

2008 BUDGET ADDRESS

MEETING THE GLOBAL AND DOMESTIC CHALLENGES:
THE QUEST TO BUILD A MODERN, MANY-SIDED,
COMPETITIVE, POST-COLONIAL ECONOMY WHICH IS
NATIONAL AND REGIONAL

by

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Prime Minister and Minister of Finance**

**Delivered on Monday 10th December, 2007, at the House
of Assembly, Kingstown, St. Vincent and the Grenadines**

**Kingstown
St. Vincent and the Grenadines**

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**DELIVERED BY DR. THE HONOURABLE RALPH E.
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Prime Minister and Minister of Finance

Monday 10th December, 2007

Mr. Speaker, Honourable Members,

The central theme in my Budget Address last year revolved around the affirmation that St. Vincent and the Grenadines was on the cusp of an advanced economic take-off through the instrumentalities of enhanced public and private sector investment, increased competitiveness and productivity, robust economic growth and people-centred sectoral policies and programmes. This year, the same focus is maintained but with timely variations and adaptations to meet the unfolding challenges in the global and domestic economies by way of elaborating and implementing more securely our on-going quest to build a modern, many-sided, competitive post-colonial economy which is at once national and regional. This path-breaking exercise in praxis, that is, the marriage of a relevant theory or model of economic development and practical outcomes, is not merely transactional; it is transformational, in the people's interest.

The Budget Address is framed against the back-drop of continued fiscal consolidation and robust economic growth for the four-year period 2004 to 2007, inclusive, during which time St. Vincent and the Grenadines experienced economic growth in excess of 5.7 per cent on an average. Indeed, the routine Article IV Consultation by the International Monetary Fund (IMF) gave rise to an enthusiastic “Concluding Statement” by the IMF Mission in which they stressed that:

“Macro-economic outcomes in St. Vincent and the Grenadines have strengthened significantly in recent years, with growth attaining a ten-year high of about 7 per cent in 2006. The near-term outlook is also broadly favourable”.

The IMF accurately commented, too, that there was a welcome strengthening of the fiscal condition in 2007.

The 2008 Budget is fashioned, too, within a most challenging context of the global economy which exposes critical vulnerabilities of our domestic economy, namely, a dependence on imported oil, the price of which has been rising sharply; the erosion of trade preferences for bananas; the increase in the prices of imported food and other essential commodities; and the steep fall of the US dollar to which our currency is tied. Additionally, there is our country’s

proneness to natural disasters, especially hurricanes and tropical storms.

Still, the underlying growth potential of the economy of St. Vincent and the Grenadines, the resilience of our people, and the progressive policy mix of this administration, provide a base upon which to build further a modern, many-sided, competitive post-colonial economy to increase wealth, lift personal incomes, stimulate further economic growth, create jobs, reduce poverty and unemployment, and provide more, and a wider range, of quality goods and services for the people. All this must be done within reasonable bounds of fiscal discipline to ensure a continued consolidation of the government's fiscal position and a sustainable debt path, while not compromising the nation's development requisites, particularly regarding human resource upliftment, poverty reduction, and the strengthening of the physical infrastructure.

Mr. Speaker, in April this year, I authored a paper entitled The Modern, Competitive Post-Colonial Economy: The Case of St. Vincent and the Grenadines. It was published in each of the three newspapers in our country and was also distributed to a number of civil society organisations, distinguished nationals, Caribbean leaders, and regional institutions, including the Organisation of Eastern Caribbean States (OECS) and the

Eastern Caribbean Central Bank (ECCB). This paper, which had an overwhelmingly favourable reception, provides a synthesis of the analysis, prescription, and frame for implementation of the many-sided public policies of my government to meet the extant global and domestic challenges.

Mr. Speaker, I do not intend to repeat here all of that paper's contents, which are already in the public domain; rather, I shall focus, summarily, on those central elements which are germane to this budgetary exercise. These include:

1. Education and training for living and production; this is absolutely vital for a modern, competitive economy with quality jobs.
2. A Health and Wellness Revolution to complement the Education Revolution.
3. Competitiveness and enhanced productivity within a more liberalised trade environment, which has seen the erosion of the preferential trading regime, especially for bananas.
4. Enhanced economic diversification into a top quality tourism of all types; agricultural diversification into commercial agriculture; a modern fishing industry;

niche markets; manufacturing sector; international financial services; information communication technology services; shipping, cultural and entertainment services; including the music and film industries; modern transport services; top quality retail and wholesale trade; and competitive state-provided services.

5. A viable, competitive air and maritime transport system with international quality infrastructure — airports and seaports.
6. Attracting relatively high levels of direct foreign and regional investment, supportive of strong domestic investment.
7. A quality business environment including a favourable tax regime, and a quality legal system, banking, insurance, and professional services.
8. A viable energy policy with appropriate or suitable external links and an emphasis on energy conservation and renewable sources of energy.

9. The maintenance and consolidation of stable and developmental macro-economic fundamentals in the areas of monetary and fiscal policies.
10. A social organisation of labour, which brings enhanced benefits to the working people and keeps a focus on considerations of equity as an organising principle. Job creation, poverty reduction, and a moderation of prices for food and basic personal care products are vital here.
11. An independent and free people with a people-centred state apparatus and good governance, including the maintenance of law and order and the sharp reduction of criminal activities and violence.
12. The further elaboration and practical implementation of appropriate policies to address the physical challenges of nature, including global warming.
13. Deepening regional integration and integrated production.
14. A foreign policy, which is independent, principled, nationalist, and pragmatic and is designed to enhance our nation's capacity to address more efficaciously our

external environment in the interest of our people's humanisation.

15. The building of a modern and sophisticated society, in every material respect, without abandoning the core of tried and tested values of our Caribbean civilisation and its magnificent Vincentian component. A relevant historical and cultural reclamation is vital here. So, too, is an increased political consciousness of ourselves, our nation, and our place in the world.

Clearly, the overall construction of a modern, competitive post-colonial society which is at once national and regional is, by its very nature, many-sided: economic, political, social, and cultural. Every itemised element is inextricably bound with others to constitute an organic whole in which the whole is more than a summation of the individual parts.

Mr. Speaker, amidst the bundle of considerations in this Budget, at least two stand out for immediate corrective action:

1. The increase in commodity prices from overseas, especially food and oil.
2. The matter of poverty, especially in the rural areas consequent upon the effective removal of market

preferences for our bananas in Europe, including the United Kingdom.

Mr. Speaker, rising food and energy prices throughout the region in recent months have their origins, almost entirely, overseas. St. Vincent and the Grenadines, like the rest of the CARICOM region, imports the bulk of its food commodities; and with the exception of Trinidad and Tobago, imports the energy products. The price of imported oil has been increasing sharply; the international price for a barrel of oil has moved from just over US\$60 per barrel in January 2007 to almost US\$100 recently. Speculation on oil futures, political tension, and supply-demand factors are sending the price of oil through the proverbial roof.

In the case of the hike in food prices internationally, the following, among other factors, have been at play:

- (i) The steep rise in the price of grain due to the extraordinary demand for corn to be used as ethanol for vehicles; the huge decline in wheat production in Australia due to bad weather; and the significant consumer demand from countries such as China and India.

- (ii) The consequential increase in the price of animal products, including chicken, beef, milk, and cheese.
- (iii) The fall in the US dollar which automatically causes an increase in the price of all commodities imported from non-American sources.
- (iv) The hike in energy prices which affects the cost of producing all goods and services.

Admittedly, too, there has been some price gouging at supermarkets and shops locally but this has been settling down more recently.

It is vital to identify correctly the causes of price rises; a wrong analysis would lead to wrong public policy. Thus, the assertion that the introduction of VAT in 2007 in St. Vincent and the Grenadines is the cause of price increases is plain wrong. How is it that zero-rated items such as chicken back and neck and milk have had increases when there is no VAT on them? And how come countries like Grenada and St. Lucia with no VAT are experiencing higher price hikes than here in St. Vincent and the Grenadines? Everywhere in the Caribbean there are steep price rises. Indeed, the price increases are more moderate here than in most of the region.

Mr. Speaker, in August 2007, the Cabinet considered a paper prepared, upon my instruction, by the Ministries of Finance and Trade on the issue of increased prices for food and personal care products and with recommendations for remedial action. Subsequently, in October 2007, I raised the matter forcefully at a meeting of the Monetary Council of the Eastern Caribbean Central Bank. Then in November 2007, as a member of the CARICOM Bureau of Prime Ministers, we discussed this matter at the Bureau meeting in Barbados. And last Friday, 7th December 2007, the CARICOM Heads of Government met in a special session in Guyana to address this urgent and vexing question.

Mr. Speaker, the Government of St. Vincent and the Grenadines has drawn-up a policy response to rising food prices containing the following elements:

1. **Regulatory:** There are 75 commodities currently under price control. The Ministry of Trade has been mandated to police the pricing of the core commodities with a state of heightened vigilance. Among these commodities are basic foods. Further the Cabinet has accepted a bundle of proposals from the Ministry of Trade to streamline the price control system to make it more effective.

2. **Fiscal:** This response contains three limbs:
- (a) The recalibration of the VAT in such a way as to expand the list of zero-rated and exempt items, including certain additional basic foods. The details will be revealed later in this address.
 - (b) The provision of further tax relief for employees and businesses. These, too, will be detailed later.
 - (c) The review of import duties, including the Common External Tariff on certain commodities.
- (3) **Production:** A National Food Production Plan has been drawn up by the Ministry of Agriculture; resources for the task at hand have been allocated in this year's Budget. The emphasis is on an increased and quality production of fruit, vegetables, root crops, and livestock. Already, there has been a 50 percent reduction in the price of seeds at the state-owned Inputs Warehouse Company. Additionally, the resources allocated for the further development of the fishing industry, including the \$6 million loan fund for fisherfolk to upgrade their fishing vessels, will certainly strengthen the implementation of the National Food Production Plan.

Clearly, Mr. Speaker, the production and proper marketing of a greater volume of locally-produced quality foods at competitive prices would inevitably lower food prices on a sustained basis.

(4) **Consumers and Traders:** Consumers are being urged to shop wisely for foods, beverages, and personal care products. The Ministry of Trade is now publishing in the newspapers comparative prices on these items from the various supermarkets. The state-owned Food City has been playing a central role in keeping prices as low as possible.

(5) **Regional Action:** A Prices Review Task Force has already been established by the Eastern Caribbean Central Bank to address this matter. The Government of St. Vincent and the Grenadines has a technical person on this Task Force. A similar body has been established at the CARICOM level. Its work will be considered at a meeting of the Council of Ministers for Trade and Economic Development (COTED). The role of the Common External Tariff (CET) in pushing up prices on imported commodities from extra-regional sources will be assessed for remedial action.

These five bundles of responses demonstrate the seriousness with which this Government views the recent rush of price increases on food and personal care products, largely due to the spurt in commodity prices internationally. This government, too, is providing relief by way of pay increases, salary enhancements consequent upon the completion of the reclassification exercise, bonuses to government employees and the recipients of public assistance, and increases to the monthly stipends for persons on the NIS non-contributory aged-pension and on public assistance. The substantial package amounting to roughly \$65 million over two years in pay increases, enhancements, bonuses, benefits, and tax relief, would undoubtedly soften the impact of the increase in prices on food and other commodities.

Mr. Speaker, since 2001, this Government has waged a many-sided war against poverty with much success; and this war continues. A serious challenge to our efforts has arisen from the sharp erosion of the market preferences for bananas in Europe. Strategically, the Government is meeting this challenge with a mix of policies lodged within the frame of agricultural diversification, including the further restructuring of the banana industry; alternative sustainable livelihoods including for forest users; the programmes of socio-economic development generally; and targeted interventions, to lift our people out of poverty. Littered throughout the Estimates for

2008 are programmes directed at sharpening the battles against poverty. Moreover, a poverty assessment, which includes a household expenditure survey of living conditions, a participatory poverty assessment and an assessment of the various institutions, involved in the poverty reduction drive, has been initiated by the government so as to guide public policy better and further.

Mr. Speaker, the 12-year National Economic and Social Development Plan is well underway. A draft is ready for imminent circulation. This Plan, which will run from 2008 to 2020, constitutes a veritable 2020 Vision for socio-economic take-off and socio-economic transformation.

DOMESTIC ECONOMY

St. Vincent and the Grenadines' economy recorded a positive growth during 2006. Preliminary estimates indicate that in real terms, GDP grew last year significantly by 6.9 percent, compared with 2.6 percent recorded during 2005. This significant growth was due to improvement in activities in the Construction, Wholesale and Retail Trade, Transportation, and Agricultural sectors. In general, all sectors exhibited positive growth.

The Construction sector recorded growth of 11.4 percent, compared with 0.4 percent in 2005 as implementation of

major public and private sector projects accelerated. Among these were the Canouan Jet Airport project, the Correctional Facility, Learning Resource Centres, the Lowmans Bay Generation Expansion Project, the Rehabilitation of the Windward Highway, the upgrading of the Arnos Vale Playing Field, and tourism- related construction projects by the private sector.

Value-added in Wholesale and Retail Trade increased by 6.8 percent compared to 4.4 percent in 2005. Meanwhile, the Transportation sector registered an increase of 18.0 percent compared with a decline of 0.7 percent in 2005.

Output in Agriculture exhibited growth of 7.6 percent compared with a decline of 3.9 percent in 2005. The impetus for this improved performance came from the other crops subsector, which grew by 16.8 percent, and fishing, which grew by 10.0 percent in contrast to a negative 3.1 percent in 2005.

In 2006, estimates showed the external current account deficit widening to \$324.3 million (24.0 percent of GDP). The merchandise trade deficit grew by 16.9 per cent and net inflows on the services account declined. The surplus on the capital and financial account improved to \$326.2 million (24.1 percent of GDP) compared with \$208.3 million (17.3 percent of

GDP) in 2005. This performance was driven mainly by higher inflows from foreign direct investment and portfolio investment. The overall Balance of Payments improved, with a surplus of \$32.7 million (2.4 per cent of GDP) in 2006 in contrasted with the deficit of \$7.8m (0.7 percent of GDP) in 2005.

The average inflation rate for the year 2006 was 3.0 percent compared with 3.8 percent in 2005. The rise in prices during the year 2006 was significantly influenced by increases in the following groups: “Food” (5.7 percent), “Transport and Communication” (11.5 percent) and “Fuel and Light” (9.3 percent).

The “Transport and Communication” sub-index, which includes air transport, recorded the largest increase during the year as a result of a 25.5 percent increase in the price of petrol. Meanwhile, a higher fuel cost resulted in increases in the group “Fuel and Light”.

For the fiscal year 2006, actual capital expenditure amounted to \$117.4 million, an excellent performance. This reflected an implementation rate of approximately 60 percent. A considerable amount of this expenditure was spent on further development of the social sector such as education (\$14.0 million), the improvement of the transport sector including the

rehabilitation of the Windward Highway (\$18.0 million) and the development of the Canouan Airport (\$10.3 million). A huge amount was also spent on the upgrading of the Arnos Vale Playing field at \$26.6 million.

Financing of the capital expenditure came mainly from external sources which amounted to \$62.4 million or 53 percent of the total financing. The remaining 47 percent or \$54.9 of financing for the capital budget last year was sourced locally.

It must be noted that approximately 73 percent or \$45.4 million of the external sources comprised of external loans while \$17.0 million was grant financing. This grant financing came mainly from the Republic of China on Taiwan.

OVERVIEW OF THE DOMESTIC ECONOMY FOR 2007

The economy is expected to strengthen further in 2007. Construction activities, Wholesale and Retail Trade, Transportation and Government services have boosted the growth of the economy. During the first nine months of the year, indicators point to good performance of these sectors. By year's end projections are for growth in excess of 5 percent. Performance in the construction sector will be further boosted by an acceleration in the implementation of major public and private sector projects already identified. For this period,

expenditure on the Public Sector Investment Programme by the Central Government amounted to an increase of 64.3 percent over the comparative period of 2006 which itself was an excellent year.

On average, consumer prices rose by 6.3 percent during the period January to September 2007. The rise in prices during this period has been significantly influenced by increases in the groups mainly “Food”, “Housing”, “Clothing”, “Transport and Communication” and “Fuel and Light”.

Mr. Speaker, I am pleased to report that the fiscal operations of the Central Government for the first nine months in 2007 showed a marked improvement over the operation for the corresponding period in 2006. Projections to the end of 2007 show that the Central Government is expected to realize a current account surplus of approximately \$42 million this year (3 percent of GDP) and an overall deficit amounting to 4 percent of GDP, well below the fiscal deficit of 4.9 percent of GDP and 6.1 percent of GDP realized in 2006 and 2005 respectively. Mr. Speaker, the current account surplus for 2007 has been achieved despite heavy expenditure outlays in excess of \$25 million in back-pay, the reclassification exercise, bonuses for public employees and persons on public assistance, and other transfers.

For the first ten (10) months of 2007, capital expenditure amounted to approximately EC \$107.9 million. Approximately 62 percent or \$67.0 million was spent on developing the social sectors such as education and training (\$21.5 million) and enhancement of national security (\$3.3 million). Other major capital projects were in the areas of transport and communication mainly the Windward Highway (\$16.4 million), the Cross Country Road (\$4.1 million) and the improvement of the Canouan Jet Airport (\$17.2 million). A significant amount was also spent on the upgrading of the Arnos Vale Playing field (\$16.5 million).

Mr. Speaker, approximately 58 percent or \$63.0 million of the financing came from external sources with grant funds and external loans amounting to \$33.5 million and \$29.5 million respectively. The remaining 42 percent or \$44.9 million was raised locally. Approximately 40 percent or \$17.0 million of this local amount was spent on the Canouan Jet Airport, while the remaining 60 percent or \$27.9 million was spent on development of various sectors of the economy such as health, transportation, and education.

Grant financing contributed significantly to the capital programme for the first ten months of 2007. The Republic of China on Taiwan and the European Union were the main donors to the investment programme. Together, they

contributed approximately \$29.0 million to the Public Sector Investment Programme. These funds were used mainly to continue the rehabilitation of the Windward Highway, the construction of the Cross Country Road, and the enhancement of the education sector. Other grant contributions came from the governments of Trinidad and Tobago and Venezuela, the Caribbean Development Bank and the World Bank and in kind contributions from the Government of Cuba.

Money and Credit

The broad money supply increased by 5.0 percent to \$986.4 million during the first nine months of 2007, consistent with the expansion in economic activity. Growth in quasi-money resulted from a 7.8 percent (\$34.4 million) expansion in private sector savings deposits. Of the components of narrow money, increases were recorded in private sector demand deposits (6.5 percent) and currency with the public (5.0 percent).

The counterpart to the increase in broad money was growth of 4.0 percent to \$790.7 million in domestic credit. The expansion in credit was influenced in part by increased borrowing by the private sector of 11.0 percent. Under this rubric, outstanding loans to businesses rose by 22.5 percent and credit to households increased by 4.8 percent. The net

indebtedness of the Central Government to the banking system fell to \$21.2 million, influenced by a 13.7 percent growth in deposits and a 9.7 percent reduction in commercial bank credit.

The distribution of credit by economic activity shows increases in outstanding loans to tourism by 17.8 percent, and to agriculture and fisheries by 11.8 percent. Outstanding loans for personal use rose by 4.1 percent, attributed to growth in credit for home construction and renovation and purchases of consumer durables.

Liquidity in the commercial banking system declined although remaining at a high level. The ratio of liquid assets to total deposits plus liquid liabilities fell by approximately 1.0 percentage point to 42.1 percent. Meanwhile, the loans and advances to total deposits, ratio increased by 2.0 percentage points to 80.4 percent.

Mr. Speaker, I now turn to the sectoral developments for 2007.

AGRICULTURE AND FISHERIES

Agriculture continues to play a significant role in the economy of St. Vincent and the Grenadines despite the reductions in its contribution to GDP relative to the growing sectors of tourism and other services.

The balance between food imports and exports has been widening. Total food imports increased from \$119.3 million in 2005 to \$125.1 million in 2006, while total agricultural imports (meat and meat products, crops, fish etc.) increased from \$54.1 million in 2005 to \$57.5 million in 2006. Total agricultural exports declined from \$49.2 million in 2005 to \$45.2 million in 2006 with bananas declining from an income of \$32.1 million in 2005, to \$27.5 million in 2006.

This indicates that there are significant opportunities for domestic investment in the sector, since there is already an available home market. The maximization of such opportunities requires a new look at investment and technical support to stimulate a modern commercialised agricultural sector. In response to this, the Government has formulated a National Food Production Plan.

Policies in the sector will focus on ensuring national food security, the production of selected commodities and products where there is comparative advantage for import substitution, and export expansion. Greater emphasis will be on the transformation of primary commodities into higher value-added products that are internationally competitive.

Mr. Speaker, the production of root crops, fruits, vegetables and livestock inevitably demands firm measures to curtail or stamp out the theft of these commodities. The recently passed law in this regard and the recruiting of more police and rural constables are designed to assist in tackling this problem.

The strategies for growth and development will continue to be agricultural diversification, with and around bananas, the modernisation of the sector through the process of industrialisation where each commodity is transformed into light rural-type, labour intensive agro-processing industries that will result in higher value-added, and most importantly, the creation of a sound investment climate. The role of the private/public sector in joint venture investments will be promoted in keeping with the national and regional policy objectives for agriculture; while education, training and skills development through information technology and technological innovations, will be used as a stimulus to encourage young persons to participate in the sector.

The modern agriculture will be built on the fundamental principles of education and training, skills development, technological innovations including a marketing and production information system and market research, development in biotechnology, value-addition, and mechanisation where practicable.

In 2008 and continuing Mr. Speaker, other priority emphases will be:

- A special land-lease programme (Land Bank) which will make lands available to farmers, including those whose farms are affected with the *moko* disease and have no alternative lands, and to young farmers/entrepreneurs to be fully engaged in agricultural production.
- Revisiting the land tenure arrangements so as to allow persons leasing Government lands (on land reform estates) the opportunity to have legal title to land. This arrangement is to empower farmers to secure loans for investment in agriculture and to promote the reallocation of lands not utilised. To assist in the preparation of young farmers and other agricultural workers to benefit from these initiatives, we are establishing the Agricultural Training Institute.

The St. Vincent Banana Growers' Association continues to operate under much financial strain. Although the export earnings for the first half of 2007 have been much more than for the same period in 2006, the volumes exported are not enough to cover the operating costs and to meet the loans and other commitments. With the greater volumes of banana being

sold under the Fairtrade label, the WINFA/Fairtrade and the Government are of the view that their organisation should play a greater role in the administration and management of the banana industry. Preparatory work to that end is already in train.

Fisheries

Fisheries development remains an integral part of the economic diversification policy. The development of the requisite infrastructure is for the stimulation of growth and economic activity in the sector. Moreover, it is felt that interventions in the artisanal fisheries sector are critical to the enhancement of incomes in the rural coastal communities, especially those with a strong tradition in fishing. It is for this reason that the creation of a commercially viable fishing industry, while ensuring the sustainability of fisheries resources, remains a fundamental policy of this Government.

Work on the project for the construction of the Owia Fisheries Complex commenced earlier this year and the first phase is scheduled for completion in March 2008. This phase includes the clearing and excavation of the project site, the construction of retaining walls, jetty, slipway and breakwater, and the installation of sea defenses for the facility. This project is estimated to cost \$33 million dollars and is expected

to accrue significant benefits, not only to Owia and the surroundings communities but to the fishing industry as a whole. It is also anticipated that this project will provide a critical link with the tourism sector as well as be a port for emergencies where sea travel is necessary.

In recognition that commercialisation must be accompanied with strategic interventions within the fisheries sector, an allocation of million dollars \$6 million was made available as a revolving fund to the fishing industry stakeholders to facilitate access to loans with favourable terms and conditions to enhance their fishing fleet. These funds were made available to three indigenous lending institutions, with which the Ministry of Agriculture and the National Insurance Services have established memoranda of understanding. Loans of up to \$400 thousand and in special circumstances over \$400 thousand are now available at an interest rate of 8 percent per year. Moreover, mechanisms have been put in place to ensure that sustainable commercial fishing enterprises are established by fishers. To this end, a committee was set up to assess the applications and to monitor the continuing eligibility of borrowers.

Efforts to ensure that infrastructural development projects contribute to the economic viability of the fishing industry continued throughout 2007. We continue to provide the

National Fisheries Market Limited with the financial and human resources to facilitate effective and efficient management of the operations at the Kingstown Fish Market.

Efforts to provide training in fish handling and processing for plant personnel, fishers, and vendors continued throughout 2007, particularly so, at the Kingstown and Bequia Fisheries Centres. A number of Vincentians drawn from various fisheries centres and government departments have received training in HACCP standards and are accordingly certified.

TOURISM

Mr. Speaker, tourism is the lead economic sector in St. Vincent and the Grenadines. Its contribution to every aspect of the economy, including linkages, is immense. Still, given the potential of our multi-faceted tourism product, much more can be achieved. It is the duty of the Government and all stakeholders in tourism to realise fully our tourism's enormous potential.

To be sure, there are some structural constraints such as the lack of adequate air access occasioned by the limitations, currently, of air transportation and the absence of an international airport. But these air access issues are being addressed in a focused way for a tourism take-off. However, even the current air access constraints do not fully explain an

insufficiency of the tourism sector development which, until recent years, was accorded a second-class status in St. Vincent and the Grenadines. It is not that progress has not been made, but better could have been done, and ought to be done. The challenges are many but with concerted efforts by all the relevant stakeholders, within the context of a creative and sensibly-focussed public policy and transformational, as distinct from transactional leadership, these challenges can be overcome in the medium-term. It is for this reason, centrally, that the Government piloted the National Tourism Authority Act a few months ago. And before the end of the first half of 2008, the Tourism Authority will be fully established and operational to provide the requisite transformational leadership of this vital sector.

In my Budget address last year, I listed a dozen transformational items, which among others, ought, with urgency, to be addressed in the tourism sector. I shall not repeat here save and except to say that:

“The transformation of our nation’s tourism from the traditional ‘sun, sea and sand’ model to a more all-embracing destination model is required. Part of our nation’s challenge is to refresh our tourism before its maturation, to consolidate its core business, and to extend it to take advantage of emerging market segments”.

Last year, 2006, and so far this year, 2007, much progress has been made in tourism but it has been uneven. Some of the limitations and weaknesses have been occasioned by matters outside of our national control, others not. Matters which we can and must correct include: The lack of a sufficiently aggressive, focussed marketing in the Caribbean and elsewhere; the absence of, or too few, “special holiday packages” offered by the hotels; the over-priced nature of some of our tourism facilities or services; the harassment of, or even crimes against, visitors, by a tiny minority of lawless persons; the under-developed condition of some of our tourism sites; the less-than-optimal coordination between the various agencies of the State which interface on tourism issues; and the lack of a sufficient public consciousness about the vital importance of tourism to our lives, living, and production.

Mr. Speaker, visitor arrivals in 2006 to St. Vincent and the Grenadines totalled 306,578, an increase of 19.7 percent over 2005. The growth areas were as follows: cruise arrivals by 52.6 per cent; yacht arrivals by 14.3 per cent; stay-over visitors increased by 2 percent and same-day visitors by 1.2 percent. The total gross visitor expenditure in 2006 was \$305.8 million compared with \$280.5 million in 2005. The figure projected for 2007 is \$324.4 million.

Mr. Speaker, during the period January to August 2007, total visitor arrivals to St. Vincent and the Grenadines jumped by 25.7 percent over the corresponding period last year, from 201,388 to 253,112 visitors. The performance, however, has been mixed: There were declines of 4.7 percent in the stay-over category and of 19.6 percent of same-day visitors. On the other hand, large increases were recorded for yacht arrivals (23.1 percent) and cruise ship visitors (66.1 percent). The Minister of Tourism will elaborate in his contribution later in this Budget Debate on the specific reasons for this mixed performance.

Mr. Speaker, the 2008 Estimates have earmarked significant resources directly to the promotion and development of tourism. This continues the trend set by this administration since 2001. The recurrent budgetary allocation to the tourism sector for 2008 amounts to \$14.2 million or 3.2 percent of the total recurrent expenditure budget. Included in this recurrent allocation is the sum of \$8.3 million earmarked for the promotion of St. Vincent and the Grenadines as a tourism destination. This sum is almost three times the figure allocated by the former administration in its last budget for 2001. Moreover, currently, when the promotion budget of the state-owned National Investment Promotions Incorporated (NIPI) is taken into account, a total of \$9.8 million is available

for the marketing and promotion of St. Vincent and the Grenadines.

In the capital budget for 2008, the Ministry of Tourism has been allocated \$7.4 million or 3.1 percent of the total capital budget. Of this sum \$4.9 million is budgeted for the development of recreational sites and to establish the operational framework for the National Parks and Beaches Authority, and the National Tourism Authority. This project has a total project cost of \$17.7 million to be financed largely by a grant from the European Union. Another grant from the European Union in the sum of \$1.6 million is to be utilised in 2008 to develop a Tourism Master Plan to be implemented through the National Tourism Authority.

Mr. Speaker, outside of the budgetary allocations to Tourism through the Ministry of Tourism, there are big capital allocations to Tourism through other Ministries and State agencies. For example, the \$50 million Jet Airport at Canouan project is essentially a tourism project; so, too is the \$1.5 million for the rehabilitation of the Union Island Airport; and, of course, the largest tourism project ever undertaken in St. Vincent and the Grenadines is the international airport project at Argyle estimated to cost some \$475 million. Similarly, expenditures on national security, LIAT, health and sanitation,

education and culture, sports and transportation, water and electricity, are intimately connected to tourism development.

Mr. Speaker, there are several large and small on-going, and immediately prospective investments, both foreign and local, in the tourism sector. Ongoing are the following among others:

- the Buccament Resort, a project estimated to cost US\$200 million overall, which is targeted to complete its first phase of 81 cabanas in April 2008;
- the BM Resort (formerly Blue Tropic Hotel);
- the renovated and expanded Anchorage Hotel in Union Island, which will carry over 100 rooms;
- the Isle á Quatre Resort Development;
- the further expansion of the Canouan Development Project;
- the hotel development for Friendship, Bequia; and
- the resort development for Adams Bay, Bequia.

Further, plans are far advanced for hotel and tourism investments at Mt. Wynne/Peter's Hope; St. Hillaire, Bequia; Balliceaux; Petit Mustique; and a joint venture marina project at Canouan between the Government of St. Vincent and the Grenadines and the Developers on that island, among others.

These investments, on-going and immediately prospective, will add a considerable number of rooms to the current number of almost 2,000 in the tourism plant of hotels, apartments, cottages, villas, and guest houses.

Mr. Speaker, contrary to those who sneer disapprovingly at the cultural products available in St. Vincent and the Grenadines, this government is satisfied that our nation's musicians, entertainers, and cultural workers of the creative imagination have made, and are making, a splendid contribution to our nation's creative soul and to tourism development. Clearly, a more efficacious partnership between the State, the private sector, and the creative personalities needs to blossom fully. This Government stands ready to be so productively engaged.

Moreover, our national festivals have been developed and marketed since 2001 in a more focused way for the enjoyment of, and appreciation by, the visitors and ourselves. As always, of course, much better can be done. But undoubtedly there has been immense progress as witnessed through festivals such as the "Blues Fest", Carnival, "Gospel Fest", Heritage Month, Emancipation Activities, and "Nine Mornings". The Government intends to develop these festivals further for our nation's benefit and for commercial tourism rewards.

Mr. Speaker, our country has been the recipient recently of several tourism accolades in 2006, including, “the Most Improved Destination” issued by the prestigious US-Magazine, Dream World Cruise Destinations, in March 2007; and the “Best Diving Island of the Year Award” awarded by the Caribbean World Magazine.

Clearly, we are doing many things right but we must do better. And while we are doing so, let us remember to keep our city and environs clean, and ensure that the handful of lawless persons do not harass or abuse our visitors.

AIRPORT DEVELOPMENT AND AIR TRANSPORT

The Government of St. Vincent and the Grenadines is cognizant of the economic and social impact of airport development. Hence current policies are based on the premise that airport development has an important bearing on the movement of goods and people. It is within this context that Government has embarked on several initiatives aimed at enhancing airport development throughout the State.

Argyle International Airport

The team of Cuban and Venezuelan engineers and technicians have completed their work on the final designs for the airport

and will soon make a presentation to the International Airport Development Committee. These designs will be used, among other things, to guide the earthworks, scheduled to begin in early 2008. For the first 12 months of earthworks, the plan is to concentrate on the first kilometre of runway which covers the area from the Southern end of the runway (Stubbs Bay end). The heavy-duty equipment, courtesy the Government of Venezuela, is being mobilised for trans-shipment to St. Vincent and the Grenadines and the team of technical workers from Cuba are already selected and are on stand-by to come to our country to commence the earth works.

In June 2007, representatives of the Eastern Caribbean Civil Aviation Authority (ECCAA) visited St Vincent and the Grenadines and indicated their approval of the plans for the Argyle International Airport as contained in the preliminary report submitted to them. They have, as expected, sought clarification on a few minor points, which the IADC will address in a follow up meeting with them in early 2008.

The new segment of the Windward Highway - the bypass road - is being done and is scheduled to be completed by July 2008. This project involves about 3 kilometres of road from Mt Pleasant to Peruvian Vale and a new reinforced concrete bridge. This component is estimated to cost US\$5.2 million, and is funded by a loan received from the Caribbean

Development Bank. The bypass road would be ready for public use before the existing Argyle main road is disrupted by earthworks on the second kilometre of the runway.

The IADC is also coordinating the building of a road that begins at Stubbs, crossing the airport zone at the southern end of the runway, and terminating in Argyle. This road is being done to provide access to homeowners who would continue to reside in the Mt Pleasant area, on the eastern side of the Argyle International Airport as well as the property owners and visitors to the recreational pond at Rawacou. At present, work on the road is at the design stage; the road should be completed by the last quarter of 2008.

In implementing the Argyle International Airport project, one of the responsibilities of the IADC is to identify and assess the potential environmental impacts of the airport and to put measures in place to prevent or reduce the negative impacts and amplify the positive ones.

In consideration of this responsibility, IADC signed a contract with Kocks Consult GMBH of Germany in September 2007, to undertake an Environmental Impact Assessment (EIA) of the airport construction. Kocks Consult is a highly recognised international firm with proven expertise in making environmental impact assessments of airport projects.

The IADC is in the process of making final payments to property owners for built properties and is also making final arrangements to pay for the vacant land parcels in the airport zone.

The Government, through the IADC's land sales, being done by National Properties Limited, a state-owned company is meeting the cost of site acquisition. The financial plan elaborated at the inception of the project is to use bridging finance. So far the IADC has attracted two bridging loans: \$20 million from the National Insurance Services, and \$30 million from First Caribbean International Bank. These loans will be repaid over 5 years and 4 years respectively from proceeds of land sales.

The relocation and rebuilding efforts have been going well. During the year, in addition to the 21 acre parcel of land at Harmony Hall, the IADC has also bought and is in the process of developing for sale to affected Mt Pleasant and Argyle property owners, 3½ acres of land at Carapan, and 3 acres at Diamond.

We are in the process, too, of negotiating with the Malaysian Airport Authority (Malaysian Airport Holdings Berhad), which, on our invitation, has formally expressed an interest in

providing management consultancy services for the Argyle International Airport. Though the details of the consultancy have not yet been fully worked out, it is expected that the consultancy services would include airport planning design, facilities planning, and operation and maintenance. The Malaysian Airport Authority has extensive experience in the management of airports both inside and outside of Malaysia. Their willingness to partner with us would ensure that the Argyle International Airport receives the quality management it needs for us to realise the return from the huge investment being made in this infrastructure. At the same time, the Government is addressing the training and recruitment of suitably qualified Vincentians to work in this area.

In July 2007, Government received an additional grant of US\$5 million from the Republic of China on Taiwan towards the Argyle International Airport project. This grant brings Taiwan's total contribution to the project, so far, to US\$30 million: US\$20 million as grant funds and US\$10 million as soft loan. Taiwan's contribution is earmarked mainly for the funding of the terminal building, control tower, roads and other support services of the airport project.

The financing arrangements spelt out by me in my speech to the Nation on August 8, 2005, on the Argyle International

Airport continues to form the basis of the financing approach to this project.

Canouan Airport

Work on the extension and upgrade of the Canouan airport as a jet airport started in August 2006. This project includes among other things the lengthening of the runway from 1,005 m to 1,790 m, in order to upgrade the airport to a category C in accordance with ICAO standards, for the accommodation of jets. The project also includes a component to expand and upgrade the terminal building, and the upgrading of navigational and communication equipment to improve safety. This project should be completed early in the first quarter of next year. Its estimated cost, almost \$50 million.

Air Transport

Over the past year, significant developments have occurred in the regional air transportation sector, not least among these has been LIAT's acquisition of the assets of Caribbean Star. This solution to what was hitherto a fragmented and chaotic situation has taken a somewhat circuitous route with good reason. Initially our early discussions centred on a merger between both airlines, but after many sessions of negotiations, it was finally determined that the purchase of Caribbean Star's

assets with certain covenants, was the best option. To facilitate this decision, the three shareholder governments, including St. Vincent and the Grenadines, were able to secure a loan of US\$60 million dollars from the CDB with St. Vincent and the Grenadines being responsible for US\$5 million. The CDB loan is also accompanied by a technical assistance grant of US\$500 thousand to LIAT to be used for the purpose of organisational restructuring.

The transformation and restructuring process will see LIAT customising its services to meet market needs; enhancing its products to address past problems, including the vexing issue of customer service; rationalizing its route network strategy which will be based on three (3) hubs (Antigua & Barbuda, Barbados and Trinidad and Tobago) with a view to offering the highest levels of regional and international connectivity - a matter which is of strategic importance to us in St. Vincent and the Grenadines; refining its pricing strategy to reflect the cost of operation while being sensitive to the region's needs.

In this regard, it is imperative that the other countries that benefit from LIAT's services begin to make provisions for some form of market support where it is evident that the cost-based fares are too high for the particular routes. Government action is also required to address the travel taxes where these appear to be onerous.

EDUCATION

Since the launch of the Education Revolution in 2001, this nation has witnessed monumental accomplishments in every area of education in St. Vincent and the Grenadines. Still, as always, there is much more to be done and there are many weaknesses and limitations to be efficaciously addressed; and the strengths and possibilities are to be further enhanced to the fullest.

As a Government, we believe that the State has an over-riding obligation to put everything in place to deliver a quality education, with universal access, consistent with the resources at hand. And on this matter we must go the extra mile, pushing always the margins of achievement. The purpose of this quality and accessible education is basically three-fold:

- (1) To train critical minds in such a way as to educate the whole person to receive and transmit universal culture, including science and technology, but with a particularity resonant with, and grounded in, the ethos of our Caribbean civilisation;
- (2) To produce sufficiently skilled and trained persons in the requisite numbers to man and enhance, in the

most satisfactory way, our productive apparatuses at home, and for employment in the overseas market of this increasingly globalised world; and

- (3) To facilitate and foster the building of a many-sided, modern competitive post-colonial economy which is at once national and regional. In short, the education system must be linked appropriately with the manpower needs of the country.

From these fundamental truths, beliefs, and purposes spring our mantras: “No child must be left behind; no teacher must be left behind; no parent must be left behind”; “let the youths soar like eagles with their wings unclipped”; and “each one must teach one” in our celebrated chorus: “Education, Education, Education”.

Mr. Speaker, at each stage of this glorious *Education Revolution*, at each phase of this uplifting process, at each articulation of this or that creative educational initiative, the perpetual naysayers find fault amidst their debilitating evangelism of learned helplessness, negativism, and even paralysing despair. This Government, this people’s government, will never ever embrace the caution of those, whether in St. Vincent and the Grenadines or elsewhere in international financial institutions, who want to slow down or

encumber the education train which is well on its revolutionary journey. This Government embraces an educated, trained, knowledgeable, and enlightened population. We turn askance against ignorance and unknowing which are the real weapons of mass destruction.

Mr. Speaker, this restatement of our government's unequivocal policy stance in this the sixth year of the *Education Revolution*, provides an on-going reaffirmation of our central priorities: Education and, inextricably linked to it, Poverty Reduction. Every home in this land has been positively touched by these policies.

So, for the year 2008, we embark upon the process of further consolidating and extending the *Education Revolution*. And we have put the resources in the Budget for this on-going monumental enterprise.

In the Budget, both recurrent and capital, the sum of \$126.5 million or 17 per cent of the total Budget of \$757.1 million is allocated to be spent by the Ministry of Education: But, through other Ministries, significant additional expenditure is effected on Education to the tune of another \$25 million, approximately. Thus, recurrent and capital spending on education and training for 2008 amounts to \$152 million or some 20 per cent of the entire Budget. The principal items of

additional expenditure on education outside of the Ministry of Education, include the following: \$4.5 million to the University of the West Indies; \$4 million for nursing education; \$4 million for training through the Public Service Commission; \$7.2 million for the construction of Modern National Library and \$1.5 million for constructing additional learning resource centres. Indeed, capital spending in the educational sector for 2008 amongst to \$53.9 million or 21.9 percent of the capital budget. This represents an actual increase of \$18.3 million or 51.4 percent over the 2007 capital budget.

Mr. Speaker, all these sums are augmented by university scholarships, through bilateral agreements with Cuba, Mexico, Venezuela, Taiwan, and Malaysia, among others and by the special loan programmes for tertiary education, including that for economically disadvantaged students.

Mr. Speaker, this year 2008 again holds great promise in the process of consolidating and extending the *Education Revolution*.

Permit me Mr. Speaker to highlight several of the sub-sectors within the Ministry of Education:

First, Adult and Continuing Education: During 2008, a comprehensive study will be conducted on this sub-sector to

guide its work more coherently and to build upon its remarkable successes thus far. This sub-sector is currently engaged in the implementation of activities in basic integrated literacy, numeracy, a life-skills programme, technical and vocational training, and a certification of sections of the skilled workforce. In the latter regard, in 2008, under the Special Framework of Assistance (SFA 2003), adult educational centres are to be constructed and equipped at a cost of \$4.5 million.

Secondly, the Early Childhood Education: Historically, in St. Vincent and the Grenadines, early childhood education has been within the domain of private operators of uneven quality and limited range. The Government, through the Education Act of 2006 and other authoritative policy pronouncements, has made it clear that a markedly enhanced early childhood Education programme is one of its central platforms. A policy framework, regulations and standards are being elaborated and refined. Further, the Early Childhood Division in the Curriculum Unit will build upon, and extend, its range of educational activities in this sector. The goal is to achieve, in practical terms, universal early childhood education by the end of 2010.

It is to be noted, in this regard, that all new primary schools are being constructed with an appropriate wing for early

childhood learners. Meanwhile, teachers are being trained in increasing numbers at all levels, including post-graduate university training, in early childhood education. Each child between the ages of 3 – 5 years, however economically disadvantaged its parents, must be afforded the practical, as distinct from a theoretical, opportunity for a quality early childhood education. To assist in this regard, an Education Access Fund for needy students is being created.

Thirdly, Special Education: Our nation's children and other persons with learning or special disabilities deserve the full attention of the education system. Some students with certain learning disabilities are quite properly schooled in the regular primary and secondary educational structures. Others, with more special needs are accommodated in special schools. Both the range and quality of the special education are being enhanced through numerous initiatives and programmes for the students, teachers, and parents alike. More and better equipped physical facilities are being provided. In 2008, further improvements will be effected at the Schools for Children with Special Needs at Kingstown, Georgetown, and Bequia. Moreover, the Ministry of Education, in keeping with best practices internationally, will further elaborate alternative models of special education in order to maximise the returns on scarce resources.

Fourthly, Primary Education: The Result Indicators in the Estimates for 2008, which were approved last week in this Honourable House, emphasise a continued focus on primary education as part of the basic foundation for the entire educational superstructure. The 61 primary schools providing universal primary education to over 16,000 students through a teaching staff of some 1,200 and some 20,000 parents, and a recurrent budget of \$32.8 million for 2008, constitute a massive and complex undertaking.

Mr. Speaker, in terms of the pedagogics at the primary level, the Ministry of Education plans in 2008 to effect the following, among other things:

- ❖ Refurbish school plants in order to make available modern technologies, library and information centres, adequate classroom space, playing facilities, improved sanitation, and other facilities for students and staff;
- ❖ Continue to monitor the curriculum and to ensure an optimal delivery of it;
- ❖ Pursue a programme of on-going remedial education for relevant student sub-sets so as to manage better the transition to secondary education;

- ❖ Establish all necessary mechanisms to ensure that teachers are held accountable for each child's learning and development; and
- ❖ Complete the construction of three primary schools at Bequia, Ebinboro, and Fair Hall.

Fifthly, Secondary Education: Mr. Speaker in 2001 when this government came to office, only 39 per cent of the 12-year olds were at secondary school. Within four years thereafter, all the 12-year olds entered secondary schools as access became universal and the quality enhanced. This remarkable achievement defanged the assorted partisan political critics and elitists who had prophesied, wrongly again, that this magnificent venture would fail. This government is rightly unrepentant for having taken the historic initiative to make available secondary schools places for all children of secondary school age. The children and their parents, especially the poor and working people, have responded with enthusiasm to this flag ship programme of the ULP government.

As was expected Mr. Speaker, the introduction of universal secondary education has created some unique challenges for the educational system. Many secondary-aged students who have not met the baseline academic requirements are at risk

because of their learning limitations. Accordingly, remedial intervention has had to be undertaken in many subject areas to assist these students. These interventions will continue and be sharpened in 2008.

Currently, three new modern, well-equipped secondary schools are at various stages of construction: A replacement for the Barrouallie Secondary School with funding from the Caribbean Development Bank and the Government of St. Vincent and the Grenadines; a replacement secondary school at Union Island with funding from the European Union and the Government of St. Vincent and the Grenadines; and construction of a “brand-new” West St. George Secondary School, financed from a loan from the World Bank and the Government of St. Vincent and the Grenadines, is expected to commence in the second half of next year after regrettable delays which were beyond this administration’s control. Meanwhile, work will continue on rehabilitating and upgrading other secondary schools including the completion of the construction of the Intermediate High School.

Additionally, the modern National Library, under construction, has been allocated \$7.2 million for spending in the 2008; \$6.5 million being part of a grant from the Government of Taiwan; and the sum of \$3.2 million has been earmarked for

educational improvements through Information Communications Technology.

In the meantime, the secondary education programmes will continue to be upgraded for better delivery and results, especially in mathematics, science, ICT, english, and foreign languages. More resources have been made available for this purpose.

Mr. Speaker parallel to secondary education is an ever-more varied and relevant programme of technical and vocational education for students of secondary school age who opt to pursue their training at one of the Technical Schools (formerly called Multi-Purpose Centres) in Kingstown, Campden Park, Georgetown, Layou, Barrouallie, and Petit Bordel. The two-storey modern facility at Kingstown, located in the premises of Bishop's College, is part and parcel of the improved facilities for training in the Technical Vocational and Educational Training programmes being offered. This is a vital area of the Education Revolution since it provides students with practical technical skills and a sound basic education for living and production.

Sixthly, Post-secondary Education. In each area of post-secondary education in St. Vincent and the Grenadines, there has been considerable progress: The numbers of students have more than doubled; in the case of School of Nursing, the

annual student intake has increased five times; the quality and range of the education offered have improved markedly; and the physical facilities have developed to accommodate the student demand; the legislative and management arrangements have been put in place for a better functioning of the integrated Community College; and a strategic plan for the College is being refined, elements of which are already being operationalised. Throughout 2008, these initiatives, and others, will be pursued for the further development of the Community College and the School of Nursing.

Mr. Speaker, in the 2008 Estimates, the integrated Community College has been allocated \$6.3 million for recurrent spending; and \$4.05 million from the recurrent budget has been earmarked for the School of Nursing, a figure some ten times what it was in 2000.

Among the many initiatives for 2008 for the Community College, I mention two for which there are allocations in the capital estimates:

- (1) The Community College Development Programme, for which \$270 thousand has been allocated to pilot a University of the West Indies franchise to pursue an associate degree at the College. This programme will enhance opportunities for those students who wish to

pursue the “university degree track” immediately, commencing at the associate degree level rather than proceeding to the traditional Advanced Level or CAPE Examinations.

- (2) There is a huge programme for Information Communication Technology training being designed for the Community College. A sum of \$2.7 million has been allocated in the 2008 capital budget for this. This project has a cost of in excess of \$20 million and is expected to be completed in 2010. It is part and parcel of a much larger many-sided educational project, with ICT training at its core, of over \$40 million, financed almost entirely by a grant from the European Union under the 9th European Development Fund (EDF) programme.

Seventhly, University Education: Since 2001, the number of Vincentians receiving university training has increased almost 10 times. The target of this government is to have, on average, at least one university graduate for each of the 33,000 households in St. Vincent and the Grenadines by the year 2025, at the latest. This will be achieved by face-to-face education in universities and colleges overseas and at our Community College and by way of distance education made available to students right here in St. Vincent and the Grenadines. The resources are accordingly being allocated in

the 2008 Budget and will continue so to be allocated so long as this government is in office.

Mr. Speaker, when this government came to office in 2001, St. Vincent and the Grenadines was ranked number five of the non-campus countries in terms of student admissions at the University of the West Indies. By 2005 this country was number one of the non-campus countries, in student admissions. This was achieved, and the achievement is being consolidated and extended, through increased budgetary allocations to UWI, an increase in the number of national and other scholarships, increased resources made available as grants through the Training Division of the Government, more monies allocated to the regular student loan programme, and the institution of the specially-designed university student loan programme for economically disadvantaged students under which the Minister of Finance signs as the guarantor of the loan for each student up to a maximum of \$120 thousand. Incidentally, this economically disadvantaged student loan programme has had a delinquent loan portfolio of under two per cent!

Beyond the University of the West Indies, St. Vincent and the Grenadines has hundreds of students at universities and colleges elsewhere in the Caribbean, Mexico, Taiwan, Venezuela, Malaysia, the USA, Canada, the United Kingdom

and France and of course Cuba. We are in the process of finalising negotiations for our students to pursue university training at universities in Turkey and Morocco. Personally, I want to see Vincentians at universities in every corner of the globe.

Mr. Speaker, distance education is becoming more and more important in university education. To this end, St. Vincent and the Grenadines is part of a regional initiative, known as the Caribbean Knowledge Learning Network (CKLN), partly financed by the World Bank. Moreover, St. Vincent and the Grenadines through the 9th EDF of the European Union is elaborating its own programme of distance learning at the post-secondary level. Enormous opportunities are being further opened up for our nationals for university/college education.

Mr. Speaker, Honourable Members, there are two other issues touching and concerning the educational system which I must address, namely, its management, and school safety. Managing any educational enterprise of the magnitude and with the extant limitation of resources like the one in St. Vincent and the Grenadines is a huge challenge. To do so with the massive Education Revolution in progress is surely a monumental task. Clearly, further managerial reform is both necessary and desirable in order to deliver more efficaciously

the education product. For 2008, this matter is on the agenda for urgent action.

Regarding school safety Mr. Speaker, the Government has moved to stamp out violence in schools. The Ministry of Education has assembled a team of counsellors who will work in conjunction with the professionals in the Ministry of Social Development on this matter. Joining them is a fine police officer, Superintendent Hackshaw of the Royal St. Vincent and the Grenadines Police Force, who has been assigned to the Ministry of Education to assist in elaborating a “school safety” strategy and to aid in its implementation. The Cabinet has already received an oral report from Superintendent Hackshaw and it will shortly be sent a written preliminary assessment with recommendations for urgent action. Further, the Ministry’s officials and I have met a delegation from the distinguished John Jay School of Criminal Justice of New York to discuss its possible assistance on school safety.

Mr. Speaker, it is true that the violence in our schools do not reach anything near to the level in other Caribbean countries, but this Government is absolutely determined that students and teachers must be able to function at our educational institutions in peace and with civilised standards. Let no one doubt our resolve in this regard!

HEALTH

St. Vincent and the Grenadines continues to progress in the delivery of health care services to its citizens. Last year, we reported on the overwhelming success of our Primary Health Care Programme and positive Vital Health Indicators, which continue to show improvements. Dental services have been extended; counselling services expanded into institutions and schools, and emergency medical services strengthened by equipping the district facilities and training staff.

The National Eye Screening Programme- *Vision Now*- a success story of the Government's foreign policy, took on a new dimension. No longer are patients required to travel to Cuba for corrective eye surgery. Instead, many of these services are being provided locally at the Milton Cato Memorial Hospital through the continuing effort of medical personnel from Cuba. Over 300 surgeries were completed in one (1) month. The whole *Vision Now Programme* is made possible through a \$30 million grant in kind from the Government of Cuba to whom we owe a debt of gratitude for their generosity.

Notwithstanding these achievements, there has been a rapid increase in the incidence of lifestyle diseases such as obesity, diabetes, hypertension, heart diseases, strokes, cancers and drug abuse. Sparing no effort, our government has responded to this scenario by signing the Port-of-Spain Declaration on

non-communicable diseases earlier this year. We have also appointed an Epidemiologist who will play a vital role in the fight against the epidemic of non-communicable diseases in this country.

This administration continues to recognize the importance of a healthy population to social and economic development. For the first time, the Ministry of Health and the Environment can boast of a *National Strategic Health Plan (2008-2013)* to be launched very early in the New Year, which forms the basis for the development of the Health Sector and the targeted success of the many-sided *Wellness Revolution* which will be formally launched early next year. The *Wellness Revolution* is a most welcome, and natural companion, to the *Education Revolution*.

In this regard, we have identified several challenges which I outline below.

The first major challenge is to strengthen the health system in order to scale up disease prevention and control programmes. Accordingly, the primary health care strategy continues to be the main axis of the health care delivery system within the country, offering free health care to all, with the emphasis on the promotion of health and the prevention of illnesses. This service will be greatly enhanced in 2008/2009 with the improvement of various health centres. Already the

refurbishing of the Nurses Quarters at Barrouallie is complete. Construction will continue on the Lowmans Windward Health Centre; and the Clare Valley Health Center will be upgraded to a model facility with the addition of an ambulance service and other amenities. District doctors will be available five (5) days per week at this and other specialist medical outpatient clinics.

Further, the Government continues to upgrade the delivery of Secondary Health Care service to the people of the state. The project to improve the Mental Health services within the State will commence early in 2008 with the introduction of comprehensive community psychiatric services. The objective here will be to strengthen the mental health outreach programme.

The shortage of health personnel has been addressed with seriousness as never before and this Government has managed to close successfully the gap between the necessary and the available nursing staff. There are presently two hundred and ten (210) persons being trained as registered nurses at the St. Vincent and the Grenadines School of Nursing and almost ninety (90) persons are pursuing similar training in the Republic of Cuba. Additionally, through the reclassification project and salary increases, we have improved the remuneration of nurses, doctors and healthcare

professionals in order to retain our health care personnel. Having quality health care professionals is critical to any health care system.

As promised in the last Budget Address, technical plans for the state-of-the-art Medical Complex in Georgetown have been completed and construction has started. With assistance from the Government of Cuba this modern medical complex is expected to be a showpiece in health infrastructure. This extensive facility will provide Vincentians with vital medical services including the much-needed diagnostic and dialysis capabilities. The presence of this facility will enhance our prospect of attracting another medical school. This Medical Complex is targeted to cost some \$15 million in construction and equipment.

The second major health challenge is to ensure that health is prioritized in the overall development policies. This means that we must address the broad determinants of ill health, which among other things, includes, low levels of education, poverty, unequal gender relations, high-risk behavior and an unhealthy environment. We are mindful of the cross - sectoral nature of health determinants, and the fact that they must be addressed within a broad economic and political framework. We recognize that good health is a measure of well-being. It is also a driver of growth. Carefully- targeted investment in health

would always deliver positive benefits for individuals, the economy, and society.

The third major health challenge is to develop health strategies that respond to the evolving needs of the population. This means developing cost-effective strategies, which address those diseases and conditions, that account for the greatest share of the burdens of diseases. Efforts are being made to reduce violence and injuries as well as non-communicable diseases. This is part and parcel of the Wellness Revolution.

A health related challenge is the management of the delivery of health services. Thus, the decision to alter the structures of management at the Milton Cato Memorial Hospital and to effect other managerial reforms in the health system.

Mr. Speaker, the recurrent budget on Health in 2008 is \$55.2 million and capital spending is put at \$18.8 million. Altogether a figure of \$74.1 million and is targeted to be spent on Health in 2008.

HIV/AIDS

The Government of St. Vincent and the Grenadines continues to work with local regional and international partners in the

fight against the HIV pandemic and has seen tremendous gains, this year.

- Through the World Bank Project the Government has in 2007 spent over four million Eastern Caribbean dollars (EC\$4,000,000) on the construction of the National AIDS Secretariat; the refurbishment of health centres and schools to facilitate the *Voluntary Counselling and Testing programme*; and the commencement of works on the Health Information System.
- We have also received assistance from the Global Fund against AIDS, Tuberculosis and Malaria.

The Government will continue to implement in every material particular its well articulated National Strategic Plan on HIV/AIDS. The Minister of health will elaborate later in the debate.

DISASTER MANAGEMENT AND CLIMATE CHANGE

Evidence has been mounting over the past decades that the global climate is indeed changing. This is largely attributable to human activities. While changes in environmental conditions have serious consequences, these anthropogenic

greenhouse gas emissions also contribute to climate variability and weather extremes.

Here in our country, we are not immune to these phenomena. The potential devastating effects on the coastal areas, the spawning of mega hurricanes, and extremes of temperature are some of the manifestations of global warming.

In addition we have experienced changes in the rain pattern which could be attributed to global warming. The number of rain days is decreasing while the intensity of the rainfall on those rain days is significantly increasing. This must not be taken slightly, as it poses serious implications for the availability of water for domestic, commercial and agricultural use. Consequently, larger water storage tanks must be constructed. On the other end of the spectrum, intense rainfall could have devastating effects on the environment through flooding and landslides. Notwithstanding that there is little this country can do by itself to limit global green house gas emissions, we have to position ourselves to respond and mitigate as far as possible, the negative impacts. As such, government has embarked on a number of initiatives.

These include the implementation of the Global Environment Facility funded “National Resource Management Project” which would ensure that St. Vincent and the Grenadines complies

with requirements of the climate change convention and the Montreal Protocol. Additionally, the Caribbean Community Climate Change Centre (CCCCC) would implement the GEF-funded Special Programme on Adaptation to Climate Change Project (SPACC), aimed at integrating climate adaptation principles into the eco-system management in Spring Village, Union Island, and Bequia.

St. Vincent and the Grenadines, along with other CARICOM member States joined the Caribbean Catastrophic Risk Insurance Facility (CCRIF), in 2007. It functions as a business-interruption insurance, which would provide the government with short-term liquidity if the country is hit by a category 5 hurricane or catastrophic earthquake. The main aim is to provide immediate liquidity to the State allowing it to function until additional funds can be accessed from other sources.

In 2008 and beyond, Government will:

- Finalise the National Physical Development Plan. This seeks to ensure among other things, the optimum use of land, in an effort to prevent flooding, land-slippage and damage to property.
- Improve data collection capacity amongst environmental and disaster management agencies. This will be done

- through personnel training and the acquisition of vital pieces of equipment.
- Enhance the public's awareness to disaster management and climate change.
 - Further strengthen disaster mitigation strategies through hazard mapping.
 - Promote the integration of climate change considerations into the lifestyle of all citizens.

The National Emergency Management Office (NEMO) provides the leadership in the area of disaster preparedness and management. It will step up its excellent work further not only in the areas connected to hurricanes, storms, and landslides but also in respect of earthquakes and any possible volcanic activity.

ROADS

Adequate road access is essential to achieve economic growth and development. In recognition of this fact, Government sees the need to upgrade, expand and maintain the road network throughout the country. In 2008 in our Estimates, approximately \$51 million have been allocated for road improvement and rehabilitation, including the Windward Highway from Fancy to Kingstown with funding from the EU, CDB and the Government of St. Vincent and the Grenadines.

Additionally, work valued at nearly \$130.0 million for a comprehensive road programme over the next 5 years would be implemented on a phased basis.

WATER AND SOLID WASTE

The CWSA continued its steady operational and financial performance in 2006-2007, recording an overall surplus of \$416 thousand despite suffering a substantial foreign exchange loss and while subsidizing the Solid Waste Management Unit in the sum of \$1.1 million.

Over the last financial year the CWSA's assets have grown from \$83 million to \$88 million, while its receivables have been significantly reduced from \$4.4 million to \$3.6 million dollars.

Notwithstanding the excellent operational performance the CWSA is now faced with three (3) substantial challenges in the upcoming year:

1. A significant increase in its debt servicing requirements for important projects already serving the population, including the Dalaway and Windward Water Supply projects.

2. The necessity to transform the Solid Waste Management Unit into a viable operation.

3. The provision of finance for several important expansion and improvement projects in both the water and solid waste sectors, to which the government of St. Vincent and the Grenadines will continue to make its contribution. These projects include: the implementation of the Grenadines Solid Waste Management Project; and the upgrade of water systems at Perseverance, Fancy, Dalaway, Layou and Green Hill. There will also be significant capital investment in computer technology aimed at improving the overall operational efficiency of the Authority.

ENERGY

Buoyed by rapid economic expansion, electricity sales in St. Vincent and the Grenadines have increased by an annual average of 6.5 percent over the last five years. This increase in demand coupled with an aging plant has precipitated the need for more generating capacity and for improvements in the transmission and distribution systems. The growth in demand is expected to continue into the foreseeable future with the coming on stream of major tourism projects, such

as the Buccament Project, and with continued improvements in our people's living standards.

Accordingly, Vinlec has already drawn up plans for the installation of two additional engines with a total capacity of 8.6 megawatts. The addition of these engines along with the continued expansion of the 33 KV lines and several other small capital projects would require an additional capital investment of approximately \$70 million over the two years.

The increase in demand for electricity comes at a time when the cost of fuel has skyrocketed, with crude oil prices reaching record highs in November this year. Over the last four years, the price of oil has more than tripled with Brent Crude oil moving from an average of US\$30 per barrel in 2003 to over US\$90 per barrel in November 2007. Vinlec's excess fuel cost which amounted to \$12.9 million in 2002 is expected to surpass \$47 million this year. This cost has to be met by the consumers in the form of a higher fuel surcharge and the impact on other areas of the economy. As a result, the fuel surcharge which amounted to 14.4 cents per unit in 2002 increased to 34.4 cents per unit in 2006 and 35 cents per unit in the first eleven months of 2007.

Now that Government has received the report on the cost of service study, we are, among other things, reviewing the methodology used to calculate the fuel surcharge. The proposed new formula will give Vinlec an incentive to reduce its fuel cost by operating at a better heat rate, which measures the number of units produced from each gallon of fuel.

Rising energy cost is one of the principal economic challenges facing the country. We must therefore seek to formulate and implement strategies to minimize its adverse impacts on the economy and the population. This is why the Government is establishing an Energy Conservation and Development Unit in the Office of the Prime Minister to formulate appropriate responses to the existing global energy situation. This Unit will, among other things:

(1) Collaborate with the private sector and international agencies, to examine the feasibility of further developing renewable energy sources including biomass, wind and geothermal. We have already received a number of proposals from interested groups and look forward to further work in this area with practical urgency.

Indeed Mr. Speaker, preliminary data from the study of the Ribishi Point site have shown that there are great

prospects for the establishment of a wind farm and Vinlec has received expressions of interest from several investors.

- (2) Examine the feasibility of placing solar panels on all government buildings, within a five-year time frame, in order to generate a portion of the electricity consumed in these buildings.
- (3) Work with the Bureau of Standards to develop energy efficiency standards for motor vehicles, household appliances and equipment that are imported into the State.
- (4) Promote conservation and the use of renewable energy in private businesses, homes and government offices.

A Capital sum of \$1 million has been allocated in the 2008 Estimates for the establishment of an Energy Conservation Fund to develop an Energy Conservation Programme through this unit. Through this programme, we intend to convert the threat from high-energy prices into opportunities - opportunities to utilise more of our natural resources to provide for our energy needs, to provide more training and jobs for our people, to clean up our environment, to secure the transfer of technology, and to

develop further our Small Medium Enterprises and micro-finance programmes.

TELECOMMUNICATIONS

During 2007, a number of activities aimed at bolstering the telecommunications sector has been undertaken. Some of these activities should result in declining costs, all part of the aim to fully liberalise and modernise the sector, in order to place the economy on a more competitive footing.

During the year, work continued on modernising the legal framework and in establishing the electronic and manual systems to enable the functioning of dispute resolutions. When this is completed, consumers would be provided with an avenue to have their disputes with service providers settled in a more efficacious manner than hitherto existed.

Other regulations such as those that relate to the provision of quality service are also in the final draft stages. With these in place, providers would be responsible for the provision of an agreed minimum level of service.

Building on work completed in 2006 and 2007, the final draft of the Universal Fund Regulations is undergoing its final

review. It is expected that these regulations would be gazetted in early 2008 to operationalise the Fund.

The growth in fixed line telephones remained flat during 2007 and this is of some concern to the government, mainly because this sub-sector is the main medium through which high-speed internet access is available. It is therefore anticipated that with the full implementation of the Universal Fund, persons in the lower income bracket would have greater access to the internet. Mobile customers would also benefit from the declining rates. The impact should be significant as statistics indicate that around ninety percent of the population utilise this mode of communication.

Work has already commenced on the 4.5 million euros ICT Development Programme funded by the European Union and activities would move into high gear in 2008. As I noted in my 2007 Budget Speech, this project, *among others things*, would be for the establishment of a national e-business incubator centre, building capacity (especially among those of the population who were dependent on bananas), modernising the legal framework for the ICT sector and the computerisation of the Lands and Commercial Registry.

Telecommunication would be improved in 2008 in the Public Service, with the procurement of a modern PBX system. The

current system is obsolete and is not capable of providing the service that is required in a modernised, competitive economy. It will cost about EC\$1 million and should impact positively on government's communication bill, especially as it will possess the ability to utilise voice-over-internet-protocol (VOIP).

YOUTH

The youth constitutes 58 percent of the population in St. Vincent and the Grenadines. This large segment presents great challenges but by the same token, magnificent opportunities for transforming our economy and society if we can channel this youthful vigor towards productive ends. The youth development policies will have several broad themes.

First, there is a renewed focus on human capital development and opportunity - creation for our young people. Through programmes which are being implemented by the Ministry of Education, the Government ensures that the young people of our nation have ample opportunities to enhance their ability to compete successfully in the job market and to develop themselves as rounded persons.

Human capital development is more than simply widening the knowledge base and skill of our young people. It also includes ensuring that we have a healthy youth population particularly with the prevalence of communicable diseases such as HIV/AIDS. In this regard, the Ministry of Health, under the HIV/AIDS Project, will continue several youth driven activities in collaboration with non-governmental and community based organizations. These include peer counselling programmes, mass media programmes, and youth-targeted community outreach services.

There will also be a focus on developing the capabilities of the youth to participate in national decision-making processes. Through programmes such as “*Youth now*”, and “*As the Youth See It*” the young people of our nation will have the opportunity to speak up and debate issues of national importance. The Youth on the Block programme will be fully implemented in 2008. It has enormous potential for job creation, entrepreneurship, culture and sports.

SPORTS

This Government views sports as an important vehicle for national development, both in terms of its potential for building our youth and for the opportunities it can offer in the area of tourism.

The National Stadium remains high on the development agenda of this administration. In this regard, in the 2008 budget, a sum of \$1.5 million has been allocated to this project and construction work is expected to commence by mid-2008.

There are, too, budgetary resources allocated to rehabilitating community playing fields, which complement similar works done through the Social Investment Fund with substantive monies provided by the Alba Caribe Fund of Venezuela.

Combined with these capital projects, the Sports Division will work in close collaboration with the other ministries particularly the Ministry of Health and the Environment to further consolidate its national programme geared toward the enhancement of wellness and fitness in our country. This is part of the Wellness Revolution. The Minister of Youth and Sports will elaborate on these matters further in this debate.

NATIONAL SECURITY

The ULP government takes its responsibilities regarding national security most seriously. The safety of our citizens, residents, investors and visitors is vital for any civilised living or productive activity. The maintenance of law and order at a level consistent with democratic life, liberty, and the pursuit of

happiness is of paramount importance. A derogation from this takes a society down a road, which may lead to a veritable Hobbesian state of nature where life is “nasty, brutish, and short”. This government will never permit such a descent; it will not flinch in being tough on crime and tough on the causes of crime. All law-abiding citizens have an obligation to work in concert against criminal activities and to bring the perpetrators of crime to justice. And no one should ever be allowed to profit from crime, especially serious crime, in a civilised society.

These are bedrock propositions which must be restated in a context where crimes of violence have been rising in St. Vincent and the Grenadines and our nation finds itself living in an increasingly dangerous Caribbean, Latin American, and yes American neighbourhood.

Mr. Speaker, in February 2003, this Honourable House endorsed the government’s 14-point Strategy on Fighting Crime. Within this Strategy are lodged a series of practical policies and programmes. Appropriate, and consequential work plans have been devised.

Mr. Speaker, the several institutions in the formal security apparatus of the State are: The National Security Council; the St. Vincent and the Grenadines Police Force, including the

Coast Guard and Fire Service; the National Commission on Crime prevention (NCCP); the Prisons; the Regional Security System (RSS) and other regional or international entities of which St. Vincent and the Grenadines is a part, or to which our country is linked by treaty arrangements. Each of these institutions plays a vital role in the delivery of national security service. And each is being beefed up so as to combat crime.

Central to the organised fight against crime is the Police Force. The reform of the Police Force in keeping with certain recommendations from the Durant Report of 2005 will continue in 2008. Among the central initiatives to be pursued, in this regard, relate to enhanced training, community policing, manpower development, an increase in salaries and an improvement in working conditions, the better equipping of the Police Force, and the rehabilitation or construction of Police Stations.

Mr. Speaker, the 2008 recurrent budget for the Police reveals that there has been a substantial improvement in pay for policemen/women as a consequence of the reclassification exercise and the salary increases. The Police Service itself has been allocated 73 new posts in the 2008 Estimates. Additionally, there are 12 new posts in the Fire Service and a provision of \$172 thousand to employ 20 Rural Constables to

assist in the fight against praedial larceny. All told this adds 105 new posts to the security forces.

The recurrent budgetary allocation to “national security” amounts to a more than commendable 10.3 percent of the total recurrent budget. On the capital side of the budget \$17.9 million or 7.5 percent of the entire capital estimates has been allocated to “national security”.

Among the principal capital items of expenditure on national security are: National Security Enhancement; Advance Coastal Surveillance System; the refit of a Coastguard Vessel; the construction and renovation of Police Stations; the on-going construction of the Modern Correctional Facility; and the purchase of Fire Trucks.

Mr. Speaker, the National Commission on Crime Prevention (NCCP) and other State agencies have been working assiduously to lift the disciplined organisations such as the Cadet Corps, Marine Cadets, Police Youth Clubs, Girl Guides and Boys Scout. The expansion of the Cadet Corps from around 75 in 2001 to over 400 today and the formation of the Marine Cadets have been particularly impressive.

Accordingly, the government will be facilitating the hosting of the 19th Caribbean Cadet Camp next year. Further, in 2008,

the Project Brief and draft design for a Modern Cadet Headquarters will be developed. It is the goal of the government to have in excess of 1,000 Cadets by the year 2012. I encourage the eligible young persons to join the Cadet Corps or other disciplined organisations.

Mr. Speaker the NCCP and the Police Force continue to work with the church and community groups in the battle against crime. In 2008, another initiative called “Pan Against Crime” will be unveiled. The Youlou Pan Movement will be central in this programme. A sum of \$150 thousand has been allocated for “Pan Against Crime”.

FINANCIAL SECTOR

Mr. Speaker, financial sector development is a component of the modern, competitive economy. Accordingly, the Government has been working with the Eastern Caribbean Central Bank and other Eastern Caribbean Currency Union (ECCU) governments in fostering the establishment of a modern, highly sophisticated and efficiently regulated financial system. The foundation of this system has been laid in a stable currency, fairly low inflation and a widening range of financial products and institutions.

During 2008, our focus will shift to the retail payment system which refers to the collection of procedures, rules, standards, instruments, institutions and technical means used to exchange financial value between two parties discharging an obligation. The soundness and efficiency of the payment system are fundamental factors in sustaining economic activity and economic development. The payment system is also indispensable for the stability of financial markets and the stability of the currency.

In St. Vincent and the Grenadines payment instruments are used in a sub-optimal manner, from the efficiency point of view. There is excessive use of cash and an insufficient use of electronic instruments, and e-money. Further, conditions applied to payment services are usually not transparent nor clear to the stakeholders and the public, nor in concert with the policies pursued by the authorities.

We will therefore seek passage of a new Payment Systems Act and amendments to the Bills of Exchange Act, in order to:

- (i) Ensure that the infrastructure and the market for payment services work smoothly, efficiently, and fairly to all participants and users.

- (ii) Minimize the risk of transmitting shocks across the economy such as a failure to settle payment obligations by individual participants.
- (iii) Pursue the level of technology and institutional development necessary to satisfy the payment needs of a growing and open economy.
- (iv) Enhance the role of the Central Bank as the supervisor and regulator of the payment system.

In 2008, we will also pay close attention to the system for the regulation and supervision of building societies and credit unions and bring into effect the Motor Insurance (Third Party) Act. These activities Mr. Speaker, were planned for 2007, but unfortunately were not implemented by Ministry due to a heavier than normal work load for the Ministry of Finance and Economic Planning, in particular the introduction of the Value Added Tax.

Another area of the financial system that will be subject to close scrutiny in 2008 is the Anti-Money Laundering/Combating Terrorist Finance Regime (AML/CTF). In 2009, the International Monetary Fund (IMF) will carry out an evaluation of St. Vincent and the Grenadines' AML/CFT regime. More particularly, the IMF would assess our

compliance with International Standards. Over the last six years or so, the Government has mainly, through the Financial Intelligence Unit (FIU), made tremendous strides in developing our AML/CFT regime and has also made several important legislative changes to bring our laws in line with International Standards.

We are therefore confident that we will obtain a positive outcome from this assessment. We must nonetheless make the necessary preparations and ensure that officials and other persons involved in the exercise are fully apprised of their role in the process and understand the methodology to be used by the assessors.

NIS and Pension Reform

One of the central planks in the evolving *Wellness Revolution* is the provision of social security services for the population. This is why the government continues to pay so much attention to the operations of the National Insurance Services, to seek its further development and extend its benefits to workers and self-employed persons. The NIS is an important vehicle for the well-being and security of a significant portion of the population.

The last actuarial valuation of the NIS showed that the NIS was actuarially and financially sound and had enough reserves as at the end of 2004 to pay expenses for the next 12 years. The report however pointed out that cost was projected to increase rapidly and to surpass current contributions by the year 2012. The NIS would still have more than enough funds to pay its future expenses, but some of the investment income, instead of being used towards the build-up of reserves will have to supplement the contribution income to cover its expenses. This would obviously lead to a decreasing net income and consequently a depletion of fund reserves if suitably ameliorative measures are not taken.

At the end of 2006 total reserves in the NIS amounted to \$339.2 million, having grown by \$21.5 million during the year. These funds were invested in a variety of instruments with approximately 41 percent of the assets held in cash and marketable securities and another 50 percent invested in longer-term assets, including bonds, loans, mortgages, equities and real estate. The remainder was invested in property, plant and equipment. As at 31st December, 2006 total assets in the institution amounted to \$341.1 million.

In order to avoid any future problems relating to the NIS, the Government is currently reviewing various options for reform

of the system. These options include but are not limited to the following:-

- (i) a gradual increase in the contribution rate for the long-term benefit branch;
- (ii) a gradual increase in the retiring age;
- (iii) automatic price indexations of benefits in lieu of periodic, ad hoc adjustments;
- (iv) a change in the calculations of survivors benefits to better protect the families of young workers.

Government will also be exploring options for reform of the Public Service Pension System. Because the NIS and Public Service Pension System operate in parallel, public servants can get full pensions from both, which would potentially make their combined pensions higher than their income at retirement. This is clearly not a sustainable proposition and government will examine the feasibility of aligning the NIS and Public Service Pensions but in such a way not to place public servants at any disadvantage.

The need to reform the legal and regulatory framework for private pension plans is a closely-related concern. A properly-

regulated private pension system not only provides income security for the elderly, but can also have a positive impact on aggregate savings and investment. The Insurance Act of 2004 makes provision for regulating the operations of Pension Fund Plans in St. Vincent and the Grenadines, with the Ministry of Finance and Economic Planning charged with this responsibility. Confidence in the security of private pension plans is greatly enhanced by a sound regulatory framework.

There are still too many persons who are failing to operate in accordance with the law. Therefore, the Ministry of Finance will step up its efforts to ensure that our pension fund meets the relevant regulatory and prudential guidelines. In particular, the Ministry will ensure that the licensing requirements, disclosure standards, governance standards and minimum capital requirements are met.

Public Debt

The disbursed outstanding public debt was estimated at \$1.12 billion as at 30th September, 2007, the equivalent of 77.0 percent of GDP. This figure includes an amount of \$164.8 million for the Ottley Hall Shipyard Project, (which was written-off in October 2007). When the adjustment is made for the Ottley Hall loan the total public debt for St. Vincent and the Grenadines amounted to \$998 million, the equivalent

of 66 percent of GDP. This is \$76.5 million less than the public debt at the end of December 2006.

Other major developments during the year include the following:-

- (i) Repayment of the 2006/2007 \$30 million bond issue from the sinking fund established for that purpose.
- (ii) A loan of \$25 million from the National Commercial Bank to refinance the Ottley Hall loan and some other debts, including an amount of approximately \$2 million for the redundant traffic lights in Kingstown.
- (iii) A loan of \$30 million through a bond issue on the Regional Government Securities Market to partially finance the 2007 Public Sector Investment Programme.
- (iv) Disbursement of approximately \$11.0 million by the Caribbean Development Bank for the Windward Highway Rehabilitation, the Basic Education and the Lowmans Bay Power Projects.
- (v) A loan of \$30 million by the International Airport Development Company from First Caribbean

International Bank to be used for bridging finance on the Argyle International Airport Project.

For 2008, we plan to borrow an additional \$100 million of which \$30 million relate to the 2007 Public Sector Investment programme and \$25 million is for the 2009 Public Sector Investment programme. By structuring the loan in this fashion we would obtain better terms and conditions and we would be able to attract international investors.

As pointed out in my last Budget address, over the medium-to-long term the Government aims to restrict the public debt and to bring it as close as possible to the benchmark level, recommended by the Monetary Council of the Eastern Caribbean Central Bank. This will be achieved by containing the fiscal deficits and by increasing the growth potential of the economy. A key consideration in this process is how far to cut the overall fiscal deficit. This involves difficult choices. Mindless cuts in expenditure, without concerns for the consequences may yield short-term fiscal savings, but they can also result in substantial long-term cost. To achieve an ongoing reduction in the debt level requires a strategy that is measured, thoughtful and responsible. That is what this Government is pursuing.

Resource Requirements

The expenditure budget for 2008 amounts to \$757.3 million comprising of recurrent expenditure (including amortization) of \$517.5 million and capital expenditure of \$239.8 million. The total budget is some \$127.2 million or 20.2 percent more than the 2007 approved estimates.

The 2008 estimates of current expenditure (excluding amortization), is \$447.53 million, which is some 13 percent more than the current estimates for 2007. This is a fairly large increase, which results from the convergence of several factors. First, the 10 percent salary increase for public servants which was recently announced, coupled with the reclassification of the public service, have added in 2008 \$24.9 million (12.9 percent) to the allocation for wages and salaries. We, however expect that with this improved remuneration there will be a commensurate increase in productivity in the public service and that less of our trained professional will be enticed to seek job opportunities beyond our shores. This will more than compensate for the higher personnel costs.

Secondly, the provision for interest on the public debt was increased by \$8.62 million (18 percent), notwithstanding the decline in the size of the public debt. The increase in debt

servicing cost stems from the need to service the \$25 million loan obtained for repayment of the Ottley Hall and other loans, the higher overdraft and the new loan of \$100 million which will be raised to finance the Public Sector Investment Programme.

Thirdly, there has been a \$9.30 million (12.9 percent) increase in the provision for Transfers.

In spite of this increase in the estimates of current expenditure the budget includes a small current account surplus of \$0.16 million, as there was a similar increase (12.2 percent) in the projections of current revenue. The projected growth in revenue for 2008 will come primarily from growth in GDP, a more efficient tax collection and from the full year impact of the VAT. Preliminary assessment of the VAT and Excise Tax, show that the combined taking on a monthly basis, is approximately \$2.5 million more than the taxes that they replaced. Of course some of this additional revenue is attributable to growth in GDP and increases in imports.

Financing of the budget will come from current revenues of \$447.82 million, capital grant of \$116.17 million, capital revenue of \$4.0 million, loans of \$113.45 million and other capital receipts of \$75.82 million. We once again are placing reliance on grant financing for the Public Sector Investment

Programme. For 2008, over 48 percent of the capital budget is to be financed from grants up from 44 percent in 2007.

The main source of these grants is the European Union from which we expect to receive \$62.5 million in 2008. Many of the projects to be financed here are ongoing projects for which Financing Agreements have already been signed. These include the Union Island Secondary School \$5.00 million, EU Education Support \$5.5 million, Improvement of Education Programme \$2.70, Windward Highway Rehabilitation \$25.7 million, Private Sector Development \$1.5 million, ICT Development Programme \$1.0 million, National ICT Training almost \$1.0 million, Tourism Development \$4.3 million and many more. Additionally, we have programmed some EC\$15 million from budgetary support.

Other major sources of grant funds are the Republic of China on Taiwan \$19.07 million, Trinidad and Tobago \$11.5 million, Japan \$10 million, Cuba \$8.0 million in kind, Venezuela \$2.1 million, CDB \$1.1 million and Global Environmental Facility \$1.0 million. There is absolutely no doubt that with proper sequencing of works we would be able to realize and efficiently utilize most of the grants funds budgeted for 2008. This will go a long way in helping us to reduce the level of borrowings, without having to reduce overall capital spending.

With such a large pipeline of grant-financed projects we will naturally have fairly large local counterpart requirements. Indeed a large portion of the borrowing requirement for 2008 is to finance counterpart contributions particularly in education, road construction, and security. The Ministries responsible for these three areas account for over sixty eight percent (68%) of the 2008 loan-financed expenditure.

Of the \$113.5 million in loan expenditure for 2008, some \$25 million or so will come from borrowing in previous years with the Canouan Airport Development project accounting for \$18.6 million of this amount. Another \$21.5 million will be in the form of concessionary loans from the Caribbean Development Bank and the World Bank. This means that only \$67.4 million will be required to be raised on local, regional and international capital markets.

FISCAL MEASURES

Mr. Speaker, for 2008, we have designed a comprehensive package of fiscal measures which are intended to bring a measure of relief to workers and businesses and to improve the country's competitiveness. This is of critical importance with the advent of the CSME and as the country tries to attract and retain skilled professionals and investment.

Income Tax

I propose to implement a further reduction in income tax effective from the income year beginning in January 2008. For individuals the threshold will be increased from \$15 thousand to \$17 thousand and the top marginal rate will be reduced from 37.5 percent to 35.0 percent. For companies the standard rate of tax will also be reduced from 37.5 percent to 35 percent.

This is the second consecutive year that we are reducing income taxes and Vincentians can look forward to further reductions in the coming years as we fulfill our commitment of lowering the highest tax rate to thirty percent or less.

The estimated cost of this measure is approximately \$9.5 million per annum, and it comes at a time when the government has large expenditure commitments on both the recurrent and capital sides of the Estimates, as I have just outlined.

VAT

Notwithstanding the very successful implementation of the VAT and modern Excise, a number of problems have been identified which now require corrections. Accordingly, I propose to amend the VAT Act to:-

(i) Require all hotels to register for VAT regardless of threshold;

(ii) Zero-rate the following: -

(a) Water supplied by CWSA to domestic consumers (this was previously exempt)

(b) The surcharge or service charge imposed by producers of hotel accommodation provided that the surcharge or service charge does not exceed ten percent and no less than 90 percent of the amount collected is added to the wages of the workers;

(c) Solar water heaters, solar panels and related equipment.

(d) A list of selected foods and personal items, namely:

Legs whole	Salt
Table margarine	Yeast
Cooking margarine	Sanitary napkins
Shortening	Baby diapers
Cooking oil	Toilet tissue
Baking powder	Undergarments
Energy saving bulbs	

(iii) To exempt the following: -

- (a) Yachting services provided by persons licensed under the Yacht Licence Act.
- (b) Sale of real property
- (c) A list of selected food items:
 - Onions
 - Lentil peas
 - Garlic
 - Pigeon peas
- (iv) To charge a reduced VAT rate to 10 percent for diving, tours and other tourism related services.
- (v) To allow the Comptroller of Customs and Excise to register persons who are undertaking tourism related developmental activities. This would allow the investor to obtain refunds for input VAT, during the construction phase.

These concessions on all these VAT related measures will cost an estimated \$6.0 million per annum.

Interest Levy

In an attempt to provide an additional boost to the residential mortgage market, I propose to reduce the interest levy to 0.5 percent for those financial institutions whose sole business is that of granting residential

mortgages. The institutions will continue to qualify for the mortgage deductions pursuant to the Act.

This measure will cost approximately \$0.6 million per annum.

Further, a number of financial institutions are usually tardy in the payment of the tax. I therefore propose to amend the Act to impose a penalty of 1.5 percent of the outstanding balance for each month or part thereof that the tax remains outstanding by the financial institution.

Excise Tax

I propose to increase the excise tax chargeable on cigarettes and alcoholic beverages. This is in keeping with our position in promoting wellness. The link between those products and certain life-style diseases and conditions is well established and there is no doubt that excessive consumption of alcohol and smoking has contributed to increases in our health care costs.

Similarly, I propose to impose an excise tax of 5 percent on aerated beverages. This measure is expected to yield an additional \$250 thousand per annum.

Motor Vehicle License

I propose to increase the annual charges for motor vehicle licenses and related matters by approximately 25%. As a concession to the providers of public transportation the charges for hired cars and passenger buses (including minivans) will not be increased.

Expenditure on road repairs and construction consumes an increasingly huge proportion of the budget. Thus, it is reasonable that the users be asked to bear a larger share of this cost. Motor vehicle licenses were last increased in 1999. In real terms the proposed increases are no higher than they were in 1999 dollars. It should be borne in mind, too, that in 1999 there were just over 6,000 registered vehicles; today, the number is in excess of 21,000. So, far more damage is done to the roads now than hitherto.

The measure is expected to yield \$1.2 million per annum

Yacht Licence

Yacht licence fees were last increased in 2002 so I do not proposed to institute any wholesale changes to the rate structure. There are however some anomalies in the rate structure which favour boats based outside of St. Vincent and

the Grenadines and which create difficulties in the administration of the Act.

Furthermore, there are still too many visiting yachts which refuse to carry out the necessary clearing procedures when entering the waters of St. Vincent and the Grenadines. Apart from the revenue loss, this practice represents a serious threat to our national security.

I therefore propose to amend the Yacht Licence Act in order to:

- (i) Require that all locally-based yacht charter companies provide monthly returns of revenue and the number of yachts in their fleet, within fifteen days of the end of each month.
- (ii) Impose a penalty of up to \$20 thousand for non-compliance with the Act, in terms of non-clearance of customs and immigration.
- (iii) Abolish the existing cruising tax of \$5.00 per person per day and replace it with a flat fee of \$35.00 per person irrespective of the duration of their stay, up to one month from the date of issue.
- (iv) Increase the occasional charter yacht licence from \$100.00 to \$125.00 and

- (v) Increase the fee for chartered yachts from \$4.00 per foot per month to \$5.00 per foot per month.

I have discussed these changes with operators in the sector and they have all agreed that the new proposal represents a fairer, reasonable, competitive more efficacious arrangement. We will however consult further with stakeholders in the sector in order to determine the most appropriate date for the new fee structure to take effect.

The yachting sector will also receive a boost from the arrival of the three patrol vessels which have been ordered and are expected to arrive early in the new year. Further, we are exempting yachting from VAT, as explained earlier.

Other Charges

Changes are also proposed for various other services including airport charges, passport and immigration services, custom warehouse licensing fee and liquor licence.

Details of proposed new charges are appended hereto.

Prices for Petroleum Products

As explained in the section dealing with energy oil prices have skyrocketed in recent months and are now at record highs. With no corresponding increase in the local retail price it means that the Government is now subsidizing prices of petroleum products at a high level. The current subsidy is \$1.09, \$2.61 and \$3.38 per gallon for gasoline, diesel and kerosene respectively.

At these rates the annual cost to the Consolidated Fund is over \$15 million, which is clearly neither sustainable nor advisable.

Accordingly, I propose to increase the retail prices of gasoline, kerosene and diesel as follows: -

	Current Price per gallon	Proposed Price per gallon
Gasolene	11.50	12.60
Diesel	8.75	10.35
Kerosene	8.34	10.60

The government intends to implement again the subsidy for public transport vehicles so as to lessen the burden of the increases on the travelling public. It is to be noted that the

Eastern Caribbean Currency Union, through its Monetary Council, has established the policy of an automatic pass-on of the increases or reductions in the price of fuel on the international market.

Contributions to NIS

I have already outlined the need for the NIS to increase its contribution income in order to offset future benefit payments and to avoid depletion of its reserves. Accordingly, I wish to propose that with effect from January 01st, 2008 the contribution rate be increased as follows:-

Employee's contribution from 2.5 percent - 3.5 percent

Employer's contribution from 3.5 percent - 4.5 percent

These charges still make the contributions among the very lowest in the region for the benefits provided.

This measure is decidedly pro-worker since it strengthens the employees' retirement and other benefits.

CONCLUSION

Mr. Speaker, Honourable Members, as I conclude, let me thus summarise some of the recent positive developments in the economy. These include: The rebound in real economic

growth in 2006; job creation; the admirable fiscal consolidation in 2007; the write-off of the Ottley Hall debt in the sum of \$165 million; the successful introduction of VAT in May 2007; the resilience of the economy to recent financial market turbulence internationally; the strong and improved implementation rate of the capital budget; the increase in job creation; the reduction of poverty; the growing competitiveness of St. Vincent and the Grenadines; the enhanced attractiveness of St. Vincent and the Grenadines for investments, local and foreign; the improvements in the overall performance of State enterprises such as the National Commercial Bank, the National Investments Promotions Incorporated, the National Properties, the National Lotteries Authority, the National Insurance Services, VINLEC, CWSA, and the International Financial Services Authority; the deepening of regional integration; the marked improvements in the condition of the physical infrastructure, including the construction of the Canouan Jet Airport and the Rabacca Bridge; the consolidation and extension of the Education Revolution; the laying of the bases of the Wellness Revolution; and the Reclassification Exercise.

It is to be emphasised Mr. Speaker, that expenditure on Education, Health and Wellness must no longer be mistakenly seen as spending on non-productive items, as some still do. Education, Health and Wellness, and some other ostensibly

socially-based spending are indeed directly or, at the first remove, indirectly productive expenditure. The old distinctions between productive and non-productive expenditure no longer hold water. Thinking on development economics and comparative political economy has long gone past these essentially ancient paradigms and formalistic classifications. The legitimate queries and concerns are now of a different order: They relate, among other things, to issues of efficiency in spending, cost effectiveness, relevance, and socio-economic linkages, and overall development.

Mr. Speaker, my government has been very focused in its quest to achieve greater resilience to financial shocks, and fiscal and debt sustainability. We have fashioned in conjunction with National Economic and Social Development Council, a Social Contract, which has these issues at the forefront. In the same vein, the Ministry of Finance has drawn up a Draft Fiscal Covenant which contains a framework for a debt management strategy. Robust economic growth, our prudent borrowings, our streamlining and prioritising of the capital budget, our expenditure controls and monitoring, the tax reform measures, the successful search for debt relief, the articulated policy to reform the system of social security and retirement benefits, our stable currency and the pivotal role of the Eastern Caribbean Central Bank, the move to establish a single regulatory unit for non-bank financial institutions, the

use of the savings from the financing arrangements under Petro Caribe agreement for concessionary finance, the securing of an even higher level of remittances from abroad, the push generally to enhance social safety nets, and much more, are all part and parcel of achieving greater resilience to financial shocks, and fiscal and debt sustainability.

Mr. Speaker, the International Monetary Fund (IMF) has done an interesting analysis, comparatively, of the macro-economic performance of eleven CARICOM Countries, including the six independent member-states of the Eastern Caribbean Currency union (ECCU), covering the changes for the periods 1990 - 1997 to 1998 - 2006. A ranking was then devised based on indices of overall fiscal balance, debt, inflation, and real growth in Gross Domestic Product (GDP), each index being configured absolutely and relatively. Countries were ranked from 1 to 14 in each category, with the best performer receiving the highest scores. The scores were then summed for each country, with equal weight to each category of macro-economic performance. Finally, the summed-up scores were normalized so that the scores for all countries range from 1 to 100.

In this ranking, Trinidad and Tobago and the Bahamas were accorded first and second spots with scores of 100 and 93.4 respectively. St. Vincent and the Grenadines was third with a

score 70.3, then thereafter were the others in the following order:

Antigua –Barbuda; Belize; St. Lucia; Dominica; Grenada; Guyana; Jamaica; and St. Kitts – Nevis with score of 23.1.

Mr. Speaker, it is evident from the overall data, absolutely and comparatively, that St. Vincent and the Grenadines has been performing quite well and better than most of our neighbours. This assertion does not mask or hide my government's acceptance, of the many challenges which our country still faces or its socio-economic limitations.

Indeed, these challenges and limitations, have been identified heretofore in this presentation. This 2008 Budget has produced policies and resources to meet and overcome them. This Budget builds on existing progress. I can thus assert that the economic state of our nation is sound and is improving markedly despite the challenges and limitations.

The government has been doing its part wonderfully well in this our march to progress, but clearly it could not have done it all by itself. Every sector of our nation, at home and abroad, has contributed to improving our common weal. So, too, have our friends from overseas who have stood in solidarity with us as a nation. And in the crafting of this budget I want to thank all the participants in our many consultations including: the

working people, the farmers, the fisherfolk, the trade unionists, the business persons, the entrepreneurs, the bankers and financiers, the insurers and professionals, the hoteliers and tourism providers, and other persons from all walks of life. Their input has been most beneficial to my government and to this budgetary exercise and I thank them.

Mr. Speaker, the almost 7 per cent economic growth last year, 2006, and the estimated 6.6 per cent real growth this year, 2007, have afforded my government the opportunity to share the fruits thereof with the poor, (including the elderly poor), the working people, all the producers of wealth, the business community, and the nation as a whole.

On the 28th anniversary of our nation's independence on October 27, 2007, I announced a series of measures which brought good cheer to all Vincentians. The 5 per cent back-pay from January 1, 2007, for all established central government employees and daily-paid workers was paid at the end of November at a cost of some \$9 million to the Treasury. In the December 2007 pay packet, most established public employees (all the nurses, all the police officers, over 80 per cent of the teachers, and a sizeable number of civil servants) will receive salary enhancements in excess of 6 per cent, on an average, in the "reclassification exercise", back-dated to January 1, 2007. This "reclassification" pay enhancement will

cost the Treasury a further \$9 million, approximately. In the pay-packet, too, for December 2007, all government employees will receive a tax-free bonus of \$250 if they worked in excess of 150 days for the year; those who work up to 150 days with a minimum of 100 days will receive one-half of the bonus, that is, \$125.00. This bonus will cost the Treasury in excess of \$1.5 million. I fully expect that the State enterprises and the private sector would follow-suit with Christmas bonuses for their employees.

Further, with effect from January 1, 2008, all public servants, teachers, nurses, policemen/women will receive another salary increase of 5 per cent. So, too, would the daily-paid employees of the Government. These pay increases for 2008, plus the salary for the additional public employees to be hired, will lift the salaries and wages bill by \$24.8 million from \$193.1 million to \$217.9 million.

As usual, the pensioners on central government pensions will receive the same percentage increases as for the salaried public employees.

Additionally, for December 2007, the following will receive more benefits:

1. 7,700 of our nationals, comprising elderly persons who are economically disadvantaged, some persons who are physically challenged, and deserving children or students who receive a monthly stipend in public assistance or those who receive the non-contributory aged pension, and disabled pensioners on the NIS, will get a special \$75 Christmas bonus when they receive their regular December payment. This bonus will cost some \$600,000.
2. A Christmas bonus, too, will be paid to banana farmers based on \$1 per carton of bananas sold per farmer during the first six month of the year 2007. This bonus amounts to \$619,954.
3. In excess of 7,000 persons, as I speak, are, or have been, employed on a Special Christmas Cleaning and Repair Works Programme, costing so far in excess of \$2 million.
4. The importers of family barrels for Christmas again this year have these barrels enter duty-free between the period November 19th to December 31st 2007. Over 17,000 barrels are expected to be cleared duty-free.

Mr. Speaker, next year, three other categories of persons are also due increased benefits:

1. The persons who are on public assistance will, from January 1, 2008, receive an increase of \$30 monthly for each recipient, across the board. Thus those who currently are paid \$125 will receive \$155. They, because they are over 65 years of age, will continue to be exempted from the \$12 monthly basic water charge at the CWSA. Those who receive \$115 now will each be paid \$145 monthly from January 1, 2008.
2. The non-contributory old-age pensioner at the NIS will also each receive an increase of \$30 monthly.

Please note that the regular NIS pensioners will await the next actuarial review scheduled for early 2008 for any increases which may be proposed.

3. The YES volunteers will receive an increase from January 1, 2008, of \$50. Their stipend will thus rise to \$450 monthly.
4. Workers who are paid minimum wages will receive increases next year consequent upon the

conclusions of the Wages Councils which were appointed earlier this year.

Mr. Speaker, Honourable Members, my government is looking out, too, for pregnant women and mothers who receive nutritional support currently through the Ministry of Health. They will be accorded further assistance. In the 2008 Estimates there is a provision for a 25 per cent increase. Similarly, the school feeding programme has its budgetary allocation for 2008 increased by 25 per cent.

All these pay increases and enhancements, bonuses, and benefits are supplemented immensely by the reliefs announced earlier in this speech in respect of income tax, company tax, and the VAT. Every single household in St. Vincent and the Grenadines is being personally touched, positively by the public policies of this government, including the proposals in this 2008 Budget. As a whole, the nation's economy is being put more surely, more firmly, more decidedly, and with greater equity on a progressive, developmental path, in the people's interest.

Mr. Speaker, I reiterate that all this is not to affirm that things are perfect. My government never promised

perfection. Those who will be satisfied only with perfection must await their presence on the other side of eternity. But here on this “Earthly City” known as St. Vincent and the Grenadines, my government promised the people “good governance”, the best governance possible. That is what we are delivering with this 2008 Budget; that is what we have delivered in 2007.

So, in 2008, we must now implement this splendid Budget in the best possible way, to produce the optimal results for the magnificent, hard-working, law-abiding and good-natured people of St. Vincent and the Grenadines. Ours is a small country, but we are a great people! St. Vincent and the Grenadines may lack substantial material resources; we do not have a large territorial area, though our seascape is huge, comparatively. We do not own the riches of oil and minerals. But Almighty God has blessed us with a wondrous land and sea; and most of all He has made us beautifully as a people, with enormous gifts. Our strength is in us. That is why we must be educated and trained to the fullest extent possible; we must keep well; and we must show daily a good neighbourliness which is the outward sign of our inward grace.

Mr. Speaker, it thus begins with each of us. The inner peace which we each seek begins with each of us — you and me, individually. It is this which surely must restrain us from hurting someone physically with crimes of violence or some other criminal activity. Our country is too small to persist with all the senseless wrangles and mindless posturings which to a large degree are rooted in greed and vanity, which are debilitating and incapable of being satisfied.

Mr. Speaker, Honourable Members, as a people we ought surely to come to the realisation by now that we own our nation. It is ours. We are not tenants in this land; we are not mere occupants; we are the real owners. This is not a plantation on which we must use trickery, cunning, or a debasement of ourselves in order to get on in life. No! We are the owners of our landscape and seascape in this a thriving and competitive democracy, in this most glorious component of our Caribbean civilisation, in which daily we reaffirm that this nation is founded on the belief in the supremacy of God and the freedom and dignity of man. Thus, we must work together and build this land which we proclaim that we love. Much has been given to us as a people; much is expected from us in return. Let us lift our productivity and our conduct.

Today, I present a Budget based on numbers in the Estimates but it is much, much, more than that. We deliver a statement about ourselves, about who we are as a people, about our past, our present, and about a future which only of all time is ours to desecrate.

Mr. Speaker, it is our duty, individually and collectively, to ensure that the majesty and beauty of our land and people shine always in optimism and achievement. Our deceased bard, Ellsworth “Shake” Keane, has so inspired us poetically, in his “The Age of Chains”:

*“Beautiful was my country in time’s rains,
Beautiful is my country in the warm hopeful season.
An age of chains did not sully her mountains,
Nor pain’s broad knuckle smudge out the sun .
O Beautiful.
“I can catch her voice in the thick hills,
Her impulse
Gathers green in the wood her breath skying.
In the quick tempo of the river I hear her high sighing.
A song that is good
O Beautiful*

*“Up and far beyond care of the wind’s corroding,
Ruin of star and light’s utter end,*

*Toil and her heart's hopes extend
 Beautiful.
 Sun's her monument;
 And her brightness is of a bright sky's hoarding."*

Thank you!

Appendix 1

Summary of Proposed Changes – 2008

		Current Rate (\$)	Proposed Rate (\$)
<u>Liquor Licences</u>		(per quarter)	
Class 1	Wholesale	200.00	250.00
Class 2	Retail – Town	120.00	150.00
Class 3	Retail – Country	85.00	110.00
Class 4	Retail – Grenadines	85.00	110.00
Class 5	Hotel	250.00	315.00
Class 6	Refreshment House	250.00	315.00
Class 7	Occasional (per day)	100.00	125.00
Class 8	Bottle	200.00	250.00
Class 9	Proprietary class	250.00	315.00

Customs Warehouse Licence

Closed warehouse	500.00	750.00
Opened warehouse	750.00	1000.00
Visiting fee (per hour)	10.00	12.50
Minimum per visit	20.00	25.00

Excise Tax

Beer and stout (per litre)	0.50	0.55
Wine, vermouth, other fermented Beverages	3.00	3.30
Brandy, whiskies, rum (under proof)		
Vodka, gin (per litre)	3.00	3.30
Other spirituous beverages	3.00	3.30
Cigars and cigarettes of tobacco or tobacco substitute	10%	12%
Aerated beverages	–	10%
Incandescent bulbs	40%	100%

Airport Charges and Air Transport Licensing Fees

i. Rental of Advertising Space

large signs	700	1,200
small signs	400	750

ii. Extension Fees

First hour or part thereof	80	100
Additional hour or part thereof Up to midnight	120	150
Additional hour or part thereof After midnight up to 6 a.m.	120	200

iii. Air transport licences and Permit

Application Fee

Class I	200	250
Class II	150	200
Class III	200	250
Class IV	150	200

iv. Annual Charge

Class I	1,000	1,250
Class II	600	250
Class III	1,000	1,250
Class IV	800	1,00

v. Variation

Class I	250	325
Class II	120	160
Class III	250	325
Class IV	150	200

Annual Fees and Duties – Motor Vehicle

Part A

Private Motor Cars

Not exceeding 2000lbs tare	250	315
Exceeding 2000lbs but not exceeding 3000 lbs tare	325	410
Exceeding 3,000lbs tare	400	500

Private Motor Tricycles

Not exceeding 2,000lb tare	125	160
Exceeding 2,000lbs	150	190

Private Motor Cycles

Without side Car	150	190
With side Car	200	250

Goods Vehicles

Of less than 2 tons tare	550	700
Of 2 tons tare but less than 3 tons	700	875
Of 3 tons tare but less than 5 tons	800	1,000
Of 5 tons tare and over	800	1,200

Trailers

Not exceeding 1 ton tare	150	190
Of 1 ton but less than 1 ½	200	250
Of 1 ½ but less than 3 ton	225	250
Of 3 tons tare or over	225	300

Tractors

Of less than 2,600 lbs tare	150	190
Of 2,600 lbs tare or over	175	225

Hearses

500	625
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Hiring Cars

Licensed to carry less than 4 passengers	275	225
Licensed to carry less than 6 passengers	325	325
Motor buses less than 2 tons License to carry passengers only	375	375
Motor buses of 2 tons but less Than 3 tons licensed to carry Passengers	400	400
Motor buses of 3 tons Tare Licensed to carry passengers	425	425
Rental motor cycles	175	175

Part B

Tutor's Permit	100	125
Learners Permit	50	65
Registration of Change of Ownership	75	100
Duplicate Licenses or Permits	50	65
Examination of a Driver	50	65
Dealers Licence	2,000	2,500
Inspection of Motor Vehicle	50	65
Temporary Driving Permit	50	65
International Driving Permit	75	100
Conductor or omini buses and Mini buses	10	10
Fee for personalize number Plates on registration	1,500	1,500