will be beneficiaries of management skills enhancement training. The project will also contribute to breaking the cycle of intergenerational poverty. During the construction phase, the project will generate employment opportunities for local skilled and unskilled labour and a demand for local goods and ancillary services.

Computer Education for Primary/Secondary Schools

Madame Speaker, this Government recognizes the need more than ever for improvement in our education product. While I will speak shortly on a new policy with respect to the future of education, one thing is certain. We live in a world dominated by information technology and if we as a nation are to prosper in this environment, then we must have our children embrace and use information technology at an early age.

In this regard, the Government recognizes the critical need for expanding access to the knowledge environment through computer based learning in our primary and secondary schools. We will, in the course of the next financial year and in particular with other countries, embark on an ambitious programme aimed at ensuring that every child has access to a computer to enhance his knowledge base and to provide direct and instant access to global information. We envisage that all primary schools will be outfitted with computer labs and the appropriate support facilities and services for the teaching and maintenance of the equipment. It also envisages that every child will get access to his or her personal home computer beginning with that critical Grade 6

The second aspect of the project intervention will see all students of Grade 6 allocated a home computer. Grade 6 is chosen because it is the common entrance class and students must become ready for online research and computer aided learning at the secondary school level.

Initiatives to Improve Discipline in Schools

Madam Speaker, the upsurge of indiscipline in schools has necessitated that the Ministry of Education, introduce a Zero Tolerance Policy on Drugs and School Indiscipline. There have been increasing reports of the consumption of alcohol on school premises especially at school sporting activities. While health and family life programmes are taught in schools, counseling services are made available and assistance is received from agencies such as the Centre for Rehabilitation and Education through its Adolescent Development Programme and the

Community Action Programme for Safety, the problems of school indiscipline continues. It is against this background, Madam Speaker, that the following new measures will be undertaken to further tackle the problem of indiscipline in school.

The Ministry of Education will introduce co-curricula activities and uniformed groups, improve curricula to deal with students with special learning difficulties, hold a school conference on discipline, design programmes and laws to curb after school loitering, devise mechanisms to observe and monitor indiscipline, increase the number of educational counselors in schools, engage the alcohol industry to enter into a partnership with Government and other community-based organizations to implement a coordinated, evidence-based approach to reducing underage drinking, among others.

Upgrading SALCC to a University College

Madam Speaker, this Government is committed to upgrading the Sir Arthur Lewis Community College into a University College. A review of our progress thus far indicates that the current administrative structure and human resources are inadequate to support the activities required to move the transformation process forward. We therefore need to build the capacity of the College in terms of project management, institutional research, education planning, human resource development, facilities management, academic programme development, quality assurance and student services. At this stage I can report that (1) The Project Office for Transformation is established and functioning; (2) Key personnel have been appointed; (3) Institutional capacity has been strengthened in each service area identified and (4) the consultant has been contracted and a proposal submitted for funding the transformation of the SALCC.

National Education Commission

Madam Speaker, notwithstanding the project just mentioned, we are still not satisfied with the response of our education system to the needs of our society. After much discussion and research the time has come for repositioning education and restructuring in the Ministry of Education and Culture. This need for change comes against the background of the achievements we have made in providing universal access to primary and secondary education and the need to provide a workforce equipped to deal with the rapid innovations in information and communications technology, a more competitive employment market and a world driven by knowledge.

In this context therefore, it is timely that an appropriate policy mechanism be established to strengthen Government's capacity to deliver the type of training and education required both for personal development and the needs of the private sector. I therefore propose the establishment of a National Education Commission to address the various aspects of the country's strategic education requirements and make recommendations on the way forward. Given the complexity of the

education sector, this National Education Commission should comprise persons from various sectors such as the clergy, the youth, the opposition, the private sector, general public, trade unions, and academia among others.

Language Policy

Madame Speaker, The New World Order, which is characterized by globalization, is having a profound impact on how countries, particularly Small States like ours, position themselves to ensure their survival. The ability to communicate in different languages is proving to be an important cutting edge factor in enhancing countries' competitive positions, both in negotiations and in access to opportunities for nationals, within international organizations and multi-national firms.

Cognizant of this, Government has initiated steps to devise a Language Policy that will lay the basis for building capacity in Foreign Languages. As a first step, we have engaged in discussion with the Francophonie Organization in an effort to conclude a "Linguistic Pact," that will promote the use of the French Language within the Education System and in Saint Lucian Society as a whole. Initiatives in Spanish and other languages will follow.

Arts, Entertainment and Culture

The Government of Saint Lucia recognizes that Saint Lucia's considerable and unique cultural and artistic treasury offers significant opportunities for sustainable economic activity in Arts, Entertainment and Culture, generally referred to as the cultural industries.

Moreover, these sectors represent a significant pool of assets including: intellectual property, creative talent, management capacity, technological know-how and physical infrastructure, all of which can be effectively deployed for sustainable economic growth and accelerated human development.

The Government further recognizes that cultural industries constitute a major growth sector globally, and that several progressive countries – recognizing this immense potential – have devised enlightened public policies and strategies to successfully expand the contribution of cultural industries to GDP.

It is also manifest that these industries foster significant economic linkages with other sectors of the economy, particularly tourism. When these linkages are optimized, they generate considerable demand for related goods and services including travel, accommodation, food, beverage, media, communications, financial services and transport.

Madam Speaker, Government will therefore convene a National Consultation this year to chart the way forward for the growth and development of Arts, Entertainment and Culture in Saint Lucia. Also, because of the importance of the

creative industries and the potential for contributing to economic growth, Government has decided to allocate the sum of \$1.5 million to assist artistes. Government is especially encouraged by the initiative currently being pursued by the Honourable Derek Walcott, to produce a film based on his play, "Ti Jean and his Brothers".

Social Transformation, Youth and Sports

Madam Speaker, this Administration recognizes the value of sport to the development of our people and the nation as a whole. This was tangibly demonstrated at the recently and successfully concluded CARIFTA Games, where we not only witnessed our young athletes excel, but just as critically, our people rally behind them in total support. We will not only consolidate on those gains through the continuation of the Elite Athletes and Sport for all Programme but, Madam Speaker, we will concentrate more of our efforts on ensuring that we institute a more effective and comprehensive sports programme within the school system. We must engender in our children and by extension their families, a real love for sport. We must help them with their basic technique and we must ensure that they are prepared for any competition that they engage in. In this regard, we have invested \$1.5 m towards the School Sports Programme.

The Department of Youth and Sports has a responsibility for the management of the National Schools Sports Programme. This Programme is designed to expose students to the principles of sportsmanship and fair play and better prepare them to participate and contribute meaningfully in the country's development.

This initiative proposes the execution of an Annual School Sports Programme, with the organization and implementation of skills development and coaching programmes as well as competitions in core sports and the establishment of a rewards and incentives programme.

The initiative is based on the premise that preparation is key to success and to participate and enjoy the experience of sport one must be equipped with the fundamental skills, confidence and ability to so do at an early age.

Saint Lucia has a youthful population. Notwithstanding, the society has in recent times witnessed the manifestations of several problems inherent to youth, causing great stir and alarm among the populace. Crime, violence, substance abuse and poor civic attitudes pervade the social domain. In most instances, the perpetrators are very young people.

On the other hand, all of us, Madam Speaker have witnessed many examples of positive contributions made by our young people. They have it within themselves to be resourceful, innovative and productive. We must provide them with the encouragement for them to flourish. We must encourage them to take the lead in matters that directly impact on their welfare. But more importantly, Madam

Speaker, we must promote and sustain a message that fills them with confidence and hope.

Holistic Opportunities for Personal Empowerment

A major component of the Social Safety Net Programme implemented by this Government, Madam Speaker, is the Holistic Opportunities for Personal Employment (HOPE) Programme. It is widely recognized throughout the world that temporary employment programmes have a significant impact on cushioning the effects of economic downturn.

For some time now, we have endured the criticism of Honourable members of the Opposition for a re-introduction of STEP. My Administration has always contended that STEP, while conceptually having merit, operationally was severely flawed. We were of the firm view that the programme was too welfare-oriented and therefore confined its participants to a constraint state of dependency, with no hope of graduating to a better life.

Moreover, the activities undertaken were of little long-lasting value to the community and indeed to the nation. In an environment where resources are not only scarce but dwindling, this clearly was untenable. And so, Madam Speaker, after careful deliberations, we have formulated a programme that can address the immediate needs of some of our vulnerable population while simultaneously equipping them with the resources needed to assist them in securing more sustainable livelihood opportunities.

Madam Speaker, this programme will incorporate the following:-

- (1) A temporary employment component that will focus not only on beautification and landscaping activities but on construction activities, primarily at the community level. It will also provide opportunities in the delivery of services.
- (2) A health support component in which basic health servicing/diagnosis, treatment and advice will be administered.
- (3) A personal development component in which soft skills, in addition to vocational training, will be administered.

Madam Speaker let me make it abundantly clear that participation in the employment component of the programme will be conditional upon participation in the personal development component.

This programme will be administered through the Saint Lucia Social Development Fund (SSDF) in collaboration with a number of agencies like NCA, NSDC and Department of Youth and Sports and it is expected that over 2,000 persons will

benefit from this programme on an annual basis. Some EC\$9.5 million has been budgeted for the HOPE programme.

Social Protection

In the midst of this economic and financial crisis that we have spoken of, lies the inescapable fact that we must ensure that our vulnerable populations are protected. Our overall social sector policy framework must embrace social protection initiatives as well as those related to education, health care and protection of workers and their rights. We have to develop a social protection system that displays the following features:

- It must be appropriate and adequate, i.e. suited to the particular circumstances and catering for the intended beneficiary group.
- It must be cost effective yet equitable
- It must be capable of changing household behaviour for the better
- It must be capable of evolving over time and;
- Most importantly, it must be financially sustainable

If we carefully examine the current programmes delivered, it is evident that our social safety net is indeed wide ranging. We have cash transfer programmes like the Public Assistance Programme, in-kind transfer programmes like the School Feeding and Book Bursary and Educational Assistance programmes. We have instituted fee waivers for specific social services and price subsidies. We will introduce a labour intensive community works/service programme that will link employment to job search, training and other support services so as to enhance sustainable livelihood efforts at the household level.

Madam Speaker, in addition to the programme just mentioned I believe it is important to remind this Honourable House of the unprecedented increases in the prices of most goods throughout much of 2008 and the fact that the price of the basic commodities rice, flour and sugar remained the same in Saint Lucia. It is now estimated that approximately EC\$7 million was spent in maintaining these prices. Conscious of this experience, Government is this year deliberately making a provision of EC10 million to compensate for such price increase especially as the economy is in the midst of a global recession.

However, Madam Speaker, we will pursue the restructuring of the operations of the Government Supply Warehouse to make it more efficient. Government will also examine the possibility of establishing a Basic Commodities (BASCOM) Network in collaboration with social partners to manage the delivery of basic commodities to the most vulnerable among us.

Public Assistance

Madame Speaker, the Public Assistance Programme represents one of the largest social safety net programme, both in terms of the scale of the expenditure and the number of beneficiaries. At present approximately 3,600 individuals receive monthly public assistance contributions with annual expenditure exceeding \$4.8 million.

In September of last year, Government approved a revision of the rates paid to recipients so as to more adequately reflect the need to satisfy the food and non-food requirements of the poor and indigent. Notwithstanding these initiatives and in keeping with our overall philosophy and determination to ensure that such programmes are better targeted, more cost effective and more efficiently delivered, Cabinet has appointed a Committee specifically to review the Public Assistance List. In so doing, the Committee will advise not only a clear methodology for eligibility but also on the specific operational procedures and processes to be adopted.

We must be able to determine which individuals rely on this programme and which need not by virtue of being able to receive assistance through other programmes or because direct support can be obtained from their families. Through better targeting, I am convinced that not only will we be able to reach an increasing number of deserving households but we will also be able to provide a more diverse range of services to them.

Increases to Pensioners

Madam Speaker, Government pensioners last received an increase in their pensions in May 2005. While this Government has made it possible to keep prices of basic food commodities from rising, the reality is that the cost of living has since increased, eroding the real value of pensions. Medication and health services, for example, have become more expensive.

While I am aware that Government is under no legal obligation to effect increases to pensions, we consider it our moral responsibility to look after the welfare of our senior citizens whose hard work and industry built the economic foundation of this country.

Therefore, Madam Speaker, as another demonstration of our effort to provide social protection to our people, I wish to announce the following increases in pension payment:

1. for persons who retired prior to April 01, 2003 - 5%
2. for persons who retired prior to April 01, 2004 - 4%
3. for persons who retired prior to April 01, 2005 - 3%
4. for persons who retired prior to April 01, 2006 - 2%

This formula has generally been used in the past and has proven to be an equitable method of computing pension increases.

Madam Speaker, I propose that those increases take effect from May 01, 2009.

Sustainable Development

Environment

Madam Speaker, during the last year, Saint Lucia accepted the responsibility, at the level of the CARICOM Heads of Government, for the Sustainable Development portfolio which includes the Environment, Disaster Management and Water. This responsibility I have taken seriously and by way of example I wish to outline some of Saint Lucia's achievements over the last year that contributed to environmental sustainability. We were able to re-establish the National Environmental Commission, complete a draft Environmental Management Act and complete a Coastal Zone Legislative Study among many other achievements.

During this fiscal year, attention will be focused on developing an incentive regime aimed at encouraging environmentally-based enterprises. The importance of this policy initiative must be seen in the context of the rising cost of energy and the impact that global warming is having on our development.

Madam Speaker, with respect to climate change, Saint Lucia is quietly undertaking a number of measures to begin to address this phenomenon. Under the Special Programme on Adaptation to Climate Change (SPACC) Project, we will this year see the retrofitting of a prominent public building to withstand strong earthquakes and category 4 and 5 hurricanes and the incorporation of new design wind speed standards as well as earthquake resistant standards, into the national building guidelines. We will also undertake a project in the south of the island to demonstrate practical and cost-effective water conservation and recycling measures. This initiative will reduce demand upon the municipal water supply and also help to protect the environment.

Energy

Madam Speaker, in the area of energy, Government will continue to promote the diffusion of wind, solar and other renewable energy technologies. Cabinet has already granted approval for LUCELEC to acquire the necessary land and it is our expectation that LUCELEC will move rapidly to establish a wind farm. Moving towards renewable energy in a big way will require a review of our existing electricity supply legislation. This review will finally be undertaken in this financial year under the EU Special Framework for 2006. This will be part of a broader initiative which will also identify options for energy efficiency in the transportation sector and promote increased awareness of energy issues at the national level.

Economic Infrastructure

Decentralization and Integration of Regions

Madam Speaker, the Quadrant Development initiative was mentioned in last year's Budget. Already, strategic sub-regional plans have been developed for Laborie, Micoud, Anse-La-Raye, Canaries and Choiseul.

In the North East Quadrant, discussions are underway on the feasibility study for the construction of a highway linking Dennery to Gros Islet via the east coast of the island.

With regard to the North West Quadrant, three projects are being considered. The first is the Vigie Beach Re-development. The second involves the re-development of La Clery into a medium density housing area, integrated with commercial space, sporting and recreational facilities together with health and fire facilities. The third is the Castries re-development which will be addressed later in the Budget.

Madame Speaker, in the Southern Quadrant, Government intends to examine the feasibility of undertaking the reclamation of lands between the Fisheries Complex and IL Pirata in Vieux Fort. Already, proposals are before Government for the building of a marina once the lands have been reclaimed. In addition, a partnership of Saint Lucian nationals from the diaspora in New York, together with some local interests, have already presented to Government, a plan for the construction of a Boutique Hotel and other facilities at IL Pirata.

The National Vision Plan is meant to provide the framework through which every region and community can share in the common vision and be integrated into the country's social and economic development. To achieve this, the full Vision Plan will be presented and discussed throughout Saint Lucia and its diaspora. In this Budget, provisions are made for the hosting of a number of meetings throughout the island.

Madam Speaker, I now turn my attention to the infrastructural matters that will occupy the attention of this Government during the new fiscal year. I will first speak on the road development programme.

Road Development Programme

The programme of annual road maintenance activities for elements of the Saint Lucia road network has been developed as part of the ongoing Road Development

Programme to provide a prioritized listing of maintenance works to be considered for implementation during the current and subsequent financial years.

All work programmes have been developed on the basis of assessed needs determined from an analysis of current condition survey data for the road sections considered and the associated roadside elements together with data of traffic volumes and composition for each section.

In undertaking the various development projects, the Government of Saint Lucia seeks to fulfill its mandate in improving the strength and general conditions of the primary, secondary and tertiary road network. The major goal is to improve the safety and motorability of roads to maintain reduced user costs.

The main objectives to be achieved through the implementation of such projects are to promote and enhance social and economic development throughout the country, improve significantly the general condition of Saint Lucia's road network, provide greater comfort to motorists, increase the longevity of our roads and improve the control and disposal of runoff water.

Madam Speaker, the Government will therefore be paying particular attention to the following road projects during the financial year:

- Complete rehabilitation of the third phase of the **East Coast Road** from Praslin to Cannelles (16.13 km);
- Complete rehabilitation of the **Allan Bousquet Highway** from Union to Babonneau (5.5 km);
- Overlay of the **West Coast Road** from Anse La Raye to Soufriere;
- Rehabilitation of **Castries Urban Roads** to include:
 - Morne to Guesneau (3.59 km)
 - Bocage to Chabot to Sunbuilt (1.47 km)
 - Marchand to Entrepot (0.317 km)
 - Sunnyacres (3.52 km)
 - Chef Harry Drive to Dierre Fort (1.02 km)
 - Cedars to Sunbuilt (0.552 km)
 - Lanse Road to Calvary (0.586 km)
 - Morne Apartment Road to Red Tape Lane (0.421 km)
 - Sir Arthur Lewis Community College Road (0.719 km)

- Bisee to Carellie to Chase Gardens (1.5 km)
- Chase Gardens to York Hill (0.2 km)
- Chase Gardens to La Pansee (0.72 km)
- Bocage to Morne Du Don (1.2 km)
- Bocage to Girard Cacao (1.95 km)
- Leslie Land to Cedars (0.4 km)
- Cayere Road [Vide Bouteille] (0.355 km)
- Pavee Road (1.103 km)
- Pavee to Rock Hall (1.089 km)

Upon completion of these major road rehabilitation projects, the country's entire primary road network from North to South, East to West will be completely rehabilitated.

Rehabilitation of Feeder and Agricultural Roads

The rehabilitation works just outlined place emphasis on the primary road network however equally important are the feeder and agricultural roads. Hence Madam Speaker, through the Feeder and Agricultural Roads Rehabilitation Project, the Government of Saint Lucia seeks to fulfill its mandate in improving the strength and general road condition on the targeted roads. The major goal is to maintain the safety and motorability of these roads to enhance accessibility to agricultural farms and ensure that produce transported would be in an acceptable state for national consumption or export. Thus the social and economic development in the areas of focus is assured.

The project is expected to commence during the second quarter of 2009 and completed by 2010.

The Government of Saint Lucia was successful in negotiating with the Kuwait Fund the funding arrangements for this project but more specifically the approval to allow local contractors and consultants to bid competitively for execution and supervision of the six (6) contract packages as follows:

<u>Package</u>	<u>Road</u>	<u>Length (km)</u>
Package 1	Roseau - Belair - Sarot	3.946
	Coolie Town - Lombard	1.196
	Highway - Lombard	1.724
	Bois Jolie Agricultural Road	4.972
	Jacmel - Morne Siseau	3.064
	Belle Vue Viancelle - La Source	3.738
Package 2	Theobalds	1.860
Package 3	Babonneau - Fond Assau	1.367
	Cabiche	0.672
Package 4	Gardette	1.841
Package 5	Deglos - Marc (Crownlands)	2.237
Package 6	Vigier	1.488

The socio-economic benefits to be derived in the areas where these works will be undertaken cannot be over emphasized especially during this period of economic downturn that the entire world faces. During this period of international economic downturn, employment of contractors together with our skilled and semi-skilled workforce is critical to ensuring that our country swims against the tide. This view synchronizes with the decision of the OECS Ministers responsible for the Construction Sector at a recently held meeting in St. Vincent and the Grenadines.

Port Castries Redevelopment

Madam Speaker, at a time when all countries are experiencing economic decline of varying magnitudes, one thing that has remained clear to me and this Government, this is not the time for Saint Lucia to retreat into its shell but rather it is the time to undertake the necessary investments to strategically position our country to take advantage of opportunities that will present themselves when this economic recession eases. In this context Madam Speaker, the overall plan for the re-development of Port Castries into a modern Inner Harbour remains at the forefront of the strategic development of Saint Lucia as a "Marquis" Cruise Destination.

In recent years, Saint Lucia has grown tremendously as a cruise destination moving from 394,364 passengers in 2005 to a record 619,680 in 2008. Projections for 2009 suggest arrivals are expected to grow to over 700,000 passengers. This growth is not only in terms of statistics, but in terms of the entire destination experience which has been expressed by Cruise Lines and made manifested with

Saint Lucia being awarded ***“Best Destination Experience” in 2009 from Dream World Cruise Destinations.***

While the success achieved is certainly cause for celebration, there is now need to ensure sustainable development of this sector which will also allow Saint Lucia to become even more competitive. Against this backdrop, Government intends to partner with Royal Caribbean Cruise Lines (RCCL) to redevelop Port Castries, increasing the berthing capacity while creating an aesthetically-pleasing sense of arrival to our visitors and position Port Castries as a first world cruise destination.

The Redevelopment of Port Castries will be undertaken by a locally registered company to be set up by Royal Caribbean Limited. The entire project will consist of a mix of low to mid-rise condos or other residential configurations, e.g. hotels, waterfront retail, restaurants, yacht marinas, casino, cinemas and other related entertainment elements. The Port Castries Redevelopment Project will be implemented in phases as market conditions and site availability support the development.

Madam Speaker, this re-development will be done in four phases as follows:

1. The first phase is the Ville Carenage Square Component. This will be undertaken in the financial year 2009/10. This is the urban waterfront area at the southeast corner of the Castries Harbour. Emphasis will be on the creation of tourism retail and commercial redevelopment. The estimated cost of this phase is between EC\$55 - \$60million.
2. The second phase is the Point Seraphine/Trou Garnier Component. This is the waterfront area on the northeast side of Castries Harbour. This project component will have several phases and may include a boutique hotel, residences and parking structures. A Super Yacht Marina is planned for the western side of Trou Garnier.
3. The third phase is the Vielle Ville Bay/Point St. Victor Component. This component is the small back bay on the north side of the Castries Harbour and will consist of small retail, restaurants and boutique hotel and residential elements with small-boat and commercial boat marina activity.
4. The fourth phase is the Queens Crown Point Component. This is a possible subsequent phase component which may be the expansion site for another cruise berth with associated retail and commercial, residential and marina elements.

The redevelopment will also expand the harbor capacity to accommodate larger sized vessels like the Oasis and Genesis class and assist SLASPA's ability to provide berths to the growing number of cruise vessels wishing to call into Saint Lucia. It will also capitalize on the 3-mile perimeter frontage of the harbor to create increased pedestrian movement and flow, including a pedestrian-friendly mass transportation system around the harbour. The potential to create commercial opportunities for Saint Lucia remains a key objective of the redevelopment project.

Therefore the plan entails the creation of activity hubs around the harbour perimeter that will capitalize on local food, culture, and entertainment and will attract attention and motivate visitation to the island, by both cruise and stay over visitors while providing an even more beautiful place to live, work and play for Saint Lucians.

Hewanorra International Airport Redevelopment

Madam Speaker, in 2008, the Hewanorra International Airport (HIA) handled 466,229 passengers while 10 years ago the airport handled 365,896. This is more than a 100,000 increase in passengers embarking and disembarking at the airport in only 10 years. Projections for the next ten years indicate that passenger throughput is expected to increase to approximately 750,000 passengers.

Currently, the Hewanorra International Airport facility comprises a 9,000 ft. long and 150 ft. wide runway strip, has five (5) apron parking positions, two (2) of which can accommodate wide-bodied aircraft. The Terminal Building is approximately 84,000 sq. ft.

The Government of Saint Lucia through (SLASPA) has recognized that the existing facility is no longer adequate to support the steady growth in passenger throughput in the facility. The customers experience particularly on peak days can be less than satisfactory as the level of congestion and long processing times do not create the impression that the airport is Saint Lucia's gateway to the ideal tourist destination.

Therefore, during the last financial year, SLASPA began the process of the redesigning and development of a Master Plan for HIA which includes a new airport terminal at the facility. Included in the plan are: construction of a new terminal building; installation of jet bridges; a new modern control tower; increase in aircraft apron parking positions from five to eight in Phase 1 and to twelve in Phase 2; development of a Fixed Based Operation (FBO); relocation and development of a new air cargo facility; and construction of a new car park and road infrastructure network.

The new Terminal Building is proposed to be constructed in stages consistent with passenger growth, which shall eventually result in a facility with a footprint of approximately 205,000 sq. ft. in size.

The facility will improve the airport's aesthetics by separating air cargo from commercial aircraft operation and will be able to handle the industry largest aircrafts. The new design will create centralized passenger facilities improving passengers comfort and creating a positive customer experience. The budgetary estimate for the entire project is EC\$450 million.

Government's Plans for WASCO Including Possible Privatization

Madam Speaker, the Government of Saint Lucia in March of this year took the decision to abort the process towards the privatization of WASCO and reject the bids submitted for the international investor to manage and own forty per cent of the water company. This was a result of legal challenges to the bidding process by one of the bidders to the transaction.

The Government still believes that the reform of the water sector is both practicable and desirable hence, a Committee comprising the Permanent Secretaries in the Ministries of Public Utilities, Finance and Economic Affairs have been mandated to review the alternatives for improvement to the Water Sector including privatization options.

It is expected that a firm decision on the Water Company will be made early in this financial year.

National Security

Madam Speaker, the public of this country has a right to peace and security. In fact, the very foundation for the sustainable development of Saint Lucia rests on the expectation that law abiding citizens will be able to raise their families, work and create wealth in an environment based on peace. In that context, the Government of Saint Lucia is clear that national security is a major priority.

The competent authority under the laws of Saint Lucia to effect law enforcement and guarantee public safety is the police. After many consultations with the police we have devised a plan of action that will bring a greater degree of confidence among the citizenry in terms of their safety.

Madam Speaker, to reduce crime, disorder and fear of crime, there will be training of officers in crime scene management along with the establishment of an Automated Fingerprint Identification System. The commissioning of the forensic laboratory will be a major tool in criminal investigation and prosecution. Government will also be introducing Close Circuit Television Systems with static cameras to assist with criminal investigation within the borders of country while the establishment of a coastal RADAR System and the commissioning of an additional vessel for the Marine Police will assist with transnational crime.

To increase public confidence in the environment the police will be reassessing the deployment of officers island-wide by managing officers' vacation leave to ensure that as many officers as possible are available to perform patrol duties. Government will seek to establish a Police Sub-Station in Rodney Bay to increase the police presence in that area of high human activity.

Madam Speaker, we have heard the public outcry with the manner in which the police sometimes execute their responsibility. Therefore, to improve public satisfaction with policing, there will be the use of more humane options by police officers when making arrests. The use of taser stun guns and pepper spray expected to reduce the incidences of police shootings especially those who are mentally ill.

Madam Speaker, the number of deaths on our roads is unacceptable. To create an environment of safety for road users the police will also procure at least two (2) RADAR guns which will be used to help address the problem of speeding that regularly results in serious accidents. The police will ensure that laws, regulations and procedures that relate to road users are enforced and increase uniform police presence and visibility on the major Traffic routes.

And Madam Speaker, to ensure that the police conduct themselves in a manner that is not above the law, there will be increased emphasis on investigation of internal corruption and indiscipline.

5. FISCAL OBJECTIVES AND BUDGET MEASURES

Overall Fiscal Strategy

Madam Speaker, given the tight fiscal situation, we are projecting a small surplus of \$2.03 million on the recurrent operations which will be applied to the capital investment programme. In like manner, the substantial capital program which is expected to contribute to growth, will continue to be largely financed by loans of one kind or another.

At the same time, I will not allow the fiscal account to become unsustainable. Already the debt ratios have risen in recent years and we have had to find a viable balance between the extent of deficit financing and increasing the debt burden.

Our approach to health, education and social services is an investment in the people of Saint Lucia, our greatest resource. As part of our fiscal strategy, the composition of budgetary expenditure provides a safety net for vulnerable people, especially in the current economic environment. Tax and other concessions are also employed in the Budget to provide relief, increase disposable income and help create the conditions for stimulating economic activity.

The fiscal strategy provides a sound financial framework to ensure the sustainable provision of government services, continued capital investment, manageable debt levels and a competitive tax environment that continues to support economic growth.

Madame Speaker, while on this subject, I wish to address the issue of the salary increase to Public Servants. Much has been said over the last few days about the request by Government to public sector employees that they consider a delay in the implementation of the third tranche of the 14.5% general wage increase awarded to public officers for the triennium 2007 to 2010. This tranche amounts to 7.5% and became due from April 2009.

To date, public sector employees have received a general wage increase amounting to 7% since April 2007. In accordance with the award agreed to by Government, a further 7.5% became due this month.

Madame Speaker, Government has never disputed the fact that a 7.5% wage increase was due to public officers from April. What the Government has said was that given that economic conditions had changed drastically in the world for the worse since the award, and given the state of the economy and public finances of Saint Lucia, that the country could not afford the full magnitude of the increase at this time and hence the request for a delay in implementation.

Of course two Unions, the National Workers Union (NWU) and the Vieux Fort General and Dock Workers Union agreed in principle to a compromise proposal while other Unions who are members of the Trade Union Federation outrightly rejected the original proposal.

Government has since formally made the offer agreed to by the NWU and the Vieux Fort General and Dock Workers Union, to the Trade Union Federation and its affiliates. The substance of that offer is: -

1. That Government undertakes to pay 3% from the 7.5% agreed upon immediately, that is from April 2009; and
2. After six (6) months there will be a review of the conditions in the economy and public finances in order to agree on whether and when Government would be in a position to honour the balance.

The Trade Union Federation's response is being awaited.

Madame Speaker, whilst we await the response of the Trade Union Federation, permit me to outline to this Honourable House and to the nation a few facts:-

- (i) Government's decision to request a delay in implementation of this increase was made with the deliberate objective of preserving jobs, particularly of public sector workers. It is an essential part of our strategy to protect the most vulnerable segments of the society.

- (ii) The conditions in the world economy outlined earlier are having a particularly deleterious effect on small vulnerable economies like Saint Lucia.
- (iii) There has been a steep decline in revenue particularly from customs duties.
- (iv) Payment of the 7.5% increase immediately would require us to make certain adjustments in the fiscal provisions which we do not believe would be in the best interest of Saint Lucia. This would include borrowing and a cut in expenditure in areas which are essential to the implementation of Government's overall strategy.
- (v) The Government is making every effort to contain increases in expenditure, reduce waste and enhance efficiency.
- (vi) In many countries part of the approach adopted has been to reduce jobs particularly in the public service. In that regard, the budget presented yesterday in the United Kingdom contained measures to cut thousands of civil service jobs over the next four (4) years and find £45 billion in "efficiency savings". This is a developed country which is taking these measures; far less a small vulnerable economy like ours. Closer to home, you may have heard, the Government of Jamaica presented a severe austerity budget only yesterday, with serious implications for the incomes and jobs of ordinary Jamaicans.

Therefore, Government once again wishes to appeal to the leadership of the Trade Union Federation to allow good sense to prevail and grant favourable consideration to the proposal made. It is in the interest of public servants and of the country as a whole.

Finally, as a demonstration of Government's understanding of the current situation and commitment to our public workers, the Cabinet of Ministers has agreed to a 10 per cent pay-cut. The proceeds will be placed in a special fund to be administered by the Saint Lucia Social Development Fund for the benefit of the indigent in our community. Madam Speaker, because of the current, tight fiscal situation, I will continue to monitor very closely the unfolding situation and will give consideration to instituting appropriate measures, as necessary.

Fiscal Operations

Madam Speaker, this budget capitalizes on the structural reforms of previous years and maintains the focus to achieve the Government's strategic priorities outlined earlier.

Accordingly, the total planned budgetary expenditure is one billion, two hundred and eleven million, three hundred and fifty-five thousand, six hundred and nine dollars. This represents a 4.4 per cent increase when compared to the planned outlay for 2008-2009, the details of which are as follows:

1. Recurrent expenditure of eight hundred and seven million, four hundred and seventy-six thousand, two hundred dollars. The amount includes debt principal payments and sinking fund contributions. The amount for debt principal and sinking fund contribution is 2.7 per cent higher than the approved estimates for 2008-2009 and accounts for 11.6 per cent of the total recurrent estimates.
2. Capital expenditure of four hundred and three million, eight hundred and seventy-nine thousand, four hundred and nine dollars. This represents a 3.0 per cent reduction over the approved capital expenditure for 2008-2009.

The following outlines how the budget will be financed:

1. Recurrent revenue of eight hundred and nine million, five hundred and two thousand, three hundred and two dollars (\$809,502,302.00).
2. Capital revenue, mainly from the proceeds of the sale of land, in the amount of approximately \$5.4 million.
3. Grant funding in the amount of one hundred and thirty million, five hundred and eleven thousand, one hundred and thirty-eight dollars (\$130,511,138.00) of which approximately \$66.5 million and \$36.3 million will come from the European Union and Peoples Republic of China on Taiwan respectively.
4. New Bond funding of one hundred and forty-five million, eight hundred and forty-one thousand, one hundred and eighty-two dollars (\$145,841,182.00).
5. Other loans of one hundred and twenty million, one hundred and eighteen thousand, two hundred and thirty two dollars (\$120,118,232.00) from the following sources:
 - a. Caribbean Development Bank (CDB), approximately \$55.7 million;
 - b. World Bank - a combination of ordinary and concessionary funding of approximately \$47 million; and
 - c. Kuwaiti Fund (KFAED), approximately \$17.4 million

Allocation of Expenditure

The following highlights the distribution of total expenditure among the various Agencies/Ministries and the components of investment expenditure contained therein.

1. *Agencies of Parliament* - Office of the Governor General, Legislature, Service Commissions, Electoral and Audit Departments will receive a total of \$6.621 million. While this represents approximately 4.4 per cent increase in

expenditure over 2008-2009, this expenditure as a proportion to total expenditure remains unchanged when compared to last year. This amount represents 0.5 per cent of the total expenditure.

2. *General Service Agencies* - Office of the Prime Minister, Ministry of Public Service and Human Resource Development and Ministry of Labour, Information and Broadcasting is earmarked to receive a total allocation of \$37.7 million. This is equivalent to a 4.0 per cent decline in expenditure over the 2008-2009 estimates of expenditure.

This allocation includes two main initiatives financed by the Petroleum Stabilization Fund and the World Bank namely, the National Security Enhancement Program and the Monument in Honour of Sir John respectively. This expenditure represents 3.1 per cent of the total expenditure budget.

3. *Justice Sector* - Ministry of Justice and Attorney General's Chambers and Ministry of Home Affairs and National Security.

Madam Speaker, Government has no greater responsibility than keeping all Saint Lucians safe. We recognize that improved recruitment and retention of staff are necessary in order to ensure that a higher standard may be achieved. Government is committed to ensuring that the force is fully equipped to meet new and existing challenges. In this regard, I have allocated a total of \$110.6 million to this sector. This represents a 9.0 per cent increase over the previous year and 9.2 per cent of the total expenditure.

The allocation includes provisions for the training of one hundred and thirteen (113) police recruits and forty (40) correctional officers; operationalizing the new forensic laboratory; procurement of a Fingerprint Identification System and Close Circuit Television Systems for the Bordelais Correctional Facility and the Police.

4. *Economic Service Sector*

Madam Speaker, I am announcing a total amount of \$707.6 million to be allocated to this sector. Of that amount \$289.7 million dollars is provided for Debt Servicing, Retiring Benefits and Contingencies. This overall allocation represents an increase of \$29.4 million over the prior year's allocation.

Approximately \$264.9 million dollars is for the Capital Expenditure Programme of this sector under the management of the following Agencies:

- (a) The Ministry of Agriculture, Forestry, Lands and Fisheries;
- (b) The Ministry of Commerce, Industry and Consumer Affairs;
- (c) The Ministry of Communications, Works, Transport and Public Utilities;
- (d) The Ministry of Finance;
- (e) The Ministry of External Affairs, International Trade and Investment;
- (f) The Ministry of Tourism and Civil Aviation;
- (g) The Ministry of Physical Development and Environment;
- (h) The Ministry of Housing, Urban Renewal and Local Government; and
- (i) The Ministry of Economic Planning and National Development.

Capital input into the Economic sector includes:

- I. \$41.5 million for the Ministry of Agriculture, Forestry and Fisheries. Of that amount: \$11.6 million is for the continued implementation of the Agricultural Diversification Projects funded by the European Union; \$5.5 million for Crop Development; \$8.4 million for the Construction of the Anse La Raye Fisheries Facilities; and \$12.5 million for the construction of the Meat Processing Facility.
- II. \$4.9 million dollars for the Private Sector Development Program.
- III. \$67.5 million for the Ministry of Communications, Works, Transport and Public Utilities. This includes: \$59.7 million for various road infrastructure projects; \$1.3 million for the upkeep of public buildings and grounds and \$5.7 million for the Anse La Raye water supply improvement project.
- IV. The Ministries of Finance and Economic Affairs will receive \$74.1 million to undertake various projects aimed at strengthening financial administration, contingencies and the continuation of the programme for developing the national development plan.
- V. \$47.1 million is allocated to the Tourism Sector, of which \$45.0 million is for Tourism Marketing and Promotion.

5. *Social Service Sector*

Madame Speaker \$348.9 million dollars is being injected into the Social Services Sector. The Ministry of Social Transformation Youth and Sports; The Ministry of Education and Culture and the Ministry of Health, Wellness, Family Affairs, Human Services and Gender Relations are the administrators of this sector.

Capital input into this sector includes:

- I. Of the \$28.7 million allocated to the Ministry of Social Transformation, \$22.4 million for various projects to benefit communities and vulnerable groups and \$6.2 million for projects targeting the development of sports.
- II. Of the \$20.2 million dollars allocated to the Ministry of Education \$13.2 million is allocated to the rehabilitation and re-tooling of and equipment for school plant.
- III. \$68.7 million for the Ministry of Health in demonstration of this Government's commitment to ensuring continued improvement in the health care system. Of that amount, \$35.6 million is allocated for the new national hospital, \$13.5 million for the Neo-psychiatric hospital and \$6.5 million for the new senior citizens home.

Stimulating the Economy and Generating Growth

Given the current economic situation, a number of measures and programmes to stimulate the economy and generate growth will be implemented. They include tax concessions, Central Government capital programmes, other public sector projects and programmes undertaken jointly by the Government and the private sector and projects undertaken exclusively by the private sector. The measures and programmes are as follows:

Increase in the Personal Income Tax Threshold

Madame Speaker, I propose to increase the personal income tax allowance from its present level of \$16,000 to \$17,000 effective 1st January 2009. This increase will have the effect of removing up to 800 persons from the income tax net, and in addition make available additional disposable income to taxpayers, especially those at the lower end of the income bracket.

Increase in Deductions for Mortgage Interest

The deduction for mortgage interest has remained unchanged since its introduction in 1980. During this period and in particular in the last few years, we have all witnessed the dramatic increase in the cost of home ownership. This increased cost is manifested in several ways, including the cost of land, building material, labour, and borrowing costs such as mortgages and legal fees.

Consequently, I propose to increase the maximum deduction for mortgage interest from \$15,000 to \$18,000 for existing mortgage payers and to \$20,000 for first time home owners for two years, that is, for the period 2009 to 2010. After 2010 all mortgage payers will be entitled to a maximum deduction for mortgage interest of \$18,000.

While the increase in this deduction is intended to benefit current and prospective homeowners, it is also intended as a measure to give much needed stimulus to the construction sector.

Timely Payment of Income Tax Refunds

Madam Speaker, the long delays in the payment of tax refunds to taxpayers has always been an area of contention and a source of concern for the Inland Revenue Department, and by extension the Government. Taxpayers on average are paid their tax refunds two years following the submission of their tax returns. Although some improvements have been made in recent years the process is still too slow and the delays unacceptable.

To relieve the hardships imposed by the tough economic conditions the Inland Revenue Department will be directed to speed up its assessment and payment of tax refunds. Additionally, I propose to increase the amount allocated for income tax refunds by \$2.5m to \$10.0m in the financial year 2009/10.

Tax Amnesty

Madam Speaker, in last year's budget Government announced a tax amnesty which was aimed at providing relief to taxpayers whose accounts with the Inland Revenue had gone into arrears. The relief measures included a penalty waiver of up to 100 per cent and interest waiver of up to 70 per cent for the first year, 2008/2009, and lesser relief for the second year, 2009/2010.

This measure was a tremendous success. Government however recognizes that the period available for implementation in 2008/2009 may have been too short, in that the actual program was rolled out by the Inland Revenue in September/October 2008.

Government is therefore extending the more generous provisions of 2008/2009, to 2009/2010 where penalty waivers of up to 100 per cent and interest waivers of up to 70 per cent will be available. This program will come to an end on March 31, 2010.

All taxpayers who are in default of their tax payments are therefore urged to take advantage of this extended Government generosity.

The Contribution of Public Sector Investment Programmes to the Economic Stimulus

Central Government

A substantial part of the capital expenditure budget of Government, the details of which I described earlier, will have a direct impact on investment and growth in 2009 to 2010. I have included around \$265.9 million for economic and social investment projects, in order to stimulate the economy, provide jobs and lay down a firm basis for higher growth in future years.

Wider Public Sector

A number of projects in the wider public sector are expected to have a similar impact. Those projects include:

(a) Public Sector Construction and Infrastructure

- Re-development of Port Castries - \$55 million to \$60 million
- Hewanorra Airport Expansion - \$60 million
- Bois d'Orange Hypermart Building - \$32.5 million
- Fire Station/Office Complex - \$35 million
- Housing Projects - \$31 million

(b) SLDB's Programme for Financing Development

Madam Speaker, in keeping with Government's pledge to re-establish the Saint Lucia Development Bank, I am pleased to report that the Bank was formally launched on February 22nd 2009 to coincide with the 30th Anniversary of our Nation's Independence. This is a fitting independence gift to the hundreds of farmers, fishermen, students small and medium sized entrepreneurs who felt neglected by local credit institutions. Madam Speaker, this milestone ushers in a new era of development banking in Saint Lucia.

The public response to the establishment of the SLDB has been nothing short of overwhelming, with 267 enquiries from prospective borrowers, a mere five weeks after the commencement of operations.

The loan programme identified for the various sectors so far, is as follows:

- 1) Agricultural - one hundred loans valued at \$1.06 million
- 2) Fishing - twenty loans valued at \$0.14 million
- 3) Industry - twelve loans valued at \$1.44 million
- 4) Tourism - six loans valued at \$1.2 million
- 5) Services - ten loans valued at \$0.5 million
- 6) Housing - twenty-four loans valued at \$6 million

7) Manpower training - forty loans valued at \$2 million

This lending programme will provide in excess of \$12 million for small and medium size projects in 2009-2010 which will, in turn, have a positive impact on growth and employment. The Bank will, in conjunction with Government, explore additional opportunities for obtaining financial resources for the development of all sectors.

However, while efforts will be made to expand the Bank's normal lending programmes, I wish Madam Speaker, to announce two special programmes that will be administered through this institution and will commence in this financial year.

Exogenous Shock Facility

The first programme is an Exogenous Shock Facility designed to provide small businesses with short term liquidity support in order to help cushion the impact of the global economic recession. The funding for this lending programme will be obtained from the Exogenous Shock Facility of the International Monetary Fund which provides policy support and financial assistance to low-income countries facing external shocks. Government will avail itself of the rapid-access component under which a country can obtain funds quickly, up to 25 per cent of its quota for each exogenous shock. Madam Speaker, let me emphasize that this is not an IMF structural adjustment programme and this Facility comes with no conditionalities. All that is required of Government is a continued commitment to sound macroeconomic policy and in particular, policies to help address the shock.

Saint Lucia will be eligible for approximately EC\$7.0 million on highly concessionary terms. The Facility, which is to be managed by the SLDB, will assist small business, including tourism and related services, industry and agriculture and agri-business.

Youth Enterprise Equity Fund

The second of these programmes seeks to support growth and development of youth enterprise in our nation. For too long now, we have seen evidence of entrepreneurial creativity and ambition amongst our youth which unfortunately has been frustrated by the lack of dedicated financing vehicles to enable such enterprises to flourish. Government, Madam Speaker, has heard the cries of our youth and will therefore establish through the SLDB, a Youth Enterprise Equity Fund. This facility will be a source of start-up equity for young entrepreneurs in Saint Lucia. The Fund, which will be established as a tax-exempt body, will be managed and administered by the SLDB as the principal partner. The National Insurance Corporation will be invited to participate as an investor in the Fund in supporting the mutually beneficial objectives such as employment creation. Other small investors will also be encouraged to participate and will benefit from tax-write-offs on capital and tax-exempt income. Other State agencies, such as the

National Skills Development Centre, the Small Enterprise Development Unit and the Sir Arthur Lewis Community College, will be required to support the initiatives as strategic partners.

Madam Speaker, the Government of Saint Lucia pledges an initial contribution of \$5.0 million with approximately \$3.7 million to be contributed in this financial year and the balance to be paid in the following year.

Private Sector/Government Partnership Programmes

Madam Speaker, times of crisis are times for innovation. Earlier in the statement, I alluded to the instrumentality of the National Workers Union in partnering with Government and the private sector to resuscitate the Belle Fashion Factory in Dennery. This Government intends to revitalize, through the modality of Public/Private Sector Partnership, the garment industry within the Dennery region.

Members may recall that Belle Fashion Industry once operated in the Dennery region and provided employment for many young women in that area. Madame Speaker, those skilled and talented women are still there. It is the intention of Government to bring those persons into an organization/cooperative and together with a private sector company, make use of their skills to supply uniforms to Government employees who require them.

It is the intention of the Government to provide the legal services, seek capital and guarantee them a ready market for a period of three (3) years in order to ensure that the business starts on a sound footing. The idea here Madame Speaker, is that once the business takes off Government will reduce its involvement in the company.

Madam Speaker, this is the sort of incubator industry that many have spoken about, but could not conceptualize and materialize. Madam Speaker, government will treat this as a pilot project to be replicated in other sectors of the economy.

A critical aspect of this pilot programme is its focus on providing the employees with the administrative and business skills to manage their affairs. This will be facilitated under the Skills for Inclusive Growth Project which will be operationalized in this financial year and executed by the National Skills Development Centre (NSDC). Madam Speaker, the involvement of the NSDC in providing training to the employees of the company which will be established soon, is part of the shift in focus of the NSDC.

Other Private Sector Programmes

Madam Speaker, as highlighted earlier, a number of hotel development projects, such as the Ritz Carlton Development, are likely to commence this year which would add further stimulus to the economy.

Increased Efficiency in Operations and Revenue Collections

As the economy recovers, we must ensure that efficiency in government operations is maintained.

Government is cognizant of the need for prudent management of its operations and of the finances of the State, to maintain a sustainable path in its fiscal policy despite the deteriorating macroeconomic conditions. In fulfillment of this objective therefore, a number of revenue generating, including efficiency enhancing measures, will be implemented in the fiscal year 2009/10.

Measures to Enhance Efficiency in Revenue Collection

Madam Speaker, Government has invested a significant amount of resources in strengthening its revenue collection agencies with a view to improving the efficiency of revenue collections. To this end the Inland Revenue Department is currently implementing measures to strengthen its auditing functions and will intensify its revenue collection efforts.

The auditing functions of the Customs and Excise Department have also been strengthened. In addition the Customs and Excise Department will soon be launching ASYCUDA World, a tax administration software programme expected to significantly improve the processing and recording of customs declarations.

Introduction of taxes on dividends and interest paid to non-residents

Presently Madame Speaker, dividends and interest payments are exempt from taxes. Previously these areas were subject to some degree of taxation prior to the introduction of the Income Tax Act of 1989 when these forms of income were made tax exempt. The existing state of affairs of the country at the time probably dictated this approach, and to a certain extent would have improved on the investor and economic climate.

The case for those exemptions is not as convincing today. These items have now become areas of abuse of our tax system by sophisticated taxpayers. Without any doubt they present too great an avenue for profit manipulation and by extension for escaping from the payment of taxes, with too little benefit for Saint Lucia. Of particular concern is an aspect of financial innovation called thin capitalization, where debt rather than equity financing is used to capitalize the operations and activities of business enterprises. This arrangement has the potential for reducing profits available for taxation by expensing interest costs. In the case of foreign-owned enterprises operating in Saint Lucia the effects are three-fold:

1. Profits taxable in St. Lucia are reduced by the deduction of the interest expense. In most instances, that interest is payable to a related party.

2. After tax branch profits are remitted tax free by virtue of the exempt dividend.
3. Interest payments are remitted tax free by virtue of the exemption of interest from withholding tax.

Therefore Madame Speaker, I propose to reintroduce the taxation of dividends, including a withholding tax on amounts accruing to nonresidents. I also propose re-introducing a withholding tax on interest payments accruing to nonresidents. Let me make it clear: those taxes are not being imposed on residents of Saint Lucia.

Madam Speaker, tax on dividends will be applied on the following basis:

- In the case of foreign owned enterprises, on the full amount of profits after corporation tax at withholding tax rate of 10 per cent.
- Dividends declared by resident enterprises, Credit Unions and other exempt organizations will be exempted from withholding tax on dividends and interest payments.

Madame Speaker, where all or part of the amount targeted for taxation is re-invested in the economy of St. Lucia, these amounts will be exempted from tax. By the term “reinvesting in St. Lucia” the following will be considered:

1. Acquisition of land, buildings or plant and machinery as fixed assets, but excluding plant and machinery acquired to replace decaying assets.
2. Purchasing of shares in or securities issued by local companies.
3. Purchase of long term Government securities.
4. Any other form of investment which may be approved by Cabinet.

In the case of tax on interest, it will be applied as follows:

Interest payable to non residents will no longer be tax exempt under the Third Schedule of the Income Tax Act and will be subject to withholding tax at the rate of 15 per cent.

Madame Speaker, the tax on interest and dividends will be at source, that is, in relation to the enterprise making the distribution and will be a final tax not subject to assessment on a personal basis.

Property Repairs and Maintenance

Madam Speaker, when this deduction was legislated in 1980 it was intended as a measure to assist homeowners in upgrading their homes. It was never intended as a tax shelter for high income earners.

Increasingly this is what it has developed into. By virtue of this tax provision many high income earners from whom our system is expected to generate additional revenue, have become low taxpayers. This brings into question the equity and fairness of our tax system, as it unfairly discriminates against middle and lower income homeowners who cannot make annual repairs to their properties amounting to tens of thousands of dollars.

Consequently Madam Speaker, the deduction for property repairs and maintenance will be capped at \$10,000. This measure will stem the abuse that is presently occurring with this deduction, and the loss in tax revenue. Additionally, it will reduce the administrative burden of the Inland Revenue Department on an annual basis in attempting to determine whether expenditure is a genuine repair, or amounts to a renovation or addition, which are not tax deductible.

Re-introduction of Vehicle License Fees

Madam Speaker, vehicle license fees were abolished in 1998 on the premise that they would have been absorbed in the consumption tax on fuel and that such a method would have been a more efficient way of collecting the license fee. However, between 1998/99 when the fees were abolished and 2007/08, the average annual rate of consumption tax per gallon of gasoline declined from \$3.24 to 15 cents. In fact, Madam Speaker, rather than generating revenue Government was actually paying for the consumption of fuel in 2007/08 and 2008/09 due to the escalation in world oil prices. The time has now come for us to revisit the policy of collecting the vehicle license fees from consumption tax on fuel, given the severe deterioration in that revenue source over the years.

Another important reason for re-introducing the annual vehicle license fee is that it will serve as a mechanism for assisting the traffic authorities in reducing the number of uninsured vehicles on the road and curbing the number of vehicles not considered road worthy and which could, potentially, cause accidents.

I therefore propose to re-introduce vehicle license fees during the 2009/10 financial year. The fees will be fixed at the levels that existed prior to their abolition in 1998. Just to provide one example, Madam Speaker, the annual licence fee for a private motor car which does not exceed 2,800 pounds in weight will be \$150.00 per annum.

Environmental Levy on Motor Vehicles

Madame Speaker, this Government is very concerned about the environmental implications of the number of used motor vehicles being imported in excess of 5 years old. While there are restrictions on the importation of such vehicles into Saint Lucia under the Customs (Restricted Imports) (Amendment) Order of 2007, the number of requests submitted to Cabinet for exemptions from the provisions of the Order, is increasing.

I propose to address this issue by using a two-pronged approach. First, the schedule to the Environmental Protection Levy Act will be amended to include a new category of \$6,000 for used motor vehicles exceeding 5 years. Secondly, importation of used motor vehicles 6 years and greater and not exceeding 2 tonnes in gross weight will be prohibited.

Madame Speaker, while these proposed changes to the rules applicable to importation of used vehicles are expected to have a positive but small revenue impact, most importantly it will go a long way in reducing the number of derelict vehicles likely to spoil the environment in the future if nothing is done now to stem this trend.

Measures to Reduce Waste and Inefficiency and Contain Expenditure Growth

Madame Speaker, given that Government expenditure has long term implications for the fiscal outlook and by extension the potential problems that arise with unsustainable fiscal deficits, every effort must be made to control expenditure. We must ensure that Government operating expenditure is strictly contained within the parameters of available resources.

Ensuring fiscal prudence is a priority of this Government.

The Ministry of Finance has already begun preliminary expenditure reviews of the programmes of all agencies. Accordingly, the expenditure allocations set forth herein will require all agencies to be more judicious in controlling expenditure. All agencies are called upon to do more with less, while ensuring that essential services are not affected.

Madame Speaker I wish to announce the following Expenditure Policy Measures:

Operational and Efficiency Reviews

- 1) With immediate effect, all agencies will be required to intensify efforts to review their operations with a view to identifying how Government should use resources more efficiently and avoid waste.

- 2) Initiatives in such areas as reprioritization of services, structural reorganization, streamlining of procedures and measures to reduce energy consumption, will be pursued.
- 3) Steps will be initiated immediately to realize a cut of 20 per cent in the number of Government vehicles during the financial year. In addition, Government will invest in more fuel efficient means of transportation such as the use of scooters for mail delivery.
- 4) The use of office space in the Public Service will be rationalized to achieve efficiencies and to reduce expenditure.
- 5) A policy on recycling of stationary, etc will be strictly enforced.

Capping the Size of the Public Service

The number of established workers in the Public Service and their associated cost will be capped at the current level. Any requests for new positions will first have to be approved by the Ministry of Finance and Ministry of the Public Service following a review of the entire Public Service. The scope of the review will be both intra-ministerial and inter-ministerial.

The cost associated with the employment of non-established Public Servants will also be capped at existing levels. Commencing immediately, all hiring must be within the limits of the available resources. Agencies are required to review the available resources carefully prior to the formulation of recommendations for new employment. Adjustments will not ordinarily be permitted in respect of this expenditure line, particularly where increases are contemplated.

Introduction of Fuel Pass-Through Mechanism

Madam Speaker, the price of crude oil on the world market rose to unprecedented levels in 2008, reaching as high as US\$147 a barrel in July of last year. This development had major implications for Government revenue as Government was forced to absorb the price increases by foregoing a substantial amount of revenue. In fact, during the period April to September 2008, not only was Government not receiving any consumption tax revenue on fuel but Government had to actually pay the oil companies approximately \$13.6 million in order to maintain the subsidized price of fuel at the pump. You will appreciate, Madam Speaker that this was clearly an unsustainable situation, which thankfully was obviated by the subsequent reduction in the world market price of oil. But clearly, Madam Speaker we cannot and should not allow Government revenues to be dictated by the whims and fancies of the international market as this could lead to serious erosion of Government's revenue.

Therefore, Madam Speaker, Government has decided to implement a price pass-through mechanism for gasoline and diesel. This mechanism would entail setting a fixed rate of consumption tax on these products while allowing the retail prices to reflect changes in the world market prices. Madam Speaker, we are cognizant of

the fact that the price of oil on the world market changes on a daily basis and there is need to maintain a certain level of stability in domestic fuel prices. We are, therefore, proposing that the prices of gasoline and diesel be amended every quarter based on the 3-month moving average of the world market price of oil during the preceding 3 months. For example, if the price pass-through mechanism for gasoline and diesel were to become effective at the beginning of May 2009, the prices at the pump for these two commodities would be based on the average world market price of crude oil during the period February to April 2009.

A committee has been established comprising representatives of the Ministry of Finance (including the Customs and Excise Department), the Ministry of Economic Affairs, Economic Planning and National Development and the Ministry of Commerce, Industry and Consumer Affairs to consult regularly with the suppliers and dealers in ensuring a smooth process of implementing the price changes.

Therefore, Madam Speaker, I wish to announce that Government has decided to implement a price pass-through mechanism for gasoline and diesel. To coincide with the implementation of the price pass through, Government has also decided to implement in early May 2009 the following price adjustments for petroleum products:

- Gasolene - from \$11.50 to \$10.95 per gallon
- Diesel - from \$12.00 to \$10.95 per gallon
- LPG - from \$199.00 to \$195.00 per 100 lb cylinder
- from \$28.00 to \$26.00 per 20 lb cylinder

The policy on the price pass-through mechanism will be effective approximately three months later.

Madam Speaker, it is extremely important for consumers of fuel to be fully cognizant of the fact that the Government of Saint Lucia, like that of most oil importing countries, does not have any influence over the world market price of oil. Therefore, we are totally dependent on the vagaries of the market in meeting the cost of fuel. Whereas it would be desirable to minimize as much as possible fluctuations in the retail price of fuel, Government has a responsibility to ensure that its revenues are protected from the vagaries of the oil market so that it can meet its financial commitments. We do not wish for a repeat of what transpired in 2008. Consumers are, therefore, urged to conserve on their use of fuel as the domestic retail price will henceforth be market determined.

Measures Pertaining to Alcohol and Cigarettes

Increase in Tax on Alcoholic Beverages

Madam Speaker, it has been well established that alcohol consumption is bad for our health and should be discouraged. However, despite this knowledge statistics indicate that imports of alcoholic beverages have been increasing.

It therefore means that Government needs to raise more revenue from alcoholic beverages to take care of the rising incidence of alcohol related illnesses. To this end, the rate of excise tax on all alcoholic beverages under schedule 1 of the Excise Tax Act will be increased by 50 cents a litre. For example, the rate of excise tax on beer which is currently at 94 cents a litre will increase to \$1.44 a litre. In the case of other alcoholic beverages that fall under the Consumption Tax schedule, the rate of consumption tax will increase by 50 cents. For example Madam Speaker, the rate of consumption tax on wine will increase from \$5.00 per litre to \$5.50 per litre while the rate of consumption tax on other alcoholic beverages with ad valorem rates will increase by 5 percentage points.

Increase in Tax on Cigarettes

Like alcohol, Madam Speaker, cigarette consumption is detrimental to one's health and should be discouraged. The treatment of smoking related diseases is costly and invariably falls on the State and therefore Government will be raising additional revenue to help with the cost of treatment and preventative campaigns. The consumption tax on cigarettes and tobacco will be increased from the current rate of 70 per cent to 100 per cent.

Tax Reform

Madame Speaker, you will recall that in the 2007/08 budget address the former Prime Minister Sir John Compton announced in this Honourable House that Government will be introducing the Value Added Tax in Saint Lucia. You will also recall that I addressed this issue in my New Years address earlier this year in which I indicated that VAT will not be implemented before April 2010. I wish to take this opportunity, Madam Speaker, to reiterate that VAT will not be implemented before April, 2010. The VAT Implementation Project is fully operational and the Project Team has been working assiduously towards a smooth implementation.

The team has begun a public education campaign to educate taxpayers and the general public about VAT. They have met and made presentations to key stakeholder groups. The public education campaign will be intensified within the coming months as the team seeks to ensure that Saint Lucia is fully prepared for VAT by the implementation date. The draft VAT legislation has been prepared and will be presented for public consultation. Let me take this opportunity to

encourage persons to take advantage of the public consultation and education process as the VAT team will be making presentations to various groups and organizations in the coming months on VAT.

Let me state Madame Speaker that VAT will not be an additional tax but rather it will replace a number of existing taxes such as the consumption tax. It will modernize the tax system and make it simpler to administer while reducing the tax burden for some taxpayers. Government also views the introduction of VAT as part of its strategic policy response in strengthening economic management, thereby building the resilience of the economy to vulnerability and external shocks. The need for this strategic approach has become even greater in light of the impact of the global recession.

Prospects for Growth

Madam Speaker, our overall fiscal strategy, concessions targeted at providing relief for Saint Lucians, the substantial Public Sector capital investment programme, the Public/Private Partnership and other Private Sector projects are collectively expected to provide a significant stimulus to economic growth in 2009. Without the stimulus package, there is little doubt that the economy would experience a significant decline in GDP, or negative growth. All our Caribbean neighbours are under the same threat of a contracting economy and job losses.

The Government of Saint Lucia will employ its best efforts to preserve jobs and achieve positive growth. However, I must issue a warning. It is clearly not enough to announce policies and programmes in the Budget. We will only achieve growth if we implement our economic programme, if we carry out the policies and projects identified in the Budget, if we set aside petty partisan differences and work together, and if there is no further drastic decline in our major sectors this year, beyond what we expect and have already factored in.

On that basis, we estimate that economic growth in 2009 will be no more than one per cent. This would be a relatively small growth performance in buoyant times, but will be no mean achievement in the current global environment. We expect more substantial growth in Saint Lucia next year, in keeping with the predictions of the multilateral institutions that recovery in the world economy will be underway by the second quarter of 2010.

6. CONCLUSION

Madam Speaker, my vision for a better Saint Lucia, starts and ends with the recognition of our essential human dignity under God, and the right of all of us to enjoy a decent life, sharing justly in the resources of our country.

We have every right to expect an environment which enables us to provide adequately for ourselves and our families, to be a valued member of our community and to grow as creative beings. If our environment, institutions and structures encourage us to give a full expression of our creativity, then we will flourish.

Through good times and bad, through thick and thin, we can do well. It is not the nature of the times or the particular hardship of the moment that is key to success, but rather, how we respond individually and collectively. However, success will not be ours if we do not take control of our destiny, seize the opportunities that present themselves and determine our own future.

We all have a role to play and it has been my honour today to outline the plans and programmes of the Government to create the right enabling environment and steer us through the current recession into a brighter future.

The Government will spare no effort to implement our programmes while extending a protective hand to vulnerable communities, but it is necessary to make sacrifices, to tighten our belts while being supportive of local enterprise and local effort. We have no choice but to firmly establish priorities in our spending patterns and in the conduct of our lives. It cannot be business as usual. The time for action is now and the place is right here, in Saint Lucia, our home which we love so dearly.

Madam Speaker, I beg to move.