



BUDGET ADDRESS

For the

Financial Year 2008/2009

By

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Prime Minister and Minister for Finance

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From Vision to Implementation:

Rallying Our People for Development

In an Era of Global Opportunities and Challenges

Introduction

Madam Speaker,

I sincerely wish, that things were as they were on the 19th April 2007, and that the beloved and most distinguished, the Right Honourable Sir John Compton stood here, where I stand now.

I say so, because I am fully conscious, that with his passing, that thrill of hope that his return had brought to so many, may also have passed away.

But, Madam Speaker, though not anointed by the people with the same balm with which he was anointed, yet, having however breathed the political air in his company for over twenty years, and having walked in his footsteps and sat in his Cabinet for 10 years as a true and faithful servant of the people, I am encouraged as I stand here today, as Prime Minister in my own right, and say to Providence, "You have called me, here I am."

I am confident, that any hopes that might have been buried with our beloved leader, will be revived, and in the hands of my Administration, be made to blossom into full flower. Madam Speaker, I know that our people are not extravagant in their hopes, and I give you the assurance that all my Ministers are on their mark, to rise to the occasion, and to respond to the legitimate hopes and aspirations of our people.

Madam Speaker, at this point I will address the Budget, but just before doing so, I give the assurance to all the people of St. Lucia, that I am acutely conscious that I was not appointed to be the Prime Minister of any one group or party, but to be the Prime Minister of all St. Lucians to render to each according to his due, and to treat all our citizens as equals.

I pledge solemnly to uphold this principle, as I pledge to preside over an open government, not opaque but transparent, where, barring state secrets, our

citizens will not be obstructed in their quest for information, for this must be a requirement of every government that is by the people, and of the people.

Madam Speaker: It is a distinct honour and privilege for me to present the Estimates of Expenditure for the fiscal year 2008/2009 to this Honourable House.

I do not use the words "honour" and "privilege" lightly. For me, these words capture the essence of my emotions, as I follow in the footsteps of my distinguished predecessor, the late Sir John Compton.

Nowhere else did he excel, more than during the process of budget preparation, presentation and debate.

It is a daunting task to take over from such a highly regarded international statesman and esteemed Minister of Finance, but I do so with confidence, knowing that my responsibility as Prime Minister and Minister of Finance and the responsibility of my Administration, is to build upon the foundation that was laid by our late, beloved leader, a foundation that he so eloquently articulated in his marathon final Budget Address to this Honourable House on April 19, 2007.

Madam Speaker, last year's presentation by Sir John Compton was historic in many ways, not least of which was that it outlined a vision that would take our country to unprecedented levels of both economic prosperity and social equity.

The challenge before us Madame Speaker, is therefore, to move from vision to implementation, because there can be no more fitting tribute to a man who dedicated his life to the development of this country, than to ensure that his legacy is fulfilled through the transformation of his vision into a reality of prosperity and sustainable development, that will benefit and improve the living standards of every single citizen of this country.

Madam Speaker, the theme of this year's Budget is direct in its focus and construct, and that theme is: "From Vision to Implementation: Rallying Our People for Development in an Era of Global Opportunities and Challenges."

With the unprecedented opportunities and challenges that lie before us in an increasingly globalized world environment, it is clear that the only way that we can realize our development objectives is for us to rally our people, harness all of our resources, and put our shoulders to the wheel.

Rallying our people means that we must fully prepare them for their role in the development process, and such preparation must, of necessity, entail a heavy emphasis on education, training and human resource development, a subject that I will address at great length during this presentation.

The responsibility of development is one that we embrace, and it is within this context that I invite Honourable Members to approve Estimates of Expenditure totaling One Billion, One Hundred and Fifty Nine Million, Eight Hundred and Sixteen Thousand, Two Hundred and Six Dollars (\$1,159,816,206) for the financial year 2008/2009.

Madam Speaker, as is customary, I will preface this Budget Address with an overview of economic developments at the international, regional and local levels.

Economic Overview

International Economic Developments

Madam Speaker, the global economy expanded by 4.9 percent in 2007. This outcome reflected the strong performance of the emerging markets which largely offset the moderation in the United States (US) economy over the review period.

During the first half of 2007, Madam Speaker, the global economy was relatively robust, as GDP growth remained above 5.0 percent, driven by most of the larger emerging economies such as China, India, Russia and to a lesser extent, by many Latin American countries.

The latter half of 2007, however, was characterized by much volatility and uncertainty generated by the financial market turbulence originating in the US sub-prime mortgage sector. Madam Speaker, headline inflation had been increasing since mid-2007 around the world, driven by ever increasing food and energy prices. During 2007, the international commodity price index rose by over 11.0 percent and was influenced by growth in non-fuel commodities and metal prices, quite apart from the surge in petroleum prices.

Madam Speaker, the price of food commodities increased by 15.2 percent as a result of substantial increases in the price of bananas, wheat, rice, milk and dairy products. The upturn in food prices was spurred by higher grain prices brought about by rising demand for bio-fuels, poor weather conditions and supply disruptions in many countries.

Energy prices grew robustly by 10.7 percent to average about US\$70.95 in 2007, building on the 20.5 percent increase recorded in the previous year. In advanced economies, consumer price inflation moderated to 2.2 percent over the review period. Consumer prices in the US remained low partly due to the decline in housing costs while, in Japan, inflationary pressures remained muted at year-end.

Permit me Madam Speaker, to briefly outline some of the data associated with the economic performance of some selected countries.

Economic growth in the **United States** slowed to 2.2 percent in 2007, expanding at its slowest pace in over four years. Movements in energy and food prices created volatility in overall inflation that was contained to 2.2 percent due to the slump in house prices. In the **United Kingdom**, economic activity remained robust with growth accelerating to 3.1 percent in 2007. Economic activity in the wider Euro region expanded by 2.6 percent, a slowdown from the 2.8 percent achieved in the previous year.

Madam Speaker, the effects of the US housing slump, coupled with high commodity prices, meant that GDP growth in **Japan** moderated to 2.1 percent in 2007. In contrast Madam Speaker, **China** continued to expand strongly with growth reaching 11.4 percent. Economic activity in **India** enjoyed similar expansion, with real GDP increasing to 9.2 percent.

Regional Economic Developments

Madam Speaker, during the course of the year, economies in the Region were challenged by various external factors, such as the deteriorating global economic conditions and natural disasters. Most significantly, rising oil and food prices triggered moderately higher inflation in most Caribbean countries.

Generally, Madam Speaker, the economic performance of the Caribbean in 2007 was characterized by a deceleration in growth following previous years of strong expansion that had been driven by the construction and tourism sectors.

In **Trinidad and Tobago**, economic growth levelled off at 5.5 percent in 2007, following the robust growth of 12.2 percent in 2006.

Growth in **Jamaica** slowed to 1.2 percent in 2007 relative to an expansion of 2.5 percent in 2006, while the **Barbados** economy grew by 4.3 percent in 2007. Based on available data, the Guyanese economy was expected to grow by 5.5 percent in 2007.

With respect to inflation, Madam Speaker, these countries experienced mixed fortunes, with Trinidad and Tobago recording a decline to 7.8%, Jamaica reflecting an increase to 16.8% and Barbados registering a decline to 4.1%. Average inflation in Guyana went up by 12.2 percent in the first half of the year, due mainly to rising oil prices and the implementation of VAT.

Madam Speaker, economic growth in the **Eastern Caribbean Currency Union (ECCU)** is expected to show an improvement for 2007, albeit at a slower rate than in 2006. This outcome is due to a continued increase in construction with positive spill-over effects on the non-traded sectors.

Private sector tourism-related projects in most member countries contributed significantly to this robust activity in the construction sector. Performances within the tourism sector were mixed, Madam Speaker, as total cruise passenger arrivals increased while stay-over arrivals contracted during 2007. All countries in the ECCU, particularly St. Vincent and the Grenadines, experienced higher prices for food and energy.

Domestic Economic Developments

Madam Speaker, I now turn to the subject of our domestic economic fortunes.

The deteriorating external environment continued to impact on the pace of activity in the domestic economy. High and rising world oil and commodity prices, particularly food prices, presented some economic challenges and uncertainty and, in addition, the passage of Hurricane Dean in August impacted adversely on the performance of the banana industry.

The consequence, Madam Speaker, is that the economy experienced a general slowdown in the growth momentum that had been stimulated by activities associated with Cricket World Cup. Thus from a growth rate of 4.9 percent in 2006, preliminary estimates indicate that real economic growth decelerated to 0.5 percent in 2007.

Madam Speaker, this was primarily the result of contractions in key productive sectors, particularly tourism and construction, that were then transmitted to the rest of the economy and resulted in marginal and moderated growth in the transport and distributive sectors respectively.

By contrast, Madam Speaker, and buoyed by the properties market, the financial and real estate sectors registered strong growth of 12.1 percent and 7.6 percent respectively. Growth in the utilities sector rebounded in 2007 to 12.7 percent,

while manufacturing and agriculture provided little stimulus to the economy during the review period.

Tourism

Madam Speaker, the tourism sector, in 2007, recorded another year of decline, despite the steady growth observed in global tourism. Although it continued to provide a major boost to economic growth, real activity in the tourism sector is estimated to have contracted by 7.4 percent in 2007 and its direct contribution to real GDP dipped by 0.7 percentage points to 11.7 percent.

Owing to the robust recovery in cruise tourism, total visitor arrivals grew by 33.9 percent to an unprecedented 931,114 in 2007. Cruise arrivals increased appreciably by 69.7 percent to a record high of 610,343. However, stay-over and yachting visitors, that represent the most economically significant segments of the tourism sector, declined by 5.0 percent and 10.3 percent respectively. Madam Speaker, the downturn in stay-over arrivals was driven by lower US and Caribbean market shares, that offset the 8.0 percent increase in UK arrivals. In the review period, the number of excursionists rose by 10.3 percent to 7,777.

Madam Speaker, there are many factors responsible for the picture that is painted here, including the negative impact of rising fuel costs on the demand for travel, the passport requirement on US citizens associated with the Western Hemispheric Travel Initiative (WHTI) and the adverse effects of the sub-prime mortgage crisis in the United States.

In addition, Madam Speaker, and contrary to initial expectations, the joint hosting of the Cricket World Cup (CWC) in a number of regional tourist destinations contributed to the fall in arrivals from the US and the Caribbean during the first half of 2007. Some airlift issues and continued competition, particularly in the events market, are also responsible for the downturn in long-stay arrivals.

It should be noted, Madam Speaker, that hotel occupancy rates recorded an improvement over the levels observed for 2006 to an average of 69.7 percent in 2007. It is also significant to note that preliminary estimates of total visitor expenditure show an increase of 4.1 percent to \$808.3 million in 2007.

Agriculture

The performance within the agriculture sector, Madam Speaker, was mixed, with an overall increase in value-added estimated at 0.8 percent for 2007. This represents a deceleration in growth compared with 9.8 percent recorded in the previous year when activity rebounded from previous contractions.

However, this performance was influenced by the 3.4 percent decline in value-added in the banana industry. Banana output, up to the first half of the year was well above trend, but was adversely affected by the passage of Hurricane Dean in August.

Nonetheless, Madam Speaker, the overall outturn in agriculture was due to expansions in non-banana agriculture that more than compensated for a 3.4 percent decline in real output from the banana industry. The lead contributor was non-traditional crops that registered real growth of 7.6 percent.

Madam Speaker, in the fisheries sub-sector, real growth of an estimated 2.3 percent was registered in the period under review.

Manufacturing

Madam Speaker, the manufacturing sector's contribution to GDP was estimated at 6.3 percent in 2007. However, value-added in the sector is estimated to have slowed to 1.7 percent compared with robust growth of 6.7 percent in 2006.

In the review period, the value of output in the manufacturing sector increased by 2.8 percent to \$172.6 million, which was attributed to the favourable performance of the electrical and metal sub-sectors. However, there was some softening in the demand for, and production, of some of the traditional drivers of the sector, particularly alcoholic beverages and paper products.

Construction

Madam Speaker, value-added in the construction sector, post Cricket World Cup, is estimated to have contracted by 10.3 percent. As a result, the share of the construction sector to GDP fell from 8.8 percent in 2006 to 7.9 percent in 2007. This decline in activity in the sector contributed significantly to the slowdown in the pace of overall activity in the economy and was indicative of the winding-down

and completion of various public and private sector initiatives associated with Cricket World Cup 2007.

Central Government Fiscal Operations

Madam Speaker, despite the slowdown in overall economic activity, the fiscal performance of the central government improved significantly in the fiscal year 2007/08. This was due to a strong increase in current revenue to \$727.8 million alongside slower growth in current expenditure to \$571.8 million that resulted in an improvement in the current account surplus to \$156.1 million or 5.9 percent of GDP, compared to 4.2 percent of GDP in the previous fiscal year.

Madam Speaker, it is pleasing to note the outcome of a primary surplus of 1.3 percent of GDP and an overall deficit that narrowed to 2.2 percent of GDP from 6.7 percent in 2006/07.

It was just as pleasing to record that total revenue and grants rose by 10.2 percent to \$732 million, led by a 10.8 percent upswing in current revenue. This, Madam Speaker, was driven by significant growth in tax revenue emanating largely from income taxes due to higher corporate taxes and complemented by growth in collections of personal tax. The loss of revenue from consumption taxes on petroleum products however, limited the growth in total consumption tax receipts.

On the expenditure side, Madam Speaker, growth in current expenditure slowed to 3.7 percent after increasing by 7.4 percent in 2006/07, while delays in the implementation of major new projects led to a 22.2 percent decline in capital expenditure in 2007/08 to \$218.5 million or 8.3 percent of GDP.

Madam Speaker, for the period under review, total outstanding public sector liabilities, stood at One Billion, Seven Hundred and Seventy-four point Four Million Dollars (\$1,774.4 million), an increase of 8.1 percent.

Madam Speaker, the national public debt that accounts for most of this liability, increased by 8.4 percent to approximately 67.9 percent of GDP. As a ratio of GDP, total central government debt increased to 61.0 percent, from 57.4 percent in 2006. However, as a result of the strong revenue performance in 2007, the Central Government total debt service to current revenue ratio fell from 22.1 percent to 21.9 percent.

Partnership with the Private Sector

Madam Speaker, these are not figures of which we, as a nation can be proud of. I know that the prophets of doom and gloom will rub their hands with glee as some of them have already begun to make public pronouncements about the demise of the economy, talking of further economic contraction and the loss of jobs.

Madam Speaker, that is the easiest thing to do. That is the type of defeatist mindset that has confined us to a state of continued dependence. A state in which mediocrity is acceptable as the chosen way of life. All too often we hide behind this cloak of mediocrity, finding reasons why things cannot be done, instead of concentrating on how they can be done.

Madam Speaker, thirty years of independence should have taught us that such an approach will leave us languishing in the lower ranks of the league of nations, at best, struggling to stay afloat. We are at the crossroads of our development where we must decide on the optimal strategic response to the circumstances of our times. Do we remain cautious and content to accept low growth rates, knowing that if we do, we will continue to experience high debt to GDP ratios and have limited impact on unemployment and living standards? Or, do we take an alternative route, one that is bold and ambitious, one that says that we will achieve much higher growth rates because it is the only way that we can really progress, and then do everything in our power to attract and facilitate the investment that offers the possibility of the transformation of our economic and social circumstances by a factor, way beyond our ability to achieve given the limited financial resources at our disposal?

Madam Speaker, this Administration has chosen the latter path. But significantly, it is an approach which has been embraced by the many investors and development partners that we have been able to attract. And so, Madam Speaker, when we build our projections on a platform of a growth rate of seven percent, it is not based on a whim or a fancy. It is based on the cold hard reality of the dollars that will be invested in our economy by the private sector partners. Madam Speaker, we have deliberately spent the best part of a year in dialogue with those interested stakeholders, sifting through what is feasible, what is cost effective and what will maximize the benefits to our people.

This budget reflects the outcome of that dialogue. It reflects the realization that globalization is not a passing phenomenon, that allows us to bide our time under the guise of national sovereignty. Madam Speaker, the world owes us no favours. What we achieve must be earned. We must capitalize on the opportunities that have presented themselves to us now, because these will not remain available ad infinitum.

We have to be disciplined and focused and we must embrace partnership because it provides us with an opportunity to prosper, even as we benefit from the best practices and expertise of those who are accustomed to setting and achieving ambitious targets.

Madame Speaker, going forward, the private sector will continue to play its usual role in the provision of goods and services. However, it will also become more involved in the delivery of so-called “public” goods and services, the provision of which until now, have been the exclusive responsibility of Government.

The scope of the economic expansion that is taking place has brought home the reality that Government does not have sufficient budgetary resources to provide for all of the infrastructural and service requirements of the economy. Consequently, Government’s role has evolved into one of creating an enabling environment within which the Private Sector can intervene in an increasing number of economic sectors, to invest, to provide services and to create jobs.

Madame Speaker, as will be discussed further below, Government and the Private Sector are presently cooperating through a variety of mechanisms, including contracts, concessions, design/finance/construct arrangements, and public-private joint ventures and partnerships. Through these modalities St. Lucia will benefit from major new investments in key economic sectors through the implementation of projects and programmes that are subject to commercial discipline, sound financial due diligence and represent an efficient allocation of resources.

It is this approach, based on a dynamic partnership with the Private Sector that is the bedrock of the strategy of this Administration for moving from vision to implementation.

The Quadrant Approach to Development

Madam Speaker, as you may recall, the Quadrant Approach to the development of the Island was first articulated in the 2007/2008 Budget Address.

Since then, a great deal of effort has been expended on refining the strategy and on mobilizing resources and investment to give effect to the vision represented by the Quadrant strategy.

The road map for development set out one year ago is now wholly achievable as a result of the overwhelming response by investors, both local and international, who have seen the opportunities and are prepared to commit the resources to support our national development programme.

Madam Speaker, what is evident is that private investment is catalyzing and driving our development. The challenge is for the Public Sector to keep up with this momentum and facilitate the unprecedented wave of investment of which St. Lucia is the beneficiary.

Madame Speaker, St. Lucians and visitors alike, flocked to the City Hall in December of last year to review the development plans that were placed on public display, and they had the opportunity to comment on, and critique the proposals that were presented.

The excitement generated gave great impetus to our efforts to implement these plans and the overwhelming support for the development vision elaborated, represents a renewal of the mandate given to this Administration to ensure that the living standards of every St. Lucian are significantly improved.

Madam Speaker, the final version of the Quadrant development blueprint, that will cover the entire island, will be completed by August of this year, and between now and then, these development proposals will be showcased throughout the country through road-shows and town-hall meetings. These plans will also be presented to St. Lucian communities overseas to ensure that all our citizens have an opportunity to participate as we move from vision to implementation.

Madam Speaker, the implementation of our development vision requires that we rally and engage all the people of St. Lucia, and we will do this by providing an environment within which they can make informed decisions and choices, and participate in the investment opportunities that will emerge.

Madam Speaker, in keeping with this commitment to consultation, earlier this year, on March 11, to be precise, the National Consultative Council was launched. The broad objectives of the Council, among others are to:

- Contribute to the emergence of a shared vision and national development plan for transforming Saint Lucia's economic and social landscape over the next decade;
- Identify strategies for optimising export and investment opportunities and the enhancement of Saint Lucia's international competitiveness;
- Develop strategies for stimulating economic growth and accelerating development consistent with the need to encourage wealth creation, empowerment of citizens and investment in social assets;
- Devise strategies to address human development and manpower issues with particular reference to education, training, employment and self-employment;

- Design proposals to address poverty alleviation through the creation of sustainable livelihoods;

Based on these objectives the Council was given the following mandate for its initial period of deliberations:

- i. Review of the Labour Code and Minimum Wage Legislation.
- ii. Formulate recommendations on strategies to address the inflationary impact of increasing oil prices and the increasing prices of foodstuffs and other basic consumer necessities.
- iii. Consider the issue of the economic empowerment of citizens and formulate recommendations, in the form of specific policies that should be adopted to ensure that Saint Lucians benefit meaningfully from national development and maintain an ownership interest in national assets and in the economic opportunities that emerge.
- iv. Address the issue of youth alienation and youth unemployment and make recommendations as to the introduction of remedial policy and project initiatives, and in this regard, give specific consideration to the introduction of a National Youth Service.

Madam Speaker, the deliberations of the NCC on these subjects is eagerly awaited so that Government Policy and decision-making may be guided by its recommendations.

Madam Speaker, as we move from vision to implementation, some of the projects and initiatives that will commence during the 2008/2009 fiscal year include:

a. Re-Development of the Castries Business District

The Castries Re-development plan envisions a city that is safe and clean, one that offers ample opportunity for work, numerous shopping options for visitors and locals alike, and a range of recreational activities in an environment that maintains and enhances the rich French and British colonial cultural heritage, architecture and character of the Island.

One of the best features of this plan is that our capital city will again become pedestrian friendly, with green open spaces, bringing back the option of evening strolls and window shopping. The plans pay particular attention to environmentally friendly design and construction and also seek to ensure that Castries becomes one of the most beautiful and cleanest cities in the Western Hemisphere.

Madame Speaker, on the subject of cleanliness, the Castries City Authorities have been mandated to embark upon a major new initiative to ensure that Castries and its environs become litter-free, and in this regard special monitoring and policing measures will be put in place.

b. Development of Castries Cruise Port

During this financial year, Madame Speaker, Government in collaboration with Royal Caribbean Cruises Limited will commence the development and expansion of the waterfront area of Castries to make the city a major cruise port and duty-free shopping centre that will cater to the needs of cruise tourists, hotel visitors and the local public alike. An agreement that will give effect to this initiative will be signed in the coming weeks.

This development is also expected to substantially increase the amount of airlift into St. Lucia, as a result of cruise passengers flying to the destination to connect to Royal Caribbean and other cruise ships.

c. Development and Expansion of Vieux Fort Port

Madame Speaker, in the coming weeks, Dubai Ports World, one of the world's largest port operators is expected to conclude a public-private partnership with the Government, through the Air and Seaports Authority to manage, develop and expand the port operations at Vieux Fort.

Under this arrangement, all commercial cargo coming into St. Lucia will be landed at Port Vieux-Fort thereby freeing Port Castries to become a dedicated cruise port and duty-free shopping centre. As part of this strategy, containers destined for the north of the Island will be barged to a new Inland Freight Depot to be established at Cul de Sac and cargo will then be distributed from there.

d. Development and Expansion of the Vieux Fort Free Zone

Madame Speaker, as part of the proposed arrangement, Dubai Ports World will also be granted the concession to develop and expand the existing goods distribution free-zone, thereby allowing it to introduce a formula that in other parts of the world has led to the generation of large number of jobs and income generating opportunities. This venture will also lead to significant increases in air traffic and passenger throughput at the Hewanorra International Airport.

e. Upgrade and Expansion of the Hewanorra International Airport

Madame Speaker, the services of the leading design firm of Sequeira and Gavarrete Ltd. have been secured for the preparation of a master plan for the

complete redevelopment of the Hewanorra International Airport, to increase its capacity to handle passenger traffic, increased cargo and fixed based or jet operations, and to increase the quality and number of retail outlets. Discussions are at an advanced stage with regard to the mobilization of financing for the implementation of this major upgrade of our principal airport.

f. Development of a New Cruise Port at Vieux Fort

Madame Speaker, in a related development, I wish to inform this Honourable House that plans are at an advanced stage to establish a major new cruise terminal and commercial and duty free centre at Vieux-Fort, adjacent to the Town and in the vicinity of the former Il Pirata site. A Developer that is interested in financing the reclamation and development works required, has already been identified and discussions are being held with a leading cruise ship operator interested in basing its operations there, creating a home port that would create the opportunity for passengers from all parts of the world to fly into Hewanorra Airport to join cruise ships based at the new cruise terminal.

Madame Speaker, it is clear from what I have indicated so far, that no member of this Honourable House can accuse this Administration of neglecting Vieux Fort or the South of the Island, but I assure you that there is still more to come for the South.

g. Expansion of George F.L. Charles Airport

Madame Speaker, it is the intention of this Administration to construct a new Airport Terminal at Point St. Victor on the opposite side of the existing terminal at the George F.L. Charles Airport. The airport runway will be extended to cater for medium size jet aircraft such as the Boeing 737-800 that is operated by most major airlines and the existing terminal will be refurbished for use as an FBO (**Fixed Based Operations**) for private jets. The designs for the new terminal as well as the new Airport masterplan are at an advanced stage and the Government of France through the Agence France de Developpment has kindly consented to become involved in the financing and in the next few days an agreement will be signed with the French Authorities that will allow work on this project to move to the stage of costing and financial structuring.

h. Hess Oil Refinery

Madame Speaker, it is not the place of this Administration to make formal statements about the progress of the proposed oil refinery project slated to be built at Cul-de-Sac Valley by the Hess Corporation at a cost that, based on industry standards, may approximate to US\$7 billion. The Hess Corporation will, in due course make announcements in this regard, but I can inform this Honourable

House that the sale to Hess of the additional lands required to enable this venture to proceed, is virtually complete.

Tourism-Related Development

Madame Speaker, the Quadrant Economic Strategy that underpins the development efforts of this Administration, divides the country into four separate Quadrants, and for each Quadrant, identifies economic drivers or engines of growth that through their implementation, can lead to the achievement of accelerated rates of economic growth, create jobs, create business opportunities and ensure the socio-economic sustainability of the towns and communities within that Quadrant.

In accordance with this strategy, this Administration has spared no effort to facilitate tourism related investments throughout the Island, in order to bring the benefits from our principal growth sector directly to residents and communities throughout St. Lucia.

Madame Speaker, we are fortunate that St. Lucia continues to be a very attractive location for investors interested in establishing high-end resorts, to satisfy the burgeoning demand by very sophisticated travellers for an up-market product, characterized by luxury accommodation, excellent service and amenities, and offer the possibility of owning a second or vacation home.

As a consequence, most of the high-end resorts that are being constructed to appeal to this demographic segment, include a mix of five-star luxury hotels, villas, condominiums and home sites, with amenities such as golf courses, marinas, branded spa facilities and wellness centres, sporting facilities and up-market retail shopping.

Madame Speaker, the fact that St. Lucia is currently considered as a hot-spot for this type of high-end investment is not a coincidence, but rather the result of a deliberate strategy by this Administration to promote St. Lucia as an upscale tourist destination, and to grant approval only for the establishment of luxury five-star resorts, that provide greater returns to the country in the form of revenue and jobs, relative to three and four star properties.

Madame Speaker, some of the new resort developments on which some level of development activity is expected to commence during this financial year include:

Fond Bay Resort in Micoud - an up-market, private club resort development that will include 320 family homes and townhouses, 110 condominium units, a branded spa facility and world-class wellness center, a retail center, an 18-hole championship golf course and clubhouse and 4 tennis courts with clubhouse. This development is estimated to cost US\$550 million.

The Troumassee Resort in Micoud - a mixed-use resort residential community that will include 500 luxury hotel rooms, 184 condominiums, 20 ocean-front villas and 300 home sites. Resort amenities will include a signature 18-hole championship golf course, a marina/lagoon village, a tennis centre, equestrian facility and approximately 125,000 square feet of retail space.

Saphyr Estate Residences and Marina Complex in Laborie - a unique luxury resort complex with a 150-room 5-star hotel, 112 town homes, 140 condominiums, 30 fractional condominiums, 22 villas, 20 estate lots and a marina complex with condominiums. Resort amenities will include a golf course, conference centre, casino, spa, gymnasium, retail village, beach club and sport amenities such as swimming pools, tennis and basketball courts and aquatic sport facilities.

The five-star mixed hotel and residential development is expected to create much needed employment in Laborie and its environs. The development will ensure that Laborie will not only be known for its picturesque scenery but also for a resort of stature and eloquence unrivalled anywhere in the Caribbean.

The Ritz Carlton - known as one of the best, if not the best luxury hotel brands in the world. The resort in Black Bay, Vieux Fort will be established in two phases. Phase one will include a 50-room Ritz Carlton hotel, 224 condominium units to be known as 'The Residences at the Ritz Carlton', 38 penthouse units, a 20,000 square foot state of the art spa treatment centre, an 18-hole Arnold Palmer designed championship golf course, and a 20,000 square foot golf clubhouse. Future phases will include a marina with a retail shopping area, an 18-hole championship links course designed by Christy O'Connor Jr., detached single family homes, a casino, beach club, a variety of restaurants and fractional-use residential units.

River Doree Resort in Choiseul – that will encompass a 150-room hotel that will be managed by an internationally recognized hotel operating company, as well as 500 residential units including a mix of apartments, townhouses and villas. The resort amenities will comprise a signature golf course, craft outlets to take advantage of the strong craft tradition of the village of Choiseul and retail space.

Malgretoute Resort in Soufriere – an initiative that was started by the previous Administration will be an environmentally friendly, high-end development

that will include 3, 4 and 5 bedroom villas and a treetop spa facility. The resort is expected to cost over US\$250 million.

Madame Speaker, in addition to the developments already named, advanced planning work is already underway on new large-scale developments at Fond d'Or Bay in Dennery, at Rouche Island north of and adjacent to Fond d'Or Bay in Dennery, at Louvet Beach, at Grande Anse Beach, at two distinct sites on the Pigeon Island Causeway and at Morne Pimard on Rodney Bay where an ultra-luxury Banyan Tree Resort is to be developed.

All of these new and proposed developments are in addition to the ongoing construction activity that, within one year will add at least another 2,000 rooms to the existing stock.

Madam Speaker, in this fiscal year we will witness the commencement of construction of at least seven major resort developments right around the island. The immediate implications for employment in the construction sector are obvious, but perhaps more importantly, this high level of hotel construction activity focuses the spotlight on the need, within a two to three year timeframe, to ensure that we have a trained, world class workforce that can fill the permanent jobs that are being created, as well as to ensure that the appropriate ancillary services are in place.

TOURISM STRATEGY

Madame Speaker, it is the Tourism Sector that is the catalyst for the level of investment that we will experience in the coming years. Indeed, notwithstanding the growth statistics for the past year, there is no truer sign of confidence in the sector, and in the overall economy than the scale of investment that is taking place.

For too long we have sat on our achievements in the sector, believing that tourists will come automatically. We must deal with the reality that we have to become more aggressive; we have to become more competitive; we have to become more proactive. In the business of tourism, if you remain stagnant, you will be swamped by the wave of new, more vibrant destinations.

And so Madam Speaker, we have to reposition ourselves so that we have a destination and a brand that is distinct and world class. This repositioning has to take place at both the programme and institutional level.

At the programme level, Madame Speaker, we have already made some progress, providing significant resources in the last fiscal year for our marketing efforts. In the last quarter of 2007/08, Madame Speaker, we witnessed a reversal in the

trend of declining arrivals. That was not a chance occurrence. It was the result of a deliberate strategy to target some key markets.

Madame Speaker, our marketing approach has been, and will continue to be multi-faceted and flexible. We will promote the brand that is St. Lucia in all the main markets, utilizing a range of interventions. The objective is three-fold i.e. **make people yearn to come to visit our Island, then get them here in comfort and in good time, and then when they are here, give them a wide range of options on which to spend their money.** Madame Speaker, in today's environment we cannot make good on that strategy without significant investments.

Madame Speaker, we will not be in the game if we cannot where necessary, subsidize the cost of **a ticket to paradise** to ensure higher levels of occupancy during the low season. We will be overrun by other destinations if we cannot induce airlines to increase carrying capacity. In fact, we will be cutting our own throat if we create the capacity and the demand, but cannot fulfill that demand because we have insufficient flights.

At another level, Madame Speaker, our marketing efforts will also be focused on a clientele that offer the prospect of a high yield in terms of expenditure. We will target those that are attracted to the major resort developments that will be constructed in the coming years, and to the villas and condominiums and golf courses. But we will also seek to attract those who are more eco-sensitive and who are interested in the boutique/village tourism brand that will also be developed.

Support to the Yachting Sector

As we seek to diversify our Tourism product, it is important, Madam Speaker that we explore all available avenues to stimulate foreign direct investment, and create jobs and opportunities for our entrepreneurs. In this regard, the Yachting Sector must be mentioned.

Madam Speaker, the improvements in the physical infrastructure already underway at Marigot Bay, Rodney Bay Marina, and The Landings will be further enhanced by our Castries Harbour redevelopment, making St. Lucia one of the most attractive yachting destinations in the region. These investments together amount to more than EC\$1 billion!

Government recognizes that the legal, regulatory and business environment must be tailored to facilitate and sustain this growth, and that our labour force must

prepare itself to service the industry. In that regard, Government has been working closely with the Marine Industries Association of St. Lucia to nurture the new environment.

Thus far, we have placed yachting skills on Government's priority listing, so that loans are available from the Bank of St. Lucia for students of these subjects, and we will explore avenues for obtaining scholarships in these fields. Madam Speaker, the Immigration and visa regimes have been addressed in order to streamline entry requirements for yachts; Customs clearance will be assisted by web-based measures; concerns about personal safety of the yachting community are been discussed with the Marine Police and the Crown Prosecution Service. The incentives regime for the sector will be revisited to ensure that local as well as foreign investment is encouraged. We will also encourage the establishment of Sea Scout Troops at our schools, thus providing an institutionalized entry level to the wonderful world of the sea.

Madam Speaker, perhaps the most significant initiative to date is Government's move to establish a fully fledged Maritime Authority in St. Lucia, which will be responsible for discharging our obligations under the several International Maritime Organization (IMO) conventions that we have acceded to. The Authority will also be responsible for the St. Lucia Ship Registry, an important new development in increasing St. Lucia's attractiveness as an offshore investment centre. Flying the St. Lucian flag will create opportunities for suitably qualified St. Lucian seamen to find employment on our newly registered ships.

Locally, we have seen the total economic impact of the yachting sector move from EC\$72.64 million in 2000 to EC\$139.2 million in 2004, and to close to EC\$200 million in 2007. Considering that this was achieved before the investments referred to above, we are confident that this industry will continue to be a major contributor to the national economy.

Madame Speaker, as I have indicated previously, repositioning must also be undertaken at the institutional level. We have to ensure that co-ordination and management of the sector is enhanced. There has been too much duplication and overlap between the Ministry of Tourism and the St. Lucia Tourist Board. In this fiscal year, Madame Speaker, we will establish a unitary Tourism Authority that will assume responsibility for marketing, event management, some elements of product development and the production and distribution of tourism sector related information.

The Ministry of Tourism's role will be focused on policy formulation, facilitation of tourism investment processes, particularly in respect of incentives, and support to the regulatory process for licensing tourism products and standards.

Madame Speaker, the specifics of the new organizational structure will be finalized shortly but suffice it to say, we will develop a lean and efficient institutional framework, that will take us to the point where we have a sector that provides optimal yields per acre, continues to contribute to our growing economy and that can be financed on a sustainable basis.

Permit me Madame Speaker, to give honourable members an insight into how critical this sector is to our economy and our development.

Madame Speaker, it has been estimated that a typical visitor from the US and Canada spends between EC \$2,640 and \$2,943 per visit whilst in St. Lucia and that it takes a combined expenditure of fifteen (15) visitors to support one full-time employee. Therefore, for every additional 10,000 visitors that we attract, an additional 667 full time jobs will be created within the local economy.

Madame Speaker, if we can meet a target of 50,000 incremental stop over visitors this year, we can benefit from EC\$137.5 million in gross incremental spending that in turn will support the creation of over 3,600 new jobs. That is how powerful the Tourism sector is. That is why we must continue to make the level of investment that is proposed.

Major Infrastructural Initiatives

Madam Speaker, in support of the major investments that I have described that will be undertaken by private investors, either on their own or in partnership with Government, there are several major infrastructural initiatives that must be undertaken to provide critical support to the overall development programme.

One of these initiatives is the construction of a new Dam or major water catchment to service the South of the Island. Efforts are well underway to secure financing to construct such a facility on the Troumassee River as is the case for the construction of a similar facility to serve the North-East Quadrant where plans for major resorts at Fond d'Or, Louvet Beach and Grand Anse Beach are well advanced.

Madam Speaker, all new initiatives being contemplated in the water and sewerage sector are being viewed in the context of the imminent privatization of the Water Utility WASCO that is expected to come into effect before September of this year.

As a result of decisive decision-making by this Administration, the privatization of WASCO will proceed on the basis of a formula that will allocate forty percent (40%) of the shares of the new entity to an international private sector investor that will also exercise management control, and twenty percent (20%) of the

shares each to Government, the National Insurance Corporation and the public and local private sector.

Madame Speaker, this new operational arrangement will allow for the mobilization of the financial resources required to upgrade the plant and water distribution system, to reduce line loss of treated water that is estimated at as much as fifty percent (50%) and to improve operating efficiency.

Madam Speaker, I wish to point out to this Honourable House that as part of this transaction my Administration has not agreed to any tariff increase as it is our firm belief that a new operator, by increasing efficiency and making investments to achieve line loss reduction can operate profitably without having to be awarded an up-front tariff increase.

Madam Speaker, I also wish to point out further, that as a further buffer against the need for a precipitate tariff increase, this Administration has taken the decision that it will trade-off tax and duty free concessions to the private sector investor to assist in containing the cost of new investments in the sector.

Madam Speaker, the other major new infrastructural investments that must be undertaken are in the road and transportation sector and include the construction of the North-East Quadrant Highway, the construction of the Barre de L'Isle Tunnel and a network of roads and tunnels that are required to facilitate the re-development of Castries and the improvement of the traffic flows from the north of the island into Odsan completely by-passing Castries.

Negotiations for financing these projects are well underway and preliminary works on all of these initiatives will commence during this fiscal year.

As a first step Madam Speaker, we have allocated \$2.0 million towards feasibility studies for the construction of an estimated 20.2 km of tunnels under the Barre d'Isle, the Castries East by-pass under Bocage and Trois Piton and in Castries, a by-pass under the Calvary Ridge. Additionally, \$900,000 was allocated for technical work in relation to the proposed North East Link Road that will run from La Caye Dennery and connect Louvet, Grand Anse and Marquis Estates and end at the existing road in Dauphin. Madam Speaker, I am pleased to announce that preliminary works are expected to commence on this project in the last quarter of the fiscal year.

When completed Madam Speaker, these projects will immeasurably improve the transportation network island wide and spark economic activity and allow for the establishment of new residential areas that will create opportunities for home ownership as well as business opportunities. We need to look into our past to see examples of the payoffs from smart investments in infrastructure. The

Castries/Gros Islet Highway transformed the north of the island and more recently the Millennium Highway has become a gateway from Castries into the hinterland of Saint Lucia.

Since the construction of the West Coast Road in the mid 1990's by a previous UWP Administration, there has been no major improvement or rehabilitative works to that road. Madam Speaker, this Administration continues to recognise the critical importance of that road especially for our tourism and agricultural sectors. We must continue to provide smooth and safe transportation for our visitors and nationals alike. In keeping with this government's thrust of the Quadrant development, the West Coast Road will serve as the link between the Central and South-West Quadrants, and also serve as an alternate route to the South-East Quadrant from the north. To preserve the structure of the road, we have allocated a total of nine (9) million dollars.

Further, Madam Speaker, in line with the maintenance of our commitment to the agricultural sector, 28.1 km of community and agricultural feeder roads will be rehabilitated at a cost of \$12.9 million during the 2008/09 fiscal year. Although the returns from our once "Green Gold" are no longer as high as they were, we must continue to provide encouragement and support to our farmers and pave the way for diversification into non-traditional crops. The following communities will benefit from this project. In Package 1, Roseau- Belair- Sarrot, Coolie Town, Lombard, Bois Jolie, Jacmel, Morne Ciseaux, Belle Vue, Viancelle, La Ressource. Packages are also in place for Fond Assau and Cabiche in Babonneau, Gadette in Dennery, and Deglos and Vigier.

Housing

Madam Speaker, owning a home is central to every Saint Lucian's dream. It represents a tangible sign that the benefits of development are being felt by all. This administration is committed to ensuring that the major economic and infrastructural initiatives that I have outlined previously, will be complemented by significant investments in a range of housing options that will cater for all Saint Lucians.

Madam Speaker, we will be utilizing the public- private partnership modality to ensure that the supply of quality and affordable housing is made available. Madam Speaker, we will place particular emphasis on creating new communities, with all the attendant amenities that will serve to induce our people to move out of environments which are currently characterized by high density of population, limited basic amenities and little scope for expansion.

Trade and Commerce

Madam Speaker, while much attention has been focused on tourism-related developments and major infrastructural developments over the past year, this has not been at the expense of work in other critical sectors. In this context I wish to draw the attention of this Honourable House to initiatives in trade and commerce that are ongoing and that hold considerable potential for consolidating our development efforts.

Madam Speaker, Government, through the Ministry of Trade, Industry, Commerce and Consumer Affairs continues to focus on enhancing the environment for doing business in Saint Lucia given the dynamics of the externalities in the international arena.

We have witnessed a more than sixty percent rise in the price of crude oil in less than two years; the worldwide escalation of food prices; a crisis of confidence in the financial system in most of the developed world brought about by inappropriate decisions made by key financial institutions in the sub-prime mortgage market in the United States and Madam Speaker, increased obligations that are binding on Saint Lucia as a result of our participation in international trade agreements under the CSME, WTO, and the EU-CARIFORUM Economic Partnership Agreements initialed on December 16 last year.

Madam Speaker, how does a Government such as ours respond to these many challenges and convert these into opportunities for the country in general and for the private sector in particular?

Madam Speaker, in this financial year Government will engage in a number of initiatives geared primarily at improving productivity within the private sector thereby generating increased growth and output.

When we examine the productive private sector we see that over 85 percent of Saint Lucia's private sector is comprised of what we may describe as micro and small scale enterprises. This sector is however being challenged more than ever to compete with companies at the Regional level, within the context of the CSME, and very soon at the international level under the EU-CARIFORUM Economic Partnership Agreement.

Madam Speaker, faced with this reality, Government must move to help this sector to become more competitive. Protection by way of tariffs, non-tariff barriers or licenses is not the way to ensure the sustainability of the sector.

Government has therefore decided to activate the Micro and Small-scale Enterprises Act of 1998. Through this intervention, Madam Speaker, Government

will assist with the formalization of small businesses by assisting with incorporation of at least 300 small businesses within the financial year. Incorporation will result in the adaptation to and adoption of best practices by small business owners. Best practices will improve competitiveness, quality and quantity of jobs and sustainability.

A very important feature of this initiative, Madam Speaker, is that it will be administered on an IT platform thereby lending itself to easier access. An Advisory Body will be established and a Registrar will also be appointed.

In this fiscal year, Madam Speaker, the National Export Strategy will finally receive the attention it requires as the consultancy to determine the best operational method to implement the strategy will be executed in the coming months.

Madam Speaker, implementation of the National Export Strategy is central to Government's efforts aimed at reforming all the systems involved in the production of both goods and services in this country.

The economy of Saint Lucia has evolved significantly over the last twenty years into an economy in which more than 89 percent of its exports are of services and in which a similar percentage of national output derives from the production of services. Madam Speaker, in this context it has become necessary to introduce appropriate regulations in some of the key services sectors in the country.

As a result, Government will, this year, commence the first phase of a three year Regional Project aimed at developing legislation and regulations for select services sectors in the country. This is important, Madam Speaker, as Saint Lucia has liberalized its entire services sector under the CSME, and has liberalized over 60 percent of the sector under the EU-CARIFORUM Economic Partnership Agreement.

Madam Speaker, we must also realize that the Free Trade Agreements, into which we have entered, have the potential to increase the level of foreign investment that will be attracted to Saint Lucia in the years ahead. In this regard, it is important that the country has a National Investment Strategy. Efforts will be made in the coming financial year to complete the strategy development process.

Madam Speaker, even while we seek to boost domestic capacity to become more competitive and to improve the regulatory environment to facilitate the conduct of business, we recognize that there must be support, first of all, at the domestic level, for the private sector. In this regard therefore, Government has decided to place even greater emphasis on encouraging Saint Lucians to buy locally produced goods and services.

Priority will therefore be given to the development and printing of a directory highlighting manufacturers and service providers. In addition, through the Ministry

of Trade, Industry, Commerce and Consumer Affairs, attention will be focused on the holding of local exhibitions as well as on assisting export ready companies participate in overseas trade shows, trade missions and exhibitions.

Madam Speaker, to emphasize the commitment of this Administration to the productive private sector, Cabinet has already decided that all Government Ministries, Departments and Statutory organizations must give priority to purchasing domestically produced goods and services wherever these goods and services are of a comparable price and quality to goods and services available elsewhere.

We believe that the tax payers of this country that include the private sector, must be given every opportunity to benefit from the expenditure of the Government of Saint Lucia.

Madame Speaker, while we will be undertaking the above mentioned activities in the coming financial year, we recognize that our private sector is part of an international economy and that the goods and services that we produce must conform to international standards.

We will therefore continue to give support to the Saint Lucia Bureau of Standards and place great emphasis on issues of standards, quality assurance and accreditation. Madam Speaker, the Bureau of Standards has to be an integral part of the drive to increasing competitiveness within the private sector. Against this background, and recognizing that the European Union will not be allowing trading of goods in units other than the metric system from the first of January 2010, this Government must move ahead with completing the metrication process in Saint Lucia before this date. A new Metrication Board was launched earlier this month and full support will be given to the Board to ensure that Saint Lucia goes fully metric by the due date.

Madam Speaker, while there has been a great deal of emphasis on the establishment free trade areas, ostensibly to increase trade among countries, one must remember that in the final analysis, it is consumers who purchase these goods and services. With the projected increase in the flow of goods and services into Saint Lucia, we must strengthen our systems aimed at consumer protection.

In this regard, Madam Speaker, Government will be paying attention to the institutional arrangements in place for the protection of consumers. Madam Speaker, these policy interventions in the area of consumer welfare are also important in Saint Lucia's compliance with its obligations under the CSME.

Emphasis will also be placed on continuing the reform and updating of legislation that will facilitate increased competitiveness in the private sector. In this regard, Madam Speaker, I refer to work on the Consumer Protection Bill, the Model OECS

Competition Law and the Shopping Hours Ordinance, that will be completed this year.

Madam Speaker, related to the business of trade is the need to monitor the nature of trade taking place between Saint Lucia and the rest of the world as well as to better facilitate trade. In this regard, Government will undertake the restructuring of the Import Licensing Unit within the Ministry of Trade with the view to introducing greater efficiency in the manner in which the Unit conducts its business. The Unit will be fully integrated into the Customs clearance procedures under the ASYCUDA++ system so that import licenses where required, may be obtained online. This Madam Speaker will significantly enhance trade facilitation in this country.

Madam Speaker, we are now full members of the CSME and later this year will sign on to the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union. The public needs to understand the nature of these agreements and their implications.

During this year therefore, there will be high emphasis on public education on the content of these agreements. We are also convinced that there must be a dedicated implementation mechanism at the national level to ensure that Saint Lucia obtains the maximum benefits possible from the agreements that we have entered into. In this regard, Madam Speaker, assistance will be sought to facilitate implementation of the agreements that we have entered into.

The World Bank, through its 'Doing Business Report' has recommended that Saint Lucia introduce the Single Electronic Window approach for various aspects of business facilitation. This will make doing business more efficient and hassle-free for potential investors, and will lead to an improvement in the scores attained by St. Lucia in the 'Ease of Doing Business' Survey. We are currently moving to implement this recommendation.

Madam Speaker, you may recall that the Prince of Wales visited our island in March of this year. A major objective of his visit was to show support for the Youth Business Enterprise Trust by launching this programme in St. Lucia. Government will initiate major activity in support to this venture during this fiscal year.

Madam Speaker, informal traders, hucksters and speculators make up a very industrious segment of our entrepreneurial class. Every encouragement will be given to these small scale business persons who, through their adventurous spirit travel far and wide to expand the range of good brought into the country. During this year Madam Speaker, a special study will be undertaken to examine how the

activities of these small traders and speculators can be facilitated through Customs relief, tax incentives, allowances and other mechanisms.

Madam Speaker, we are all aware that a series of events at the international level has impacted on the cost of living in Saint Lucia and all countries throughout the world. We have seen riots arising from the high price of food that have sadly resulted in deaths, in our sister country of Haiti and in other countries around the world. Increased demand for basic food items in countries such as China and India with their vast populations, that have become increasingly wealthy, coupled with the increased amount of land dedicated to the production of bio-fuels as a complement to fossil fuels are largely responsible for the current situation.

The price of food is being further negatively impacted by the astronomical rise in the cost of crude oil and the reduction in subsidies on food produced in the developed countries of Europe and the United States. All this seems to point to the realization that the era of cheap food is all but over.

How has this Government reacted in the face of this challenging situation, Madam Speaker? In the short-term Government has sought to mitigate the negative impact of this situation by identifying a list of nine items for which it has sought and obtained permission from CARICOM to remove the Import Duties. In addition to that Government has also removed the consumption taxes on these items where they existed. For the commodities of flour, rice and sugar that are imported in bulk by the Government Supply Warehouse, these prices have been kept fixed by subsidizing the price of these commodities.

To give an indication of the magnitude of this subsidy let us examine one of the commodities, flour. Flour, Madam Speaker, is landed here at EC\$82.00 for a 100 lb bag. After handling and other charges the cost of this bag in the warehouse is about EC\$87.00 per bag. This flour is however sold to bakers at \$67.00 per bag so that we have been able to keep the price of both the pan loaf and creole bread at the same level. The price of a bag of flour to wholesalers has remained at EC73.10 so that the cost of a pound of flour to you, the household has not gone up.

If you do the calculations, Madam Speaker, you will realize that Government is subsidizing the price of every bag of flour sold to the bakers by EC\$20.00 and every bag sold to the citizen by about EC\$14.00. It has cost the Government over EC\$3.5 million per year for this short-term measure, yet we hear some asking what has the Government been doing to cushion the rising price of basic food?

Madam Speaker, we have now just completed discussions with the Private Sector and Cabinet has recently approved the addition of some fifteen basic food and health related items to the list of price controlled items. I can inform you that the private sector is completely opposed to the use of price controls to cushion the

rate at which prices of goods are rising. However, Government is mindful that the market conditions are not perfect and that competition by itself will not lead to the desired slowing down of the rate at which prices will rise in the short run.

Madam Speaker, you may also know that another of the short-term measures that we pursue is to continue subsidizing both the 20lb and 100lb cylinders of Lpg cooking gas.

For the medium and long term Government is reviewing the bilateral trade arrangements in place between CARICOM and some Latin American countries such as Costa Rica so as to identify products that we may want to allow to enter Saint Lucia duty free.

Madam Speaker, Government believes that ultimately, the sustainable response to the crisis of rising prices, is to generate productivity increases in our production processes. If we are more productive, we can increase output and workers can therefore benefit from salary and wage increases to combat the higher prices. Hence, Government will examine the establishment of a National Productivity Council. This will be done in close partnership with the private sector.

Madam Speaker, perhaps our most important medium-to-long term intervention will focus on restructuring the agricultural sector. Already we have undertaken initiatives in the banana industry that have brought back confidence to the banana farmer. We have secured duty free and quota free access for all our agricultural goods to the European Community under the CARIFORUM-EC Economic Partnership Agreement. I will speak more about the responses that involve agriculture when I discuss that Sector, a little later during this address.

However, Madam Speaker, some responses that may be adopted by individual households can bring very beneficial results. These include:

- Being vigilant, learning to keep our eyes open to watch prices, and to adjust our behavior accordingly.
- Watching our household food expenditure, shopping wisely, redirecting our spending to live within our means and being more conscious of our spending.
- Conserving energy and saving more.
- Establishing a family backyard garden.

- Guarding against food wastage and preserving food wisely.
- Changing shopping patterns by seeking to facilitate buying bulk packaged groceries in warehouses and wholesale, and joining with friends and family to buy in bulk, thereby achieving savings.
- Finding substitutes and buying generic or store brand products of good quality.

AGRICULTURE

Madam Speaker, Agriculture remains a critical component of the economic fabric of St. Lucia. Although its contribution to GDP has declined significantly in recent years, investment in agriculture remains a key strategic objective of this Administration. The mounting prices of agricultural commodities currently being experienced around the world, makes food security an urgent and almost mandatory priority. Government will therefore, continue to provide the necessary economic and financial support structures to ensure an efficient and productive agricultural sector.

Moreover, Madam Speaker, the advent of so many large-scale resort developments across the length and breadth of the Island, provides the perfect opportunity to create meaningful linkages between our tourism and agricultural sectors.

In this Budget, allocations are made for crop development, livestock development, development of fisheries and support for agribusiness development. These activities will largely be funded with grant funds from the Special Framework of Assistance (SFA) of the European Union and the Republic of China on Taiwan (ROCT), but a number of activities will also be funded from local revenue sources.

Madam Speaker, a number of initiatives will be funded under the Agricultural Diversification Programme of SFA 2001 and SFA 2002. Under SFA 2001, funding will be used to strengthen the quarantine and agricultural health capacities of the Ministry of Agriculture, Lands, Forestry and Fisheries (MALFF), through the provision of operational support for Ministry's agricultural health departments and the rehabilitation of the quarantine inspection facility.

To address praedial larceny that has been a perennial problem plaguing the agricultural sector, a Rural Constabulary Pilot Project has been launched, the outcome of which it is hoped, will provide a framework for the establishment of a permanent Anti-Praedial Larceny Programme.

Madam Speaker, under the SFA programme, allocations have also been made for the upgrade of selected IRDCs and Pack Houses, as well as, the provision of technical services and promotional support for agro-processors and their products.

Many rural roads are in a deplorable condition and hamper access to farms, in addition to causing significant losses in agricultural produce due to bruising and other physical damage. Under the SFA programme, a number of farm access roads in various communities will be rehabilitated.

Under SFA 2002, Madam Speaker, allocations have been made for the development and implementation of quality standards and a certification system for major agricultural products in St. Lucia. This will enhance the export potential of many local agricultural products and this, it is hoped will go a long way in reducing the food import bill, as local consumers will have access to good quality, duly certified agricultural products, on local supermarket shelves.

Madam Speaker, a Five Year Strategic Management Plan (SMP) will also be developed for the Ministry. This Plan will seek to address the structural and organizational deficiencies of the Ministry and will attempt to create a framework for a better coordinated and efficient approach to the Ministry's management of the agriculture sector and lay out a path for the development of the sector.

This Strategic Management Plan will provide recommendations for the harmonization of policy with a long-term objective within the various focal areas (livestock, crops, fisheries and forestry). It will also look at the structure of MALFF, the legal, regulatory and institutional framework within which it exists, its efficacy in service delivery, its ability to manage agricultural developments and shape relevant policy, as well as the relationship with other agencies involved in agricultural development. The Plan, Madam Speaker, will make recommendations on the best way of achieving agricultural development for the next five years.

Madam Speaker, the land tenure situation will also be addressed through a review of the land tenure regime in St. Lucia. It is envisaged that this review will lead to the development of policy recommendations, relevant legal instruments and institutional support mechanisms to foster optimal utilization of lands in support of increasing production and productivity within the agricultural sector.

Madam Speaker, as has become evident to all St. Lucians in recent times, the production and export of bananas faces new and difficult challenges in this new

age of globalization. Nevertheless, its role in sustaining the socio-economic well-being of many households in the country, particularly in the rural areas, cannot be overstated.

To this end, Madam Speaker, this Administration pledges its continued support for local banana farmers. The term of operation of the Banana Emergency and Recovery Unit (BERU) came to an end earlier this year and in order to ensure that the requisite institutional support is available for the industry at this critical juncture, the BERU is being replaced by the Banana Production Management Unit (BPMU), as part of Government's food production plan, which will include all farmers and fishermen.

This initiative is aimed at restoring confidence in the banana industry and agriculture in general, by reversing the decline in production through improvements in production scheduling, fruit quality, the provision of technical assistance to banana farmers and increasing the international competitiveness of the local industry.

Madam Speaker, support will also be made available in this financial year for the development of non-banana crop production. Many of these programmes will be funded with grants from the Republic of China on Taiwan and are aimed at increasing the productive capacity of the non-banana agricultural sector, thereby giving a significant boost to our diversification efforts.

Madam Speaker, such initiatives directly and significantly complement the Agricultural Diversification Programme under the Special Framework of Assistance of the European Union. The projects to be undertaken here include the redevelopment of the Union Agricultural Station; provision of agricultural inputs to farmers; assistance for the Greenhouse Vegetable Production Programme; the development of the Beausejour Agricultural Station and the relocation and enhancement of the Agricultural Station at Roseau.

The Republic of China on Taiwan will also assist in the funding of production enhancement for agro-processing, an area that has lacked investment in the past, but which offers significant growth potential, through the creation of a framework for value added, on local agricultural produce. Some support will also be provided by the Republic of China on Taiwan, for the Agricultural Feeder Road Rehabilitation Programme.

Madam Speaker, for a long time the lack of adequate slaughter facilities for livestock has been a serious impediment to the growth and expansion of the livestock sector in St. Lucia. However, a simple slaughtering facility would not allow for the needs of modern consumers to be met, nor would it fit into the new quality control environment that is being created through the introduction of

agricultural standards and certification systems. Furthermore, expansion of the livestock sector must be predicated upon the ability to produce the requisite diversity and quality of products that are currently imported into this country and that contribute to the significant national annual food import bill.

To this end, Madam Speaker, a modern Meat Processing Facility will be constructed with funding from the Republic of China on Taiwan. This facility will provide the appropriate infrastructural base for the future growth and expansion of the livestock sector in St. Lucia and the subsequent reduction in the food import bill for livestock products.

Madam Speaker, last year, St. Lucia experienced the ravaging force of Hurricane Dean. Although there has been a steady recovery through quick government response action, additional effort is required if farmers and, by extension the agricultural sector, are to once more regain their full productive capacity. Allocations have therefore been made for the Post Dean Rehabilitation Programme.

Madam Speaker, allocations have also been set aside for the revitalization of Cocoa production, as the crop is once again showing significant potential especially as its price has been continually rising on global markets. The crop also offers a good crop diversification alternative for many banana farmers who already have their fields intercropped with cocoa, but who need assistance to bring them back into full production.

Madam Speaker, the fight against destructive pests and diseases will also continue and support has been provided for the extension of the Coconut Leaf Mite and Giant African Snail Control Programmes.

The fisheries sector represents an important income generating opportunity for many families in St. Lucia, especially in the coastal communities. This Administration, Madam Speaker, remains committed to the development of fisheries and recognizes its contribution to the attainment of food security on the island. Allocations have therefore been provided for the continuation of a young fishermen's training programme to ensure that the aging group of fishermen are ably replaced. Support will also be provided to community based technology enhancement programmes, through the construction and placement of a number of Fish Aggregating Devices (FADs) in our waters.

Madam Speaker, many fishing communities already have fully functional fisheries facilities for their fishermen, but in others, these facilities are glaringly absent. Funds have been set aside for preparatory works for a modern fisheries facility in Anse-La-Raye, so that this community can also enjoy the same advantages of

storage of fish gear and tackle, protection for boats from rough seas, as well as ice making facilities for the storage of the catch.

New Marketing Arrangements

Madam Speaker, last year's budget address signaled Government's intent to transform the Saint Lucia Marketing Board into a new entity, with responsibility for marketing and distribution of agricultural products. We recognized at that time, the need to establish a more consistent and efficient method of ensuring that quality produce was available in a timely manner and at a price that made it attractive to consumers.

Madam Speaker, if our diversification efforts are to take root, if we are to finally establish tangible and sustainable linkages with the hospitality sector, then we have no option but to ensure that this new entity becomes operational at the soonest. We have to rid ourselves of the incessant need to bail out entities and face the realities that in a liberalized and competitive environment, such entities must operate as private concerns, utilizing business practices that emphasize cost efficiency. Moreover we have to also create an environment which gives farmers the confidence to do what they do best, planting and producing their crops.

Madam Speaker, I want to re-iterate that in keeping with this Administration's overall emphasis on fostering public – private partnerships, this new entity, that will become operational this year, will be owned jointly by all the major stakeholders, that is farmers, hotels, supermarkets and indeed, the wider public.

The Environment

Madam Speaker, when I look at the physical landscape of this country, I see hope in a rapidly-developing infrastructural base that creates additional capacity for development. On the other hand, I see cause for worry in the removal of large tracts of forest and wetland for infrastructural development, the erosion of beaches due to sand mining and improper coastal development, and the declining water levels in our rivers that carry to the sea ever increasing cargoes of silt, refuse and chemical contaminants that threaten the health of our coral reefs and other coastal ecosystems.

Government will, as a consequence:

- Map out all wet lands and declare these Nature Reserve Areas, to hold and protect for all times for the benefit of all, and

- Map out certain selected green areas throughout the Island and to hold and keep these areas as Park Lands,

Madam Speaker, I also see cause for worry in the apparent insensitivity of many of our people who mistakenly believe that the land, sea, rivers and atmosphere can infinitely absorb pollution and other forms of degradation and yet continue to produce environmental goods and services such as water and clean air. Madam Speaker, common sense, the visual evidence and the scientific record, tell us that this is not so.

While many of us have been taking the environment for granted, Madam Speaker, the global community has been attempting to address the major issue of climate change. While many among us have been of the view that this is a phenomenon that will manifest itself in our grandchildren's time, its effects have been insidiously at work in our own country, undermining our very prospects for survival.

Madam Speaker, in 2005, unusually high sea surface temperatures led to a bleaching of many of our coral reefs on the west coast. This was a key factor in Saint Lucia's fall in the world ratings of dive destinations from the top five, to number twelve. Madam Speaker, if this is worrisome, given the importance of the dive tourism sector, it is even more disturbing that the Intergovernmental Panel on Climate Change has predicted that our region is likely to face more intense hurricanes as well as a decline in rainfall in the coming years.

Further, Madam Speaker, we can also expect sea level rise that, in the Pacific Ocean, for example, is threatening the very existence of certain low-lying island states. Finally, a fundamental point I must make to this Honourable House is that science has determined that phenomena such as climate change will have even more dire consequences where the environment has already been degraded by human activity.

That is why, Madam Speaker, I am always very disturbed when I observe persons committing seemingly small environmental misdemeanours such as throwing litter out of minibuses and cars. These persons are obviously insensitive to the effects of such actions on our landscape and on our marine environment.

Madam Speaker, indiscriminate removal of vegetation and other such actions are cause for even more concern. While we do need development, I want to assure the people of St. Lucia that this Administration will pursue it in a manner that does not compromise the very assets that are the foundation of our present and future prosperity.

Madam Speaker, Saint Lucia, the Helen of the West, got its name because of its outstanding beauty. Just a few decades ago, our Capital City, Castries, was considered the cleanest in the Caribbean and our harbour one of the most beautiful. Also, Madam Speaker, Saint Lucia is marketed in tourism circles as "Simply Beautiful". However, this strap-line is belied by the presence of copious amounts of litter in several parts of the city and the fact that our main harbour has for years, been one of the most polluted in the region.

Sadly, Madam Speaker, while Helen remains beautiful, her beauty is being marred by insensitivity and improper development. We as a people, as a nation, cannot continue to allow this to happen.

Madam Speaker, in an effort to slow down, and even reverse, the degradation of our environment, this Administration will, in this Fiscal year, institute a series of measures that will clearly demonstrate a commitment to sound environmental management and to overall sustainable development. These measures will include policy, as well as practical measures, aimed at addressing key environmental issues.

Madam Speaker, to this end, Government will finalize and pass into law an Environmental Management Act. This Act will go a long way in rationalizing environmental management in Saint Lucia, will address key legislative gaps and also empower the agency primarily responsible for environmental issues, the Sustainable Development & Environment Section.

Madam Speaker, Cabinet has recently approved the re-establishment of the National Environmental Commission. This broad-based entity, that has a mandate to advise Government on environmental issues, and to foster greater inter-agency collaboration with regard to environmental issues, will be formally launched in the first quarter of the fiscal year.

Madam Speaker, from a practical standpoint, water resource management is critical, not just for human survival, but for the health of our environment. As I indicated earlier, the decreasing water flow in our rivers is cause for concern, as we seek to produce and distribute water to other areas. For several years now, Madam Speaker, scientific monitoring of our stream flows to determine exactly what is happening to our rivers has been neglected. To reverse this trend, Government will, this year, install monitoring gauges in at least three rivers around the Island. It should be noted, Madam Speaker, that these gauges will also assist in flood prediction.

Madam Speaker, some parts of the island suffer severely from water shortages. While we recognize that this is in large measure due to the inadequacy of the

existing distribution system, one of our concerns is the seasonal and spatial variations in rainfall.

Madam Speaker, the infrastructural aspects of water management have already been dealt with elsewhere in this address. However, I wish, at this point to raise the need for water conservation on the part of the consumer. Madam Speaker, we are convinced that too many persons and institutions are wasting water, a practice we can ill afford. We are also convinced that more needs to be done to promote water harvesting and storage.

To these ends, Madam Speaker, we will examine the possibility of introducing fiscal instruments to encourage the use of water-saving and recycling devices, as well as water cisterns and tanks.

Madam Speaker, it is said that water is life. Our water comes from the rivers, which are fed by the forests. Our forests also serve as a store of biodiversity that we need to conserve. Over the years, our forest boundaries have changed and these need to be re-surveyed. This activity will be undertaken during the financial year.

Madam Speaker, Cabinet has recently approved a comprehensive National Land Policy that was developed following lengthy stakeholder consultations. Every effort will now be made to implement this policy.

While Government retains ownership of significant tracts of land, much of our forested acreage lies in private hands. While Government cannot dictate to these landowners how to utilize their lands, we will work closely with them to identify ways of encouraging them to protect as much forest as possible.

Madam Speaker, the Physical Planning Department, and in particular, its Development Control Authority, is responsible for guiding property development in Saint Lucia.

Until now, Madam Speaker, legislative loopholes, limited manpower and low fines have allowed developers, especially some large developers to get away with environmentally inappropriate actions. This is going to be addressed in a meaningful way this year Madam Speaker, as the long-outstanding Environmental Impact Assessment Regulations will be finalized and passed into law. These regulations, I must add, will contain specific measures to address coastal zone management issues.

Madam Speaker, Government intends to review, and increase, the fines imposed on developers who flout the Physical Planning laws. This will ensure that these developers do not simply continue with business as usual after receiving a mere

slap on the wrist. In addition, Madam Speaker, steps will be taken to see how, the Physical Development Department can be further strengthened in order to better fulfill its mandate.

Madam Speaker, Saint Lucia has recently acceded to the Land-Based Sources of Marine Pollution Protocol of the Cartagena Convention. Given the imminent commencement of the Castries Redevelopment Project, financing is being secured for the establishment of a sewage treatment system for Castries. In addition, steps are being taken to build on preliminary studies previously undertaken for Vieux-Fort and environs.

Madam Speaker, our coastal resources are critical to our survival. Therefore, during the fiscal year, a comprehensive coastal mapping exercise that will, for the first time, map all Saint Lucia's critical nearshore and onshore coastal assets, will be undertaken.

Madam Speaker, I have already alluded to the problem of litter and to the special programme to be initiated by the Castries City Authorities. One aspect of the solid waste problem that is of grave concern is that of the indiscriminate disposal of beverage bottles. Our streets, drains, rivers and roadsides are strewn with plastic and glass bottles and the cost of cleaning these up is significant.

Madam Speaker, following due consultation with stakeholders, it is the intention of this Administration to pass into law a Returnable Containers Act that will establish a deposit system for beverage and other bottles, and synthetic containers that degrade the environment. This Act; by placing an economic value on these bottles and other packaging materials, will cause them to virtually disappear from our public spaces.

Madam Speaker, it is our intention, in consultation with the National Council on Public Transportation, the Transport Department, the Police and other stakeholders, to come up with a number of measures aimed at curbing the problem of littering caused by vehicle occupants. Once we can implement these measures successfully, the "mobile litterbugs" will be dealt with in a decisive manner.

Madam Speaker it has long been said that Saint Lucia does not possess a culture of research and data collection. However, Madam Speaker, sound decision-making is best guided by the availability of good-quality data and information. It is for this reason that Government has seen the need to develop an environmental research policy that will guide this process.

Madam Speaker, we in Saint Lucia have historically paid relatively little attention to the quality of the air that we breathe. However, clean air is a prerequisite for good

health. In this regard, we need to be duly concerned about the prevalence of respiratory ailments in our country. Accordingly, Madam Speaker, in this financial year, we will undertake the groundwork for the establishment of an air quality monitoring system.

We will also train personnel from the relevant agencies in indoor and outdoor air quality monitoring. Further, Madam Speaker, we will commence work on the development of national air quality standards and guidelines that, we expect, will assist in setting the basis for, among other things, motor vehicles emissions standards. Finally in this vein, Madam Speaker, we will commence work on sensitizing our people to the importance of good air quality.

Madam Speaker, Saint Lucia continues to be ahead of schedule in the phasing out of critical ozone-depleting substances. During the Financial Year, we will continue to train refrigeration and air conditioning technicians in the use of ozone-friendly technologies. In addition, Madam Speaker, we will continue to lend support to these technicians in their effort to establish an Association of Air Conditioning and Refrigeration Technicians.

Madam Speaker, we have identified numerous measures for improving and maintaining the quality of our environment. However, many of these will fail if our people are not sufficiently educated about the environment. Therefore, during this fiscal year, we will complete a process that will result in the development of a National Environmental Policy and Strategy, and in the strengthening of key agencies involved in Environmental Education. In addition, Madam Speaker, a number of short-term education campaigns will be undertaken even as we prepare to introduce longer term measures.

Energy

Madam Speaker, without doubt, one of the trends that has captured the attention of the world over the last two years, and more so over the last six months, has been the rise in oil prices to dizzying new heights.

During this month, crude oil prices reached an all-time high of \$112 US dollars per barrel. Madam Speaker, while these prices have ebbed somewhat for the time being, we cannot but expect them to surge again like a rising tide, over the coming months.

The consequence of this spiraling increase in oil prices has been a knock-on effect on the cost of food, production and transportation, to name but a few sectors. As you will recall, Madam Speaker, in January of this year, Government, after many years of absorbing significant losses resulting from its efforts to hold fuel prices constant, was left with little choice but to raise prices at the pump. You will recall

also, that special measures had to be adopted to avoid a consequent sharp increase in bus fares.

Madam Speaker, while everyone laments the rising cost of food items and other commodities, we must recognize that one of the factors underlying this trend is the increase in the cost of energy, used in manufacturing and transporting these goods.

In addition, Madam Speaker, the prices of some agricultural products such as corn, have risen on the world market, as significant amounts of these food crops have been diverted towards the production of bio-fuels for use as a partial substitute for gasoline and diesel. Madam Speaker, the reality is that energy is a necessity for human survival. Therefore, we need to give this subject the attention that it deserves.

Despite announcing to the world, in 1999, its intention, Madam Speaker, to become a Sustainable Energy Demonstration Country, Saint Lucia remains, to this day, totally dependent; for all practical purposes, on imported fossil fuels. In view of the realities of trends in oil prices, we must move with urgency to change this situation and perhaps the most obvious place to start is in the electricity sector.

Madam Speaker, Saint Lucia has proven "wind energy" potential and the greatest benefit of "wind energy" is the avoided cost of energy imports. For this reason, Madam Speaker, Government will support the establishment of a wind energy park on the East coast that will initially have a capacity of 12 megawatts with a maximum capacity of 30 megawatts. At current oil prices, and other things remaining equal, oil imports will be reduced initially, by 12 to 15 million dollars.

Madam Speaker, in 2004, Government entered into agreement with a foreign concern for the exploration and generation of geothermal electricity in the Soufriere area. To date, there has been no progress and so, all steps will be taken to expedite the process of making geothermal a reality and further reducing our dependence on oil. However, all care will be taken, to maintain the integrity of the Pitons Management Area.

Madam Speaker, while it is recognized that there is limited hydro-electric potential in our country, some steps will be taken to begin to utilize that which is available. Studies have shown that the John Compton dam has a potential of 200-300 kilowatts. Armed with this knowledge, we will pursue the development of this modest, but not insignificant, resource. On a much smaller scale, we will seek to support the development of micro-hydro-electric technology that has direct applicability to the farming sector.

Madam Speaker, another abundant resource in this country is sunlight, that can be converted into electricity. While we acknowledge the relatively high initial capital cost of photovoltaic systems, we are of the view that there is a need to tap this resource, as it has its place in our energy portfolio. Therefore, Madam Speaker, we will move to establish a number of small pilots in various parts of the island. We will also move to have some of these interconnected to the main electricity grid, to demonstrate the feasibility of net-metering whereby excess power can be sold to LUCELEC.

Madam Speaker, we are keen to encourage the application of renewable energy at the household or farm-level. For instance, Madam Speaker, we have seen a proliferation of piggeries over the last several years. Some of the effluent from these farms is entering our rivers and having negative downstream effects. Tapping this by-product for the production of biogas would have the dual benefit of increasing the use of renewable energy and reducing the pollution of our environment.

Therefore, Madam Speaker, in addition to reaffirming the existing duty-free concessions for renewable energy technologies, we intend to put in place a number of measures that will encourage the adoption of biogas, micro-solar and other such technologies. For example, we will consider, among others, subsidies and other incentives, and the establishment of a special line of concessionary credit. We will also consider the establishment of a renewable energy fund.

Madam Speaker, in an effort to ensure that our public moves towards energy efficiency and energy management, Government will undertake a number of measures in that direction. **Almost immediately, we will take steps to remove import duties on all fluorescent bulbs, including energy-saving compact fluorescent bulbs or CFLs.**

In addition, Madam Speaker, we will remove import duties on electronic ballast fluorescent fixtures. At the same, time, however, in order to ensure that our consumers reap the real benefits of this incentive, we will request the Saint Lucia Bureau of Standards to establish standards for imported CFLs so that our consumers are not sold cheap imitations.

Madam Speaker, some time ago, a tax rebate system was instituted to encourage homeowners to purchase solar heaters. In addition, Madam Speaker, a special programme was initiated through the credit union system, to allow low-to-medium income households to purchase solar heaters.

In spite of these measures, and although solar water heaters are manufactured in Saint Lucia, Madam Speaker, it cannot be said that there has been sufficient market penetration by this technology, up to this time. In Barbados, by

comparison, tens of thousands of solar water heaters have been installed over the last ten to fifteen years.

Madam Speaker, we cannot afford to waste energy, or to let it go to waste. **It is for this reason that Government, in the very short term, will move to increase the import duty on electric water heaters. Government will also ensure that the tax rebate scheme for solar water heaters will remain in place.** Finally, Madam Speaker, Government will undertake measures to increase public awareness of the benefits of using solar water heaters.

Madam Speaker, the tourism sector utilizes some 30% of the electricity produced by LUCELEC. This figure is expected to increase significantly as we expect a significant expansion of the sector over the next two to three years. This implies a need to either increase LUCELEC's installed generating capacity or to improve energy efficiency in the tourism sector, or both. While there will be the need to do the former, this Government will, in the short term, seek to promote the latter.

Madam Speaker, we will review the package of incentives offered to investors in the tourism sector with the intention of finding ways to encourage the construction of hotels that are more energy-efficient. **We will also seek to offer incentives to encourage the retrofitting of existing establishments. I wish to add here, Madam Speaker, that similar measures will be considered for the manufacturing and commercial sectors.**

Madam Speaker, Government, while in a position to institute energy management measures across various sectors, must lead by example. As such, steps will be taken in this direction during the financial year. While the exact programme is yet to be finalized, one measure being considered is the institution of a competition among Ministries aimed at encouraging energy conservation and energy efficiency.

Madam Speaker, while we will be devoting a great deal of attention to the power sector during the financial year, another energy-intensive sector, the transport sector, will also come into focus. Every year, the number of vehicles on the roads increases by approximately 3000, thus leading to a direct increase in energy consumption.

In addition, Madam Speaker, the resulting congestion on our roads is in no way conducive to energy efficiency, as vehicles caught in traffic jams burn considerable quantities of fuel unnecessarily. Accordingly, Madam Speaker, we will embark on an assessment of the transport sector that will provide guidance for short, medium and long-term policy, legislative and technological measures to be taken to ensure the sustainability of the sector.

Madam Speaker, many of the measures we propose for the Energy sector will fail unless we can ensure that there is a favourable policy and regulatory environment. In this vein, we will move to finalize and adopt the long-outstanding National Energy Policy. In addition, we will move to revise the Electricity Supply Act using the consultative process, to allow, for example, the entry of Independent Power Producers into the power sector.

SOCIAL SECTOR ALLOCATIONS

Madam Speaker, we have, with justification, placed much emphasis on economic development and the attainment of high rates of economic growth, but as an Administration, we champion the symbolic nexus that exists between the economic and social dimensions of development.

We know that if we manage the economy properly, business will flourish, more rewarding jobs will be provided and this will redound to the benefit of all through an improvement in our quality of life.

We also understand that the failure to invest in education and health and to support the vulnerable and disadvantaged will mean that any long term benefits of growth will not be realized.

Our challenge, Madam Speaker, is in the words of Minister Cullen of New Zealand, to ensure that **“The lion of economic rationality must be made to lie down with the lamb of community well being.”** This we will attempt to do through the allocations provided to the social sector.

Health

The recent public debate on the new Psychiatric and the General Hospitals has had the notable positive impact of reopening the debate and dialogue on the design and operation of our health care service. We welcome such dialogue. I have repeatedly underscored the position that this Administration will not shirk its responsibilities and will take the tough decisions required even if these are unpopular.

Madam Speaker, our overriding objective is to create a health service delivery system that is accessible, affordable, of international standard and is sustainable in the long term. Yes, we will endeavor to accommodate the needs of stakeholders and interest groups, but our responsibility as a government is to ensure that the end product is consistent with the four imperatives that I have outlined, and can be sustained over the long term with the resources that are available.

Madam Speaker, we will not commit to a project that is partially funded by one of our donor partners without knowing where or how we will meet the remaining cost. Nor will we proceed to accept and utilize a facility without a clear analysis and understanding of the recurrent cost implications. That, Madam Speaker, would be the act of an irresponsible government.

Any health sector reform strategy must be underpinned by the principle that the patient comes first, and so, we must account for every dollar that is spent. The success of the health care system, Madam Speaker, cannot be judged only by the number of beds we have in a particular facility, or the total area of floor space, or the number of buildings that have been constructed. These of their own are meaningless, unless people get the quality care they need, when they need it.

With this in mind, Madam Speaker, let us address the matter of the expansion of our health infrastructure, that will be the main focus of our investment in the sector in this fiscal year.

To do so, Madam Speaker, we must first recognize that the health problems that we currently face and will continue to face in the future, are not of the variety that will require one-off medical treatment as is the case with acute illnesses. The ailments that we will have to deal with will more likely have different facets to treat and as such will require more holistic responses, most of which should be community supported. Madam Speaker, community support is a concept that must apply to all aspects of the health system, not just mental health.

It stands to reason, Madam Speaker, that if we are committed to an effective community based health care system – and we as an Administration most certainly are - then our national facilities must be better utilized.

Madam Speaker, we must put together a coherent system, not a fragmented group of facilities and services. We simply do not have the resources to invest in a multitude of massive structures. If we are to build a strong and sustainable health care infrastructure then we must focus on systematically building up the networks of care.

Fortunately for us, we have a location that lends itself to such an integrated health care service. Madam Speaker, the location of both the new mental health facility and the proposed new general hospital, in close proximity to the Victoria Hospital facility, provides us with a real opportunity to optimize these facilities without compromising the range of services and the diversity of clients that they must serve.

Based on these circumstances and the underlying philosophy that has been defined, Madam Speaker, the following approach is proposed:

The Psychiatric Hospital constructed by the Peoples Republic of China will be completed by the Republic of China on Taiwan and utilized to the extent necessary for its initial purpose. The additional space available at the facility would be used to accommodate administrative services related to Health. These administrative services would be shared with the new general hospital upon its establishment.

The new General Hospital; originally designed for 105 beds, will be constructed and established as a Medico-Surgical Centre with approximately 85 beds in the short term. During this period, obstetrics and pediatric services would remain at the existing Victoria Hospital that will be redeveloped and utilized as a Maternal and Child Health Centre.

In the medium term, these services provided at Victoria Hospital would be moved to the new General Hospital after additional wings have been constructed to accommodate these facilities.

To a large extent, this strategy is dictated by the funds available and allows for a phased approach to the development of our new hospital infrastructure.

However Madam Speaker, while the physical plant is being constructed and/or refurbished we have to deal just as decisively with the need to make our community facilities more functional as well as to address other aspects of service provision.

We will therefore continue our programme of refurbishment of Community Health Centres through our own local resources as well as with the support of the Caribbean Development Bank, with over \$3million allocated for this initiative. We have also made an allocation of \$500,000 towards the refurbishment of the Soufriere Hospital, in anticipation of polyclinic services, while we await the outcome of an assessment of the Dennery Hospital.

We will also be commissioning a Study to guide the establishment of a Castries Urban Polyclinic that will be compatible with the demands of a redeveloped capital. Meanwhile a feasibility study will be undertaken to examine the possibility of transforming the existing Marchand Market into a modern Health Centre to serve Marchand, Leslie Land, Waterworks, Sunbilt, Cedars and other communities.

Having made the resources available last fiscal year, Madam Speaker, to finalise the Transit Home for children at risk, we have now made an additional \$1million available to provide the therapeutic environment and materials necessary to make the home truly functional and effective in the delivery of services.

Madam Speaker, Health Sector reform will be incomplete if we do not address the core issue of health care financing. At the end of the day references to access, affordability, quality and sustainability of services will be meaningless if we do not carefully consider the financial implications of our decisions. Whether we institute Universal Health Care (UHC) or National Health Insurance (NHI), the core issue remains. In this fiscal year Madam Speaker, we will enlist the support of our development partners and engage all local stakeholders in not only reviewing the options available to us, but in determining the most feasible option, given our circumstances.

Madam Speaker, I am convinced that if we approach the reforms to our health sector in this measured way, we will, in a reasonably short period of time, reap the reward of a truly functional, efficient and integrated health system.

Coordination and Integration of Social Services

Madam Speaker, due to the many faces of poverty and the complexity of social development processes, any strategy or intervention aimed at its reduction will require good coordination and must be based on the effective integration of resources and systems. It will encourage the sharing of expertise and capacities among organizations, establish permanent, uniform and efficient systems of communication among actors, and identify and attempt to eliminate unnecessary duplication of efforts and roles.

The current fiscal challenges that confront this Government require a concerted effort to minimize duplication and operational excesses and to establish arrangements that would lead to more efficient employment of resources. It is for this reason that within this financial year we will witness the amalgamation of the Poverty Reduction Fund and the Basic Needs Trust Fund into one entity - the St. Lucia Social Investment Fund. This agency will serve as a delivery mechanism for the provision of basic infrastructure and services to poor and marginalized communities and groups in an efficient, responsive and accountable manner.

The Puente Programme

Madam Speaker, perhaps the most significant targeted intervention is the initiation of a the "Puente Programme" which is based on a holistic strategy that will complement Government's community and vulnerable group based activities. This intervention, aimed at families living in extreme poverty, is a Chilean model designed, implemented, and evaluated for the purpose of providing families with a comprehensive set of support systems, services and benefits to graduate them from a situation of poverty, deprivation and vulnerability to one of sustainable livelihoods and a "not poor status".

The overall objectives of the project are to:

1. Improve the socio economic living conditions of indigent, poor and vulnerable households;
2. Bring an end to extreme poverty in St. Lucia (1.6% of population and 1.2% of households);
3. Reduce poverty by building sustainable livelihoods, coping strategies, the quality of human relationships and interactions; and
4. Develop opportunities in poor communities and the vulnerable population through the establishment of a targeted programme of support designed to transform household units.

This Puente Programme will facilitate the effective targeting and administration of quality employment, housing, education, health and psycho social services, and support to indigent households. The central features of the programme are:-

- Social Program Interventions - These consist of the provision of a number of socio - economic programs delivered by social agencies including public assistance, health services, employment counseling, skills training and life skills development interventions, to indigent households required for their improved standard of living and quality of life.
- Educational Assistance and Support - This program will effectively administer to poor families over the five years period, services and support in the area of education that will allow households to focus their limited resources on developing strategic and sustainable livelihoods.
- Management Information System – An online, confidential and up-to-date targeting strategy that seeks to ensure that the interventions reach the poorest households and provide a virtual forum for tracking and updating the interventions among the social partners.
- Psycho – Social Therapy Programme - A group of specially trained family social workers will be the main tool for this initiative. The officers will maintain visitation with the households for the period of the programme and become the conduit through which support is administered. This component is carried out through Family Support Counsellors as they are able to establish a personal relationship with each of the families to whom they are assigned. The counsellors will work with each family during home visits, that occur with diminishing frequency throughout the 36 months (three years) of the intervention.

- Housing Assistance Programme – The programme will provide assistance and support for the provision of adequate housing and sanitation services to indigent, poor and vulnerable households.
- Strengthening of a National Social Network – Through the collaboration and coordination of programme activities and interventions with NGOs and CBOs at the community level, PRF will facilitate the direct and total involvement of indigent households, beneficiary communities and their representative organizations. In this context, the Social Network of agencies will be strengthened to oversee and co-ordinate project implementation activities among the target households, communities and agencies.

The Youth

Madam Speaker, there is a great deal of urgency about giving the needs of youth priority on the national agenda. If young men and women are tomorrow's adults, then with immediate effect youth must be placed at the center of development. Attention must be given to the plight of young people so that a suitable environment can be created to develop their capabilities and harness their energies.

We are all aware of the apparent alienation of some sectors of the youth population in Saint Lucia, with the attendant manifestations in the form of rising levels and involvement of male youth in criminal activity and violence, high school dropout rates and increased rates of drug abuse.

This Administration, Madam Speaker seeks to implement both proactive and remedial measures to reclaim our youth, particularly our young men. Over 1.6 million dollars has been allocated for a Youth Development Programme, while attention will be given to the relocation of the Boys Training Centre.

Madam Speaker, the programme of support to the youth will be augmented by a provision of \$250,000 this year to assist in the re-organization and re-vitalisation of the school - based uniformed groups and organizations such as the Scouts, Girl Guides and Brownies.

We have to nurture in our young people a culture of discipline, collaboration, respect, responsibility, tolerance, initiative and ambition. It is a process that will take time but we know that in the past, these uniformed groups and organizations have played a significant role in shaping our youth and their values. The ideals and principles espoused by these groups are just as relevant today as they were in the past. Madam Speaker, the challenge for us in this technological age will be

to find a different way of packaging such organizations and their activities in order to ensure that the interest and imagination of our young people is captured.

Sports

Madame Speaker, Sports and recreation is a valuable means of physical, social, mental and moral development for young men and women. Not only does it promote good health, but it fosters discipline, builds leadership and other social skills. Sport is a constructive way for youth to utilize their leisure time and can lead to the realization of significant social benefits in the form of reduced incidence of crime, drug abuse, teenage pregnancy, vandalism and idleness.

The National Sports Policy recognizes the vital importance of sports in the holistic development of the individual, the community and the nation. It is an important means of building and developing the character of the individual as well as that of the community. It builds the spirit of friendly competition, it provides healthy entertainment, it exercises the body, it focuses the spirit, it creates a climate of achievement and it challenges the youth, in particular, to higher levels of endurance and attainment.

This Government will therefore place emphasis on the construction and upgrading of sporting facilities as well as a series of coaching and sports development programmes.

As part of that program, the George Odum National Stadium will be upgraded and retrofitted with an International Olympic Certified Athletic track, in time for the Carifta Games in 2009.

In addition, works will commence on the construction of an International Lawn Tennis Centre which will be funded by the Republic of China on Taiwan.

EDUCATION AND HUMAN RESOURCE DEVELOPMENT

Madam Speaker, in my discussion of the approach to be taken by this Administration in the various economic and social sectors, I have deliberately left my contribution on the Education Sector to the last.

This should not be interpreted to mean that the Education Sector is least important, but rather, that it is the most important sector of all.

Madame Speaker, this Administration is convinced that there cannot be meaningful development in this country unless there is a substantial improvement in the education system.

When people are well educated they are able to participate more actively and more meaningfully in the development process. This Administration, Madame Speaker, is committed to 'People-Centred' development. We see people as being key players in development and not merely spectators of the process.

Government intends to address the deficiencies that exist within the education sector. Of grave concern Madame Speaker, is the poor condition of school infrastructure throughout the country. A number of schools are in a state of total disrepair or in need of major rehabilitation works while others require extensions.

Madam Speaker, Failure to address this situation as a matter of urgency means that we are putting the lives of our children and teachers at risk. This Administration intends to undertake a comprehensive review of school infrastructure in an effort to determine immediate and future needs, not only for enhancement works, but also with respect to maintenance requirements. School maintenance cannot be allowed to continue in an ad hoc manner. We must, Madam Speaker, move beyond reactionary maintenance of our schools and put systems in place – preventative maintenance programs, which allow for timely interventions that will ensure optimal utilization of our limited resources.

When the Dame Pearlete Louisy School was established a few years ago, it was declared a model school. Ever since, nothing has happened to pattern other existing schools on this prototype. We therefore need to go one step further, Madame Speaker, to look at applying minimum standards to all school buildings and other infrastructure, so that schools are identical in terms of curriculum, facilities and the amenities that they offer. This will greatly reduce the disparity that exists and encourage equity among schools at the various levels.

Madame Speaker, issues of quality and relevance of education must also be addressed. We cannot boast of having achieved Universal Secondary Education without the accompanying prerequisites to make its implementation successful. Quality of instruction must be improved, in order that performance improves, otherwise some of our children will fall by the wayside.

Madame Speaker, this cannot be allowed to happen in this unfolding modern society. Over this term this Administration will pay particular attention to the following areas:

- Teacher training – The reinstatement of salaries for teachers who are pursuing the Certificate in Teacher Education at the SALCC bears testimony to our government's commitment in this regard. We will continue with this

support to teachers, but will also introduce other training programmes in order to improve the quality and delivery of instruction at our schools.

- Technical Vocational Training – We must be able to capitalize upon the varying aptitudes and abilities of our students. The curriculum must be diversified at the Secondary School level to offer more opportunities for skills training, so that students so inclined can have access to that type of training. This will ensure, Madame Speaker, that we equip students with the necessary skills to participate and carve their niche in the labour market, especially as the pattern of our development is demanding a broad new sub-set of skills and aptitudes. This Administration intends to build on the success of initiatives such as the OECS Skills for Inclusive Growth and the Women in Construction Projects that are currently ongoing.

Under the Women in Construction project, 120 women are being trained in carpentry, roofing, plumbing, air conditioning, painting, masonry, steel bending, electrical installation and tiling. All indications are that the project is a major success and that participants are benefiting substantially, from the various course offerings. Upon completion of this training, Madame Speaker, we expect these women to be able to find jobs in the construction sector, to take care of themselves and their families.

Madam Speaker, we also expect to commence training this year under the OECS Skills for Inclusive Growth Project.

Human resource development will be the key to securing sustainable livelihoods for our people, and in this regard, the Skills for Inclusive Growth Project, funded by the Government of Saint Lucia and the World Bank, assumes critical importance in our development agenda.

Madam Speaker, the level of investment that has already been committed to the hospitality sector by private sector actors demands that within the next two to three years we have a pool of employees with all the skills required to provide world-class services.

The volume of investment that will ensure that the construction sector drives the level of economic growth projected, also requires an almost immediate injection of quality workers especially in trades such as tiling, carpentry, plumbing and electrical work.

Madam Speaker, as I indicated previously with regard to agriculture, we must begin to organize ourselves to take advantage of the markets that will be created by the new resort developments. Also, it is clear that training

that introduces new technologies and encourages innovation in production will attract the unemployed, especially our young people.

In light of these imperatives, Madam Speaker, we must ensure that the Skills for Inclusive growth Project, moves with the same intensity that is driving the various private sector investments that will commence in this fiscal year.

Already, we are engaged in discussions with the World Bank on ways to advance some of the scheduled activities so that training in all the targeted sectors can be undertaken simultaneously, rather than sequentially, with the hospitality sector being first and subsequently followed by the other sectors.

Madam Speaker, I am convinced that once the potential trainees are fully sensitized, there will be an overwhelming demand to register for the programme, because there are tangible rewards that will be reaped. In this fiscal year, \$2.2million has been already allocated to initiate training under this project and every effort will be made to augment the project budget, to allow for training to commence for all key sectoral areas.

Another area where specific attention will be placed during this financial year will be:

- Integrating ICT into the curriculum – Integrating ICT within the curriculum, Madam Speaker, will not only enhance the learning experiences of pupils but will cater to their individual needs.

Information Communications Technology (ICT), provides a platform for redefining the relationship between students and knowledge, so that knowledge is no longer seen as an imposition on students. Madame Speaker, it is imperative that every child be afforded the opportunity to interface with technology if the curriculum is to remain relevant. We are therefore committed to continuing our support at the secondary school level and to further extend this initiative into the primary schools. This will necessitate further investments in teacher training, hardware and software and the accompanying infrastructure. We will also tackle the issue of security from the onset, so that our efforts won't be rendered futile.

- National Literacy Survey and Plan – Madame Speaker, we are aware of the high rates of illiteracy among our people, and that is why we have made provision this year for the commissioning of a National Literacy Survey that will provide pertinent information on the composition and levels of illiteracy

in Saint Lucia. The outputs of this exercise will assist in the development of a comprehensive plan to address and reduce the prevalence of illiteracy, especially among the youth.

- Upgrading of the Sir Arthur Lewis Community College (SALCC) - This Administration, Madam Speaker, is pressing on with preparations for the conversion of SALCC into a full-fledged university, that will offer degree and other certificate programmes right here in Saint Lucia, the same programmes that some of our students are currently pursuing at high cost in other countries.

Madam Speaker, we cannot continue to let issues such as financing stand in the way of our students accessing tertiary level education. Madam Speaker, the successful implementation of this initiative therefore assumes the highest priority if we are to realize true progress in this country.

However, Madam Speaker, we are treading cautiously and ensuring that no stone is left unturned. We do not want to repeat the mistake made by our predecessors with the hasty and haphazard implementation of Universal Secondary Education.

Madam Speaker, we recognize that moving in this direction requires administrative and structural changes to SALCC. The consultancy that was recently undertaken by Professor Dean Bowles of the University of Wisconsin, Madison provided useful insights into the process and also presented recommendations with regard to policy and the implementation process.

While Professor Bowles' recommendations are generally acceptable, we recognize the importance of holding consultations with stakeholders within our education system, including some of the very students who will be prospective alumni of the upgraded institution.

Madame Speaker, we must provide opportunities for our people to express their concerns, ask questions, seek clarification and even make recommendations as we go along. The input of everyone is welcomed.

Madame Speaker, Our own Sir Arthur Lewis told us that ..."The fundamental cure for poverty is not money but knowledge." This incontrovertible truth must never escape us and this is what motivates this Administration in its approach to development, because if we arm our people with knowledge, we guarantee them prosperity. That is why I stated earlier that Education is the most important sector of all.

Madam Speaker, our commitment to Education and Human Resource Development, is so profound that during this Financial Year, we will embark upon two major new initiatives in this Sector.

As was announced earlier today by Her Excellency, the Governor-General in the Throne Speech, it is the intention of this Administration to establish an Education Commission that will initiate a national dialogue on the way forward for education. The Commission will be charged with responsibility for engaging all stakeholders to determine the direction for Education in a globalized world, so that all our institutions offer curricula that are relevant for the preparation of our population, for the roles demanded by the direction of our economic and social development.

Madam Speaker, the cost of undertaking the bold programme that I have outlined for Education will be significant, and it is in this context that I advise Honourable Members of the second major initiative to which I refer.

Madam Speaker, in an ideal demonstration of the vision and far-sightedness of this Administration, I can announce that we have secured the agreement of the World Bank, the European Union, the Caribbean Development Bank and the Caribbean Knowledge Learning Network to work collaboratively to support St. Lucia in the initiation of a comprehensive education and human resource development project.

This project will span the entire spectrum of the sector from early childhood to adult literacy education and will encompass provision for physical construction of facilities, as well as curriculum development and administration strengthening.

That is why this government is putting in place the necessary mechanisms to promote dialogue, transparency and ownership among stakeholders. The establishment of the National consultative Council (NCC) Madam Speaker is a step in that direction. We must equip people with the knowledge and skills necessary to effect change. We must empower them so that they are able to deal with the challenges of globalization, trade liberalization and the host of uncertainties that surround them.

Crime and National Security

The prerequisite for the achievement of our economic and social objectives as a nation is a safe and stable society and a safe environment in which both citizens and visitors can go about their business without fear. In this regard, Madam Speaker, the war on crime will be accelerated and will to be waged on several

fronts in this fiscal year. At the legislative level, we will address the long standing issues associated with the criminal justice system. For far too long Madam Speaker, there has been an outcry over the time it takes for individuals on remand to have their cases heard. For too long, the number of case adjournments has made a mockery of the judicial process. It is now time for us to provide a categorical and resounding message to victims and perpetrators that there is a system that will deliver justice, in a swift and efficient manner.

Madam Speaker, we will continue to equip our police with the necessary infrastructure to enable them to undertake their responsibilities. We have therefore allocated over \$1.3 million to undertake repairs to several police stations and to procure equipment and furniture.

Madam Speaker, our fight against drug interdiction on the sea is being hindered by the fact that the criminals are utilizing larger and more powerful boats than usual. We have to be able to counteract this and so an additional allocation of \$1.2 million has been made available to secure some new vessels.

Madam Speaker, this year it is our intention to examine new technologies, with the hope of introducing modern communications and surveillance equipment for the police. For the past thirty (30) years, the Royal Saint Lucia Police Force has used a VHF Analogue Radio System. Madam Speaker, this system's capacity is limited as it only provides one (1) channel on which to operate, and does not contain a number of critical components, such as a central command and control module.

Madam Speaker, such an archaic system renders police work ineffective as it does not provide room for expansion, or for inter-operability between multiple agencies, nor does it offer any privacy or security. The need for a more modern, coordinated and efficient system is therefore recognized as a priority. To this end Government intends to enter into an appropriate financing arrangement to procure a state of the art command and control communication system. An added feature of this package is the surveillance that will be provided, through close circuit television coverage of a number of target hotspots around the island.

Madam Speaker, investments of this nature are not only necessary but convey to the police themselves a message that this administration is committed to providing them with the wherewithal to undertake their duties effectively.

FINANCIAL SERVICES, FINANCIAL CONTROL AND FISCAL MEASURES

FINANCIAL SERVICES SECTOR

Madam Speaker, Saint Lucia entered the International Financial Services industry at a relatively late stage. This gave us the opportunity to learn from the experiences of those who came before us, and to develop our jurisdiction based on international best practice. In fact, Saint Lucia is said to have one of the more progressive legislative frameworks.

The move to develop the offshore financial industry was part of a strategy to diversify the economy as a means of creating new employment opportunities for Saint Lucians, while providing government with an additional source of revenue. However, the industry has grown slowly and while the Government of Saint Lucia has invested heavily in developing the appropriate infrastructure, we are yet to reap the full benefits of that investment. Currently, there are about 2,500 International Business Companies (IBCs) registered in Saint Lucia while Antigua has over 6,000.

Despite the relatively slow rate of growth in that sector, we believe there is still an opportunity for major expansion. But this would require Saint Lucia to aggressively and innovatively market the industry while offering the highest quality service.

Madam Speaker, while we must continue to promote our jurisdiction as having one of the best legislative frameworks in the region, we must also develop the legislative and regulatory infrastructure if we are to achieve and maintain high standards. We will work closely with industry partners to reposition the offshore sector to enable it to achieve robust growth in the coming years and to realize the expected benefits.

Madame Speaker, one of the initiatives we intend to pursue this year is the full operationalization of the Single Regulatory Unit. It is interesting to note that the former government, in its 2003 Budget Address, proposed "the establishment of an integrated regulatory framework for financial institutions operating within this jurisdiction. These institutions include banks, trust and insurance companies operating in both the domestic and offshore sectors, credit unions, building and loan societies and money transfer agencies."

This approach was based on a recommendation of the Monetary Council of the Eastern Caribbean Central Bank as far back as December 2002. Five years after this pronouncement was made, while what used to be the Banking and Insurance Department of the Ministry of Finance and the Financial Services Supervision Unit were merged, we are yet to achieve the integrated supervisory framework that was recommended by the Monetary Council. The Financial Sector Supervision

Unit currently does not oversee the operations of credit unions and money transfer agents.

Madame Speaker, if we are to reposition the international financial sector to become a key driver of our economy while ensuring financial sector stability, it is important that we pay close attention to the matter of regulation. My Government intends, therefore, to fully operationalize the Single Regulatory Unit framework by the end of this financial year and we will seek the assistance of the Caribbean Technical Assistance Centre (CARTAC) in this regard.

Re-establishment of the Development Bank

Within the next three months, Madam Speaker, this Administration will make good on its promise to re-establish the Development Bank that will address the needs of our farmers, fishermen, students and small and medium size entrepreneurs. The Bank will be located on Bridge Street in the former Cable and Wireless Building and recruitment of staff is currently underway. Financial provision has been made for the Bank's establishment and both Government and the National Insurance Corporation will be shareholders, while discussions are presently ongoing with other potential shareholders.

STRENGTHENING REVENUE COLLECTION

Madam Speaker, except for the introduction of a luxury tax on a certain category of motorcars, and increases in Excise and Consumption Taxes on alcohol and tobacco products respectively, there are no new taxes in this Budget. The growth in recurrent revenue from \$745.7 million in 2007/08 to \$807.8 million that is projected will be generated by the significant expansion in economic activity expected during the fiscal year.

This year, there will also be a more aggressive effort to collect revenues by the Inland Revenue and Customs and Excise Departments. These two Departments are the major revenue collection agencies of government and their anticipated outturn for the 2008/09 fiscal year accounts for 92 percent of total current revenue.

Madam Speaker, this Budget makes provision for these two departments to be provided with the necessary resources to enhance their revenue collection capacity. The tax auditing functions will be strengthened to deal especially with complex audits. In the case of the Customs and Excise Department, much emphasis will be placed on enhancing post-clearance audit and general enforcement capacity. This year, collaboration between those two Departments will be formally initiated through the establishment of joint audits designed to strengthen compliance and enhance the tax base.

Pass through Mechanism – Oil Prices

Madam Speaker, one of the emerging challenges for Saint Lucia is the rise in energy cost.

Recognizing this, my Administration intends to continue to examine and analyse oil prices this year, with a view to establishing an effective domestic oil price regime. My government will work closely with organizations such as the Eastern Caribbean Central Bank (ECCB) in selecting the optimal policy option.

The Monetary Council of the Eastern Caribbean Central Bank agreed to adjustments to the current oil price regime as far back as October 2005 to the extent that most countries in the OECS have adopted the fuel pass-through mechanism - Saint Lucia being one of the few exceptions. Saint Lucia as we are aware has a relatively fixed system whereby retail prices are adjusted on average once every two or three years. This year, we will thoroughly examine the options that offer greater flexibility for adjustment to energy price, such as the full pass through mechanism.

Operational Efficiency and Waste Reduction

Madam Speaker, since we are faced with the prospect of a global economic downturn and increases in the cost of operations, and notwithstanding the excellent prospects for economic growth, there is need to enhance operational efficiency in the Public Service.

The reports on various reviews of operations in the Public Service highlight the need to strengthen financial administration to attain operational efficiency. To address this situation, Madam Speaker, provision has been made in the Budget of the Ministry of Finance in this regard.

Madam Speaker, there is no doubt that compliance with sound financial and management practices will result in efficiency in operations and avoid the waste of resources associated with having to pay to correct what could have been done correctly in the first instance.

In this regard, Madam Speaker, greater accountability will be required from accounting officers in the Public Service. Managers will have to fulfill their responsibility for the efficient management of human and financial resources entrusted to them. Managers will have to make a greater effort to ensure compliance with the financial and procurement regulations and policies of Government and, Madam Speaker, managers will have to monitor their own operations and take corrective action to ensure that the objectives of their Departments are achieved.

Madam Speaker, continuing on the subject of effective management of resources, there appears to be a serious deficiency in the asset management practices employed within the Public Service.

The misuse and abuse of Government vehicles is a glaring example of the problem. Madam Speaker, a number of directives have been issued to attempt to control the use of Government vehicles. However, it appears that managers are either unable or unwilling to ensure compliance with these directives, and so, the misuse of Government vehicles continues, increasing considerably the expenditure of the Government.

Madam Speaker, this avoidable waste must stop. Accordingly, the Ministry of Finance will examine the possibility of instituting a centralized arrangement for the management of Government vehicles across the Public Service to bring about waste reduction and to ensure greater efficiency and a reduction in this high-cost element of Government operations.

Another area that has to be managed efficiently to bring about expenditure reduction, Madam Speaker, is the use of energy. The use of electricity can be minimized if managers put systems in place to ensure energy conservation. To this end, an energy audit will be conducted to recommend specific actions to be implemented by all Government agencies. As has been mentioned previously, competitions may be introduced among ministries to help to achieve this objective.

Madam Speaker, the management of the procurement and maintenance of assets is another area that has to be addressed if we are to attain greater levels of efficiency and waste reduction in Government.

During this fiscal year, the Procurement Regulations and Procedures will be strictly enforced and greater attention will be paid to the management of contracts. Madam Speaker, the Ministry of Finance will be more active in monitoring compliance with all of the financial and procurement regulations and policies of Government with a view to strengthening financial administration in the Public Service.

Tax Amnesty

Madam Speaker, despite aggressive efforts by the Inland Revenue Department to collect outstanding taxes due to the State, the records of that Department reveal a significant level of tax arrears, with some accounts dating back over 20 years.

The present level of Income and Corporate Tax arrears, Madam Speaker, stands at \$324.2 million, inclusive of interest and penalties of \$182.0 million. The factors contributing to this state of affairs range from adverse economic and financial circumstances of some defaulters, loss of employment in the case of others, to many persons simply not making an effort to pay their taxes.

Some of the reported arrears, for all intents and purposes, may be deemed to be uncollectible and the Inland Revenue Department, Madam Speaker, will be expected to engage in a vigorous as well as rigorous exercise to rid the tax arrears database of these dead and dormant accounts.

Madam Speaker, these uncollected amounts only create an illusion of an asset that may never be realized and to address this situation, the Department will immediately embark upon an exercise that will involve the following:

1. Verifying the accuracy of account balances
2. Establishing the level of arrears using "best of judgment" assessments
3. Determining the numbers of inactive taxpayers
4. Establishing the economic condition of defaulters

At the same time, Madam Speaker, persons who are overwhelmed with individual and corporate tax liabilities will be offered a once in a lifetime opportunity to extinguish existing tax liabilities. This will be in the form of a **two-year tax amnesty** that will be fashioned in the following manner:

April 1, 2008 to March 31, 2009

1. For accounts over 10 years
 - Waiver of penalty of 100 %
 - Waiver of interest of 70 %
2. For accounts of 5 – 10 years
 - Waiver of penalty of 100%
 - Waiver of interest of 50%
3. For accounts of less than 5 years
 - Waiver of penalty of 100%
 - Waiver of interest of 40%

April 1, 2009 to March 31, 2010

4. For accounts over 10 years
 - Waiver of penalty of 100 %
 - Waiver of interest of 50 %
5. For accounts of 5 – 10 years
 - Waiver of penalty of 100%
 - Waiver of interest of 40%
6. For accounts of less than 5 years
 - Waiver of penalty of 100%
 - Waiver of interest of 25%

Madam Speaker, Tax Amnesties are nothing new and have been successfully implemented in the past in St. Lucia and other countries. It is hoped that persons will take advantage of this excellent opportunity to settle their outstanding tax liabilities.

Establishment of Commission of Inquiry

Madam Speaker, as I address issues of financial control and financial accountability I wish to draw the direct attention of this Honourable House to certain matter that are a cause for grave concern.

During the most recent election campaign, certain allegations of financial maladministration were the subject of attention on the political platforms of my Party.

Notwithstanding this, upon assumption of office, this Administration busied itself with matters of governance and did not rush to seek vindication for those allegations made in the heat of the political hustings.

However, Madam Speaker, in the course of conducting the business of the people and in the pursuit of the establishment of sound principles and procedures for financial control, certain information has come to light that is impossible to ignore.

Madam Speaker, some of this information has been generated by forensic audits initiated by this Administration as well as by the Director of Audit in the course of the conduct by that Office, of its responsibilities prescribed under the Constitution.

Madam Speaker, the information that has become available is of sufficient gravity that it should be ventilated in a forum that allows all parties, that may be the

subject of scrutiny, to have every opportunity to shed as much light as possible on the circumstances surrounding the matters under review.

Accordingly, Madam Speaker, it is the intention of this Administration to appoint a Commission of Inquiry into these matters where it appears that financial maladministration may have occurred. This Commission of Inquiry will be appointed in the coming weeks, and in due course, details of the specific subjects to be addressed by the Commission, will be provided.

Foreign Relations

Madam Speaker, as we do everything within our power to ensure the most efficient use of our resources and as we try through strict financial control and financial accountability to optimize, the finances generated from national sources, we must also seek to mobilize resources from external sources.

In this regard Madam Speaker, the conduct of our foreign relations is of paramount importance, for this offers avenues through which we can harness the support of friendly countries for our development efforts.

Madam Speaker, under this Administration, St Lucia, will adopt a pragmatic approach to its relations with other states. Guided by the principles of democracy and the respect for human rights, we will endeavour to have peaceful relations with all states to the extent possible.

In the execution of this policy we will, as far as possible, utilize the multilateral approach, but the interest of the state will always be paramount. Therefore, where bilateral relations will be more beneficial, that method will be favoured over the multilateral approach. Yet, Madam Speaker, we are mindful of our limited scope for action at the individual country level. In that respect the institutions that we helped shape to give us the collective will and capacity, and here I refer specifically to the OECS and CARICOM, will always enjoy our continued support and commitment, as we move forward in a world of multiple challenges that require collective approaches.

Madam Speaker, we will use our foreign relations to advance the issues that are of major concern to us and work with other like minded states in this regard. Such issues as climate change associated with global warming; the peculiar developmental problems of small island developing countries; World Trade Organization and trade liberalization matters that may negatively affect small states; new and innovative financing mechanisms; technology transfer; development of appropriate standards; and the security of states, to name a few, are issues that require collective responses and actions.

Madame Speaker, St. Lucia was able to contribute to a strong statement on Pakistan and Zimbabwe within the Commonwealth framework, demanding free and fair elections and a return to democracy. We were able to do that because we had not compromised our own position on support for democratic regimes and free expression of the will of the people. So, whether it be Zimbabwe or Tibet, Pakistan or Taiwan, we can take the moral high ground in defense of these principles and in pursuit of our aspirations.

To that end then, Madam Speaker, our policy will focus on: Promotion and engagement in activities of benefit to the political and economic well-being of the citizenry;

Preservation of existing relations with friendly states and establishment and cultivation of relations with like minded states;

Participation in regional and international fora for the advancement of the principles, objectives, and interests of the state.

As a small, limited resource, island state, Madam Speaker, it is not expected that the country will have a presence in all capitals. Therefore, Headquarters will have to shoulder most of the responsibilities and work assignments that would normally be done by an embassy or consulate.

However, as efficient as headquarters can be, it will still require some input from various capitals and organizations. Therefore, as far as possible, embassies and or consulates will be maintained or established in countries where:

Returns from trade, investment, technical cooperation and other economic benefits can be maximized, with particular emphasis on Europe and North America, while exploring other regions of potential benefit such as Asia and Latin America;

Where a large number of citizens reside, to provide opportunities for our overseas citizens, or diaspora, to make their contribution to the state and to protect their rights and interests;

Where friendly relations are to be preserved and fostered and, to that end, we have upgraded the consulate in Cuba to an embassy;

Where participation in international fora will be of benefit to the state.

Madam Speaker, overseas staff will be given clear guidelines, objectives, scope of operations and responsibilities, terms and conditions of work. The high expenditure syndrome which seemed to have invaded the overseas missions under the previous Administration will be curtailed, as both fiscal responsibility and a social conscience approach will be encouraged. Performance analyses will be performed for all staff. Always, Madame Speaker, the benefits of our expenditure will accrue to the state and not for individual aggrandizement or pandering to desire for status.

I am emphasizing this last point here because we are now embroiled in two matters that are costing the government dearly, both in terms of finance and the reputation of the state. Matters, Madame Speaker, where individuals acted in complete disregard for proper procedures and authority. Suffice it to say that wastage will be cut out. No more will the overseas property of the government be left to rot or disposed of upon a personal whim or fancy.

Madam Speaker, we have reopened the Miami office to serve the southern part of the United States in trade, investment and consular matters. We have a large population of nationals willing to contribute to the development of their homeland in that area of the United States from Baytown to Atlanta to Fort Lauderdale.

We are reorienting the consulate in Martinique to serve as a gateway to Europe in addition to its old function of looking after our nationals there. We will strengthen the mission in London to foster bilateral relations with many European countries with whom we have had limited contact in the past. We will also use an increased system of honorary consuls to explore possibilities in Asia, Latin America and Africa.

ALLOCATION OF EXPENDITURE

Madam Speaker, I now present the highlights of the allocation of total expenditure among the various Agencies and Ministries and describe the purposes with which this expenditure is associated.

1. **Agencies of Parliament** - Office of the Governor General, Legislature, Service Commissions, Electoral and Audit Departments will receive a total of 6.340 million dollars. This represents an approximately six percent (6%) increase in expenditure over 2007-2008 and accounts for zero point five percent (0.5%) of the total budget.
2. **General Service Agencies** - Office of the Prime Minister, Ministry of Public Service and Human Resource Development and Ministry of Labour, Information

and Broadcasting is earmarked to receive a total allocation of 39.4 million dollars.

Madam Speaker, this allocation includes two initiatives financed by the European Union (EU) namely, the Human Resource Training Programme and Information Technology and Science Development Initiative and a regional E-Government Project funded by the World Bank in addition to provisions for the hosting of the Commonwealth Finance Ministers Meeting. While this represents a thirty-one percent (31%) increase over the previous year, this is equivalent to only three point four percent (3.4%) of the total budget.

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

Keeping all Saint Lucians as safe as possible continues to be one of this Administration's top priorities. In this regard, a total of 101.4 million has been allocated to this sector. This represents a five percent (5%) increase over the previous year and eight point seven percent (8.7%) of the total budget.

Madam speaker, the allocation includes provisions for the automation of court records; the completion and equipping of the Forensic Unit and a Close Circuit Television System for Bordelais Correctional Facility. Targeting, identifying and stopping drug trafficking is an ongoing struggle. In this Budget we will continue efforts to ensure the perpetrators are captured by equipping the Marine Unit with two (2) high speed vessels.

4. **Economic Service Sector.** A total amount of 699.8 million dollars is allocated to this sector. This amounts to sixty point three (60.3%) of the total budget. Of that amount 260.3 million dollars is provided for Debt Servicing, Retiring Benefits and Contingencies. This overall allocation represents a reduction of 73.1 million dollars over the prior year's allocation.

Madam Speaker, approximately 298 million dollars is for the Capital Investment Programme of this sector under the management of the following Agencies:

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

- (i) The Ministry of Economic Affairs, Economic Planning, Investment and National Development.

The Sectors that will receive Capital financing are as follows:

1. 46 million dollars for the Ministry of Agriculture, Forestry, Lands and Fisheries. Of that amount, 11.5 million dollars is for the Agricultural Diversification Strategy; 23.7 million dollars is for Crop Development of which 3 million dollars is for assistance to Banana Farmers in the face of the challenges they face in trying to meet costs for inputs to production, and 7.9 million dollars for Livestock Development to cover the cost of construction of a modern day Meat Processing Plant.
2. 3.4 million dollars for the Ministry of Trade, Industry, Commerce and Consumer Affairs to undertake the very important Metrication Initiative, the continued implementation of the Export Strategy and the Implementation of the Micro and Small Scale Enterprise Act among other initiatives.
3. 72 million dollars to the Ministry for Communication, Works, Transportation and Public Utilities. Of that amount, 67.3 million dollars is for Road Infrastructure in the priority areas island-wide. In addition 4.2 million dollars is for Community Infrastructural Development.
4. The Ministry of Finance will receive 38.8 million dollars, of which, 9.0 million is for the purchase of shares in the New Development Bank; 3.5 million dollars for the Catastrophic Risk Insurance Fund and 6.3 million dollars to meet Saint Lucia's contribution to the CARICOM Development Fund.
5. 53.6 million dollars is allocated to the Tourism Sector of which, 50.0 million dollars is for Tourism Marketing and Promotion.
6. 9 million dollars is allocated to the Ministry of Physical Development to continue the Computerisation of the Land Registry as well as the Production of New Large Scale and Small Scale Topographic Maps among other initiatives.
7. 20.4 million dollars for the Ministry of Housing and Local Government. This includes allocations for the continuation of the Shelter Development Project; the PROUD project; the Baron's Drive Relocation Project; the continuation of the Conway Relocation and for Town and Village Councils to undertake community projects.

8. 53.6 million dollars for the Ministry of Economic Affairs, Economic Planning, Investment and National Development of which 28.4 million is for National Development Initiatives to support the National Development Strategy.
9. Madam Speaker, 312.9 million dollars is being injected into the **Social Services** Sector. This amounts to twenty-seven percent (27%) of the total budget. The Ministry of Social Transformation, Youth and Sports; the Ministry of Education and Culture and the Ministry of Health, Wellness, Family Affairs, Human Services, and Gender Relations are the administrators of this sector.

Capital financing for this sector includes:

- I. 30.2 million dollars for the Ministry of Social Transformation, Youth and Sports. This incorporates allocations for the Poverty Reduction Fund; the Basic Needs Trust Fund; the PUENTE Programme. Also included, Madam Speaker, is 11.6 million dollars for a range of Sports Initiatives including provision for the repairs to the George Odum Stadium and the Hosting of the 2009 CARIFTA Games.
- II. 21.6 million dollars for the Ministry of Education and Culture of which approximately 8.7 million dollars is for the Rehabilitation of School Plant.
- III. 44.2 million dollars for the Ministry of Health.

FINANCING THE 2008-2009 BUDGET

Madam Speaker, this Budget seeks to find the balance between improving the level of service delivered to our people, while at the same time, maintaining the commitment to managing the defined financial targets. The strategic investments that have been outlined will continue to make our country stronger for the future.

Madam Speaker, the 2008-2009 Estimates of Revenue and Expenditure were formulated to achieve a Debt to Gross Domestic Product (GDP)¹ ratio that is less than the current ratio of 69.85%. Given a projected real GDP growth rate of seven percent (7%) it is expected that the debt to GDP will be 67.68% for 2008-2009.

Accordingly, Madam Speaker, the total planned budgetary expenditure is one billion, one hundred and fifty-nine million, eight hundred and sixteen thousand, two hundred and six dollars (\$1,159,816,206). This represents a seven percent (7%) reduction when compared to planned outlay for 2007-2008. The details of this expenditure are as follows:

¹ At market prices

1. Recurrent expenditure of seven hundred and forty-three million, three hundred and thirty-eight thousand, nine hundred and sixteen dollars (\$743,338,916). This amount which includes debt principal payments and sinking fund contributions, is seven percent (7%) higher than the approved estimates for 2007-2008 and accounts for sixty-four percent (64%) of the total budget.
2. Capital expenditure of four hundred and sixteen million, four hundred and seventy-seven thousand, two hundred and ninety dollars (\$416,477,290). This represents a twenty-five percent (25%) reduction over the approved capital expenditure for 2007-2008 due primarily to the anticipated receipt of lower amounts of grant financing.

Madam Speaker, the Budget will be financed as follows:

1. Recurrent Revenue from local sources of eight hundred and seven million, seven hundred and seventy-one thousand, one hundred and two dollars (\$807,771,102).
2. Capital Revenue resulting from the net proceeds of the sale of lands in Cul-de-Sac in the amount of ten million, two hundred thousand dollars (\$10,200,000).
3. Grant Funding in the amount of one hundred and five million, eight hundred and seventy-seven thousand, eight hundred and fifty-one dollars \$105,877,851 of which approximately \$54.7 million and \$29.8 million is attributed to the European Union and Republic of China on Taiwan respectively.
4. Bond Financing of one hundred and fifty-nine million, five hundred and eighty-three thousand, two hundred and thirty-five dollars (\$159,583,235).
5. Other Loans of seventy-six million, three hundred and eighty-four thousand, and eighteen dollars (\$76,384,018) attributed as follows:
 - a. Caribbean Development Bank (CDB) approximately, \$37.8 million;
 - b. World Bank a combination of IBRD and IDA funding of approximately, \$24.7 million;
 - c. Kuwaiti Fund (KFAED) approximately, \$11.2 million; and Agence Francaise de Development (AFD) approximately \$2.6 million.

Conclusion

Madam Speaker, as we approach the thirtieth anniversary of our independence, let us all renew our commitment to the development of our country and set aside our selfish agendas in the interest of the greater good of our people.

This Budget, Madam Speaker, just as the one delivered by my predecessor, signals our determination to usher in a new era of prosperity for our people - an era in which we can truly claim independence - because we would have created sustainable jobs - we would have committed to excellence in educating our people - we would have transformed our health service - and we would have fully empowered our people.

Madam Speaker, the work to transform this vision into reality, to move from vision to implementation - was started by a great leader -but must be completed by those of us to whom the torch has been passed.

This Budget is an investment in the future of our country, as we contend with the global opportunities and challenges that confront us, as we approach the end of the third decade of our independence.

Madam Speaker, it is with optimism in the future, with the certain knowledge of our need for God's guidance, and as Paul in his letter to the Philippians when he said; in Philippians 4:13, that: "I can do all things through Christ who strengthens me", and it is with a feeling of thankfulness for love and helpfulness of all those who were involved in the preparation of this Budget, that in all humility, Madam Speaker I beg to move this Resolution before this Honourable House....