



GOVERNMENT OF SAINT LUCIA

**BUDGET ADDRESS
For the Financial Year 2010/2011**

***“The Road to Recovery: Engineering
Growth, Engendering Social Cohesion and
Building Resilience to External Shocks”***

Delivered by



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On Monday 19th April, 2010***

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Introduction

Madam Speaker, Honorable Members of Parliament, fellow Saint Lucians.

Two generations have passed since the world experienced a deep and widespread recession of the magnitude witnessed last year. The all-embracing, depressed conditions which were felt by practically every community, in every part of the world, had not occurred since the Great Depression.

Yet, it is also true that economic recovery, albeit weak and sluggish, appears to be underway in some countries and on the horizon in others. The use of policy tools to strengthen financial regulation and reduce risk, the extensive application of fiscal measures and international policy co-ordination, have all contributed to the apparently rapid turnaround. It is instructive that government expenditure and fiscal policies, in particular, are being widely used by the most conservative countries to boost growth, even though their use has given rise to higher debt ratios.

The Managing Director of the International Monetary Fund said recently, that the *"fiscal response was essential to tackle the downturn"*, that, in relation to the recession, it was evident that the *"fiscal stimulus could have a powerful impact"* and that he was proud that the IMF had *"played a pivotal role in its early call for a sizable global fiscal stimulus"*.

Our own analysis led us to the conviction, that an appropriate fiscal stimulus package would help cushion Saint Lucia from the adverse effects of the recession. Despite much criticism, we believed it to be the right approach then, and now feel vindicated by the support of the international community for the decisive use of a fiscal stimulus, by countries around the world, to counteract the recession.

Our emphasis this year, and in the medium term is on recovery, consequently, this year's budget hinges on the theme ***The Road to Recovery: Engineering Growth, Engendering Social Cohesion and Building Resilience to External Shocks.***

This budget is designed to build on last year's successes, and to lay the foundation for the kind of recovery that generates and sustains growth with employment, engenders cohesion in our social structures, and makes us more resilient to external shocks. Recovering from the recession is, inevitably, a process. That is why I have chosen to describe the theme of the budget for this year as *The Road to Recovery*. The budget lays out the plans of the government in a

medium term context, which, along with new initiatives, continue our proven policies of prior years; sets the direction to be taken; provides the required resources; reaches out to social and economic partners, and seeks to address the priorities of the country, cognizant of the dynamics of the regional and international contexts.

The green shoots of recovery began to emerge late last year, as our economic programs took effect. This year, we must nurture them, and ensure that they take firm root, grow to maturity and provide a rich and bountiful harvest.

There are, of course, various facets to the recovery process. It is essential to return to positive economic growth. A static or shrinking pie will not be adequate to feed a growing population. It is, therefore, necessary to identify and devote significant resources to sectors that are likely to have the potential for a lasting growth impact. Additionally, not only must jobs be preserved, but we must have investments that are job-creating. I am confident that the investment plans and programs of the central government, the public sector as a whole, and the private sector, are sufficiently well-chosen to have the desired impact.

Building partnerships with the private sector, labor representatives, and civil society in Saint Lucia, the Region and the outside world, is an important aspect of creating the conditions for lasting growth, and will continue to be an area of focus.

It is also important to have a credible and sustainable fiscal framework that will engender confidence in local business partners, investors, consumers and the international community. This implies a well-financed fiscal account, in which expenditure is adequately sustained by resources, in accordance with international prudential guidelines, and debt ratios that are sustainable over time. Our emphasis must, and will be, on strengthening revenue collections, containing expenditure and achieving debt targets, not necessarily in one or two years, understandably, but over time.

Natural disasters like hurricanes, floods, droughts, earthquakes and other environmental conditions to which we are susceptible, can be costly, not only in monetary terms, but in terms of human lives! I have included programs aimed at building, over time, our resilience to economic and environmental shocks.

We are, Madam Speaker, a small, highly open and vulnerable economy and must evaluate and plan our affairs, mindful of the regional context and the changing contours of the international political economy.

With your permission, Madam Speaker, I will now review, briefly, international and regional economic developments over the last year and examine the prospects for 2010.

International and Regional Performance & Outlook for 2010

Madam Speaker, the world economy is on the mend after recording the worst performance since the Great Depression of the 1930s. Countries are now reporting positive rates of growth, after the global economy contracted by 0.8 percent in 2009, its first decline in over 60 years. The contraction resulted in record unemployment in many countries, peaking at 10 percent in the United States, the highest since 1983. Other advanced economies experienced even higher unemployment, with Spain recording a rate of 18 percent, as its economy experienced severe contraction.

Countries had to resort to providing generous fiscal packages to stimulate demand and stem the tide of job losses. Notwithstanding the strong public support for expansionary policies, consumer confidence in advanced countries remains subdued, as households seek to restore their financial balances, following the wealth losses suffered during the crisis.

The IMF has advised countries against prematurely withdrawing their stimulus packages, as a premature exit could result in a double-dip recession. This essentially means that an early withdrawal of stimulus plans, before economies show signs of robust recovery, could result in an even deeper recession.

The recovery in the world economy, though still fragile, is beginning to gather momentum. After declining by 2.5 percent in 2009, the US economy is beginning to recover, with a projected growth rate of 2.1 percent in 2010. Other advanced economies are also emerging from the grip of the recession, albeit sluggishly, with several indicators showing improvements in economic conditions. Growth in the Euro Area is projected to edge up by 1.0 percent in 2010, after contracting by 3.9 percent in 2009, reflecting moderate growth in Germany, France and Italy. A similar trend exists for the economies of Japan, the United Kingdom and Canada.

The global recovery will be supported, mainly, by growth in emerging and developing economies. Led by China and India, growth of developing country economies will strengthen to 8.4 percent in 2010, following a 6.5 percent expansion in 2009. Other emerging economies such as Brazil and Mexico, are projected to experience robust growth in 2010.

Following the fall in international commodity prices, global rates of inflation moderated in 2009. The global rate of inflation decelerated

markedly to 0.1 percent in 2009, down from 3.6 percent in 2008. The lower rate of consumer price increases, was underpinned by about a 40 percent decline in the average international price of crude oil in 2009, relative to the previous year.

The medium term outlook for the economies of the developed countries, including Saint Lucia's main trading partners, points to a subdued recovery, with significant downside risks. The continued high levels of unemployment will dampen the prospects for resurgence in consumer spending, which is key to a sustained economic recovery.

In the US, the continued weakness in the housing industry, has eroded household wealth, and is proving to be a drag on consumer spending. Business investment has been adversely affected by the credit squeeze, in addition to falling equity prices, and declining corporate profits. The level of unemployment is expected to stabilize, as the real economy improves, but will decline slowly, given the lag between growth in employment, and production.

Regional Economic Developments

Madam Speaker, the Caribbean has been hit hard by the impact of the global economic and financial crisis. The crisis has exposed the inherent structural weaknesses in many economies in the region, as most have experienced contractions in GDP, rising unemployment and deteriorating fiscal positions. The heavy reliance of many countries on tourism, has made them susceptible to the significant declines in activity in the industry, resulting in the loss of jobs. Countries were forced to implement stimulus packages to support their tourism sectors, and to stimulate domestic demand. However, these measures coupled with the contraction in economic activity, resulted in significant deterioration in fiscal positions and public debt ratios.

The continued freeze in international credit markets adversely affected the flow of foreign direct investment (FDI), the main source of financing for major hotels and other private sector construction projects in the Caribbean. Consequently, work on several tourist related projects was delayed or halted, and in some cases, even failed to start.

As net importers of fuel, most Caribbean countries benefited from lower oil and other commodity prices in 2009, following the spike in commodity prices in 2008. This development has resulted in lower consumer prices in most countries of the region.

In **Jamaica**, real GDP is estimated to have contracted by between 2 to 3 percent in 2009, as external demand for Jamaica's exports fell. Most of the main sectors, including mining and quarrying, manufacturing, construction, and the wholesale and retail trades, experienced declines.

Economic activity in **Barbados** declined by an estimated 5.3 percent in 2009, led by contractions in the tourism and construction. As one of those Caribbean countries heavily exposed to the vagaries of the tourism industry, the Barbadian economy would have experienced significant spill over effects in other sectors. A large fall in private capital inflows dampened domestic construction, an important source of growth for that economy.

Real GDP growth in **Trinidad and Tobago** is estimated to have contracted by 3.0 percent in 2009, reflecting lower performances in both the energy and non-energy sectors. Reduced crude oil production, coupled with a decline in activity in the manufacturing and construction sectors, accounted for the fall in GDP, and resulted in higher levels of unemployment.

The global crisis severely impacted the economies of the member countries of the **Eastern Caribbean Economic Union (ECCU)** member countries, with real GDP estimated to have fallen by 7.3 percent in 2009. Only Montserrat recorded positive growth of 1.0 percent, in marked contrast to Anguilla's fall of 24.4 percent. The impact of the global crisis on ECCU economies was mainly transmitted through the tourism and construction sectors.

Saint Lucia's Economic Performance and Outlook for 2010

Madam Speaker, the deterioration in the external environment has had a severe impact on Saint Lucia's economy. Preliminary estimates suggest, that real GDP contracted by 5.2 percent in 2009, compared with positive growth of 0.7 percent in 2008. The contraction in economic activity was mainly associated with declines in the tourism industry, and the construction and agriculture sectors, which had spill-over effects on the other sectors of the economy, such as wholesale and retail trade, transport, and banking and insurance. The softening in economic activity, resulted in a higher rate of unemployment of 20.5 percent at the end of 2009, reflecting job losses in construction, tourism and other sectors.

The stimulus package implemented towards the end of 2009, coupled with other job creation initiatives of the Government, such as Holistic Opportunities for Personal Empowerment (HOPE), mitigated the severity of the impact of the crisis, on the labour market. In other words, the situation could have been worse, if such initiatives were not undertaken by the Government, to address the rising unemployment in the country.

Tourism

Total visitor arrivals increased by 7.1 percent to 1,014,761 in 2009 driven by an increase in the number of cruise ship passengers. The number of short-stay visitors to our shores rose by 12.8 percent to 699,306 as cruise lines engaged in heavy discounting to attract customers. The erosion of spending power, as a result of the crisis, has encouraged people to settle for cheaper forms of vacations, mainly in the form of cruises. Consequently, the number of cruise calls to Saint Lucia's ports increased by 26.0 percent in 2009. The challenge is for us as a country, to extract greater benefits from the cruise industry, by getting visitors to spend more in our country.

In contrast to the performance of the cruise sub-sector, stay-over arrivals declined by 5.8 percent to 278,479 reflecting the downturn in the economies of the major source markets.

The decline in long-stay arrivals could have been even greater, had it not been for the efforts of the Government, to bring additional airlift into Saint Lucia, during the last quarter of 2009. Additional airlift was secured from American Airlines, Jet Blue, Condor, West Jet, Air Canada and British Airways, bringing the total additional international weekly flights into Saint Lucia to twelve (12). This development resulted in a turnaround in stay-over arrivals in the last quarter of 2009, with an increase of 4.5 percent, over the corresponding quarter of 2008.

Arrivals from the US and the UK, Saint Lucia's two largest markets, declined by 9.7 percent and 14.1 percent respectively, in 2009. The Canadian market performed better than expected, supported by additional airlift in early 2009. Arrivals from other Caribbean countries increased marginally, reflecting growth in arrivals from the French territories, though the number of visitors declined from most CARICOM member countries.

Construction

Madam Speaker, the construction sector recorded a third consecutive year of decline, contracting by over 20 percent in 2009. An increase of 46.3 percent in public sector spending on construction projects, was offset by a decline in private sector construction, as work on several projects was delayed. The freeze in international credit had an adverse impact on inflows of foreign direct investment, and on the construction sector, delaying the commencement of some major projects.

However, other public and private sector projects got underway. In the public sector, work commenced in 2009 on the Allan Bousquet highway, a section of the East Coast road from Praslin to Cannelle, and

other infrastructural projects related to road rehabilitation, drainage and retaining walls. Other major public sector projects included work on the construction of the new national hospital, the National Mental Wellness Centre, the new Senior Citizens Home, the Anse La Raye fisheries complex and rehabilitation of a number of schools and community infrastructures.

Despite the difficulties in accessing finance, work continued on a number of private sector projects, including the Bay Walk mall which is nearing completion, the Landings Resort, Tides Sugar Beach, which is a US\$8 million hotel project located in Soufriere, and several other commercial buildings. However, the level of on-going private sector construction activity, was not sufficiently robust, to compensate for those projects that failed to come off the ground in 2009, resulting in a downturn in private construction.

Madam Speaker, the construction sector is one of those sectors that could significantly impact economic growth and employment, within a relatively short period, given its high labour intensity. Government's strategic response to dealing with the crisis, entails aggressively promoting activity in the construction sector, by providing the necessary support.

Agriculture

The agriculture sector recorded mixed performances in 2009, as banana output fell and the production of other crops increased. Banana production declined by 6.7 percent to 37,738 tonnes, reflecting the inadequate application of fertilizer, which negatively impacted production. The performance of the banana sub sector, continues to be hindered by a number of recurring problems associated with the high cost of inputs, and uncertainty in the main export market. Consequent upon the lower production, revenue from banana exported to the United Kingdom was down by 4.3 percent to \$56.4 million. Banana exports to the Caribbean, more than doubled to 2,680 tonnes in 2009, as local banana exporters took advantage of a growing regional market for bananas.

Production of other crops increased by 12.3 percent to 7,573 tonnes, driven by growth in purchases by local supermarkets. This positive outturn is attributable to the success of the Farmer Certificate Programme which seeks to enhance production and marketing linkages between farmers and purchasers. The performance of the fisheries industry was buoyed by the deployment of additional fish aggregating devices, resulting in a 9.6 percent rise in fish landings to 1,870 tonnes in 2009. The livestock sub sector also showed positive signs of growth, as indicated by increases in the production of pork and eggs, despite a decline in chicken production.

Manufacturing

The manufacturing sector showed signs of recovery in 2009, with growth in output estimated at 1.0 percent, compared to a decline in 2008. This improved performance was mainly associated with an expansion in the production of alcoholic beverages and electrical products. The main producers of alcoholic beverages, reported increases in export demand, as reflected in increased volumes of exports to the region. However, domestic sales remained weak as a result of the downturn in the economy. Production of food products and non alcoholic beverages also increased in 2009, notwithstanding the fall in local demand. New international export markets were established in 2009 for St. Lucia's premium rum and some food products, positively influencing the performance of the manufacturing sector.

Central Government Fiscal Operations

Madam Speaker, the deterioration in the central government fiscal position in 2009/10 was not surprising, mirroring the downturn in the wider economy. The overall fiscal deficit widened to \$125.5 million representing 4.8 percent of GDP compared with a deficit of \$50.6 million in 2008/09 or 1.9 percent of GDP. This outturn was influenced by a decline of 2.5 percent in total revenue and grants, to \$800.7 million, while total expenditure increased by 6.2 percent, to \$926.1 million. It should be noted, that the decline in revenue could have been greater, had it not been for the impact of some of the new revenue measures that were announced in the last budget address, coupled with greater efforts in collecting revenue, particularly by the Customs and Excise department, during the last quarter of the fiscal year. However, the fall in total revenue collections, is attributed to lower receipts from corporate income tax, hotel occupancy tax, import duty, service charge on imports and environmental levy. The decline in revenue from direct taxes, reflects the fall in profits by corporate entities, while the contraction in imports adversely impacted receipts from trade taxes.

Grant receipts more than doubled to \$45.3 million as a result of larger inflows from the European Union and the Government of Taiwan. Some of the main areas of grant funding include the construction of the national hospital and the National Mental Wellness Centre.

On the expenditure side, increases were recorded for both current and capital expenditure. Current spending was up by 5.6 percent, driven mainly by increases in salaries and wages, and current transfers to public sector entities. The increase in capital expenditure resulted from a rise in spending on construction projects, which was driven

mainly by spending on the national hospital, and on the National Mental Wellness Centre.

The increase in the overall fiscal deficit pushed up the level of public debt, with the total public debt increasing by 3.1 percent to EC\$1.8 billion at the end of 2009. This represents a ratio of total public debt to GDP, of 71.0 percent in 2009, up from 66.0 percent in 2008.

While government is keen to control the growth in the level of public debt, the impact of the financial crisis has made it absolutely necessary to incur additional debt, as government sought to implement programmes, aimed at stimulating economic activity, and creating jobs in the economy.

Government's strategic management of the debt, will include the development of a debt management strategy, with the assistance of the ECCB, aimed primarily at bringing the debt ratios to prudential targets over time. It is expected that the strategy will be formally endorsed by Cabinet and submitted to Parliament for ratification. The idea, Madam Speaker, is to develop a broad based, consensual approach to public debt management.

Notable Achievements for 2009/2010

Madam Speaker, despite the economic woes wrought by the global economic recession, the government was able to pursue appropriate macro economic and fiscal policies to minimise the negative impact of the global economic recession. Hence, we are pleased to highlight some notable achievements during the last fiscal year.

In the area of **Economic and Financial Management**,

1. Government completed the National Vision Plan, which will serve as a road map for Saint Lucia's development for the next 20 years.
2. Government implemented a number of fiscal measures announced in the 2009/2010 Budget. These included
 - i) Increasing personal allowance by \$1000.00 to \$17, 000.00 and
 - ii) Increasing mortgage interest allowances to \$18,000 and \$20,000 for first time homeowners.
3. Government implemented the fuel price pass-through mechanism, thereby helping to stabilize government's revenues.
4. Government executed a from the forensic tax audit and recovered over EC\$10 million.
5. Government establishment two facilities at the Saint Lucia Development Bank, comprising:

- i) An Exogenous Shock Facility in the amount of EC\$7 million to facilitate small business loans to help mitigate the impact of the global economic crisis and
 - ii) A Youth Enterprise Equity Fund in the sum of \$5 million to provide start-up equity for young entrepreneurs.
- 6. Government strengthened Financial Sector regulation, by facilitating the enactment of the following major pieces of legislation:
 - i) The Money Services Act
 - ii) The Payment Systems Act
 - iii) The Bills of Exchange (Amendment) Act
 Meanwhile, the Financial Services Regulatory Authority Bill and the Insurance Bill will be tabled during this session of Parliament.
- 7. Government collaborated with other ECCU countries and the ECCB in minimizing the negative impact of the BAICO crisis.

Madam Speaker, the **Revitalization and diversification of the Agricultural Sector** has been of paramount importance to this Government. Madam Speaker, in order to reduce our reliance on one or few commodities for export, and to enhance the productivity of existing crops (such as bananas), the government continues its efforts to revitalize and diversify agriculture. To that end, we are pleased to highlight the following accomplishments.

1. The establishment of the Tissue Culture Laboratory located at Union;
2. The completion of the Orchid Production Facility at a cost of \$1.8 million allowing for year-round propagation of orchids;
3. The establishment of the banana Production Management Unit, costing EC\$1.1 million.
4. The commencement of the construction of the EC\$12 million meat Processing Plant.
5. The Completion of the first phase of the reactivated Beausejour Agricultural Station at a cost of approximately EC\$1.3 million.
6. The establishment of the first phase of the Aqua-culture Facility at Union, at a cost of EC\$3.5 million.
7. The completion of the Anse La Raye Fisheries Facility, which cost \$16.8 million, and was formally opened in March 2010.

The issues of **climate change, energy security and sustainable development** are central to Government's policies. The installation of three (3) new photo-voltaic or solar-electric units to generate electricity at various locations around the island; the launch of a Wind Turbine Renewal Energy Project in the Community of Praslin and the formulation of the National Energy Policy Bill are explicit policy

initiatives geared towards enhancing the preservation and sustainability of our physical environment. Further to which, we have successfully phased out the importation of goods containing CFCs, one year ahead of schedule.

This government continues its thrust towards **making health care universally accessible**: caring for the more vulnerable groups, the youth, the elderly and the mentally ill of our society. In keeping with this thrust, we note particularly,

1. The Refurbishment of 7 additional Health Centres (HCs) including Saltibus and Vanard Health Centres, at a total cost of \$1,258,590.00;
2. The passing of the Health Practitioners Act;
3. The successful management of the first global influenza pandemic of our times;
4. The near completion of the new home for the elderly, in Black Bay, Vieux-Fort, now 70% complete.
5. It is now 70% complete;
6. The completion of a transit home and the commissioning of the Saint Lucia Mental Wellness Centre;
7. The construction of the New National Hospital has started, and is progressing smoothly and
8. The expansion of Diabetes and Hypertension clinics to Bexon and Rich Fond health centres.

This government understands the importance of maintaining the **physical infrastructure** of this country, as it is the foundation on which the economy rests. It affects not only the everyday lives of our citizens, but is also a key variable in enhancing our attractiveness to foreign investors. Hence the following achievements are critical,

1. The refurbishment of the Allan Bousquet highway, at a total cost of EC\$12.2 million.
2. The rehabilitation of the East Cost Road, at a total cost of EC\$32.2 million.
3. The reintroduction of annual motor vehicle licenses;

Government is committed to transforming WASCO into an efficient and cost effective provider of water and sewerage service to the nation. In keeping with this objective we have -

1. Set a clear strategic direction and revitalization plan for WASCO;
2. Appointed the Water Commission and
3. Settled outstanding severance payments to WASCO employees

The **safety and security** of our people remain a paramount concern of this government. As part of our crime interdiction strategy, we have

1. Commissioned a new Forensic Laboratory;

2. Procured two (2) vessels for the Marine Unit and a new custody suite at Bridge Street;
3. Improved the security system at Bordelais, including the recruitment of 40 Correctional Officers.
4. Established a Police Sub-Station at Reduit with the collaboration of the SLHTA and the Rodney Bay Community and
5. Recruited fifty-eight (58) police constables, in keeping with the Government's desire to bolster the Royal St. Lucia Police Force.

The tourism sector continues to be the key foreign exchange earner. International pressures demand that we must constantly seek to **revamp and diversify our tourism product**, in order to maintain our international competitiveness. Our successes last year include:

1. The FCCA Conference;
2. The Jazz Festival;
3. The filming of the two final episodes of *The Bachelor* and
4. The increased number of seats/airlift.

This administration is optimistic that despite the many social ills plaguing our society, we can, and should, continue to embark upon policies that **provide social protection and facilitate youth empowerment**. In that respect, we would like to highlight the following achievements:

1. The launch of the community after-school programme in Mon Repos, La Maze and Faux-A-Chaud, in which 120 young people participated;
2. The establishment of Human Resource Development Centres in Grande Riviere (Dennerly); Belle Vue (Vieux Fort North); Monchy and Tete Chemin;
3. The successful hosting of CARIFTA Games, with the best performance ever by the Saint Lucian team;
4. The upgrade of a number of sporting facilities, including Beausejour Cricket Ground, Mindoo Phillip Park and the Gros-Islet Playing Field;
5. The support given to 2465 students from 17 secondary schools, under the transport subsidy programme;
6. The assistance given to 1539 households and 4617 students under the Education Assistance Programme;
7. The completion of 7 projects under the fifth Basic Needs Trust Fund, with over 4000 beneficiaries;
8. The completion of HOPE, which registered 5724 unemployed Saint Lucians with 900 receiving direct employment from 87 projects and
9. The completion of three major studies, namely the Poverty & Social Impact Analysis; The Assessment of Social Safety Net and The National Poverty Reduction Strategy in keeping with the government's policy to reduce poverty and provide social protection for the (economically) vulnerable.

This government reaffirms its unequivocal commitment to the private sector, in recognition of its key role as a major driver in the economy.

We are especially pleased with the progress made in respect of **Private sector development, trade and investment facilitation.**

For example,

1. The development of a new private sector development strategy (PSDS);
2. The Incorporation of fifty (50) micro and small businesses under the Micro and Small Business Enterprises Act;
3. The endorsement of the OECS Competition Commission and the Uniform Competition Bill, providing the framework that will serve as the National Competition Authority for Saint Lucia.
4. The hosting of the 2nd Taiwan - Saint Lucia Partnership Trade Exhibition in October 2009, thereby, strengthening trade relations between Taiwan and Saint Lucia;
5. The collaboration with the NDC to host a French Trade Mission from Martinique and Guadeloupe and
6. The endorsement by Cabinet of the National Export Development Strategy in 2009 as a guide for export-led growth.

Madam Speaker, the economic costs of the recent financial meltdown remind us of the need to be prudent in our expenditures, and to maximize whatever limited resources we have. In this regard, we have embarked upon certain initiatives, geared **at improving public sector efficiency and enhancing performance.** The most notable of which are,

1. The functional review of the Ministries of Communications, Works, Transport and Public Utilities and Social Transformation, Youth and Sports; and the reorganization and restructuring of other ministries
2. The implementation of human resource management and development policies and
3. The initiation of a public sector performance improvement initiative, funded through a World Bank grant for US\$421,200.00.

The education sector has had to embark upon several initiatives, to reflect the technological changes taking place, and the commensurate demands of the work place. Notwithstanding these developments, the government has not lost sight of the seemingly mundane everyday issues, that themselves can impact on a child's ability to internalize the knowledge being imparted in schools, including, maintaining the integrity of physical structures etc.

With respect to **capacity building, education and human resource development**, therefore, the government would like to note the following initiatives.

1. The development of the Information Communication Technology (ICT) policy and strategy for education;
2. The training of 557 people in a variety of technical and vocational skills;
3. The expansion of the school feeding programme, now available in 76 primary schools which catered for 7298 students last year;
4. The renovation of a number of schools, including Bexon Primary, Richfond Combined, Dennery Primary, Micoud Infant and Secondary, Ti Rocher Combined, Vieux Fort Comprehensive Secondary – Campus B and Technical Secondary. This cost a total of EC\$4.8 million and
5. The completion of the draft National Strategic Plan for E-Government and ICT, and the upgrading of the Government Website and

Madam Speaker, our theme of “Recovery” in this year’s budget, along with its related aspects of growth, social cohesion and resilience building, give rise to a number of key strategic priorities.

Strategic Priorities

It has been the custom over the years, to identify a slate of new priorities, every year. While we must have the flexibility to adapt to a changing world, and to initiate change ourselves, it is equally important to recognize that plans, programs, projects, policies and strategies, do not necessarily conform to the somewhat artificial limits imposed by a one-year budget. Some priorities will be new, while others will continue on from previous years.

Let me now turn to the strategic priorities for this year. These are likely to have a positive effect on growth, and strengthen our resilience to economic shocks, either directly or indirectly, if they are achieved. Similarly, some are likely to have a favourable impact on engendering social cohesion.

1. Managing the economy:

How well we are able to emerge from the recession in relatively good health and in readiness for sustained growth and integrated development, requires effective economic management, one aspect of which, is effective medium term planning. However, in order to do so, it is necessary to develop an appropriate strategic framework.

In the case of the budget and fiscal account, sufficient attention has not been given in previous years, to medium term strategies, spanning multi-year periods. We will give

the preparation of a medium term fiscal strategy special priority, during the course of this year.

2. Continuing the stimulus and sustaining a fiscal framework:
I am committed to maintaining a fiscal framework that can be sustained in the long run. Our priority in the short term is to ensure that the recovery is not strangled by a premature termination of the fiscal stimulus. A recovery which gains momentum over time, will itself allow for the strengthening of the fiscal account, including the improvement of debt ratios.
3. Improving tax administration:
Strengthening the collection of existing taxes and improving the efficiency of tax administration.
4. Reforming the tax regime:
Tax reform, particularly the introduction of the Value Added Tax (VAT), remains a priority. We are committed to fundamentally reforming the tax system and will continue to work with stakeholders to realise that goal. I will say more about this later on.
5. Supporting the Tourism Sector:
It has been many years since the service sector supplanted Agriculture as the principal source of economic activity in Saint Lucia. Tourism is now the main engine of growth, having the biggest impact - both direct and indirect. It is, strategically, a high priority now, and, in the foreseeable future. We intend to work closely with the local private sector and foreign investors to raise productivity and efficiency, expand our hotel plant and improve the relevant airport and road infrastructure.
6. Raising the efficiency of public utilities:
The government places a high premium on efficiency in public utilities. Ultimately, the efficiency dividend is usually realized in the form of lower costs and a reliable and accessible supply.

As far as the provision of safe, potable water is concerned, the priority is to ensure that adequate investment, backed by strong institutional support, provides a sufficient supply to meet essential needs, even in conditions of drought.

In the case of electricity, reducing the high cost, which acts as a disincentive to productive enterprise, for both individual consumers and the business sector, is critical.

7. Advancing the “grow what you eat/eat what you grow” campaign:
Developments in international agricultural markets including adverse price fluctuations and shortages, have underscored the importance of food security. We must place greater emphasis on growing more of what we consume.
8. Regulating the financial sector:
Inadequate regulation, combined with reckless financial practices, were significant factors underlying the global recession, and the OECS region did not escape unscathed. It is necessary to work towards improving the regulation and surveillance of the financial sector in the region, particularly the non bank institutions.
9. Strengthening regulatory mechanisms in the offshore sector:
The priority in the offshore sector is to continue to strengthen our regulatory mechanisms, expand the sector and deepen our partnership with other countries to ensure that our deserved, excellent reputation is maintained.
10. Providing social protection:
This year, I will examine the feasibility of establishing a more comprehensive system than that which exists at the present time, for the provision of unemployment benefits. I must tell you, that I am not in favour of any system that simply gives money away. It is important to have such a safety net, but any system of benefits that may be adopted, will have to be linked to performing a job or doing work of some kind.
11. Providing a safe and secure environment:
Madam Speaker, the problems of crime, anti-social behaviour, delinquency, poverty, and so on, are huge and persistent. Building social cohesion is, perhaps, the single most vital priority and biggest challenge facing us. It will require a multi-faceted approach comprising strategies that nurture, cushion and provide soft skills, as well as those that are firm and that unequivocally follow the rule of law. We will have to devote substantial resources to the social sector in order to provide more effective interventions. I will say more about this later on.

Sectoral Initiatives

Tourism

Madam Speaker, we will now examine the main economic sectors.

Despite the difficult global conditions that we faced in 2009, Saint Lucia's leading economic sector, tourism, fared much better than was anticipated. We have ended the year with a 5.8% reduction in tourist arrivals, much lower than the 14% predicted at the start of the year. The Government's strategy to counter the crisis included a stimulus package for the industry, improving Saint Lucia's visibility in the source markets, increasing the availability of airline seats to Saint Lucia from major gateways, and lowering the cost of those seats.

The result, was double digit growth in arrivals from November 2009 to March, 2010. Saint Lucia is set to achieve a record number of tourist arrivals in 2010, without the extensive discounting of 2009, which has been reversed. Our plans to achieve this consist of a number of elements.

Increasing the Supply of Hotel Accommodation

Madam Speaker, we plan to increase the number of rooms on the island from 5,000 to 10,000 over the medium term. In order to do so, we are developing an investment strategy which will include a review of the current incentive regime.

In the short term we will liaise with the private sector to revitalise key tourism projects. We understand that the Westin/Le Paradis project will recommence shortly. A total of US\$150 million will be spent over the next five years with an anticipated US\$86 million being spent in this financial year. At least 300 jobs will be created and some 550 people will be employed upon full completion. The project will also result in the creation of an additional 550 new rooms.

The Malgretoute development in Soufriere is poised to take off with an investment of US\$280 million, the Jalousie Plantation will enter into its final phase with a US\$1.4 million expansion in May, expansion plans for Sandals Grande are well advanced, while The Landings is also set to continue its development. Madam Speaker, we are well on our way to achieving our room target.

Airlift

Airlift to Saint Lucia since 2007 has been severely affected, with a total of 4,368 airline seats lost from the US market alone, between March and June 2009. Government's strategy was to introduce two new low cost airlines from two key source markets into Saint Lucia during 2009 - ***West Jet*** from Toronto and ***Jet Blue*** from the key JFK New York gateway. As a result, the price of airline tickets from both markets has been significantly reduced while airlift to Saint Lucia has increased.

Product development

The sufficiency and reliability of the accommodation stock and airlift are not enough. We must continuously strive to upgrade the quality of the tourism product. In that regard, Government will, in this financial year, undertake the following:

Visitor Safety and Security Programme

Government will implement a visitor safety and security response protocol to deal with the effective management of visitor harassment and its impact on the tourism industry.

Quality Standards Development

With respect to standards, the Government will focus on developing and adopting national standards and codes of practice for tourism and recreational facilities.

Small Properties Assistance Programme

Government will put specific mechanisms in place to review the existing incentives available to small properties, with a view to addressing their specific needs. We will also assist small establishments to become more efficient in their use of resources, particularly with respect to energy, water and waste management.

Community Tourism

Consistent with the Government's policy on community tourism, I have included in the budget, initiatives aimed at developing the tourism product in the Dennery and Mabouya communities. Over EC\$10.5 million will be spent in these two communities over the next two years.

Community tourism will also be supported with a \$200,000 subvention to the Southern Tourism Development Corporation, while the revised Incentive Regime will encourage the provision of quality in the restaurant sector.

Development of Yachting and Cruise Tourism

Madam Speaker, while the cruise sector contributes approximately six percent of total tourism revenue to the country, it is nonetheless a vital component of Saint Lucia's tourism industry. Government will, therefore, explore the possibility of forming partnerships with potential investors to develop the appropriate infrastructure.

Madam Speaker, the yachting sector contributes over EC\$30 million annually, directly into the economy and creates in excess of 3,500 jobs. We will develop a national strategy with attendant policies for the growth of the sector, including a legislative and administrative framework.

Policy Development

Madam Speaker, Government held a first ever tourism summit, last year, which brought stakeholders from the various Ministries of Government, and the numerous interests in the private sector, to dialogue on the future of the industry. We will act on the recommendations of that summit, and establish a number of standing committees to undertake specific tasks.

Marketing

This Government is approaching the development of the tourism industry in a systematic and holistic manner. Madam Speaker, in spite of the efforts that have been made over the years to promote the Saint Lucian brand, the truth is that Saint Lucia is still not sufficiently known in the international marketplace. The screening of the television program, "the Bachelor", increased awareness about Saint Lucia. We now have to build on that success. We will seek to: expand our position as a honeymoon destination of choice, a position that Saint Lucia has held for over five years; promote ourselves as a premier family destination; tap into the soft adventure market and continue to portray our country as a simply beautiful country in all respects, which we are.

Madam Speaker, this is the challenge that we have set ourselves. We will increasingly utilize the internet as a means of promoting Saint Lucia, while working closely with international partners in utilizing the traditional print and audio-visual media of radio and television.

This year, the Saint Lucia Tourist Board will be taking a more strategic approach in its marketing and promotion activities. In support of that effort, it will conduct a review of the tourism product and its advertising and promotional activities, as well as an analysis of Saint Lucia's performance in relation to its competitors and industry trends.

Financial Sector

Madam Speaker, 2009 was a difficult year and for the financial sector. The ECCU financial system exhibited signs of stress, impacted largely from the continued global and regional financial crisis. The situation was exacerbated by:

1. The collapse of CL Financial ;
2. The imposition of sanctions on off-shore financial centers by the OECD and the G20; and

In the wake of the difficulties in the financial system, the governments of the OECS resolved to protect, as far as practicable, the interest of investors and depositors, strengthen regulatory arrangements, harmonise the fiscal rules for insurance, and in general co-ordinate their efforts regionally.

Madam Speaker, you would recall that at the Parliament Sitting at the end of last month, I updated members on the BAICO situation, and specifically on the strategy being pursued by ECCU governments to resolve the BAICO crisis.

The difficulties being experienced in the insurance sector underscore the importance and necessity for strengthening the regulatory arrangements, locally and in particular the need for harmonising the rules of engagements across the currency union. Accordingly, government will seek early passage of the Harmonised Insurance Bill in this session of Parliament. We will also move expeditiously to operationalise the single regulatory unit as a statutory organisation once the Financial Services Regulatory Authority Bill has been approved.

International Financial Services

Saint Lucia's International Financial Centre (IFC) has grown since its inception in 1999, but remains small, compared to other more established jurisdictions. Three Hundred and fifty-five (355) new International Business Companies (IBCs) were registered during 2009, compared with the 584 in 2008. However, re-registrations of IBCs increased significantly to 2,105 compared with 1,882 in 2008.

Despite the recent turmoil in the international financial sector, Saint Lucia has embarked on an ambitious program to strengthen and expand this sector. In partnership with the Caribbean Financial Action Task Force (CFATF), ECCB, and other Regulatory Agencies, Saint Lucia undertook a series of initiatives to ensure that the country remains a reputable jurisdiction.

In response to the second mutual evaluation conducted by the Caribbean Financial Action Task Force (CFATF), a new and upgraded Money Laundering Act (the Money Laundering Prevention Act of 2010), and amendments to other critical legislative instruments including the Proceeds of Crime Act, Anti Terrorism Act, among others, have been enacted, allowing Saint Lucia to be fully compliant with international standards.

To date, Saint Lucia has signed Tax Information Exchange Agreements with the United Kingdom, France, Australia, Ireland, Belgium, Kingdom of the Netherlands, Netherland Antilles and Denmark. Agreements will be signed with Aruba and Germany this month and the Nordic Countries (Faroe Islands, Finland, Greenland, Iceland, Norway and Sweden) in May. A TIEA was initialled on June 28, 2009 with Canada, and is now expected to be signed during the 2nd half of 2010. In addition, efforts are continuing to negotiate agreements with Monaco, Japan, Austria, New Zealand and Liechtenstein.

Members will note, that although Saint Lucia would have substantially exceeded the benchmark of twelve signed TIEA's, the challenge to satisfy an ever shifting compliance standard, continues, unabated, as the focus shifts from number of agreements signed, to implementation capacity, and the conduct of the peer review process, which will be undertaken in two phases; phase one (1) will examine the legal and regulatory framework in each jurisdiction, while phase two (2) will evaluate the implementation of standards in practice.

Madam Speaker, the signing of double taxation agreements can significantly enhance our international competitiveness by improving prospects for foreign investments. For this reason we intend to aggressively pursue a number of such agreements this year.

Construction

Public Infrastructure

Madam Speaker, it is difficult to overstate the importance of the road network to the lives of all Saint Lucians. It permeates all aspects of our society and still represents the major arteries of modern economic activity, playing a crucial role in our economy. Last year, Government spent as much as \$65.6 million dollars on road rehabilitation, which contributed as much as **30** per cent of the construction sector. The fiscal year 2010/2011 will see the Government again, focusing on major road development projects.

Reconstruction and Rehabilitation

This year, under this component of the Ministry's budget, approximately sixty (60) small road projects island-wide have been targeted for reconstruction and rehabilitation. The estimated total cost of this initiative is \$15 million, with the greatest expenditure being on tertiary roads improvements. This represents an increase of \$7.5 million, or a one hundred percent increase in the estimate compared with last year. These projects are expected to generate employment and provide much needed income for residents of the rural communities where the roads are being rehabilitated.

Bridges and Culverts

The government continues in its efforts to maintain the integrity of the physical infrastructure on this island. An award has been made for the construction of a new bridge in the town of Soufriere, in order to improve traffic flow along the main street, Bridge Street, and to enhance motorist and pedestrian safety. The structure will be widened to create two-way traffic in that area.

This year will see the construction of the bridge at Bexon; the replacement of Armco culverts at Bois d'Orange, and several other small bridges and culverts across the island. This initiative is estimated at a total cost of EC\$5 million.

West Coast Road Overlay

Under this programme, the reconstruction and resurfacing of approximately 22km of the primary road between Roseau and Soufriere will continue in this financial year, under Phase 4. A provision of \$4.972 million has been made in the Budget for that purpose.

Community and Agricultural Feeder Roads

Madam Speaker, Government is committed to improving the safety and motorability of community agricultural feeder roads throughout the island. This would enhance accessibility to agricultural farms, and ensure that produce transported, would be in an acceptable state for domestic consumption or export. In this regard, once we receive the "no-objection" approval from the Kuwait Fund for the awarding of contracts, we will seek to commence work on the various road packages for which the sum of EC\$2.288 million has been allocated this year.

Other Public Sector Projects

St. Jude Hospital Reconstruction Project

Madam Speaker, September 09, 2009 was a sad day in Saint Lucia's history, when the St. Jude Hospital, a major referral hospital located in Vieux Fort was devastated by fire, leaving its patients out in the cold. This fire destroyed the surgical ward and the operating theatres of an already aging plant, resulting in significant and major disruptions and termination to services in the south of the island. The George Odum Stadium has been temporarily converted to a hospital. We are cognizant of the inconveniences caused to our many sports enthusiasts around the island.

Madam Speaker, the St. Jude Hospital provided a number of in-patient, outpatient, ancillary and outreach care. Government has taken a policy decision to reconstruct the St. Jude Hospital. Of great importance also, is the location of the Hewanorra International Airport in the south of the island, which requires that there be access to emergency medical and surgical services on a 24 hour basis.

The need to rebuild the hospital has presented Government with a golden opportunity to reconstruct and modernize the new St. Jude Hospital as a world class health care and teaching facility, with international accreditation standards. In fact, this may well become the catalyst to start the process of creating a structured and organized

university community in Vieux Fort.

However, there are limitations associated with the existing site. Its eastern portion is steep and an invasion of squatters along its northern, southern and western boundaries makes expansion difficult. The shape of the 25 acre lot also presents limitations. Government has, therefore, decided to reconstruct the new medical facility on a 21 acre site located within close proximity to the George Odlum Stadium.

Madam Speaker, Government has, therefore, decided to proceed as follows:

1. Reconstruct the surgical building on the old site, using funds allocated by the Taiwanese government (US\$2 million). This building will be able to provide a maximum of 32 beds. It will also house all the critical services and be made fully-functional to allow St. Jude Hospital to relocate from the stadium and operate until the new facility is built. This would also make it possible for the stadium to be returned to the sports community which has demonstrated much patience and understanding so far. The reconstruction of the surgical building is expected to take 6 months. This component will commence by May 2010 and be ready by October 2010.
2. Construct a new 90 bed health care facility for St. Jude Hospital at the new site near George Odlum Stadium. The Planning and design phase of this component is expected to take 6 months. The construction of the key phases of this new facility will take 2 years.

Upon relocation of St. Jude Hospital to this new facility, the old site buildings can be refurbished and the entire compound be developed as a Medical Research Facility. Alternatively, this site can be utilized by one of the Medical Schools currently operating in Saint Lucia.

Redevelopment of Hewanorra International Airport (HIA)

Madam Speaker, in last year's budget speech, I informed the House of Government's desire to redevelop the Hewanorra International Airport (HIA). This initiative is reflective of Government's efforts to increase levels of foreign investment in tourism, with the anticipated multiplier effects. I wish to restate the rationale for the construction of a new terminal.

1. The positioning of the Tourism sector as one of the key engines for growth, necessitate the expansion and improvement of the international airport;

2. The growth in airlift means that there is inadequate capacity to accommodate passengers in the existing facility;
3. The vision for HIA is to position it as a regional hub and
4. The expanded vision for the HIA is, that the HIA will become a cargo centre, designed to turn St. Lucia into a major freight trans-shipment centre for the Southern Caribbean region.

The redeveloped Airport will reflect the infrastructural and aesthetic elements befitting an airport of its time.

This redevelopment project is seen as critical to support the future economic viability of the Airport and St. Lucia's vital tourism industry. Additionally, this will place St. Lucia at the epicentre of the Southern Caribbean's multi-million dollar air cargo and distribution business, while creating additional business opportunities for local entrepreneurs.

Madam Speaker, SLASPA in having consulted with Government in considering the various options for the financing and construction of the new terminal, decided to proceed with a design/ finance/ build arrangement. Eight companies were invited to respond to a Request for Proposal (RFP). Based on the development model specified for this project, only three (3) companies responded to the RFP. The proposals from those bidders were then subjected to a rigorous evaluation and due diligence process. Madam Speaker, I am pleased to inform this House that SLASPA is at an advanced stage of the procurement process and the public will be duly informed of the successful bidder.

Honourable members and the people of Saint Lucia, can rest assured that I shall not fail in my constitutional responsibility, to exercise due diligence, and to act properly and responsibly within the framework of the Laws of Saint Lucia, in the execution of this critical economic project, probably the largest ever.

Port Castries Redevelopment Project

Madam Speaker, Port Castries serves as the "front door" to the island for hundreds of thousands of cruise ship passengers who visit annually. Known by Cruise Lines for its natural harbour and one of the finest in the Caribbean, St. Lucia has grown tremendously as a cruise destination, moving from 394,364 passengers in 2005 to a record 699,306 in 2009. Projections for 2010 suggest arrivals are expected to grow to over 701,559 passengers.

Given the importance of the cruise sector to the economy, the Government will redevelop Port Castries. This will increase the berthing capacity, while enhancing the aesthetics of the port. Madam Speaker, in last year's Budget address, I indicated that Government was

considering a partnership with Royal Caribbean Cruise Lines, (RCCL) in respect of this initiative. I am now pleased to report, that SLASPA is at an advanced stage of concluding a Development and Lease Agreement with RCCL. The project is expected to cost between EC\$30 - 40 million and will commence within the next six months.

Government Offices

Madam Speaker, three other public infrastructure projects that are critical to resolving the space and rental challenges facing the public service are as follows:

1. The (re)construction of the Hypermart building at Bois d'Orange, to house primarily government offices and to provide for some commercial space. The project is being undertaken by Amazona Properties Inc., a subsidiary of government. Construction is due to commence in the third quarter of this year.
2. The construction of the Finance Administrative Complex at Pointe Seraphine, to house all the offices of the Ministry of Finance, Economic Affairs and National Development and related government agencies. Construction is expected to commence in the third quarter of this year.
3. The construction of the new Fire Services headquarters at Vide Bouteille

The Finance Administrative Complex and the Fire Services headquarters will be financed and constructed by the National Insurance Corporation (NIC) under the BOLT arrangement, at a total cost of approximately EC\$32 million.

NIPRO Projects

Madam Speaker, the following projects will be undertaken by NIPRO, a subsidiary of the NIC, under the BOLT arrangement.

1. The construction of Human Resource Development Centres at Chase Gardens and Sunbuilt.
2. The construction of a fire and police station at Babonneau, and the construction of a Police Station at Gros-Islet.

Private Sector Projects

Madam Speaker, the recovery of the economy from the global economic recession leading to growth, social cohesion and building resilience to external shocks, has to be a partnership between the government and the private sector. Consequently, Madam Speaker, I wish to highlight several important private sector construction projects, that will generate employment, both during and beyond the construction phase.

These projects include the following:

1. The Johnson Super Store-Rodney Bay. Construction of the Superstore, estimated at \$10 million, has commenced and will be completed by the end of this year.
2. The Bank of Saint Lucia-Rodney Bay. This project has also started and will go on for 18 months. It will be completed in 2011. The estimated cost is \$24 million.
3. The Chreiki Building. The estimated cost of this building is \$8 million and construction has already commenced.
4. Bay View-Gros-Islet. Madam Speaker, construction activities on this development will continue this year and it is anticipated that approximately \$4 million dollars will be spent in this financial year.
5. The J. Q. Charles Building-Choc. Construction of this building has commenced and will be completed in the latter half of 2011.
6. The International Financial Centre - Choc. Madam Speaker, this centre once completed will provide state-of-the-art buildings for international and local banks and other financial agencies. The estimated total cost is US\$8 million.

Public Utilities

Water Sector Reform

Madam Speaker, in my 2009 Budget Address to this House, I indicated that a Committee would be established to review alternatives for the water sector improvement. After considering the committee's report, Cabinet decided to maintain WASCO as a 100% state-owned enterprise for the foreseeable future and pursue recapitalization and reorganisation of the company with the possibility of entering into a management contract. Further, in keeping with the promise by the Government, outstanding severance payments which were due to the employees were paid in December, 2009, amounting to \$4.325 million including interest.

We are on the cusp of achieving something unique within the water sector. Through the renewed commitment and dedication of the employees and management of WASCO, the support of the public and the contributions of the government, we will revitalize the sector thereby ensuring that this, and future generations will enjoy this precious resource for years to come.

Eastern Caribbean Energy Regulatory Authority (ECERA)

The recent financial crisis has highlighted the necessity to strengthen regulation and oversight. This is not unique to the financial and insurance sector. One key sector which impacts every other, and has been identified as requiring sound regulation, is 'Energy'. Government is of the view that our sole electricity company, LUCELEC, should be

subject to a more robust regulatory regime which would be empowered to, among other things, review rates charged to consumers.

Madam Speaker, I wish to notify our citizenry that the challenges faced in this vital sector are not unique to Saint Lucia. Our OECS colleagues, for example, are faced with similar challenges. In this regard, OECS Heads of States agreed that the challenges of electricity supply should be addressed regionally through a two-track approach. The first would be, improving the regulatory framework which governs the electricity supply sector and secondly, diversifying sources of generation to include renewable sources.

In response to these common challenges, and guided by the debilitating impact of an unregulated energy sector, on the growth and development of other productive sectors and industries, a proposal was developed with the assistance of the World Bank for the establishment of a regional energy regulator, named Eastern Caribbean Energy Regulatory Authority (ECERA). At the 49th meeting of the OECS Authority in Tortola, May 2009, OECS Members collectively endorsed the proposal which included a specified structure for regulating the sector, through the establishment of a Council of Ministers, a board of directors and a small skilled staff complement. Regulatory enforcement would be the function of domestic liaisons from each territory contracted by ECERA.

It is my fervent belief that this institutional reinforcement is a vital tool for tackling the challenge of energy security and to mitigate climate change.

Once operationalised, ECERA is to be located in Saint Lucia.

Agriculture

Madam Speaker, the importance of the Agricultural Sector to the St. Lucian economy must be underscored. Our national statistics reveal that the sector continues to employ over 8,000 individuals. The sector continues to play a significant role in the socio-economic development of the nation as a whole, through income generation, foreign exchange earnings, capital investment and food security. In an effort to increase the pace of economic recovery, stimulate growth, create jobs and build resilience to economic shocks in the future, government will seek to provide the requisite resources to enable expansion within the sector.

To this end, the Government's main policy objective for Agriculture, in the 2010/2011 budget, is to promote economic development, generate employment and enhance the viability of rural communities. In this vein, allow me, therefore, to highlight the initiatives championed by the Ministry of Agriculture.

SFA Programme

In December 2009, as members are aware, the EU agreed to gradually cut its import tariff on bananas from Latin America from €176 per tonne to €114 within a seven year period. This will pose serious challenges to the sector. To avert the potential effects of this, Government will continue to provide financial support for:

1. Investments in competitiveness improvement;
2. Economic diversification policies, and
3. Broader social, economic resilience.

Allocations to the tune of **EC\$5** million will be made to support:

4. Promotion of Domestic Produce;
5. Agro-enterprise Development, and
6. Technology Adaptation.

The government shall continue its efforts at enhancing the existing *partnerships* between leading economic sectors under an Agro-Eco Tourism Programme valued at **€4.3 million**. This programme is expected to create alternative economic activity, to generate employment and to increase incomes in rural communities in order to facilitate competitiveness, reduce poverty and ensure adequate social protection for communities. The objective of this project is to increase consumption of domestically produced food. The impact of the project is expected to be reflected in an improvement in diet-related lifestyles, manifested in a reduction in the level of non-communicable diseases and the increased consumption of locally produced agricultural products. Madam Speaker, the Dennery/Mabouya region has been identified as the pilot community for the implementation of this programme.

Agro-enterprise Development

The objective of this programme is to generate rural income and employment, promote entrepreneurship (especially among the youth), encourage linkages between the agro-processing, craft and tourism sectors and enhance the competitiveness and market opportunities for foods produced in St. Lucia; thereby creating employment and opportunities for the youth and people in the rural communities.

Technology Adaptation

This project is broken down into two (2) main components, namely:

1. Improvement of Agricultural Production and Productivity and
2. Strengthening of Plant Health Services

Madam Speaker, the Honourable Minister for Agriculture in his delivery will expound on this.

Banana Sector

Madam Speaker, let me now address the Banana Sector. Government will continue to provide support to improve productivity in this Sector as we recognize its continuing importance to our economy and to job creation. So, under the SFA 2005 Programme, Government intends to establish a Scheduling and Forecasting Production System to enable farmers to maximize their production at the times when the market price is at its peak.

Non Traditional Crops

During this current year, Government will be making a concerted effort to diversify the agricultural sector and generate employment, and foster growth in the sector by providing support to four key agricultural sub-sectors. These include: cocoa, pineapple, cut-flowers and cassava.

Banana Commercialization and Agricultural Diversification Programme

Honourable Members would have heard the recent pronouncements by the European Union pledging support for the banana industry under a new Financing Instrument called the Banana Adjustment Measures Program, referred to as BAM. The objective of the EU funded programme, is to support countries to adjust to new market conditions resulting from trade liberalization.

Establishment of National Marketing Infrastructure (Clearinghouse Cul-de-Sac)

In last year's budget, my government expressed its intention to establish a new Agricultural Marketing and Distribution Facility to replace the Saint Lucia Marketing Board. I am pleased to announce that the new Clearinghouse house facility at Cul-de-Sac will come into being during this fiscal year. The new company will be restructured as a one-stop service centre for Saint Lucian enterprises engaged in the production, manufacturing and sale of non-banana agricultural commodities. The total cost of the facility is estimated at EC\$3.5 million.

Productivity Enhancement for Beausejour Agriculture Station

This government is keen to enhance the capacity of the Beausejour Agricultural Station (BAS) to effectively service the agriculture community with emphasis on the livestock sub-sector. The first phase of this project has been completed. The second phase of the project, will be undertaken during the new financial year, at an estimated cost of EC\$2 million.

Agricultural Diagnostic Facility

The establishment of the Agricultural Diagnostic Facility is expected to promote agricultural development, through the provision of services to address major needs of stakeholders and other such production sectors (agro-processing, tourism, and manufacturing). The project costs approximately EC\$3.5 million.

Meat Processing Facility

It was only last year that this Honourable House was advised that the Government of the Republic of China on Taiwan would be financing a state of the art Meat Processing Facility costing approximately EC\$12.5 million. I am delighted to report that work has commenced on the Facility in Vieux Fort, which, when completed, will revolutionize the livestock sector and result in a reduction in the food import bill. Madam Speaker, further details on this major project will be provided by the Honourable Minister for Agriculture during his contribution to the House. However, Madam Speaker, this project, once completed will enhance livestock producers' ability to supply hotels, supermarkets and community-based distribution outlets, and help with the *economic recovery and growth* within the livestock sub-sector, and by extension, the national economy.

Establishment of an Agro-processing Plant

The establishment of an agro-processing plant in this financial year is expected to create at least 32 direct jobs, increase foreign exports earnings by 10% and generate over \$2 to \$3 million annually, which is a direct increase in revenues for the country.

To date the Taiwanese government has pledged EC\$1.5 million to rehabilitate and construct the facility. The Food and Agriculture Organization (FAO), under SFA 2006, has agreed to provide the necessary equipment and to train the staff, who will operate the plant. The total cost of the project is approximately EC\$3.5 Million.

Agriculture and Youth

This government has recognized the importance of the participation of youth in economic activities in all sectors. To this end, and in an effort to promote economic recovery and sustain growth, the Agri-enterprise development initiative seeks to increase output that would lead to employment generation, agri-business development, income generation within the farming community, particularly by (young) displaced persons in the rural areas, and to a lesser extent, the urban areas. We can anticipate that with the implementation of this project at least 450 jobs will be created, and the linkage between agriculture and tourism will be strengthened through a consistent and reliable supply of agricultural commodities.

It is evident, Madam Speaker, that this government is steadfast in its support to Agriculture in recognition of its critical role in stimulating our economy.

Manufacturing & Commerce

Madam Speaker, we now turn to the Ministry of Commerce, Industry and Consumer Affairs, the Ministry responsible for promoting, facilitating and monitoring the performance of the country's manufacturing, industrial services, and commercial activities. It helps promote diversification and expansion of the export of goods and services; it is also responsible for raising the consciousness of both the private and public sectors of the critical need to examine the role and importance of exports to national development. Simultaneously, the Ministry has responsibility for the promotion and protection of consumer welfare and competition law and policy.

Government has determined that export development is the key requirement for economic diversification and alleviation of poverty. In this regard, emphasis will be placed on the development of global competitiveness among exporting companies and those with export potential. The thrust of Government's strategy will be to further facilitate the ease with which exporting companies can access raw material inputs, move their finished products to existing markets, and explore new market opportunities, especially in markets where St. Lucia has negotiated preferential market access.

Government is determined to implement the National Export Strategy and the National Industrial Policy. Focus will also be placed on implementation of the Micro and Small Scale Enterprise Act to increase the level of incorporation of small businesses, complete the development of the E-commerce policy and strategy and undertake trade missions to further sensitize foreign buyers to Saint Lucian goods and services.

Emphasis will also be placed on the review and enactment of certain critical pieces of legislation, such as, the Consumer Protection Legislation, to enable the Consumer Affairs Department to carry out its functions under the Act, in keeping with Government obligations, in Regional and International Agreements, and commercial and economic Legislation, to help facilitate commercial activities such as the Shop Hour Legislation and Sale of Goods Legislation.

Madam Speaker, attention will also be placed on facilitating the conduct of business and investment in the country. In this regard, an Investment Facilitation Portal will be developed to function as a web-based centralized database, linking all agencies that administer regulatory procedures for the establishment and operation of business in Saint Lucia. Online services will be provided to investors, as all

procedures and forms will be made available. This will be further complemented with programmes and activities that promote Saint Lucia as a jurisdiction in which to invest. And Madam Speaker, to take full advantage of investment opportunities that have been negotiated under existing bilateral and multinational trade agreements, especially the CARIFORUM-EU EPA, the Ministry will undertake the development and implementation of a public education programme, primarily targeted at the private sector, so that advantage can be taken of the many business opportunities which exist outside our region. An EPA Implementation Unit will be established to facilitate increased access to the EU markets by manufacturers and service providers, and will push to ensure that the relevant legislation be enacted.

Government will also reform the incentives regimes so as to attract new and expanded investment into the productive sectors of the economy, by introducing a WTO compliant fiscal incentives regime for the development of the manufacturing sector. A business licensing regime, to register all businesses that operate in Saint Lucia, will also be introduced. This initiative will provide useful information to advise Government on the formulation and implementation of appropriate policies and programmes to attract further investment in the economy, and to promote the export of goods and services from Saint Lucia.

Madam Speaker, the ultimate aim of Government over the next financial year with respect to the development of policy for the private sector, will be to implement the private sector development strategy (PSDS). This, Madam Speaker, will bring all Government policy interventions under a framework that could be easily followed and transparent to all actors in the private sector.

Madam Speaker, the government continues to lend its support to the development of the entrepreneurial spirit, especial in our young. In February 2010, as part of the commemoration of the first anniversary of the St. Lucia Development Bank (SLDB), under the theme: *"Emerging, Engaging to Shape the Development of our Nation"* the Bank launched a new programme – a Youth Enterprise Equity Fund (YEEF) for which this Government has committed a contribution of five million dollars (EC\$5.0m). To date the government has paid up, one point seven (EC\$1.70m) million of the committed amounts. The SLDB through this new programme is expected to make a significant contribution in support of enterprising young persons, wishing to create employment for themselves and others, thus contributing to the reduction of the chronic unemployment situation among young people.

The Government of Saint Lucia has also guaranteed lines of credit from the National Insurance Corporation (NIC) totalling ten million dollars (EC\$10.0m) to facilitate the lending programme of the Bank. Those funds will also be disbursed in this current financial year.

Social Re-Engineering

Madam Speaker, our efforts to generate economic growth will falter without strategies for achieving social well-being and harmony. Sustaining growth and recovery over time, will depend on the appropriateness of our interventions and how successful we are at implementing them.

The evidence of social decay is all around us, even as investment in health, education and other social services has increased. Crime, anti-social and deviant behaviour, general apathy and the feeling of separation from mainstream society by our vulnerable socio-economic groups, are vivid illustrations of this fact.

Our approach to social re-engineering seeks to restore hope, empower the vulnerable and build human capacity for self-directed change. The transformation of our society can only be meaningful and sustainable if it is driven by the people themselves, and our role as Government, is to provide the avenues and opportunities for this to occur.

The Social Reform Council

Madam Speaker, we intend to establish a Social Reform Council to provide holistic and efficient interventions. The Council will draw on the expertise of the private and public sectors and civil society to ensure effective delivery and articulate a shared vision of society as well as the direction to be pursued.

One of the key responsibilities of the Council relates to the streamlining and harmonization of on-going reforms. These currently include: Health Sector Reform; Social Safety Net Reform; Public Sector Reform; Reform of Legal Aid; Education Reform and OECS Family Law Reform. They are all being pursued against the background of fuel, food and financial crises that have adversely affected the most vulnerable groups. They emphasize prevention, early interventions and appropriate transitions in the life cycles of individuals and families, promote inclusion, and foster inter-sectoral synergies and co-ordination.

Madam Speaker, the budget reflects this approach and with your permission, I will now highlight some specific examples of these interventions.

Holistic Opportunities for Personal Empowerment (HOPE)

HOPE is a central government initiative executed through the St. Lucia Social Development Fund (SSDF). HOPE has been successful in

partnering with the SSDF and the NSDC to provide employment, training and economic opportunities for participants.

Madam Speaker, the establishment of Human Resource Development Centres (HRDCs) in strategic growth centres is central to our social development strategy. The pilot "After School" program has been very successful and we will construct two more facilities this year to cater to the population growth centres in Castries and Gros-Islet. With proper management, surrounding communities can share the use of the HRDCs.

Youth Development Program

This program, which was developed and embraced by the youth, can provide the basis for harnessing the energies of our young people as primary agents for change and renewal. We must recognize their talents and capacity for self development and leadership, not at some vague time in the future, but now. The program will create synergies and partnerships and be a focus for the mobilization of resources and their deployment in a range of areas such as entrepreneurial development, the establishment of arts and entertainment facilities in communities, the provision of skills training and the implementation of a National Youth Service Program.

Madam Speaker, my message to the youth of this country is simple and unequivocal: The future of our Nation starts from this very moment; your participation and service are required now, so let us begin to change our society for the better, today.

Juvenile Rehabilitation Centre

To reduce juvenile delinquency, deviant behaviour, lawlessness and criminal activity among our youth and to empower young offenders to become law abiding citizens and to redirect their lives, work will commence on a modern Juvenile Rehabilitation Centre for boys and girls. An allocation of EC\$8.3million has been provided in this years estimate for this purpose.

Sports development

Over the last three years, we have consistently demonstrated our commitment to providing world class sporting facilities for local and international sportsmen and sportswomen. Two new national facilities will be added this year.

As part of the FIFA Goal Project, the Government has allocated \$2.6million to initiate the works at Bexon. The project comprises the establishment of two playing fields, administrative buildings and other supporting infrastructure. The second facility is a National Tennis

Centre, which will be provided with the assistance of the Government of the Republic of China (Taiwan). It comprises the establishment of six courts, including a main show court, as well as supporting administrative infrastructure. The Centre will be constructed at Beausejour and should be completed by September this year. The completion will take us one step closer to realizing the dream of developing Beausejour into a world class sports complex.

The establishment of these two facilities represents but one component of a holistic sports development program which includes coaching programs and the upgrading of facilities.

Health Care

Madam Speaker, all residents of Saint Lucia deserve quality healthcare. The National Vision focuses on achieving that goal and sustaining our capacity to deliver on it.

Policy Direction

Madam Speaker, we remain committed to enhancing the national development agenda through the transformation of the health sector. The overall policy direction to guide this transformation will be geared towards:

1. Improving people centred access to quality health care;
2. Strengthening the national capacity to transform the sector;
3. Ensuring an efficient, adequate and friendly service;
4. Promoting public policies which address the social determinants of health, protect people, and foster inter-sectoral collaboration among sectors involved in determining health outcomes and
5. Positioning Saint Lucia as a world class tourism health and wellness destination.

Madam Speaker, careful and strategic planning, extensive collaboration with all stakeholders and an understanding of the resource constraints that confront us, will be required to achieve our objectives.

We will take up these challenges by focusing our actions on the following strategic directions, identified in the national strategic plan for health:

1. Strengthening the Organisation and Management of the Health and Social Services;
All management structures, responsibilities, support mechanisms, policies and protocols relating to the health system will be evaluated.
2. Improving and sustaining the health gains and well being of the population;

Comprehensive and integrated approaches which focus on individuals and families, while utilizing a wellness approach in the delivery of health care will be implemented.

3. Achieving greater equity, cost effectiveness and efficiency in the allocation and use of health resources and ensuring sustainable health sector financing:

We will review options with respect to health sector financing to allow for a more focused approach to allocating resources based on priority health needs.

4. Ensuring a cadre of well trained and motivated health staff:

A human resource management and training plan will be established to address the issues and concerns of staff and to ensure that appropriate policy and legislation are developed to guide staff recruitment, retention, mobility, compensation, staff development and accountability.

5. Developing an effective Health Information System:

The National System will provide more timely and accurate information, leading to timely interventions and better resource allocation.

6. Establishing a Quality Management System:

A quality management system will be developed and implemented to ensure that standards and protocols of care are adhered to.

7. Developing the Physical Infrastructure

Health infrastructure will be upgraded to enhance the client – provider care environment and conform to modern, internationally accepted standards.

Madam Speaker, in emphasizing inclusion as a critical element of the redesign of our society, permit me to refer briefly to the subject of stigma and discrimination, as they pertain to HIV. We have made progress over the last decade in understanding the biology and pathology of HIV, although a cure still eludes us. The biggest problem is the stigma and discrimination which are used as tools to marginalize people with AIDS.

We must stand against stigma and discrimination in all its forms. The Government will engage in legislative Reform to guarantee non discrimination against persons on the basis of health, gender, disability and sexual orientation. In this budget, my administration will support those agencies that carry the torch against stigma and discrimination. Allocations have been made to house a drop-in centre and offices for the AIDS Action Foundation, Tender Loving Care, United and Strong

and RISE, in order to facilitate the work of these non-profit, non-Governmental Organisations. We acknowledge their contribution and thank them for their support.

Education

Madam Speaker, let me now address the problems that we face in the Education Sector:

1. Male students at all levels of education in St. Lucia perform at lower levels than their female counterparts. More males repeat primary grades and drop out of secondary schools.
2. Discipline, civic responsibility and morale among students have deteriorated.
3. Only an estimated 35% of the pool of 2000 students who graduate annually from secondary schools, advance to post-secondary education. Issues pertaining to poor skill development, lack of alternative certification routes and inadequate exposure to new technologies, are some of the root causes of the problem.
4. More than 95% of the education budget comprises non-discretionary costs, reducing government flexibility.

The provision of quality education for all through increased access, training opportunities and support at all levels of the education system, must be emphasized. In order to achieve this, Government will pursue the following strategic priorities and interventions during this fiscal year. These initiatives are geared towards resolving some of the aforementioned challenges.

1. Conceptualize, and change the nature, form and content of primary and secondary education to provide students with the essential foundations for lifelong learning;
2. Reconstruct, Modernize and maintain schools and resource centres;
3. Strengthen and expand welfare and support services and safety nets for children with special needs;
4. Expand the use of information and communication technologies (ICT) in teaching, learning and research processes and ensure that all students leaving school are computer literate;
5. Conduct research and development activities in collaboration with other agencies to establish a Labour Market Information System that would inform subject offerings and their relevance to national and regional priorities and
6. Pursue concessionary financing from international donors for the education programs relating to these interventions.

Key projects include:

1. OECS Skills for Inclusive Growth – Phase One

The objective of this project is to assist the Government of St. Lucia to increase the employability of youth through private-sector driven training. The project has three intermediate outcomes:

- i) To increase levels of training among unemployed youth.
- ii) To develop an improved policy framework, including adherence to accepted standards for delivering training by enhancing OECS collaboration.
- iii) To strengthen institutional capacity to better implement, monitor and plan training programs.

Overall, we anticipate that 1,850 young people will benefit and at least 1,265 will receive Caribbean Vocational Qualification (CVO) certificates. Government has devoted just under \$1 million to this project.

1. Rehabilitation of School Plant

Rehabilitation of school plants to the tune of \$9.2 million is being proposed in order to have a significant impact on attaining and maintaining a conducive learning environment in schools.

2. The Economic Reconstruction Programme (ERP)

This project involved the rehabilitation of eleven schools during the last financial year. In 2010/2011, the project is being expanded with the addition of four schools for major repairs. These schools include Saltibus Combined, Desruisseaux Infant, Grande Riviere and Dennery primary Schools.

3. Upgrade of Vieux Fort Comprehensive School- Campus B

Upgrade of phase two of the Vieux Fort Comprehensive School – Campus B project costing \$ 1.0 million, will focus on allowing the school to house its population without the use of the now dilapidated temporary wooden extensions.

4. Education Enhancement through Information and Communications Technology Programme

The main purpose of this programme is to improve the learning and teaching process in schools, with appropriate linkages to surrounding communities. It is also designed to provide the necessary skills to increase competitiveness in the job market through the employment of ICT. I have included \$3.6 million in the budget for this purpose.

5. Basic Education Enhancement Project (BEEP)

The project will target eight (8) schools (3 secondary schools and 5 primary schools) for rehabilitation, extension, curriculum strengthening and capacity building.

Approximately 1,300 teaching staff at primary and secondary schools will benefit from training geared toward enhancing competencies in key academic and non-academic subjects, such, as early childhood screening and diagnosis, multi-grade teaching methods, classroom management, differentiated instruction, student assessment, multi-media teaching methodology and technology in education. The Curriculum Materials and Development Unit will be strengthened. Additionally, approximately 210 education officers, principals and vice-principals will be beneficiaries of the "management skills enhancement" training. Government's financing for this project, this year, amounts to \$4.0 million.

6. Upgrading Sir Arthur Lewis Community College (SALCC) to a University.

Madam Speaker, as a major contributor to our long-term development, we are continuing with our plans to upgrade the Sir Arthur Lewis Community College (SALCC), to a full university. Even as we make progress towards fulfilling our goal in the future, it is necessary to build the capacity of the College today, in practically all the main areas of management, curriculum and academic development, student services and infrastructural development. I have set aside resources in the budget to strengthen the institutional capacity of the College and improve its ability to deliver quality education, even in its current form.

Madam Speaker, last year the Government indicated its desire to establish a National Education Commission to serve as an appropriate diagnostic mechanism and to strengthen government's capacity to deliver quality education. Government has established the Terms of Reference to guide the establishment of the commission and expect to appoint the commission this year.

Areas of Special Focus

Crime and National Security

Madam Speaker, it is clear that Saint Lucia is capable of sustaining a high quality of life for all her people. The fulfilment of this vision must be based on a safe and secure country attained through effective coordination of the National Security Services in partnership with all stakeholders. There is no doubt that one of the major challenges facing our society is the fight against crime and its impact on public safety and security. Our current reality is that our vision for a better quality of life is under threat, as resources that might otherwise be

spent in areas such as economic growth, poverty reduction, social services and transformation of our institutions, must be directed at trying to ensure that our citizens can feel secure. Frankly, Madam Speaker, the people of the country are fed up with the crime situation.

An important obligation of any Government is the protection and safety of its citizens. In the current climate, national security issues and matters relating to the abatement of crime must be accorded the highest priority and must get resolved.

A proper diagnosis will reveal some major structural defects in our economy, in our family structures, in our societal structures and in our basic value system. Apathy persists among our young people who unfortunately seek alternatives to work that lead to anti-social behavior. This situation is accentuated by a mindset which has perpetuated a value system based on greed. This has led to general disrespect for each other and for the undervaluing of human life.

Madam Speaker, despite the increased sophistication of criminals, we are committed to constantly reviewing our strategies to combat and reduce crime, including the development of a "Known Offenders" tracking system that allows for the analysis of wanted criminals.

The Ministry of Home Affairs and National Security will be focusing on key strategic areas this year, including:

1. Human Resource and Capacity Building;
2. Improving the capacity of our institutions not just to respond but to be proactive in creating stronger partnerships and support networks;
3. Delivering effective rehabilitation programmes and
4. Ensuring continuity of Operations

In addition, the resources available to the Royal Saint Lucia Police Force must be increased and improved. We intend to

1. Provide the resources for the purchase of two (2) vessels to aid in drug interdiction;
2. Upgrade the communication systems for the Police Department to ensure more effective communication among the stations;
3. Purchase mobile stations;
4. Reintroduce the annual recruitment of officers and
5. Apply scientific methodologies to resolving crime – such as the use of the new Forensic Laboratory.

While we focus our efforts on reducing violence and crime we must also provide for the victims. Our social services will need to be reenergized to provide the level of support required. Therefore,

1. We will evaluate the Department of Gender Relations and the Saint Lucia Crisis Centre which play an important role in cases of domestic violence;
2. We will explore more creative ways of rehabilitating men and women after incarceration, in order to give them a second chance;
3. We will review the role of Human Services and
4. We will work towards achieving greater collaboration between the Ministry of Social Transformation and the Police, as well as encouraging community action against crime, such as establishing *"neighbourhood watch"* groups and *Communities for Peace* initiatives, as recently initiated by the residents of the Wilton's Yard Community, commonly known as the *"Grave Yard"*.

The time is long overdue for us to increase the pressure on anti-social behaviour by enforcing discipline and respect for the laws at all levels of the society. Special attention is to be placed on providing opportunities for citizens to become constructively engaged in social, sporting and community programmes. We also want organizations like the Cadet Corp, Saint Lucia Boys Scouts, The Boys Brigade, Girl Guides and SDA Pathfinders with a track record of discipline and organization, to be more prominent, and to offer programmes that are stimulating and enticing to our young people.

While our primary focus must be on prevention, we must also renew our focus on young people who are in conflict with the law. The Probation and Parole Department will endeavour to provide increased supervision and implement more varied programmes for young people. One such programme to be implemented in the new financial year is the Court Diversion Programme. The programme will focus on the creation of a facility for young people who are at risk in the society and those who have offended. This is in keeping with Government's strategic objective to reduce criminal activity and empower offenders to become law abiding citizens.

Madam Speaker, the Ministry of Home Affairs and Ministry of Justice will continue to work closely, to ensure that our responses to offenders, cover the need to punish and deter, to rehabilitate and to increase public confidence in the Criminal Justice System. Efforts will be made to strengthen the links among the Police, Schools and the Youth. We will also continue to build strong relations between the Police, on the one hand, and local communities and the business sector on the other.

Eight-Point Stabilization and Growth Programme

On behalf of this Honourable House and the people of St. Lucia allow me the opportunity to applaud the efforts of the Eastern Caribbean Central Bank (ECCB) and my OECS counterparts for articulating the eight-point stabilization and growth programme which is intended to help small economies such as ours, withstand the economic storms ravaging through the international economy.

In crafting this year's budget, this administration has worked assiduously to ensure that the architecture of the fiscal policy framework allows us to hold up to the vagaries of the international market, while positioning our economy to benefit from emerging / new opportunities born out of the earliest indications of recovery in the global economy.

This year's strategic priorities are geared towards strengthening our fiscal situation, in particular restoring fiscal and debt sustainability. Throughout the region, my counterparts have lamented contractions in growth rates. The ECCU 8-point stabilization and growth programme represents a special, regional strategic response to the damning effects of the recent global financial and economic collapse. This administration has embraced the 8-point programme, having recognized its inherent merits. I, along with my other seven (7) OECS counterparts are signatory to the programme, as an indication of our commitment to its implementation within our respective national jurisdictions.

Hence, this year's budget mirrors much of what is proposed in the ECCU 8-point stabilization and growth programme. It is incumbent on this administration to ensure that our national goals are consistent with that which is articulated under the ECCU 8 point programme. It is envisaged that the period for successful implementation of the programme would include a period of adjustment from 2010 – 2012; and the period of transformation from 2013-2020.

Fragile nations such as ours, can ill afford the bickering wrought by partisan politics, while there are urgent policy initiatives beckoning the invaluable input of all – especially in a difficult economic climate such as we are experiencing now. In this regard it is the intention of this administration to table the 8-point programme for discussion in Parliament with a view to inviting further comment and endorsement as part of a wider National Economic and Social Re-engineering initiative. The successful implementation of this programme hinges on broad bi-partisan support and commitment.

I am delighted to inform this Honourable House, that already we have made substantial progress in some of the components of the 8-point programme. In this regard, I am pleased to inform you that the Ministry of Finance, with the technical assistance of CARTAC has developed a financial program for the next three (3) years. With respect to the financial sector, I am also pleased to announce further, that the Payment Systems Bill, the Money Services Business Bill and the Commercial Code Bills of Exchange (amendment) Bill were all approved within this Honourable House earlier this year.

Early indications are, that these and the other measures to be implemented can go a long way in buffering our economy from the calamitous economic shocks. My initial sentiments are that in the spirit of social cohesion and the thrust towards social and economic re-engineering – that ALL stakeholders will actively engage in this process, as we anticipate a better economic climate, one which is responsive to our herculean efforts at economic recovery and stabilization.

National Investment Office (NIO)

In an environment of increasing international competition, this government must double its efforts, in creating an environment which is attractive to investors - both local and international. To this end, therefore, this government is proposing the establishment of a National Investment Office (NIO) which in effect will act as a “one-stop-shop” for investors. Already, there are several agencies which work in tandem to assist investors in establishing their businesses here. The NIO will become an umbrella organisation bringing all these agencies, essentially under “one roof”. This initiative will go a long way in improving the business environment by reducing the “leg work” and “red tape” that are usually involved in the process of conducting business in St. Lucia.

This government is placing renewed emphasis on rationalising and harmonising the various agencies involved in both foreign investment and local entrepreneurship. Very shortly, this government will initiate discussions with key stakeholders, to engage in consultations and articulate policies and expectations, with respect to institutional reform and a new economic focus, as it pertains to investment.

Government wishes to renew its unequivocal commitment to the private sector and to pledge its unwavering support to bolstering entrepreneurship in particular. Our young people, especially, must be encouraged to think creatively and innovatively. Government wishes to applaud the efforts of the various agencies already working in this regard. Investment levels are currently well below what is necessary to

jump start our economy, in the wake of the global recession. We must, therefore, undertake to review the various policies that already exist and the many initiatives that would have been conceptualised previously so as to bring to life the many worthwhile ideas articulated previously.

Constituency Development Programme (CDP)

In February of this year, this administration thought it fitting to host a workshop for all parliamentarians on “*Understanding the Budget Process*” which was facilitated by the Parliament Office, in conjunction with the Ministry of Finance, the first of its kind in the history of St. Lucia. That workshop was specifically intended to address the needs of parliamentarians and the constraints that they face in the execution of their pastoral duties. Parliamentarians ventilated their multifarious concerns with a view to charting a way forward. We left that meeting satisfied that our concerns were well noted. I am delighted to announce to this Honourable House that the sentiments expressed at that workshop have resonated with this administration and have found expression in the formation of the Constituency Development Program (CDP). This is the first of many initiatives that seek to galvanize bipartisan efforts in garnering social cohesiveness in this small, beautiful nation of ours.

The Constituency Development Program (CDP) was conceptualized as an apt mechanism for harnessing the rich and varied talents at the community level in defining an indigenous, community-based approach to social and economic development. Therefore, the CDP has, as its primary objective, ***the development of social and economic programmes aimed at stimulating economic growth while promoting bi-partisanship and community participation within constituencies.***

The CDP will facilitate greater consultation both within the community and between the community and government agencies. It encourages broad level participation by civil society organizations (CSOs), various community groups and the Opposition. This interactive process will provide the avenue for broad - bipartisan - consultation in formulating development proposals for budgetary consideration. Greater involvement of parliamentarians in the budget formulation exercise, will undoubtedly enhance the quality of delivery and ability to debate the budget more effectively. More importantly, however, intimate involvement – by all - in the entire process means that there is closer, intermittent monitoring and evaluation of the implementation of the budget (notwithstanding the existing formal institutions charged with this function.)

I wish to initiate the Constituency Development Program (CDP) with an initial injection of \$5million in this fiscal year. Admittedly, while this amount is modest, it must be construed within the spirit in which it is intended, that is, as an initial first step – as an expression of this administration's unwavering commitment to fostering bi-partisanship and stimulating development at the community and constituency level.

The Ministry responsible for National Development will administer the funds. Constituencies, through their parliamentary representatives, will be encouraged to tender proposals which clearly articulate their particular development objective. Naturally, proposals will be subjected to a vetting process to ensure congruence with the overall national development strategy. These submissions for budgetary consideration, having satisfied the stipulated guidelines and broader development objectives, will qualify for financial assistance. Once approved, the resources will be reallocated to the respective executing agencies, for implementation.

This administration is keen to ensure that the vetting process is open, transparent and fair. For this reason, a bipartisan committee will be convened which will be charged with the responsibility for crafting the criteria for evaluation and overseeing the selection process.

This administration is convinced that this initiative will go a long way in engendering a new spirit of collaboration and generating social and economic development at the constituency level. The multiplier effect, Madam Speaker, will, without question or doubt redound to the greater benefit of all in this nation.

OECS Economic Union

We, in the OECS, know all too well, the benefits of unity and functional cooperation. We have had major success with institutions like the Eastern Caribbean Central Bank, Eastern Caribbean Supreme Court, Eastern Caribbean Telecommunications Regulatory Authority and the OECS Civil Aviation Directorate. We have served as a model for the creation of the Euro and the regulation of telecommunications in the Pacific.

Saint Lucia is fully committed to the formation of the OECS Economic Union, as we anticipate that the successes we've had elsewhere will be replicated in this most recent endeavour. We have demonstrated our commitment to this process through extensive consultations and through education programmes, executed at the national level and in the Diaspora.

Madam Speaker, in December 2009, the Heads initialled the Revised Treaty in St Kitts and Nevis, and we are in the process of making the final changes to the Revised Treaty of Basseterre before the signing of

the Treaty in June 2010, here, in Saint Lucia. We have invited all Parliamentarians to submit their comments so that they can be considered in the final document. Madam Speaker, we are best able to withstand the vagaries of the international system by deepening and strengthening our regional institutions. It is but one of the many ways we can strengthen our resilience to external shocks.

Diaspora Issues and Homecoming 2010

Madam Speaker, since April 2008 the Government of Saint Lucia has been paying special attention on the concerns of St Lucians resident in other countries. Madam Speaker, in July of this year, we are encouraging Saint Lucians living overseas to return home to celebrate what it means to be a "Saint Lucian". This Homecoming is to recognise that as a nation we have benefited greatly from them and we want to encourage them to continue to participate in the social and economic development of St. Lucia.

This Homecoming will coincide with the 14th Biennial convention of the Union of Saint Lucian Overseas Associations. Together with the Saint Lucia International Association we have planned two weeks of celebration and consultation commencing the week of July 18th. The Theme for Saint Lucian Homecoming 2010 is "*Toute Sent Lisyen Se Yonn*" and the activities reflected in the budget will include:

1. Participation in the carnival festivities;
2. A Youth Summit;
3. An Awards presentation, under the patronage of the Governor General;
4. Discussion on a Saint Lucia Strategic Plan for the Diaspora and a Diaspora Declaration;
5. A partnership fair that will result in the twinning of small businesses, service organisations, community groups, with individuals, families, professionals, business people and interested groups of Saint Lucians throughout the Diaspora;
6. A Walk-in Museum on the Boulevard and on the Derek Walcott Square; and
7. Cultural events and shows to showcase the talents of our people.

National Endowment for the Creative Industries

Madam Speaker, this initiative seeks to bring together the public and the private sector, in providing financial support to artistes in the development of their respective art form. Madam Speaker, globalization affords us a wonderful opportunity to capitalize on a burgeoning cultural export market.

Whereas culture is often perceived in terms of its celebratory value, increasingly, culture is being explored as an export commodity. Madam Speaker, there are numerous untapped areas of our culture that need to be documented, dramatised - and "packaged" for export, without losing the essential character of the art form itself. Madam Speaker, we should not forget that the St. Lucian Diaspora, spread over several metropolitan cities in the North, comprise a readymade market for our cultural exports.

Last year, Government gave assistance to the tune of EC\$1 million, to several artistes. Government recognises the growing importance of the arts, and as an expression of our commitment to lend greater support to our young burgeoning artistes, in particular, we would like to formalise this program, by establishing the **National Endowment for the Creative Industries**. This year approximately EC\$1.5 million has been set aside for that purpose. A board will soon be established to manage the administration and disbursement of funds.

Housing Expansion and Development

The provision of affordable public housing to all classes of the society, including the low income sector, is a basic social need, without which a nation cannot lay claim to have attained meaningful socio-economic development. The failure to provide adequate shelter in the form of public and private sector housing to the populace creates a chain reaction, that inevitably leads to deprivation and ensuing social tension. This is evidenced by crime and other deviant behaviour. It has long been established that there is a correlation between social cohesion and poor and sub-standard housing conditions and /or the limited supply of housing relative to demand.

Over the short to medium term, Government intends to encourage greater involvement of the private sector, including the financial services providers, contractors, land owners and developers, to stimulate growth and generate employment in the construction sector, through housing development.

It is important to note that Government **will not seek to acquire** lands for housing but rather provide design, survey and infrastructure services and remove transaction costs, for example. Government will seek to promote public/private partnership in financial investments in housing development.

The government continues to support initiatives geared at providing affordable housing for middle to low income families. Government will continue its PROUD programme of land tenure rationalisation and community infrastructure upgrading. The government is seeking to raise an additional \$11million from the Caribbean Development Bank, in support of this initiative. Similarly, government will continue the

Shelter Development Programme, with an allocation of \$2.1 million. The Baron's Drive Relocation Project, is expected to have full impact in the medium term; however, for this financial year, an amount of \$3 million is allocated for additional housing units, to be constructed at Cresslands, Soufriere. This will create employment and generate income in the community, providing a much needed economic boost to the local economy. There are also a handful of small capital works funded in the amount of \$1.3 million within the jurisdictions of the thirteen (13) Local Government Authorities, namely Town, Village and District Councils. The implementation of these projects will again be impactful, in this financial year, by providing much needed amenities and facilities to the populace, whilst contributing to employment and income generation in the communities.

Conway Relocation Phase 2, involves the ongoing relocation of residents from Conway to three sites in the north, namely, Monchy, Garrand and Morne D'Or for which \$1 million has been allocated.

Madam Speaker, we cannot speak of economic growth and social resilience, without considering the prudent allocation, use and management of our limited, vulnerable natural resources. Madam Speaker, we will, this year, begin the process of the relevant demographic and community profiling surveys to inform the design of appropriate rationalisation programmes for community upgrading of Crown and NDC lands.

Madam speaker, I would like to reiterate my government's commitment to embracing new *green measures* that reflect international best practices in the acquisition and use of land for housing.

National Employment Bureau (NEB)

Madam Speaker, the Labour market has changed dramatically in the last few decades. The government is very mindful of the ubiquity of technology and the changing contours of the international political economy. We now live in what has been described as a global village; a global information /knowledge economy.

It means, Madam Speaker, that we need to be more careful in our human resource allocation to ensure that our people are afforded the best opportunities to match their skill sets and facilitate their professional growth and development, while making an invaluable contribution to the continued development of our nation.

To this end, Government will establish a National Employment Bureau (NEB), under the auspices of the Ministry of Labour.

The National Employment Bureau will facilitate labour market surveys to determine the full status, capacity and potential of the Labour force; design and facilitate, in collaboration with other Government agencies, relevant training for the labour force; to instil sound work ethics and discipline to build a productive and efficient national work force, in keeping with our national training needs, and ultimately provide appropriate job placements for the unemployed.

Budget

Fiscal Strategy

Madam Speaker, the Government's fiscal strategy is designed to support its broader strategies for growth and development. Its main elements are:

1. Balancing the recurrent budget in order to apply other receipts to the financing of the capital investment program. A well financed capital program will, potentially, be capable of stimulating economic growth. Growth is projected to be around 2.9 percent this year
2. Maintaining tight control of recurrent expenditure, creating a strong and efficient revenue administration, and undertaking essential tax reform in order to balance the recurrent budget or create a surplus, and sustain it over time
3. Maintaining a sustainable fiscal stance over time
4. Gradually converging towards the ECCB debt target of 60 percent of GDP by 2020
5. Generating growth as one of the means to kindle the recovery in the short to medium term
6. Maintaining a credible macroeconomic framework
7. Using tax and fiscal policy to reduce tax avoidance
8. Judiciously utilizing tax and expenditure policies to provide essential social protection and
9. Employing budget and fiscal policy to maintain low inflation, projected to be 1.0 percent this year

Fiscal Operations

Madam Speaker, this budget is couched in the context of the strategic priorities which I outlined earlier, and the fiscal strategy that we have adopted.

The total planned budgetary expenditure is one billion, two hundred and ten million, nine hundred and eleven thousand, four hundred dollars (\$1,210,911,400.00). This represents a marginal decrease of less than one percent when compared to the planned outlay for 2009-2010.

The planned expenditure comprises:

1. Recurrent expenditure of eight hundred and forty-four million, two hundred and eight thousand, nine hundred dollars (\$844,284,900.00). Debt principle payments and sinking fund contributions account for 11% of total expenditure, 1.3 % higher than the approved estimates for 2009/2010.
2. Capital expenditure of three hundred and sixty-six million, six hundred and twenty-six thousand, five hundred dollars (\$366,626,500.00). This represents a nine percent (9%) reduction over the approved capital expenditure for 2009-2010.

Madam Speaker, the budget will be financed as follows:

1. Recurrent revenue of eight hundred and forty-four million, two hundred and eighty four thousand, nine hundred dollars (\$844,284,900.00)
2. Capital revenue resulting from the proceeds of the sale of land in the amount of thirteen million, four hundred and sixty-eight thousand, six hundred and seventy three dollars (\$13,468,673.00).
3. One hundred and thirty-six million, three hundred and sixty-six thousand, six hundred and seventeen dollars (\$136,366,617.00) will be received from friendly governments in the form of grants. Of this amount, approximately \$96.6 million is from the European Union and \$20.8 million from the Peoples Republic of China on Taiwan. Madam Speaker, on behalf of the people of St. Lucia, I wish to thank those governments for their continued support.
4. New Bond funding of ninety-six million, nine hundred and fifty-five thousand, five hundred and twenty-nine dollars (\$96,955,529.00).
5. Other loans of one hundred and nineteen million, eight hundred and thirty-five thousand, six hundred and eighty-one dollars (\$119,835,681.00), of which approximately \$51.2 million is from the Caribbean Development Bank (CDB) and \$41.8 million is from the World Bank, representing a mix of commercial and concessionary funding.

Allocation of Expenditure

Let me now summarise the distribution of total expenditure among the various Agencies/Ministries and the components of investment expenditure contained therein.

1. **The Agencies of Parliament**, that is, the Office of the Governor General, Legislature, Service Commissions, Electoral and Audit Departments are the agencies that will receive a total of 6.5 million dollars. This represents, approximately, a 1.2 percent reduction in expenditure over 2009-2010, or 0.5 percent of the total expenditure.
2. **General Service Agencies**, Office of the Prime Minister, the Ministry of Public Service and Human Resource Development and the Ministry of Labour, Information and Broadcasting will receive a total allocation of 44.2 million dollars. This is equivalent to a 3.1% increase in expenditure over the 2010-2011 estimates of expenditure.

Madam Speaker, this allocation includes an amount for the Monument in Honour of Sir John, which will be financed with funds donated by our own private sector. It also includes funding for the continuation of the E-government project for Regional Integration.

3. **The Justice Sector** – I have allocated a total of \$126 million to the Ministries of Justice and Attorney General's Chambers and Home Affairs and National Security which are charged with the responsibility of keeping our country safe. This represents nine percent (9%) increase over the previous year and 10.4% of total expenditure for this year.

The allocation includes provisions for: the training of fifty-three (53) police recruits; operationalizing the new forensic laboratory; procurement of a Fingerprint Identification and Close Circuit Television System and other equipment necessary to ensure that the Police have the resources to effectively carry out their mandate.

4. **Economic Service Sector.**

Madam Speaker, \$668.3 million will be allocated to this sector. This amount includes a provision of 278.1 million dollars for Debt Servicing, Retiring Benefits and Contingencies. The overall allocation to this sector represents a 5.6 percent reduction over the previous year. One-third of the allocation to this sector, 220.4 million dollars, is for its Capital Investment Programme under the management of the following Agencies:

- i) The Ministry of Agriculture, Forestry, Lands and Fisheries;
- ii) The Ministry of Commerce, Industry and Consumer Affairs;
- iii) The Ministry of Communications, Works, Transport and Public Utilities;
- iv) The Ministry of Finance, Economic Affairs & National Development
- v) The Ministry of External Affairs, International Trade and Investment;
- vi) The Ministry of Tourism and Civil Aviation;
- vii) The Ministry of Physical Development and Environment; and
- viii) The Ministry of Housing, Urban Renewal and Local Government;

The Ministry of Agriculture, Forestry and Fisheries is earmarked to receive an allocation of EC\$47 million. Around EC\$12.1 million of that amount is for the continued implementation of the Agricultural Diversification Projects funded by the European Union. A further EC\$3.4 million is for the establishment of the National Marketing Infrastructure, a Public Private Partnership initiative. Approximately EC \$3.7 million is for Crop Development, and EC\$5.8 million for the completion of the Meat Processing Facility.

The Ministry of Commerce, Industry and Consumer Affairs will receive EC\$19.2 million. Included in this is EC\$9.3 million for various initiatives under Commerce & Industry

The Ministry of Communications, Works, Transport and Public Utilities is earmarked to receive EC\$84.8 million. This includes EC\$48.1 million for various road infrastructure projects.

Of the EC\$409.2 million earmarked for the Ministry of Finance and Economic Affairs, EC\$70.4 million dollars is earmarked for Capital projects aimed at strengthening financial administration, for contingencies and for the continuation of National Development Plan programme.

The Ministry of Tourism is earmarked to receive EC\$43.4 million. Included in this amount is EC\$30 million for Tourism Marketing and Promotion.

5. Social Service Sector

Madam Speaker, EC\$365.9 million 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.

The Ministry of Social Transformation, will receive EC\$54.7 million. Of this amount, EC\$42.2 million is allocated for various projects to benefit communities and vulnerable groups of which EC\$7.5 million will target projects for the development of sports.

The Ministry of Education will receive EC\$182.3 million of which EC\$27 million is for capital expenditure, primarily to undertake the rehabilitation of school plants and the purchase of equipment.

Finally, as a demonstration of this government's commitment to ensuring continued improvement in the health care system, EC\$128.9 million will be allocated to the Ministry of Health. Of that, EC\$46.7 million are earmarked for capital expenditure. This includes allocations for the new national hospital.

New Revenue Measures

Withholding Tax on Interest Paid to Non Residents

Madam Speaker, last year, I announced that I would remove the exemption pertaining to the payment of withholding tax on interest under the Third Schedule of the Income Tax Act. However, as the recession deepened, I had put its implementation on hold in order to further consider the potential impact on non-residents. I have now decided to proceed with the implementation of the measure.

Accordingly, interest payable to non-residents will no longer be tax exempt under the 3rd schedule of the Income Tax Act, and will be subject to withholding tax at the rate of 15 percent. It must be noted that resident corporations pay tax on interest income at the corporate tax rate of 30 percent, while individuals pay taxes on qualifying interest income at their individual tax rates which range from 10 percent to 30 percent.

Stamp Duty on Share Transfers

Madam Speaker, this proposal essentially aims at correcting a loop-hole in the Stamp Duty regulations regarding the conveyance, transfer, sale or otherwise of the debenture stock, debt or shares of any company or corporation. Sophisticated taxpayers are currently taking advantage of the loop-hole resulting in substantial losses in revenue from stamp duty.

A typical example of this would be a local company which is in the business of buying and selling property, forming a separate company

whose only asset is the house and land which is intended to be sold. Shares of that newly formed company would be sold with the owners of the shares essentially being the owners of the house and land. Some taxpayers have found creative ways of avoiding payment of stamp duties by not applying the conventional method of determining the tax due. Therefore instead of paying 2 percent purchasers tax and 2.5 percent vendors tax (in the case of a local company) and 10 percent vendors tax (for non-resident companies), the property owner would end up paying only $\frac{1}{2}$ of one percent of the net asset value of the share transfer as provided for under the Stamp Duty (Amendment) Regulations No. 66 of 2001. This could result in the seller of the property paying less than 10 percent of what should be paid under the conventional method.

To correct this anomaly, I, therefore, propose that stamp duty on the sale of property be calculated on the greater of $\frac{1}{2}$ of 1 percent of net asset value and the conventional stamp duty computation. The stamp duty regulations will be amended accordingly.

Market Valuation System of Property Tax

The property tax regime will be changed to an open market valuation system for assessing residential properties as opposed to the existing system based on annual rental values, which is less transparent. Commercial properties are already being assessed on this new system.

Madam Speaker, I, therefore, propose a change in the method of assessment of residential properties for property tax from annual rental to open market valuation at a rate of 0.4 of one percent.

In the case of commercial properties, the rate was changed to 0.25 of one percent when the method of valuing commercial properties was changed from annual rental to open market value based on the amendment of the 2001 property tax legislation. However, the existing rate is considered to be too low, as it is not equivalent to the previous rates of 7 and 14 percent based on annual rental value, in terms of the revenue impact. I therefore propose to increase the rate of property tax on commercial properties from 0.25 to 0.4 of one percent based on open market value.

Property taxes have been fraught with problems of low compliance and insufficient enforcement. The Inland Revenue Department will be strengthened and will be required to improve on its enforcement procedures.

Increase in Cellular Tax

Madam Speaker, the government will, this year, increase the tax on the use of cellular phones, from the current rate of 10 percent to 15 percent. This increase will become effective on 1st May 2010.

Expenditure Policies

Madam Speaker, last year I announced a number of measures to reduce waste and inefficiency and contain expenditure growth. I am pleased to report the following:

1. Work has commenced in the area of operational and efficiency reviews with the conduct of functional reviews of the Ministries of Communications & Works, Public Service and Social Transformation. The recommendations will be implemented in this fiscal year.
2. The government vehicle fleet has been reduced by eleven percent.
3. We will continue to rationalize office space, and otherwise seek to implement appropriate mechanisms to reduce expenditure.
4. In order to contain the rate of increase in the public service, vacant positions among the established positions will be filled, following a review by the Ministries of Finance and Public Service with a view to managing resources within and among agencies.
5. In respect of the non-established positions, only replacements will be considered. No new positions will be filled.
6. All agencies will be required to thoroughly review arrangements for overtime, with a view to enhancing productivity and containing expenditure.
7. Excess mileage will not be allowed to exceed the policy limits and provisions approved in the budget.

The recession has taken a heavy toll on incomes and jobs. Our ability to recover quickly, depends in part, on the appropriateness of our plans, and how efficiently we are able to implement them. A speedy recovery also depends on the co-operation of all Saint Lucians. We will soon embark on a new round of public sector wage negotiations, which will be followed by similar discussions in the private sector. Generous wage settlements have been reached in recent years and I urge restraint during the deliberations on the new cycle, which will be conducted in a climate of very low inflation.

Madam Speaker, I wish to throw out a challenge to all agencies this year. All agencies are to identify and review areas where expenditure waste exists, and undertake necessary measures to improve efficiency. Should any agency be successful in achieving budgetary savings, a percentage of the saving will be allocated to the agency for proposed new initiatives in the subsequent financial year.

Increase in Public Assistance

Madam Speaker, over the last two years the government implemented a number of measures designed to cushion the impact of rising food and energy prices. Some of these measures include the zero rating of consumption tax on a range of food items and the subsidy on cooking gas, the subsidy on basic food commodities (rice, sugar and flour), for example.

Despite the low levels of inflation that currently exist, Government has taken a policy decision to maintain these social protection measures. Madam Speaker, this government recognizes that the allowance for the most vulnerable - the poorest of the poor, is inadequate.

Commencing October 2010, I wish to announce a twenty-five percent (25%) increase in Public Assistance allowances. In this regard, an exercise to review that list is being undertaken by the Ministry of Health, to ascertain that the persons on the list are truly deserving.

Incentives and Opportunities Available for Businesses and Investors

Madam Speaker, this is not the year for imposing extensive new taxes on individuals or on the business sector, lest the recovery be adversely affected. It is also not the time for providing a plethora of new concessions, for two reasons:

1. The delicate balance between stimulating economic activity and securing a reliable revenue stream must be achieved without eroding the latter.
2. We have provided an extensive array of incentives to individuals and business enterprises over the years, to engender growth and development.

The Government provides one of the most generous tax incentive regimes in the OECS, the objective of which is to attract investment to Saint Lucia by reducing the cost of doing business and facilitating investment. Saint Lucians have not taken full advantage of the numerous incentives and concessions available. Allow me, therefore, Madam Speaker, to highlight some of these again, which include:

1. The full waiver of corporate income tax (tax holidays) up to a period of 15 years for investment in tourism and manufacturing;
2. With respect to manufacturing enterprises, the full waiver of import duty and consumption tax on plant, machinery and equipment, spare parts and raw and packaging materials, as outlined in the Fiscal Incentives Act (No. 15 of 1974);

3. With respect to the tourism plant, customs duty exemptions on building materials, articles or equipment for construction purposes, as outlined in the Tourism Incentives Act (1996);
4. Exemption of commercial properties from property tax during the first 3 years after construction.
5. Tax relief on export earnings;
6. No restrictions on the repatriation of profits.

In addition, government has established several agencies and facilities aimed at assisting and supporting businesses. These include:

1. The National Development Corporation
2. The Office of Private Sector Relations
3. The Small Business Development Unit (SEDU) in the Ministry of Commerce, Industry and Consumer Affairs.
4. The St Lucia Development Bank and its Youth Enterprise Equity Fund
5. Belfund

Madame Speaker, I urge all, including the Diaspora, to approach those institutions to discuss their business plans and to take advantage of the opportunities and assistance that they may provide. Meanwhile, government is dedicated to eliminating the constraints on doing business in St. Lucia, in order to attract and facilitate small, medium and large investments, both foreign and domestic in St. Lucia. These include:

1. Trade facilitation (speedy customs clearance procedures);
2. Alternative energy to reduce operational costs and
3. Ongoing public sector reform

In addition to existing incentives, government is considering an even more conducive environment, including more efficient tax administration, to attract equity investment and encourage more active private sector participation. These are enshrined in the ongoing tax reform program as well as the broader private sector development strategy.

Moreover, the government remains committed to redressing the challenges and problems faced by small and medium sized enterprises, which make a valuable contribution to the economic development of St. Lucia. These include

1. Access to finance at reasonable interest rates,
2. Limited management capacity,
3. Weak marketing capabilities and associated market access issue and
4. High rates of business failure.

Therefore, we will, in the coming months, undertake a campaign to inform the public of the existing opportunities and encourage them to make full use of their rightful entitlement.

Conclusion

Madam Speaker, the year ahead like last year, will be one of great challenge, yet of optimism, as the World creeps out of this deep economic crisis. Like the Great Depression of the 1930s, recovery in some countries will occur sooner, while others will feel a prolonged negative impact.

Madam Speaker, the road to recovery is not only about dealing with financial issues or achieving economic growth. The development of people is the ultimate goal of economic policy, and addressing effectively, the many socio-economic problems facing our people, continues to be an integral part of our efforts. Failure to solve the high levels of crime, violence, apathy and other social ills, will act as a brake, not just on the recovery effort, but on our overall development. Our social programs, which stretch beyond the confines of this one-year budget, are, therefore, significantly orientated towards building social cohesion in our country.

Madam Speaker, whereas depressions have come and gone, and prosperity has always returned, and it will again, we have, in the preparation of this year's Budget, gone to great lengths to exercise pragmatism, impartiality, prudence, equity and transparency, in the allocation of the meagre resources of the State.

Madam Speaker, it would be remiss of me, if I failed to applaud the firm resolve and heroic efforts of the people of Saint Lucia, in the face of difficult circumstances, including in some cases, job losses, lower individual and family incomes, and all the adversity brought on by the recession. Without their patience, understanding, forbearance and hard work, living conditions, and the economic performance of the country, would have been worse. I recognize their resilience, and thank them for their support in these trying times.

Finally, I wish to thank the very conscientious and diligent staff - in the Ministry of Finance and other Ministries - who contributed to the Budget process, thus making today's presentation possible. Madam Speaker, they are the ones who toiled at night to ensure that today's machinery runs smoothly.

Madam Speaker, I am grateful to God for His blessings of good health and strength. With His guidance and protection, and in all humility, I beg to move this Resolution before this Honourable House

I beg to move.