



SAINT VINCENT AND THE GRENADINES

2007 BUDGET ADDRESS

**“ON THE CUSP OF ADVANCED ECONOMIC TAKE-OFF: FURTHER
FISCAL CONSOLIDATION AND TAX REFORM”**

Delivered by



Prime Minister and Minister of Finance

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on December 11th, 2007

ON THE CUSP OF ADVANCED ECONOMIC TAKE-OFF; FURTHER FISCAL CONSOLIDATION AND TAX REFORM

Mr. Speaker, Honourable Members,

This is my sixth Budget Address in successive years. Since 2001, the economy of St. Vincent and the Grenadines has chalked up impressive achievements amidst enormous challenges and immense opportunities. The real economic growth has moved from moderate to robust; more jobs have been created as unemployment has fallen; poverty has been declining; equity is demonstrably at the centre of economic policy; surpluses on the central government's current account have been routinely recorded though admittedly not as large as would be ideally desirable; the public debt, though increasing, has been sensibly used and managed and is being serviced without undue pain; the fiscal situation, overall, is being prudently consolidated; an increasingly trained and disciplined labour force exists; economic diversification has been continuing apace, successfully; foreign direct investment has been increasing in strategic growth areas; the economic fundamentals of a stable currency, low-to-moderate inflation, and economic and fiscal stability have been intact; tax reform, focused on fairness, efficiency and economic good sense, is underway as the tax burden has eased; economic competitiveness has been sharpened; regional integration has widened and deepened; and a valued national consensus has been consolidated around the government's economic policy and programmes as the State, the private sector and the cooperative sector have conjoined their efforts into a veritable organic whole.

Indeed, these solid achievements have been fashioned through an efficacious economic policy, sensibly, prudently and energetically implemented, as can be gleaned through the prism of successive themes in my previous Budget Speeches.

Mr. Speaker, Honourable Members, our remarkable economic achievements over the past six years have taken place within a wider context of this administration's successes in deepening and broadening democracy; enhancing good governance; revolutionising education; uplifting the condition markedly in housing, health, the environment, sports, culture, technology, the utilities, air access and air transportation, maritime administration, and the maintenance of law and order; raising our people's spirit; and delivering a foreign policy of excellence, grounded in our nation's well-being. All these remain bedrocks upon

which to advance progressively further in the people's interests, for the greater common good.

The people of St. Vincent and the Grenadines commend this ULP administration for all these achievements, successes, and more, and manifested this undoubted commendation, and praise, in a magnificent re-election triumph just one year ago.

Our splendid record, so far, and our nation's fundamental strengths, Mr. Speaker, have been secured amidst truly enormous challenges, externally and internally. A reminder of them is useful so as to be able to contextualise the journey which we have travelled over the past six years and as a pointer to the extant challenges, weaknesses and limitations which are still upon us. The list of these challenges over the life, so far, of our administration includes: The terrorist attacks in the U.S.A., and worldwide, and their adverse consequences; the worst condition, until most recently, for 30 years of the international economy; the record-breaking rises in oil prices, internationally; the rapid and continuing erosion of preferential market access for our bananas in the European market; the severe natural disasters; and a tiny minority of criminally-minded and anti-social persons bent on disturbing the peace, tranquility and good order of this beautiful nation, and who often find solace and succour from amongst, some unprincipled and professional opportunists who are building an elitism of ignorance or a learned helplessness, in their quest of an enhanced political profile, power or notoriety .

Mr. Speaker, there remain serious challenges, limitations, and weaknesses in, and in relation to, the national economy, despite the substantial progress which we have made.

Each of these challenges, limitations and weaknesses has specific answers or remedies, which we have identified and are applying, but they have to be fashioned, always, through an integrated policy framework and implementable programmes, in the people's interest individually and collectively, and for their greater common good.

Mr. Speaker, the positive attributes, and more, of our people were on parade in the consultations, preparatory to this Budget, with relevant stakeholders face-to-face and with the general public on call-in radio. The workers and their trade unions, the farmers, the fisherfolk, the bankers, the insurance executives, the credit unions, the hoteliers and other service providers in tourism, and the people generally made worthwhile suggestions which have been incorporated into the Estimates and the Budgetary proposals.

This Budget emphasises three broad, though not exclusive, areas: First, the imminence of an advanced economic take-off of St. Vincent and the Grenadines; secondly, the further consolidation of the government's fiscal condition; and thirdly, the continued elaboration of a process of tax reform, including, but not solely, the introduction of the Value-Added Tax (VAT) system. These three, and other vital economic, considerations are very much inter-related.

Mr. Speaker, this Government, in its first term in office, and since the last general elections, has worked assiduously to provide a wholesome investment climate. Its "Basics Plus – Campaign for a Good Investment Climate", which was elaborated in my Budget Speech in December, 2004, has borne fruit in some abundance. The government's securing of the removal of the various "Black Lists" — real and threatened — and its better regulation of the domestic financial system have signaled a much – applauded seriousness of purpose, without which foreign investment was practically impossible. The strengthening of core institutions such as the state-owned National Commercial Bank, the National Insurance Services, the Central Water & Sewerage Authority, the St. Vincent Electricity Services Limited (VINLEC) has added confidence to investors and business leaders, here and elsewhere. The creation of a bundle of state-owned, business-related institutions such as National Properties Limited, the National Investment Promotions Incorporated (NIPI), the Centre for Enterprise Development (CED), the Commerce and Intellectual Property Office (CIPO), and the SVG Postal Corporation, has enhanced our country's reputation for increased efficiency and competitiveness. Equally, this government's focus on "good governance", education, health, the environment, the maintenance of law and order and the strengthening of the judiciary has paid important investment dividends. Further, the ULP administration's successes in implementing sound economic and fiscal policies have made investors more than ever eager to invest in St. Vincent and the Grenadines. Additionally the increasing modernisation of our nation, including the enhancement of information technology has made SVG even more attractive. And finally, the start-up in the construction of the jet airport at Canouan and the imminent commencement of the earth works for the building of the International Airport at Argyle, have excited investors beyond belief.

Accordingly, we have witnessed unprecedented initiatives, particularly in the area of tourism, by private sector investors including the following:

1. The Buccament Resort Development Project: This project has commenced and is due to be completed by the end of 2008. Currently, 240 Vincentians are at work on the construction site at

Buccament. By April 2007, the local work force is expected to rise to 450 persons. The total investment is slated at close to US\$200 million. Permanent employment in excess of 500 persons is in the offing when this project is completed.

2. The Quatre Isle Resort Development: This project is scheduled to start-up in 2007 and will be fully constructed over a ten-year period. The total investment is estimated at around US\$150 million.
3. The Canouan Development Project: This is ongoing. Substantial renovations and rebuilding of the Resort Hotel have been done recently. Currently, just under 300 Vincentians are employed in the construction of customised villas and homes in the developed area. Further, a top-of-the-line marina and villas are being planned jointly by the developers and the Government of St. Vincent and the Grenadines.
4. The Palm Island/Anchorage Hotel Expansion Project: The majority shareholders of Palm Island Resorts have entered a business relationship with the owners of Anchorage Hotel in Union Island and are elaborating plans to commence the refurbishment and construction of a 100-room facility in 2007.
5. Additionally several other substantial private sector development projects in tourism are being currently, and actively, considered, including Mt. Wynne/Peters' Hope; St. Hillaire, Friendship, and Adams Bay on Bequia; the site of the failed Marine Project in Union Island; and on Mayreau. Further, the state-owned National Properties Limited is planning to construct a hotel facility in the Rabacca/Orange Hill area.

These initiatives follow, and are being accompanied by, renovations and/or extensions of several existing hotels and the construction of guest houses or other similar tourism facilities. Indeed, in the six years so far of this ULP administration, approval has been granted for the construction of small hotels or guest-houses. They have either been constructed or are in the process of being constructed.

Significant investments have also occurred over the past six years in certain areas of manufacturing although this sector as a whole has for sometime now been shaken by the process of trade liberalisation, the formation of the North American Free Trade Area (NAFTA) which has further facilitated manufacturing entities to establish in Mexico, and the increased competition from regional manufacturers as protectionism in

the local and OECS market has been gradually dismantled in accordance with the requisites of the Caribbean Single Market and Economy (CSME). Between 2001 and 2006, inclusive, fiscal incentives have been granted to 23 manufacturing enterprises, new and expanded, in the areas of office furniture, antique and general household furniture, clothing and textile, paint and trowel plaster, concrete roof, wall and floor tiles, balusters, polyethylene, water tanks and other plastic products, aluminium, PVC, and glass products, aggregates and boulders, and a range of agro-processing products.

The total new investment in these manufacturing enterprises amount to EC\$35.5 million and they employ 675 persons.

Similarly, the area of the informatics/information technology sector has seen commendable growth. The firm "Discovery Works-Legal" has re-branded and restructured itself significantly. It currently employs 300 persons, including university graduates. "Blue Skye Communication", another informatics firm, employs 150 persons. These are in addition to the several small enterprises engaged, in one way or another, in providing goods and services in the area of information technology. Specifically in telecommunications, Cable and Wireless Limited and Digicel have invested huge sums in their modernisation so as to better deliver a wider range of quality services more cheaply. Clearly, though, there is much more to be done in this growing and modern economic sector.

Meanwhile, the international financial services sector, the banking sector, insurance and other financial services, and the credit unions are growing commendably. Indeed, the international financial services sector is poised for a take-off to a higher level, as our jurisdiction's "black-listing" reputation recedes.

At the same time, a solid platform is being laid, in this different era, for agricultural diversification and the fishing industry, and moderate to robust growth is being experienced in construction, transportation, and other services.

Accompanying all of this has been a commendable implementation, in practical terms, of the central government's public sector investment programme. In 2005, some EC\$97 million was expended on capital projects. This year, 2006, the figure is expected to rise above EC\$100 million, given the fact that capital expenditure for the first 10 months by 2006 has already exceeded by EC\$8 million the capital sum spent for a similar period in 2005. In the works are major on-going

capital projects. These are truly exciting and productive times for St. Vincent and the Grenadines!

Mr. Speaker, Honourable Members, this government's overall management of the political process and of the economy, including the implementation of its counter-cyclical fiscal policy, has been fully vindicated by the vast improvement in the socio-economic condition of our country. Moreover, with all the economic initiatives on the ground, St. Vincent and the Grenadines is on the cusp of an advanced economic take-off. In this context, a further analysis of our government's counter-cyclical fiscal stance is both necessary and desirable.

Mr. Speaker, Honourable members, it will be recalled that as a consequence of the economic down-turn in 2001, precipitated by the terrorist attacks in the USA in September of that year and by the international economic recession, St. Vincent and the Grenadines was at the proverbial and critical cross-roads. Boldness, energy, a focused plan, and a national mobilisation of the people towards sensible and well-articulated developmental goals were required. It was not a time for timorous souls in leadership. And we in this government did what was necessary to be done. Accordingly, we embarked upon a counter-cyclical fiscal policy, to go against the cycle of the down-turn, so to speak, but not recklessly; to go against the cycle, so as to bounce back well!

At first the International Monetary Fund (IMF) and some perennial local critics, balked at this stance. Within a year or so, however, the IMF changed its tune and commended this government on its economic management. In the process, the IMF proffered the view that the counter-cyclical fiscal policy averted an economic recession in St. Vincent and the Grenadines and stemmed the rise in unemployment. Within a further year, the IMF was stating that our government's counter-cyclical fiscal stance, in which it blended, too, controls on recurrent expenditure and more efficacious revenue collection, was the correct policy to have pursued. The IMF, however, cautioned that this counter-cyclical fiscal policy ought to be only short-term and should be brought to an end since it had served its purpose of facilitating the economic rebound. This view became the accepted mantra of the timorous souls, the perennial critics, who in the first place had traduced our fiscal stance. What was the reply of this Government?

I gave my summary answer in the following terms in my Budget Address on December 6, 2004, for the fiscal year 2005:

"The judgment of this government is that the rebound of the economy of St. Vincent and the Grenadines for the three successive years (2002 – 2004 inclusive) of economic growth, from moderate to robust, is not yet sufficient reason to abandon its counter-cyclical stance. A deeper, more enduring growth still requires the counter-cyclical push, even whilst the international economy strengthens. At the same time, the private sector is to be encouraged and facilitated to take advantage of the more favourable circumstances."

Indeed, in accordance with the Government's plan and considered projections, the moderating of the counter-cyclical fiscal stance had commenced in 2006, save and except for certain targeted projects. This is evident, in part, from the fact that the capital budget for 2006 was EC\$165.5 million or some EC\$42.3 million less than the sum of EC\$207.8 million which was budgeted for capital expenditure in 2005, even though the actual capital expenditure is likely to be somewhat more in 2006 than in 2005. In 2007, there is a modest and manageable increase of EC\$14 million or 8.5 percent above the 2006 figure earmarked for capital spending. As I shall show later in this speech, the financing for the 2007 capital budget is well-conceived and prudent; its financing affords little or no difficulty to the Treasury.

In short, as earlier planned or anticipated, the relaxation of the counter-cyclical fiscal policy is being accompanied by a host of private sector initiatives and a more robust economic outlook. Still, the capital expenditure projects represent a significant stimulation of the economy. And in 2007, the further practical unfolding of the International Airport Project at Argyle, will occur through unburdensome, creative financing and the efforts of the multi-nation participation in an uplifting "coalition of the willing". This project is being implemented through the state-owned International Airport Development Company (IADC).

Mr. Speaker, Honourable Members, my Budget Speech last January, for the 2006 fiscal year, conjoined several emphases including enhanced competitiveness, regional integration economic growth, and fiscal stability. These issues, and more, connect with the matter of reforming the tax system. Stimulating investment, encouraging sharper economic/business competitiveness, and boosting equity are among the objectives of a tax system which ought to be simplified, and made

more efficient and effective. The introduction of the Value-Added Tax (VAT) system, scheduled for May 1, 2007, and the removal of several other taxes, including consumption taxes, hotel tax, and certain stamp duties, represent a major overhaul of the tax system, for the better. This reform exercise, of which more will be said later in this speech, will be accompanied this year by a number of other tax reforms and concessions, all with focused objectives, goals, and values within our people's interest, for their individual, and the greater common good. These, too, will be announced later in this Budget Speech.

So, in summary, St. Vincent and the Grenadines is poised for an advanced economic take-off. Despite certain extant challenges and limitations, the state of the nation is sound and the real possibilities for meaningful economic development are immense.

Mr. Speaker, Honourable Members, all of our ideas policies strategies, programmes for the ensuing twelve or so years up to the year 2020 — a veritable “2020 Vision” — will be codified in a comprehensive National Economic and Social Development Plan before the end of 2007. This document will constitute, metaphorically, the runway for our advanced economic take-off, socio-economic strengthening and further enhanced “good governance”. Sectoral plans will be elaborated in various areas, including Education, Poverty Eradication, Health, Housing, Agriculture, Fisheries, Tourism, Manufacturing, Housing, Physical Infrastructure, Sports and Culture, Investment Promotion, International Financial Services, Export Marketing, the Fiscal Situation and Budgetary Processes, Disaster Management, Social Development, Rural Transformation, Urban Development. These sectoral plans are for the years 2008 to 2020.

In the meantime, let us turn to analyse our current socio-economic condition and the measures to be taken during this coming fiscal year, 2007, to assist with the lift-off of our economy.

REGIONAL AND INTERNATIONAL DEVELOPMENTS

During 2005, the United States retained a relatively stable growth rate of 3.5 percent despite increasing monetary restrictions imposed by the Federal Reserve, the increase in oil prices, and the natural disasters affecting the country. China showed a stable economic growth of 9.5 percent while the European Union experienced a slowdown, and there was a 2.2 percent rate of growth recorded in Japan. Altogether, the world economic growth was positive and the outlook for continued global economic growth remains favourable although the pattern is uneven across countries. The United States is projecting a slowdown in the rate of growth in response to inflationary pressures and the European Union is expected to rebound with higher growth based on an improvement in consumer and business confidence.

On the regional front, significant effort was focused during the year on putting arrangements in place for the introduction of the single market component of the CARICOM Single Market and Economy (CSME). Most countries strengthened their revenue collection and administration systems, with a number of them undertaking preparatory work for the introduction of transactions-based taxes, given the increasing pressure for global reduction in border taxes on traded items.

The growth of the world economy has once again had a positive impact on the region, which taken as a group recorded positive growth rates for 2006. Economic growth in the region as a whole continue to be buoyed by construction activity as many countries upgrade infrastructure and build stadia and other facilities in preparation for Cricket World Cup 2007. In terms of the outlook for 2007, an improvement in tourism performance is projected, while performance in agriculture is uncertain as that sector continues to be plagued by unpredictable and sometimes erratic behaviour in the world market for a number of traditional crops. Notwithstanding a number of risks and challenges in the region, the fiscal performance of member countries is likely to improve in line with the overall economic expansion.

DOMESTIC ECONOMY

In 2005, the economy of St. Vincent and the Grenadines recorded its fourth consecutive year of growth, driven mainly by the performance of the Tourism, Communications, Electricity and Water, Government Services, Other Services and Banking/Insurance sectors. Preliminary data indicate that the level of output increased by 2.2 percent compared with growth of 6.8 percent in 2004. All sectors, except Agriculture and Transport, recorded growth.

Output in the Hotels and Restaurants sector, increased by 10.6 percent, following a growth of 7.3 percent in 2004. This improvement was primarily due to a 10.3 percent increase in the number of stay-over visitors. Estimates of stay-over visitors by country of origin indicate increases in visitors from all of the major markets, particularly the USA and the Caribbean.

Real activity in the Construction sector expanded for the third consecutive year. In 2005, construction activity was estimated to have increased marginally by 0.4 percent, partially reflecting the completion of works on the private sector hotel development project on Canouan and the shortage of vital construction materials, including cement. Meanwhile, real value-added from Mining and Quarrying increased by 2.8 percent.

Value-added in the manufacturing sector increased by 2.1 percent, compared with 3.3 percent in 2004. Real output was EC\$40.00 million, (5.6 percent of GDP), influenced mainly by a 13.0 percent increase in beverage production and a 5.4 percent increase in the production of animal feeds. On the other hand, output of rice and flour, decreased by 6.3 percent and 3.9 percent, respectively.

The Communications sector, grew by 9.2 percent in real terms. Value-added in the Electricity and Water Services sector expanded by 8.4 percent, and in the Government Services sector by an estimated 6.2 percent. Growth was also recorded for Banks and Insurance (4.4 percent) while value added in the Transport sector declined by 6.7 percent in 2005, influenced by the fall in the number of cruise ship passengers.

For the third consecutive year, the Agricultural sector experienced negative growth. In 2005, real value-added in the sector fell by 6.0 percent compared with contractions of 4.9 percent in 2004 and 2.2 percent in 2003. This declining performance is attributed to the impact of hurricane Ivan in September 2004, a drought in 2005, and continued challenges in the EU Banana Regime. As a result, banana production fell

by 24.9 percent. Non-banana production, on the other hand, increased marginally by 1.3 percent, particularly due to an increase in root crop production.

The External Current Account deficit widened to EC\$297.2 million (25.5 percent of GDP) in 2005 compared with (24.7 percent of GDP) in 2004 as merchandise imports registered a 7% increase, outpacing the 2.5% growth in domestic exports.

The rate of inflation, as measured by the Consumer Price Index (CPI) advanced 3.8 percent during the year 2005, compared with 2.9 percent in 2004, mainly on account of the rise in oil prices.

Total expenditure on the Public Sector Investment Programme (PSIP) was EC\$97 million (9 percent of GDP) during the review period, an increase of 15 percent when compared with expenditure in 2004.

Central Government's fiscal situation tightened in 2005 relative to 2004. The current account surplus stood at EC\$11.3 million (1.0 percent of GDP), down from EC\$36.4 million (2.9 percent of GDP) in 2004. Current expenditure increased by 11.6 percent to EC\$322.5 million while current revenue rose by 2.6 percent to EC\$333.2 million. The overall deficit increased to EC\$63.5 million (4.8 percent of GDP) from EC\$30.4 million (2.4 percent of GDP) in 2004, in part due to increased capital spending in 2005.

OVERVIEW OF DOMESTIC ECONOMY FOR 2006

Although growth in the economy in 2005, increased at a slower pace than for 2004, the performance in 2006 is much better. As a result of the overall policies of this administration, we are witnessing a strengthening of the economy. For the first nine (9) months of 2006, tourism and construction-related activities have propelled the growth of economy. Construction, underpinned by buoyancy in Cricket World Cup related activities and other public and private sector activities, including the correctional facility, upgrading of roads, the low-income housing project and private tourism developments, among others, has been robust.

In tourism, the total number of visitors grew by 22.5 percent to reach 205,386, compared with a decline, of 11.4 percent in the corresponding period of 2005. The growth in total visitor arrivals reflects, to a large extent, the more than 80 percent increase in cruise ships visitors, as new cruise lines arrived, and some which had previously discontinued their calls, returned to our shores.

The other categories, too, performed well with yacht passengers increasing by 12.4 percent and stay-over visitors by 4.5 percent.

Manufacturing production increased, based on the growth in production of flour, animal feed, beer and rice. The growth in production was largely in response to higher regional demand and improved marketing of the products. Output in the agriculture sector is estimated to have declined slightly as I have indicated earlier.

Consumer prices rose by 4.2 per cent during the period under review compared to 3.6 percent one year earlier. The faster rate of growth was fuelled by price increases in the food sub-index, particularly for vegetables, fruits and baby formula. The fuel and light sub-index also rose by 15.2 percent, reflecting hikes in the international price for fuel.

The fiscal situation has improved. The Central Government's overall fiscal deficit narrowed to EC\$32.9m from EC\$44.6m in the first nine months of 2006, despite the increase in capital spending. This improvement stems from an increase in the current account surplus from EC\$2.8m in the first nine months of 2005 to EC\$16.0m in the review period as the rise in current revenue offset that of current expenditure. The primary balance moved from a deficit of EC\$18.8m to a surplus of EC\$0.9m. The deficit was financed mainly from domestic sources.

Current revenue rose by 13.6 percent to EC\$270.8m. The growth in current revenue was accounted for by a 31.9 percent increase in taxes on domestic goods and services to EC\$54.0 million, and by increased collections of taxes on income and profits (8.8 percent) and taxes on international trade and transactions (9.1 percent). Non-tax revenue increased by 2.7 percent to EC\$21.8m largely reflecting receipts from fees and fines.

Current expenditure for the first nine months of 2006 totalled EC\$254.9m representing an 8.2 per cent rise over that of the corresponding period of 2005. The increase was mainly attributed to higher outlays on personal emoluments and interest payments. Personal emoluments rose by 9.1 per cent owing to salary increases awarded to civil servants in January 2006. Growth in outlays on interest payments of 30.7 per cent reflects the increased cost of servicing additional debt. Expenditure on transfers and subsidies was higher by 6.2 per cent, reflecting increased outlays on pensions. Capital outlays were higher by 6 percent to EC\$57.1m reflecting increased expenditure on a number of projects including upgrading of Arnos Vale Playing Field and the Windward Highway.

Money supply stood at EC\$879.4m representing an increase of 0.6 per cent over that of end of 2005. The growth was attributed to a 5.0 per cent rise in private sector savings deposits contributing to 0.6 per cent rise in quasi money.

Domestic credit expanded by 5.7 per cent to EC\$691.0m reflecting growth in credit to the private sector, which rose by 7.8 per cent as credit to households and businesses expanded. Net credit to the central government declined by 36.7 per cent due largely to an 18.4 per cent rise in Government deposits at commercial banks associated with the EC\$40 million bond issue, in August 2006. The distribution of credit by economic activities indicated that approximately half of the increase in credit was directed to credit for personal use, which rose by 6.8 per cent, mainly for acquisition of property.

Liquidity in the commercial banking system remained high. The ratio of liquid assets to total deposits plus liquid liabilities declined slightly by 0.2 percentage points to 40.7 percent. The ratio of loans to deposits rose by 3.7 percentage points to 76.6 percent at the end of September.

Interest rates remained generally stable except for increases in the maximum rates on time deposits. Interest rates on savings deposits ranged from 3.0 percent to 4.5 percent, and prime lending rates were in the range of 9.0 percent to 11.0 percent.

AGRICULTURE AND FISHERIES

The performance of the agricultural sector in 2005 was stable despite the external threat of trade liberalisation, severe challenges in our banana market in the European Union, adverse weather conditions, a shortage of willing and able labour, and certain organisational or managerial difficulties in particular sub-sectors in agriculture.

In 2005, agriculture's contribution to GDP was 9.09 per cent, a small decline of 0.78 per cent compared to 2004. However, agricultural exports grew in 2005 by 0.2 per cent over 2004, as the decline in bananas was counter-balanced by the exports in non-banana agriculture, especially root crops which recorded export earnings of EC\$10.2 million and which exceeded the export earnings from root crops in 2004 by EC\$2.22 million. In 2005, an estimated 1,898 acres of land were in root crops, over 100 acres more than in 2004. So far this year, production in root crops is buoyant, mainly dasheen, eddoes, sweet potatoes, and yams.

Agriculture continues to play a significant role in the economy in terms of jobs, poverty reduction, wealth creation, and foreign exchange earnings. To be sure, challenges exist in this sector but so, too, do opportunities and possibilities.

To respond to these challenges, Government has adopted a number of policy initiatives and strategic approaches aimed at modernising the industry and creating new opportunities. Some of these interventions include:-

- ✓ the establishment of the European Union-funded Agricultural Diversification Programme to stimulate the modernization, commercialization and competitiveness of the non-banana sector;
- ✓ the setting up of value-added facilities such as the refurbished arrowroot factory, cassava factory, root crop vacuum-packaging plant and the coconut water – bottling facility — the last two mentioned are, however, not up and running as yet due to certain technical difficulties.
- ✓ providing assistance to farmers through a state subsidy that allows the cost of fertilizer and diathene to be cheaper than anywhere else in the Windward Islands.
- ✓ the procurement of equipment, implements and appropriate technology;
- ✓ elaborating special training programmes for farmers and farm workers and the planned establishment in 2007 of the Agricultural Training Institute.
- ✓ the making of coordinated efforts between the Police, the Ministry of Agriculture and farmers to address praedial larceny.

Over the next three years, commencing in 2007, within the framework of a comprehensive National Agricultural Plan, priority will be given to the following, among other things:

- ✓ Operationalising a special land-lease or "land bank" programme which will make lands available to young farmers/entrepreneurs to increase agricultural and livestock production;
- ✓ Revisiting the land tenure arrangements to enable persons leasing Government lands (on Land Reform Estates) the opportunity to

have legal title. This arrangement is to empower farmers to secure loans for further investment in agriculture;

- ✓ Implementation of a comprehensive training and education programme for farmers, entrepreneurs and agricultural workers in order to build capacity and competencies within the agricultural sector; and
- ✓ The organisation of farmers into voluntary producer groups, through a system of incentives that include: training and education; production support; credit support; joint/collective marketing; post harvest-management; transportation; and money management/corporate business management.

BANANAS

The Government's policy is that of agricultural diversification around bananas. Despite the extant and growing difficulties with both the market regime and market condition in the European Union — our principal banana export market —, it remains true that bananas still constitute the main commercial agricultural commodity. The banana industry still occupies a greater land acreage than any other cash crop; it employs more farmers and workers than any other agricultural activity; it commands more export earnings than any other crop; and it is better organised.

In 2005, 26,053 tonnes of bananas were exported valued at EC\$32.05 million, of which 19,000 tonnes valued at EC\$23.95 million were exported through WIBDECO extra-regionally and 7,053 tonnes valued at EC\$8.1 million were exported regionally, mainly to Barbados and Trinidad and Tobago.

For the first nine months of 2006, banana exports declined slightly by 2.4 per cent with an output of 13,305 tonnes compared to 13,631 tonnes for the corresponding period in 2005. Export earnings for the same period was EC\$18.4 million, a 1.3 per cent decline. The adverse weather conditions in 2005 and early 2006 affected production negatively.

An encouraging sign is the export of bananas to the regional market. In 2005, banana exports to the regional market grew by 92.8 per cent from 3,658 tonnes in 2004 to 7,053 tons. This, too, is becoming a very competitive market and we must treat it seriously.

On January 1, 2006, a market regime less favourable than hitherto, was introduced in the European Union. This market regime is based on a single tariff system of 176 euros per tonne and an ACP (African Caribbean and Pacific countries) quota of 775,000 tonnes administered in a manner which disadvantages the small producers from the Caribbean. Indeed, difficult as this single tariff and limited ACP quota regime is for the Windward Islands, there are international forces at work to make matters worse. So, on November 20, 2006, Ecuador, the world's largest banana exporter, formally initiated a process to challenge the level of the tariff before the WTO. And inside the European Union the administration of the ACP quota is likely to be even more disadvantageous to the banana producers in the Windward Islands and Jamaica.

My Government, and I personally as the Lead Prime Minister in CARICOM's quasi-Cabinet on bananas, in conjunction with the other banana producers in Jamaica, Belize and the Windward Islands have been lobbying very assiduously to secure the most favourable market regime for our bananas. In this we have been assisted by relevant stakeholders in the banana industry. We will continue this lobbying and negotiating battle on behalf of our banana farmers.

Meanwhile, on the domestic front, the Government, and the St. Vincent Growers Association in conjunction with WIBDECO and the Fair Trade entities, are making herculean efforts in every area to ensure the continued viability of banana industry.

A core group of committed farmers constitute the back-bone of the banana industry. They need our focused support. Accordingly, a Recovery Plan is being finalised by the relevant stakeholders. The aim, in part, is to lift production to 30,000 tonnes in 2007. Under the Plan, further financial and technical assistance will be provided to help farmers. The government's subsidy of EC\$1.75 million annually on the purchase of inputs, remains in place.

Recently, through the efforts of the Chairman of WIBDECO, the Honourable Montgomery Daniel, WIBDECO has decided to make a bonus payment of almost EC\$500 thousand to those farmers who sold bananas to it for the first 26 weeks of this year and who were still in export production up to week 47 of this year. This bonus amounts to EC\$1 per box of bananas sold.

ARROWROOT

The attempts since 2001 to revive the arrowroot industry have produced mixed or uneven results. The rebuilt Arrowroot Factory at Owia has been modernised and made more efficient. Four times the acreage of the year 2000 has been cultivated. However, the shortage of labour for the onerous task of harvesting arrowroot has been the single most limiting factor in this industry. This problem of a labour shortage in the industry has been proving to be intractable. Efforts at mechanization of harvesting are continuing but so far they have borne little practical fruit.

As a consequence, of the 403 acres planted in 2005, only 165 acres were reaped. This led naturally to a decline of 23 percent in arrowroot exports and a corresponding decline in export earnings.

Efforts to revitalize the arrowroot industry, which is so vital to the economy on the north eastern side of mainland St. Vincent, will continue in 2007, in accordance with the Industry's Strategic Action Plan. Critical to the revitalisation of the industry is the restructuring of the entity which manages it. The Government is currently examining alternative management and control systems or structures for the industry.

More details on this sub-sector will be provided by the Honourable Minister of Agriculture.

FISHERIES

The sustainable use of the country's maritime resources remains fundamental to the management and development of the Fisheries Sector. This is vital if the fishing industry is to continue to contribute significantly to the enhancement of our national food supply, job creation, poverty reduction, and foreign exchange earnings.

Fish landings in 2005 amounted to 877,387 lbs compared to 802,508 lbs in 2004. Up to the end of September, 2006, the fish landings show a marked increase over 2005 in quantity and value. For the first nine months of 2006, over 1 million pounds of fish was landed at a value of EC\$4.6 million.

The Government is continuing its efforts to enhance the infrastructure and institutional arrangements in order to meet international standards for fish quality and to lift production competitively. In this regard we have been upgrading and modernising fishing facilities throughout the State, including at Kingstown and Bequia. The major fisheries project for 2007 is

the facility at Owia. This project is expected to improve the safety of fishing operations, increase production and fishing opportunities in the North Windward area. Construction will commence by the second half of 2007, at an approximate cost of US\$13.2 million or EC\$35 million, to be financed substantially by a grant from the Government of Japan and from funds of the Government of St. Vincent and the Grenadines.

A project to improve the sanitary standards for the processing of blackfish in Barrouallie has also been developed. Proper processing, drying and sanitary facilities will be established. In addition, during 2007 the Fisheries Centre at Union Island will be upgraded at an approximate cost of EC\$1 million.

At the modern Kingstown Fish Market, the state-owned company which manages it has new management and additional technical personnel; and the Bequia Fisheries Centre has been leased to a private sector entity out of Bequia.

Meanwhile, the Government continues to work assiduously to ensure that the export market in the lucrative European Union is again open to our exporters of fish and other marine products.

TOURISM

Tourism has emerged as the lead sector in the government's overall policy of economic diversification. Tourism currently contributes immensely to job creation, foreign exchange earnings, foreign direct investment, economic linkages, and skills transfer; and its potential as the economic star is enormous. It is one of the central pillars around which this country's quest for advanced economic take-off, rests.

The National Tourism Policy and its operational National Strategic Tourism Plan, and its updating and evolution, provide the framework for the transformation of our nation's tourism from the traditional "sun, sea and sand" model to a more all-embracing destination model. Part of our nation's challenge is to refresh our tourism before its maturation, to consolidate its core business, and to extend it to take advantage of emerging market segments. Fundamentally, this is a transformative process which demands profoundly creative thought and assertive leadership, among other things. Indeed, essential in this process of transformation, are the following critical factors, many of which I highlighted in my 2006 Budget Address:-

1. the strengthening of the management of the sector including environmental management and focussed marketing of the destination;
2. the enhancement of the institutional machinery for the sector's overall direction and the more efficacious participation of stakeholders;
3. the raising of the capacity of the industry to deliver quality services particularly through training, standards setting, certification, and product development;
4. the reform of investment promotion strategies to go beyond the usual tax incentives;
5. the fostering of linkages between tourism and other sectors;
6. the increase in the allocation of public expenditures on tourism and physical infrastructural facilities which directly, or at the first remove, connect with tourism;
7. the addressing of trade-related constraints to tourism emanating from both intra-regional travel and those in major markets such as the European Union, United States of America and Canada;
8. the embracing of coordination, regionally, on the development of the tourism industry, including multi-destination tourism;
9. the pursuance of market segments which advisably suit our growth strengths, for example, the yachting sub-sector, and new higher less price elastic segments such as health, sports and festival tourism;
10. the provision of easier access to competitive credit facilities for small hoteliers and the providers of other tourism-related services;
11. the strengthening of security nationally and specifically in, and for, the tourism sector; and
12. the building of a "thorough-going" tourism awareness among Vincentians.

Over the past year, much progress has been made on these issues, but much more needs to be done. In order to drive the process of transformation in tourism, the National Tourism Authority Bill needs to be

passed early in 2007 so that the Tourism Authority can get to work in earnest. The old structures, institutions, and attitudes of the *ancien regime* cannot work in this period of rapid change and sharp competition. King Alpha's song must not be sung in, or through, strange anachronistic institutional arrangements. A Draft Tourism Authority Bill currently exists but it requires substantial change before it comes to Parliament in the first quarter of 2007. Similarly, the refashioned Tourism Standards Bill must get to the Legislature in the same time frame. There is no need to seek the re-invention of the wheel. Let us go for the best practices regionally and adapt them to our own circumstances.

Significantly more State resources are being put to the promotion of tourism than ever before. When the ULP administration arrived in office, the sum budgeted for the tourism promotion by the previous administration was a paltry EC\$2.8 million. The promotion budget for tourism in 2007 amounts to almost EC\$8 million - EC\$6.46 million through the Ministry of Tourism and EC\$1.4 million through the National Investment Promotions Incorporated (NIPI). Indeed, NIPI's National Export Strategy (NES) provides an excellent complementary framework to the Ministry of Tourism's promotion strategy. Clearly, both the Ministry and NIPI will be working in even more closer collaboration to ensure that St. Vincent and the Grenadines gets the bang for the tourism promotion buck. Additionally, hotel establishments do their own promotion to attract business.

Very often, even informed observers make the common error of ignoring or down-playing the Government's investment efforts in support of tourism which are not carried out through the Ministry of Tourism. A few examples will suffice: the Jet Airport at Canouan; the International Airport for Argyle; the sports facilities; the expenditure on national security, including the Coast Guard Service; the spending on culture and national festivals; the investment in LIAT; the provision of health, water and sanitation services; and the physical infrastructure, including roads. All of these, and more, impact directly, or at the first remove, on the tourism industry. They are part of the public investment in the tourism industry.

Substantially, tourism plants are owned by the private sector, so naturally the bulk of the capital investments are by the private sector. There is already large private investments in tourism and, as I have outlined earlier, even greater investments are immediately upon us.

This year, 2006, much progress has been made on the development of detailed plans for tourist sites and attractions. In 2007, efforts in this regard will be intensified through the implementation of the EC\$19.5 million

project financed by a grant from the European Union over the next two to three years. Indeed, although EC\$2 million is made available from this grant in the 2007 Estimates, much more can be spent if the project for the development of the tourism sites is robustly driven by the Ministry of Tourism.

This EU-financed project will add immensely to the country's tourism attractions by providing basic facilities at the sites, including hospitality booths and gazebos. In addition, the project provides for improved management and marketing of the sites.

The development and marketing of our festivals have progressed by leaps and bounds since this administration came to office. This is evident in the festivals such as 'Blues Fest', Carnival, Gospel Fest, Heritage Month, Emancipation Activities, and "Nine Mornings". This coming year, we will however review the scope and timing of some of these festivals in order to ensure that potential benefits are maximised.

As part of the transformation process in tourism, the Government is determined to put in place measures to ensure the sustainability of our natural resources, through environmentally sound practices executed through credible, well-functioning institutional apparatuses. The National Parks Authority, a State entity, has been established to facilitate this work. So, too, is the Tobago Cays Marine Park Board which recently re-launched the Tobago Cays Project under reinvigorated management systems.

In 2005, there was an increase of 0.4 percent in yacht arrivals for St. Vincent and the Grenadines. The Government recognizes that this sub-sector has great potential, but in order to maximise benefits from yachting action must be taken to reduce the threats of security, crime and harassment, marketing constraints and non-clearance of yachts. In 2007, Government will therefore enhance security and fee collections by the acquisition of three vessels for the Coast Guard and Customs Departments to engage in greater patrol of the waters of St. Vincent and the Grenadines. A package of initiatives, devised by the stakeholders in the yachting industry and the Government will be implemented in 2007.

Mr. Speaker, in addition to the larger tourism investments mentioned earlier, there has also been, quietly, other smaller investments in tourism. Between 2001 and 2005 this Government has granted concessions to tourism enterprises to construct and expand the plant resulting in 153 additional hotel/guesthouse rooms. Currently, 1,499 persons are employed in constructing tourism-related facilities throughout St. Vincent and the Grenadines.

Currently, and in the immediate future, there is more investment in tourism than ever in St. Vincent and the Grenadines. When one couples all of this with the two airport projects – the Jet Airport at Canouan and the International Airport at Argyle – it is only someone, ostrich-like, with head in sand, can deny that this country is on the cusp of an advanced economic take-off. And tourism activity is at the centre of this extraordinary national enterprise.

TELECOMMUNICATIONS

A well-developed telecommunications sector is a prerequisite for growth and development of any country. Without this critical sector, growth would be stymied. Government of St. Vincent and the Grenadines is highly cognisant of this fact and has with its own resources and those from its development partners, such as, the EU, is implementing a series of programmes and plans to modernise this sector.

Over the years following the systematic dismantling of the Cable and Wireless monopoly, we have witnessed a steady decline in the cost of internet, mobile and fixed-line services. This is advantageous to our citizens and businesses and we will continue to pursue all avenues for further cost reductions.

Figures available up to the end of September 2006 indicate that the number of internet customers increased to 6,161 compared with 5,084 in December 2005. This represents a 21.2 percent increase and is a direct result of the liberalisation process which this government has been championing.

Work on developing the guidelines and regulations for management of the Universal Service Fund has been substantially completed. This fund, which will be financed largely from fees received from telecommunications service-providers, will be used to expand telecommunication coverage, especially in the communities that cannot afford them. The fund is expected to begin operations during 2007.

Central Government is also modernising its IT systems in order to enhance productivity and efficiency in the delivery of services. In addition, through the National Institute of Technology (NIT), we continue to offer internationally recognised programmes in a number of areas of ICT. In 2007, we will continue discussions with the University of Technology and University of the West Indies aimed at offering diploma and tertiary level

courses at the Institute. In addition, we intend to begin implementation of the e-taxation services at the Inland Revenue Department.

During 2007, the EU funded ICT Development Programme will commence. This project aims to strengthen business skills and build e-business incubators, build capacity in the sector, construct a national ICT centre of excellence and improve the legislative and regulatory framework. Funding from the EU is estimated at €4.5 million or EC\$15.3 million.

Additionally, we have also secured funding from the EU in the amount of €0.8 million or EC\$2.72 million for the National ICT Training Project in order to assist in production improvement of relevant businesses. It would also seek training to enhance the skills base. This programme will focus on the unemployed, school leavers and the disadvantaged in society who have the desire to pursue careers in ICT.

PRIVATE SECTOR DEVELOPMENT

In this 2007 budget, like those for 2005 and 2006, I have placed significant attention on the development of the private sector and in improving the investment climate. These are essential for wealth creation, economic growth and development and poverty reduction.

The domestic private sector, however, continues to face a number of challenges including the impact of globalisation and its limited ability to penetrate new markets. In addition, the required business skills needed and related support services have often been lacking and many policy and institutional constraints persist.

Notwithstanding these challenges, some improvements were evident over the last year, as economic activities by small and medium-sized enterprises (SMEs) exhibited some levels of growth, facilitated by greater access to business support services and credit.

To demonstrate Government's commitment to private sector development, €6.3 million or EC\$21.0 million have been allocated under the SFA/STABEX funding for this purpose.

The Programme is designed to promote growth and to optimize associated processes of economic transformation in order to facilitate an enabling business climate and ultimately a more competitive private sector. The expected outcomes are (a) expanded opportunities for the private sector and (b) a business environment more conducive to private

sector investment, leading to increased production and exports. This programme will facilitate the process of economic diversification.

Government continues to support small enterprise development by increasing access to credit through micro credit programmes at the National Commercial Bank (NCB), the Credit Unions, and the National Development Foundation (NDF).

During our budget consultations this year, various groups and organizations requested financial assistance to boost their business. Specifically, we had requests from the Hotel & Tourism Association for a financing facility for the renovation of hotel plants and from the fisherfolk for purchase of larger vessels. Accordingly, the Government is holding discussions with the National Insurance Services for that agency to make available approximately EC\$6 million in loan funds for private sector development as part of their economically target investment programme. We envisage that these funds will be lent to financial institutions, including Credit Unions for on-lending:-

- (a) To local entrepreneurs as small business development loans, similar to the micro credit fund at NCB
- (b) To fisherfolk for the purchase of larger vessels, and other related improvements
- (c) Hoteliers for the upgrade of their plants.

All beneficiaries of this financing facility will be entitled to duty free concessions in accordance with existing programmes. The small business people will also be entitled to a reduced rate of taxation on their profits.

EDUCATION

Education remains at the centre of our development agenda. In keeping with this, we have consistently invested heavily in the education sector to ensure that the vision of the Government to equip all citizens with the necessary values and skills for living and production is realised. Again, in this budget, huge sums have been allocated to the education sector: 22 percent of the recurrent and 20 percent of the capital.

At the beginning of the 2005/2006 academic year, we achieved the historic milestone in the attainment of universal secondary education! All of our children of secondary age, many of whom never dreamt of receiving a secondary education now have an opportunity so to do. In addition to universal access to secondary education, we have witnessed

monumental increases in enrolment at the post-secondary and tertiary level.

We have achieved remarkable results, but we intend to do much more. Our interventions in education in 2007 will target all the sectors from the pre-school up to the tertiary level, and including technical vocational and adult education and will focus simultaneously on improvement to physical plant and lifting the quality, range and scope of education.

With respect to the physical plant, we will:

- ◆ Design and begin construction of eight early childhood centres at the Owia, Langley Park, Marriaqua, Cane End, Buccament, Troumaca, Ottley Hall and Calliaqua Government Schools;
- ◆ Produce designs of six (6) adult education centres ;
- ◆ Complete the design of the School for Children with Special Needs in Georgetown;
- ◆ Commence construction on several schools namely, Union Island Secondary, a modern facility financed by the EU; the Barouallie Secondary, Bequia Primary and Edinboro Primary funded by CDB and the West St. George Secondary funded by the World Bank.

We are however conscious that the physical plant, of itself, does not constitute an education. Thus to complement these activities, and to improve the quality of education offered, we will increase testing, monitoring, co-ordinating, and evaluating of base-line achievement levels. Further, the curriculum will be upgraded to respond better to the changing demands of the society and to stimulate greater interest in learning. This upgrading will commence with the development of new curriculum guides to facilitate the implementation of the curriculum policy.

Further, a teacher appraisal system is currently being developed. New strategies must be adapted for recruiting, retaining and deployment of teachers to meet the curriculum needs. Professional Development Grants are now being awarded and a master teacher System for exemplary teachers is being established.

We will continue the process of strengthening of the Ministry of Education to improve productivity and quality at all levels of its operations. Reform measures will be undertaken in the management and administrative

processes and procedures. At the same time, an appropriate legal and regulatory framework will be established to provide the foundation for adequate governance and management of the education system. These measures will be supported by training and staff development programmes. Further, the recommendations contained in the Management Audit commissioned by Government, will be implemented in 2007.

The passage of the Education Act and the Further and Higher Education Accreditation Act in 2006 strengthens the institutional framework for education in St. Vincent and the Grenadines.

While we have put appropriate measures in place to encourage our students to strive for academic excellence, we are cognisant that the provision of technical and vocational skills is quintessential to our development. However, technical and vocational education and training is a complex area which cuts across both the formal and non-formal education. Within the formal sector, technical education is provided at the secondary level including the Multi Purpose Centres and in post-secondary education at the Technical College and School of Nursing. The main challenge facing technical vocational education is for a larger percentage of the population to obtain formal certification in various occupational areas, to enhance the ability of our youths to compete for jobs particularly within the context of CSME and the wider globalised environment. Further, programmes for out-of-school youths and adults will be implemented through an enlarged Adult and Continuing Education Unit. No one can gainsay the new found confidence of those adults who have benefited from the Adult Literacy Crusade. Indeed, I have challenged those who commenced this program that this administration will finance a three-year scholarship for university education of anyone meeting university matriculation requirements, having come through this programme.

We are also expanding our programme at the tertiary level, and to build our successes of previous years, some of these activities include:

- ◆ The franchising of Level I (first year) university courses in the social sciences from September 2007. The Level I university courses will be delivered by the Division of Arts, Sciences and General Studies.
- ◆ The development of associate degree programmes for the Division of Arts, Sciences and General Studies. One programme has been completed and has been submitted

to the, University of the West Indies, for presentation to the appropriate Faculty and Council. Through that process, the College hopes to at least secure matriculation.

- ◆ The introduction of the A+ Certification Programme at the Division of Technical and Vocational Education in September 2006.
- ◆ The exploration with St. John's University in New York and the Lim Kok Wing College of Creative Technology of Malaysia to establish appropriate links with the Community College for on-site tertiary education. This Government is determined to achieve the goal of at least one university or college graduate, on an average, per household in St. Vincent and the Grenadines by 2025.

Last Monday December 6th 2006, we opened the South Leeward Learning Resource Centre at Questelles. This is the 9th Learning Resource Centre to be completed in our programme to construct at least one Learning Resource Centre in every constituency in the State. Three more Learning Resource Centres-Marriaqua, Barroualie and Biabou-are presently under construction and work is progressing satisfactorily. In 2007, we will commence work on the Learning Resource Centres in Central Kingstown, West Kingstown and possibly one other. In addition to the physical plant, we are developing a comprehensive management programme, to ensure that these Learning Resource Centres are effectively utilized. We thank the Government of the Republic of China on Taiwan for their assistance with this programme.

Work is progressing on the Modern National Library Project, which will provide accommodation for a modern, high-tech library to complement the Learning Resource Centres and to stimulate further, the interest in reading and research. This project also includes an Auditorium to accommodate 750 persons to be used for the Performing Arts, lectures and conferences. Now that the Kingstown Technical Centre is relocated and operating in its much better setting, and the old YWCA building and old Technical Centre are being demolished, construction work will commence early in 2007. The contract has been awarded at a cost of approximately EC\$20 million.

HEALTH

St. Vincent and the Grenadines has made considerable progress in health care delivery over the past years as evidenced by the Vital Health Indicators, which in many ways resemble those of developed countries. We can now boast of a life expectancy rate of 74.4 years, birth rate of 2.4 per thousand, an immunization rate of 100% for the 0-5 age group, and practically zero maternal deaths. These achievements are as a result of the policy directives and emphases placed by this administration on healthcare.

Our health care delivery system continues to focus strategically on the primary health care system. In order to build on the successes we have had, we are at present carrying out an evaluation of the primary health care system, with the assistance of PAHO. The results of this evaluation will be used to refashion and reorient the health care services to meet the ever-changing epidemiological profile of the country.

In this regard, we will continue to provide quality primary health care to our citizens in the coming year. As part of this programme, the Clare Valley, Lowmans and several other health clinics and health centers will be upgraded and refurbished.

The National Eye Screening Programme –*Vision Now*– is a success with over 16,000 persons screened of which more than 1,625 have travelled to Cuba for corrective eye surgery. The present programme will end this year but follow-up care will be incorporated into the hospital services. We owe the Cuban Government a debt of gratitude for assisting us with this programme. The complementary programme for the provision of glasses has also been a success, about 1,000 persons have been tested, with 190 of them already fitted.

A major concern for the primary health care system is that the citizens of St. Vincent and the Grenadines have adopted the lifestyles of developed countries. The leading causes of approximately 60 percent of our morbidities and mortalities are life-style related. This has resulted in an unacceptably high incidence of obesity, diabetes, hypertension, heart diseases, strokes and others. To help reduce the high incidence of some of these diseases, the Ministries of Health and the Environment and Agriculture, Forest and Fisheries have recently launched the National Food Based Dietary Guidelines. The publication of these guidelines, combined with increased public awareness, should assist in reversing the trend of these non-communicable diseases.

Further, the deaths and serious personal injuries arising from criminal acts of violence and accidents, especially road traffic accidents, are unacceptably high and costly. Accordingly, Government will continue its focussed inter-ministerial efforts with the involvement of the general public to address the bundle of health, and other issues, connected herewith.

In the area of secondary healthcare, plans are in place to construct, with the help of the Government of Cuba, a unique modern health complex that will provide diagnostic, surgical and dialysis services at the Georgetown Hospital. The technical plans for this facility are well advanced and construction is expected to commence in 2007.

HIV/AIDS

The Government continues to spend EC\$1.5 million of its own resources annually on the fight against HIV/AIDS. This Government is working with international, regional and local partners in the fight to prevent and control the spread of HIV/AIDS, minimize the socio economic impact of HIV/AIDS, and promote the well being of people living with HIV and AIDS.

The anti-HIV/AIDS programme has gained momentum, with most government ministries, non-governmental organisations, faith based organisations and civil society coming on board.

The emphasis in 2007 will be on scaling up the prevention of HIV infections, through the Voluntary Counseling Health (VCT) programme and intensive information, education and information strategy. Since the advent of the programme, the incidence of HIV has stabilised and infected persons are living longer due to the availability of anti-retroviral medications and our babies are more protected. There is much more work to be done and all must be involved in the fight against HIV/AIDS.

The major activities for 2007 will include:

- ❖ Completion of the National AIDS Secretariat and the refurbishment of Health Centres and schools to facilitate the voluntary counselling and testing programme and the development of a Health Information System. These activities will be supported by assistance from the World Bank.
- ❖ Improved laboratory and pharmaceutical services and provide training for those involved in the care of persons living with HIV/AIDS. Resources from the Global Fund will support the activities.
- ❖ Implement programmes to fight the stigma and discrimination against HIV/AIDS and the procurement of a mobile Blood Bank.

These resources are provided by Pan Caribbean Partnership Against HIV/AIDS(PANCAP).

- ❖ Procurement of rapid testing and implementation of community education programmes, with resources from the UK's Department of International Development.

SPORTS

Government's plans for upgrading the sporting infrastructure in St. Vincent and the Grenadines to enhance the development of our youths are progressing satisfactorily. The Arnos Vale Cricket Facility has seen dramatic transformations and is more than 87 percent complete as at the end of October 2006. For the first ten months of this financial year, we have already spent in excess of EC\$23 million on the Arnos Vale Sporting Complex, and altogether we will be spending approximately EC\$40 million on this facility as well as Arnos Vale 2, Sion Hill and Stubbs venues, as well as on other Cricket World Cup activities.

In 2006, community playing fields and facilities located at Petit Bordel, Kearntons, Layou, Green Hill, Largo Heights and Sandy Bay (London) were upgraded or developed. And at Victoria Park a multi-purpose facility, including for football under floodlights, has been magnificently developed.

In 2007, we will commence upgrading of several community playing fields, including Park Hill, South Rivers, Colonarie Georgetown, Mt. Grenan, Cumberland and Sharpes. These facilities are being refurbished with grant funds of US\$1.8 million, which have already been received from the Venezuela Alba Caribe Fund and from other sources.

Government remains committed to the development of a modern stadium at Diamond. A contract was signed earlier this year for the redesign of the National Stadium and this phase will be implemented in 2007. Actual construction will begin in 2008.

Never in the history of St. Vincent and the Grenadines has Government spent such enormous sums on sporting facilities or carried out such a comprehensive programme on sports development for young people.

FINANCIAL SECTOR

The financial system plays a key role in the smooth and efficient functioning of any economy. The most fundamental contribution that the system makes is to channel resources from persons with surplus resources to those with deficits. In doing so, the financial system not only satisfies the saving needs of the economy but also facilitates the accumulation of investment capital that is so critical to economic growth and development and poverty reduction.

The financial sector of St. Vincent and the Grenadines continues to be relatively stable. This Government continues to work with the Eastern Caribbean Central Bank and other member Governments of the ECCU to implement measures to strengthen the financial system and to address weaknesses associated with inadequate legislation, weak enforcement provisions and gaps in the supervisory framework. Indeed, Supervision of the financial system has become even more complicated with the emergence of financial conglomerates which compete across a wide product range through subsidiaries and affiliates. This emergence provides an opportunity for regulatory arbitrage which when exploited will weaken the financial system as a whole.

This is one of the reasons why this Government has updated the laws relating to Banking and Insurance and introduce new laws for the regulation of Money Transfer Operations. We have also established the Regulatory Unit in the Ministry of Finance and Economic Planning in order to strengthen supervision of financial institutions not licensed under the Banking Act.

The improved features of the new Banking Act which include information sharing, a limit on large exposures, fit and proper criteria for directors and management, and increased enforcement powers to supervisors, are prerequisites for effective supervision and will go a long way in enhancing the financial stability of St. Vincent and the Grenadines.

In 2007, we will turn our attention to the law governing building societies with a view of introducing modern legislation for the efficacious supervision of building societies such as the Building and Loan Association. We will also review the arrangements for supervision of Credit Unions to bring them under the purview of the Regulatory Unit in the Ministry of Finance and Economic Planning. As is customary we will carry out intensive public consultations and discussions with the major stakeholders before arriving at our final decisions.

Also in 2007, we propose to bring into effect the Insurance (Third Party) Act which was passed in this Honourable House in 2004. This Act makes special provisions for the protection of third parties against risks arising out of motor vehicle accidents and related matters.

National Commercial Bank

In my 2003 Budget Address, delivered to this Honourable House on December 2nd 2002, I outlined a restructuring plan to improve the performance of the National Commercial Bank. This plan had three (3) objectives:

1. to strengthen the internal audit functions of the Bank, in order to ensure that the best systems of internal controls and practices are in place;
2. to strengthen the Bank's management capacity, including an intensification of the training programme for members of staff; and
3. to purge the Bank's loan portfolio by transferring the bad loans made to a special purpose vehicle;

At that time, the Bank had many challenges; the level of non-performing loans as a percentage of the total loan portfolio was uncomfortably high at 15 percent; credit underwriting practices were ineffective leading to poor credit risk management and loss of income; internal control systems were weak or in some cases non-existent; staff morale was low, and operating policies and procedures were for the most part, absent.

Today, a lot has changed for the better. The Bank is the most profitable it has ever been since its doors opened for business twenty- nine years ago. This is not the result happenstance. It took a lot of hard work and tough decisions on the part of the Government, the Board of Directors and the staff to yield the results we see today.

In 2005, the Bank experienced a significant boost in net earnings moving from a net loss position in 2004 of EC \$3.26 million to record a net profit of EC\$7.64 million; a turn around in net earnings of over EC\$10 million. The Bank sustained this performance in the 2005/06 financial year, which ended on June 30th, this year by registering a net profit of EC\$10.1 million. In the financial year just closed the asset base of the National Commercial Bank was in excess of EC\$600 million dollars, with a loan portfolio of just under EC\$400 million. The ratio of non-performing loans to total loans is now well within the 5 percent prudential benchmark set by the Eastern Caribbean Central Bank. The operations of the Bank have been streamlined along core functional lines; the internal control environment

has been enhanced with the creation of the Internal Audit Department and the appointment of the Audit Committee of the Board, and appropriate policies and operating procedures have been updated and implemented.

Staff morale is presently at an all time high as evidenced by the numbers now pursuing professional designations and university degrees. The pension arrangements for staff have also been put in place. The National Commercial Bank is the only broker/ dealer in St. Vincent and the Grenadines licensed to trade on the Eastern Caribbean Stock Exchange. More recently, the Bank launched its internet banking services.

Under the leadership of this Government and this Minister of Finance, the turnaround of the National Commercial Bank has been phenomenal thus far.

INTERNATIONAL FINANCIAL SERVICES

The International Financial Services Authority is continuing its effort to improve St. Vincent and the Grenadines' image, as an international financial centre. Still, there is a lot of work to be done in order to further heal the wounds caused by the negative publicity of the country's black-listing in 2000. Accordingly, IFSA continues to ensure that the sector is well regulated and assists the highly-rated Financial Intelligence Unit, and other entities, in enforcing the anti-money laundering and counter-terrorism financing protocols of the International Community.

The Authority has submitted an application to the United States of America's Internal Revenue Service for St. Vincent and the Grenadines to be recognized as a qualified jurisdiction. This will enable St. Vincent and the Grenadines to register and licence entities that wish to do business on the US Securities and other international markets, thereby providing a boost for our international financial services sector.

During 2005, there was a 36 percent increase in the number of new registrations and an 11 percent increase in the number of renewals. Total fees earned from the sector during 2005 amounted to EC\$3.3 million which was 13 percent more than the EC\$2.9 million earned in 2004.

The 2006 performance to date has been mixed with a 12 percent decline in new registrations as of October, and a 20 percent increase in IBC renewals. Revenue earned as at October was 5 percent less than in the corresponding period of 2005, due mainly to a decline in interest revenue.

The 2006 results for the sector points to a need for St. Vincent and the Grenadines to promote its international finance sector more aggressively.

Accordingly, provision has been made in the 2007 Estimates for a 16% increase in the subvention to NIPI to allow it to employ additional professionals who will concentrate on promoting the International Financial Services Sector. Further, a specific regime is being devised to attract overseas professional in this sector to do business with, and in, our jurisdiction.

Additionally, in 2007, there will be appropriate review of the package of legislation relating to the institutional financial services sector so as to enhance its growth and job-creation.

National Insurance Services

In 2007 the National Insurance Services will celebrate its twentieth anniversary and has fittingly decided to reaffirm its commitment to excellence and to enhance the quality of its services, by focusing on a number of critical areas including investment, coverage, compliance and governance. Accordingly, the NIS objectives for 2007 include the following:-

- To achieve the minimum rate of return on its investment portfolio of 6.5 percent as recommended by the most recent actuarial review.
- To employ innovative procedures for the expansion of coverage of the population.
- To increase the compliance rate to at least 78% as compared to the existing rate of 73 percent.
- To develop an enhanced internal control and reporting system that epitomizes, transparency, accountability and integrity.
- To intensify the E-submission programme which was launched in 2006 to facilitate the transmission of information via electronic media.

The NIS is performing well and is financially sound. The NIS recorded net income of EC\$19.7 million for the financial year ended December 31st,

2005 as compared with EC\$20.7 million in the previous year. This reduction in income resulted largely from the faster growing benefits pay-out rate compared to contributions received. This trend is expected to continue in subsequent years until there is an increase in the contribution rate, which is now 6.0 percent. Investments performed favourably, during 2005 with an overall portfolio yield of 6.6 percent compared with 6.8 percent in 2004.

Total assets grew by 7 percent during the year and amounted to EC\$320.2 million as at December 2005 compared to EC\$299.3 million in December 2004. Reserves as at December 31st, 2005, excluding National Provident Fund, amounted to EC\$265.4 million, an increase of EC\$19.9 million (8.1 percent) over 2004.

AIRPORT DEVELOPMENT

Preparatory works on the construction of the international airport at Argyle are progressing satisfactorily. So far, the team of Cuban/Venezuelan engineers and technicians, who have been working here on the project have now completed all the soil testing and topographic surveys and have collected sufficient wind data to allow them to determine, among other things, the best alignment for the airstrip and the amount of cuts and fills needed. The design team has recently completed the designs for the earthworks stage, the alignment of the airstrip, the location of the terminal building, control tower, roads and other support services.

The IADC is in the process of completing negotiations and finalising payment of agreed sums to the remaining home-owners at Argyle. In all, 132 properties are affected by the airport and about 263 vacant lots. While some home-owners have already been paid, IADC will shortly settle all other affected land owners.

As part of the compensation package for persons affected by the airport, the Government has granted to these property owners a range of concessions, to help defray the cost of rebuilding their homes or replacing their properties. These concessions include, but are not limited to:

- (a) waiver of stamp duties on the sale and purchase of new properties;
- (b) waiver of registration, stamp duty and other legal fees for the registration of mortgages;
- (c) preparation of deeds of conveyance for new properties bought;

- (d) sale of IADC's lands at Harmony Hall, at a discount, below market value;
- (e) payment of a relocation allowance of \$10,000 to each homeowner; and
- (f) permission to remove any and all fixture or fittings from their homes, even though the IADC would compensate them fully for their properties.

All of these concessions are available to each property owner and are in addition to the value agreed with the IADC for their properties.

The IADC has gone much further than simply paying homeowners for their properties. As part of the relocation exercise, the IADC has been assisting property/homeowners in finding new building sites for their homes and businesses, including for example, lands at Harmony Hall, Carapan and Diamond. The IADC has also been assisting homeowners with finding architects and draughtsman, fast tracking their plans through the Planning Division, and finding firms to rebuild their homes and assisting in myriad of other ways, as requested by homeowners, to lighten the burden on the homeowner who has to relocate from Argyle.

While we plan for the international airport at Argyle, airport development elsewhere on both mainland St. Vincent and in the Grenadines has been receiving much attention. Work on the Jet Port on Canouan commenced in October 2006. The project is anticipated to be completed by December 2007 at an estimated total cost of US\$15 million. Refurbishment and further development on other airports in St. Vincent and the Grenadines are also included in the Estimates for 2007.

AIR TRANSPORT

The Government of St. Vincent and the Grenadines is committed to the rationalisation of air transportation in the region, given the critical role it plays in our tourism industry.

It is in this context that the recent announcement by Caribbean Star and Liat that they are working towards a merger, must be seen. Such a merger, we believe will create synergies and economies of scale, which will rebound to the benefit of travellers within the region, provided that the merger is concluded in a manner which permits our people and governments to exercise a sufficiency of influence and/or control. This merger is particularly important, having regard to the hosting of Cricket

World Cup (CWC) in March 2007. The award of the Contract to LIAT/Caribbean STAR/BWIA (now Caribbean Airlines) to transport officials and players throughout the tournament must be capitalized upon. This alliance could be the beginning of a new relationship or entity for air transportation in the region.

Dialogue will continue on the creation of a new entity where LIAT will seek to identify and develop working relationships with other interested regional air carriers, including Caribbean Star and Caribbean Airlines.

ROADS

The increase in vehicular traffic on our roads dictates that our road network be upgraded. To this end, the Ministry has commenced a comprehensive road rehabilitation programme.

In 2007, the emphasis will continue to be on the Windward Highway. Construction of the section from Diamond to Sans Souci Gap is ongoing and is scheduled to be completed by March 2007. Work on the Rabacca River crossing commenced in January is progressing smoothly also, and is scheduled to be completed by March 2007.

Meanwhile two contracts have been awarded for that section of the highway North of the Dry River totaling EC\$23.6 million and work is expected to commence early in the new year. A contract has also been signed for the final phase of the Windward Highway Rehabilitation Project from Diamond to Kingstown and work is also scheduled to commence early in the New Year. Altogether, by the end of this project, we would have spent in excess of EC\$90 million on the rehabilitation of the Windward Highway.

The other major road project is the Cross Country Road, which we are implementing in 3 phases. The first phase of this project, from Troumaca to Rose Hall has been completed at a cost of EC\$2.5 million. The second phase, Byrea to Fergusson Gap, is on-going.

The Consultants have prepared preliminary designs for the third phase between Rose Hall and Fergusson Gap and are presently carrying out topographic surveys and geo-technical investigations to inform the design. The final alignment will be confirmed on completion of the topographic surveys. We wish to note that the Environmental Impact Assessment (EIA) will be carried out as soon as the final alignment is known. Work will also be done on many other roads in the state including

the Congo Valley, Cro-Cro-Cro and the resurfacing of suburban roads and the completion of those under the Priority Roads Programme.

Never in the history of this country has so much money been spent on roads. The road to development is based partly on the development of roads. Further in 2007, legislative and administrative measures would be implemented to make the vital public transport system more efficient, and customer-friendly, and of the highest quality possible.

HOUSING

Access to housing is one of the basic human needs. It is therefore the policy of Government to facilitate provision of affordable housing to citizens of St. Vincent and the Grenadines. Accordingly, one of the main avenues for the implementation of this policy is through the very successful housing programme for low-income persons, young professionals, and middle-income families.

To date, the HLDC has constructed over 330 low-income houses. Work continues on sites at Richmond Estate, Fitz Hughes and Clare Valley and Byera. In addition, 15 houses were constructed on private lands. Work has commenced on the development of a lower and middle income housing project on 5 acres of land in Clare Valley. Plans are in place to expand this project on 16.4 acres of land for the construction of an additional 130 housing units. Upon completion, this will be the largest housing project to be undertaken by Government.

Government is cognizant that the construction of houses and other physical developments need to be guided by locational and quality standards. Accordingly, a draft National Physical Development Plan is completed and the final document will be published in 2007. Additionally, local area plans will be developed. Government will also amend the Town and Country Planning Act in 2007 to include a new set of standards called the National Building Codes and Guidelines. These are regional and international standards that were adapted to our local situation after consultation and refinement. The implementation of these new building codes and standards is important not as an end in itself but more particularly in helping to give greater protection to our citizens against natural hazards such as hurricanes, earthquakes and volcanic eruptions. It is therefore in everyone's interest to abide by these Codes.

House construction is an important part of the construction sector which has been one of the lead economic sectors within recent times. We are mindful of the sharp increases in building costs, mainly as a result of

geopolitical factors, and the competition for skilled labour, regionally. Government will therefore take measures to ensure that housing remains affordable to each and every Vincentian. We will therefore review the non-building costs of construction with a view towards determining what relief measures can be adopted. At the same time, training and certification of skilled persons in the construction industry will continue apace.

URBAN DEVELOPMENT

The pressures which impact on the development options in Kingstown are many. These range from uncontrolled expansion of the informal sector and street vending activities to traffic congestion and the presence of vagrants, among others. Government has recognized its role in addressing these adverse influences, by clearly articulating its policy direction with respect to urban development.

The primary sectoral objective is to revitalise, renew and transform Kingstown and its environs, through the implementation of an overall master plan, administered by an autonomous institution, an Urban Development Agency with a broad enough mandate to coordinate interventions and execute sustainable programmes of development.

For the first time in the history of ministerial government in this country, the portfolio of urban development was created, to address in a more focused manner the challenges of urban revitalization and development. Earlier this year, an Urban Development Task Force was appointed by Cabinet with clear terms of reference and with representatives with a range of expertise from various public sector agencies and the private sector. This Ministry will grow into a major instrument of national development.

The work of the Task Force will evolve into a consultancy to prepare an overarching framework and master plan for urban development in St. Vincent and the Grenadines, with emphasis on Kingstown and its environs. The medium term plan is to create the Urban Development Agency.

WATER AND SOLID WASTE

In 2007, the CWSA will endeavour to maintain a high level of service, consistent with sustained financial stability, to provide its employees with the resources necessary to perform their tasks professionally and efficiently; maintain adequate cash reserves for future capital works, and maintain assets and inventory in a controlled and efficient manner.

Since its inception, the Solid Waste Unit has been operating at a loss and is being subsidized by the CWSA. This subsidy has resulted in a 70 percent reduction in net income of the CWSA from 2001 to 2005 and a profit margin movement from 16 percent to 2 percent in the same period. It is hoped that the implementation of several initiatives in the new financial year will ensure that the SWMU moves towards becoming financially viable.

In addition to its on-going system expansion and improvements, the CWSA will, in their financial year (2006-2007) undertake several major projects including:

1. The completion of the Windward Water Supply Project (EC\$18.8 million).
2. A National Water Resource Study, including the mapping of all watersheds and water sources in the state, the establishment of a data collection system for rainfall and river flow in each watershed, and most importantly, the finalisation of proposals for water supply to the Grenadines.
3. The Septic Lagoon Project at Diamond, which involves the construction of lagoons to collect and treat septage from household septic tanks in a safe and environmentally friendly manner.
4. The Grenadines Solid Waste Management Project to be funded by the EU and the CDB.
5. The establishment of a bio-medical waste disposal facility in the form of an incinerator, with high quality emissions to ensure the safe and final disposal of sensitive waste from hospitals and clinics.

The future and imminent debt repayment obligations of the CWSA are main areas of concern to the management of the CWSA. There are four (4) long-term loans that commit the CWSA to significant repayment obligations from early 2006. These include the Dalaway Water Supply Project (\$EC8.4 million), the Windward Water Supply Project (\$EC19 million) and the Belair Garage and Stores Complex (\$EC1.0 million). Clearly, rates for CWSA's supply of goods and services will have to be reviewed in the short-to-medium term.

PUBLIC SECTOR REFORM

Government remains committed to its goal of creating and maintaining a highly efficient and productive public service, founded on the principles of accountability, transparency and integrity. Government also recognises the need to modernise the Public Service. As the Public Service evolves with a more dynamic and multifaceted developmental agenda, the role of Human Resource Management becomes more critical in terms of improving and sustaining productivity and performance. We have continued the process of public sector reform aimed at engendering a service-oriented culture in the public service, thereby creating a service delivery oriented public sector that is more efficient and responsive to the needs of the populace.

Government will continue in 2007 to place priority on achieving efficiency, effectiveness and economy in the services it provides, and to build on the work done so far in an effort to ensure full implementation of these activities which are crucial to improving the level of public service productivity and to "get the small things right". The main objectives are:

- Improve customer service delivery to ensure provision of the highest quality service to the public and to ensure that citizens receive value for money.
- Improve the communication links/channels between the civil service and the citizens of St. Vincent and the Grenadines.
- Improve efficiency in human resource planning, management and development in the public service.

One key element of the Public Sector Reform Programme is the reclassification exercise which has been ongoing since November 2002. This exercise is a process for establishing a framework for pay equity for the entire public service. Pay equity incorporates equal pay for work of equal value, based on skills, responsibility, condition of work, as well as equal pay for similar or identical work.

The process of arriving at a final job classification involved determining job value, a sensitive exercise requiring considerable care and attention. It is therefore crucial that all stakeholders deem the result of the job evaluation process as being valid, objective, defensible, credible and fair. The Government is committed to the implementation of the reclassification programme, however, there are still a number of anomalies in the final recommendations submitted by

the consultant which must be rectified. Once these have been normalized and the cost of implementation is ascertained we will implement the programme in the upcoming year.

Another very important component of the Public Sector Reform Programme is the financial management reforms which we have been implementing in the Ministry of Finance and Economic Planning and the Public Service as a whole. We recognize that as societal needs will inevitably be greater than the resources available to Government, all public resources must be used as efficiently as possible with minimum wastage. This is central to creating a relationship of mutual trust and shared concerns between government and citizens that is at the core of our development agenda.

In 2007, the new Finance Administration Act and the Audit Act will be brought into operation along with the accompanying Financial Regulations. We will also advocate for passage of the new Procurement Bill and Regulations in our quest to establish clear rules on open and accountable procurement, based on the principles of transparency, fairness, openness and value for money.

We will also be improving the budget preparation process with assistance from ECEMP. Through this exercise we aim to build capacity with the Ministry of Finance and Economic Planning and in line ministries. A Revised budget cycle and implementation procedures will be developed which will include a new chart of accounts and new budget tools.

Energy

In real terms, the average spot price of oil has been increasing since 2002, due mainly to continued growth in world oil demand and geopolitical uncertainties. After peaking at over US\$75 per barrel in September 2006 oil prices have since moderated and there has been a corresponding reduction in price for petroleum products.

This increase in the cost of fuel has placed tremendous burden on Vinlec's operation as well as those of its customers. Over the last four years, Vinlec has spent a total of EC\$117.2 million on fuel for its generators with the cost of fuel ranging from EC\$18.5 million in 2003, to EC\$37.2 million in 2005, and EC\$37.4 million for the first ten months of 2006. This means that the calculated fuel surcharge is at times so high that it is close to the basic rate per unit for most customers.

To help alleviate this problem, Vinlec has already engaged consultants to look at the cost of services and rate structure and to make recommendations for a rebalancing, not an increase, of the rates. This study will include an examination of the demand charge levied on both industrial and commercial customers as well as a review of the base year used to compute the fuel surcharge.

Vinlec has placed priority on enhancing its generation capacity to satisfy local demand through the development of a power station at Lowman's Bay. The formal take-over of the new power station at Lowmans Bay is scheduled for this month and Vinlec anticipates having the plant fully operational by the end of the year. This will greatly assist the company in meeting the deficit in its generation capacity, but will not completely eliminate the problem. In this regard, Government is already looking ahead to future electricity generation needs and actively pursuing plans for the introduction of an additional eight/ten mega-watts at Lowmans Bay. New generating units will also be installed at the Canouan and Bequia plants during 2007.

Government is also exploring the feasibility of installing up to 7.2 megawatts of wind-generated electricity in the area of Ribishi Point, next to the solid waste disposal site at Brighton. Accordingly, a Letter of Intent has been issued to a Swedish firm to carry out the necessary research into this proposal.

As a complement to the increased generating capacity at Lowmans Bay, Vinlec will carry out extensive expansion of its transmission and distribution system in 2007, at an estimated cost of EC\$11.4 million. The major components of this programme include, construction of two 33 kv lines from Lowmans Bay to the Kingstown substation, construction of a 33 kv line from Cane Hall to South Rivers, construction of two substations at Cane Hall and South Rivers and de-commissioning of the Campden Park substation.

In November of this year, St. Vincent and the Grenadines received its first shipment of diesel under the Petro Caribe arrangement, when approximately 12,000 barrels of diesel were imported for the Lowmans Bay Plant. We expect to continue this arrangement with monthly shipments of diesel for the Lowmans Bay Plant. Fuel for Cane Hall and the stations in the Grenadines, will continue to be sourced under the agreement with Texaco.

Given the altered market circumstances internationally, the Government is now in a position to reduce the controlled price of gasoline and diesel

which I propose to implement from January 1st, 2007. I shall give the details later in this Address.

Given the importance of energy to economic development, Government has established a National Energy Committee which would elaborate the National Energy Policy, to include conservation strategies.

As part of the efforts to conserve energy, the import duty on solar water heaters and energy saving bulbs will be reduced. In addition, the excise tax will be increased on incandescent bulbs. Also, with the assistance from the Government of Cuba, we will be distributing energy saving bulbs, at no cost, to all households in St. Vincent and the Grenadines early in 2007 .

Public Debt

As at September 30th, 2006, the disbursed outstanding public debt (Central Government and other public sector debt) for St. Vincent and the Grenadines was estimated at EC\$1,062 million, the equivalent of 84.5 percent of GDP. This was EC\$99.9 million more than the public debt at the end of September 2005. The increase in public debt over the last year was on account of the following:-

- (i) a loan of EC\$25 million from the National Commercial Bank for the Special Roads Programme;
- (ii) a loan of EC\$40 million through a bond issue on the Regional Government Securities Market. These funds were used to finance several important projects in the PSIP including redevelopment of the Arnos Vale Sporting Complex, the Correctional Facility, and the Secondary School Expansion Programme;
- (iii) Disbursements of approximately EC\$11.4 million on the CDB financed component of the Windward Highway Rehabilitation Project;
- (iv) Disbursements in excess of EC\$33 million on the Lowmans Bay Power Plant Project; and
- (v) Additional disbursements on the World Bank Emergency Recovery Management Project.

These are all very important projects which I am sure the majority of Vincentians would agree are needed for the social and economic

development of St. Vincent and the Grenadines. Government is however cognizant of the need to maintain a sustainable debt position and to keep debt servicing costs within manageable limits. This is necessary in order to, among other things, facilitate our continued access to regional and international capital markets and to enhance our potential for counter-cyclical fiscal policies.

Accordingly, over the medium-to-long term, Government aims to restrict the public debt and to bring it as close as possible to the bench mark level recommended by the Monetary Council of the Eastern Caribbean Central Bank at its July 2006 meeting here in St. Vincent and the Grenadines. The bench marks recommended by the Council are:-

- i. public sector debt to GDP ratio of 60 percent and
- ii. a public sector primary balance consistent with achieving and maintaining (i) above, over the medium term, that is by 2020.

Mr. Speaker, the Commission of Enquiry into the Ottley Hall Project – a project which accounts for in excess of 25 percent of this country's external debts – will shortly resume consequent upon the recent decision by the Privy Council.

Resource Requirements

The total budget for 2007 is EC\$630.1 million which is 8.4 percent more than for 2006. This total is comprised of the Recurrent Expenditure Budget of EC\$450.6 million (including amortization and contributions to sinking fund) and Capital Expenditure Budget of EC\$179.5 million. The Recurrent Expenditure Budget is broken down as follows:-

	Estimates 2007 EC\$ m	Estimates 2006 EC\$ m	Change %
Wages and Salaries	193.1	177.8	8.6
Retirement Benefits and NIS	28.2	24.2	16.5
Other Transfers	43.9	40.8	7.6
Interest Payments	48.4	42.7	13.3
Goods and Services	82.5	75.4	9.4
Total Current Expenditure	394.2	361.0	9.2
Loan Amortization	47.4	42.7	11.0
Sinking Fund Contributions	9.0	11.8	-2.4
Total	450.6	415.5	8.4

The 2007 Capital Budget of EC\$179.46 million is 8.5 percent more than the 2006 budget, and is concentrated on three main sectors namely Transport and Communications with a 26.8 percent, Education (19.9%) and Administration (10%).

Financing for the 2007 Capital Budget is comprised as follows:-

Source of Funds	2007	
	Amount EC\$ m	Share %
Domestic Receipts	61.3	34.2
Loans	51.4	28.9
Other	9.9	5.5
External Receipts	118.2	65.8
Loans	38.3	21.3
Grants	79.9	44.5
Total	179.5	100.0

The significant features of the 2007 financing plan is the reliance which has been placed on grants for financing the Public Sector Investment Programme. Over forty-four percent (44%) of the 2007 Capital Budget is to be financed from grants as compared with 22.5 percent in 2006. The major source of these grants is the European Union which is expected to provide some EC\$47.5 million in 2007, followed by the Republic of China (on Taiwan) with EC\$14.8 million and the Government of Trinidad and Tobago with EC\$7.0 million. Other import sources are Cuba EC\$2.0 million, Japan EC\$3.0 million, Venezuela EC\$2.6 million, the Caribbean Development Bank EC\$1.15 million, IDA/World Bank EC\$1.0 million and the United Nations EC \$0.6 million.

Higher grant resources, either through direct grants or more highly concessional loans are required if we are to meet the twin objectives of debt sustainability and providing adequate funding for spending targeted on economic development and poverty reduction. Thus, we have

deliberately concentrated on projects with grant funding in the preparation for the 2007 Budget.

Loan-financed projects contained in the 2007 Budget amount to EC\$89.7 million of which some EC\$15 million have already been drawn down for the Canouan Airport Project. This means that approximately EC\$74.7 million in new loans is required for 2007. Approximately EC\$14 million of this figure will come from multilateral and bilateral donors and the balance raised on the local and regional capital markets. Accordingly, we will be requesting parliamentary approval to borrow EC\$60 million for the partial financing of the 2007 Capital programme.

Even though the Central Government plans to borrow an additional EC\$75 million in 2007, there should be no increase in the overall debt level for the Central Government as these new borrowings will be exceeded by debt repayments which are projected at approximately EC\$77 million for 2007 including loan amortization of EC\$47 million and redemption of the 2006/07 Bond Issue of EC\$30 million. The redemption of the 2006/07 Bond in February 2007, will be financed from a loan sinking fund, which has ample reserves to finance this cost.

Fiscal Measures

For the 2007 fiscal year, Government's fiscal and economic policy will focus on enhancing the investment climate and reducing the cost of doing business in St. Vincent and the Grenadines. The economic growth rates that have been registered in recent years must be sustained; indeed still higher rates of growth are required for stronger inroads in poverty reduction and general improvement in the living standards in St. Vincent and the Grenadines. Further, fiscal and debt sustainability issues will be given more prominence.

VAT & EXCISE

The most important initiative for the New Year is of course the introduction of the Value-Added-Tax (VAT) and the modern Excise from May 1st, 2007. The VAT will be charged at a rate of fifteen percent (15%) with a reduced rate of ten percent (10%) for hotel and holiday accommodation (including yachting). A number of supplies have been either zero-rated or exempt from the VAT, as shown in Appendix II & III to this statement.

In addition to the VAT, some commodities are also subjected to an Excise tax which will be levied at varying rates. The commodities subject to the Excise include motor vehicles, petroleum products, alcoholic beverages, cigarettes and tobacco, and used tires. The proposed rates are shown at Appendix I.

Consequent upon the introduction of the VAT a number of taxes will be abolished as shown in Appendix IV.

The projected revenue from the VAT and the Excise totalled EC\$96.00 million in 2007 and EC\$162.8 million in 2008.

Income Tax

The new VAT tax creates an opportunity for fundamental reform of the tax system and for the strengthening of tax and customs administrative procedures. The available information shows that St. Vincent and the Grenadines has some of the highest rates of taxation for both individuals and companies. This is putting our businesses, workers and professionals at a disadvantage vis-à-vis their Caricom partners. Accordingly, we propose to reduce the highest rate of personal income tax and the standard rate for companies from 40 percent to 30 percent over the next few years. For the 2007 income year, the rate will be reduced from 40 percent to 37.5 percent. The pace of reduction in future years will depend on our fiscal situation and most importantly on the success of the VAT. This reduction is in addition to those granted in previous years to hotels (30 percent) and manufacturing as low as 15 percent for exports to extra regional market.

The cost of this measure is estimated at EC\$4.0 million per annum which is comprised of EC\$2.6 million for companies and EC\$1.4 million for individuals.

Additionally, in keeping with our Manifesto promise to increase the income tax threshold to EC\$17 thousand we propose to increase the standard deduction from EC\$14,000 to EC\$15,000 with effect from 2007 income year.

Over 7,200 taxpayers will benefit from this concession at an annual cost to the Consolidated Fund of EC\$2.0 million.

Stamp Duty

The large increase in the cost of building materials which has occurred in recent times has led to a corresponding increase in the size of the mortgages for new construction and purchase of buildings for industrial and commercial uses. This means that the cost of registering mortgages (including stamp duty) has also increased and is now a major cost to prospective homeowners. Indeed, the stamp duty and registration fee for residential mortgages total 2.25 percent of the sum secured for mortgages less than EC\$1.0 million.

Accordingly, we propose to reduce the stamp duty payable on mortgages by 50 percent. The new rates will be as follows:-

For every EC\$1,000 or fractional part

Thereof of the sum secured by a

mortgage of a value:-

	Current Rate	Proposed Rate
(a) not exceeding \$1,000,000	\$20.00	\$10.00
(b) exceeding \$1,000,000 but not exceeding \$5,000,000	\$15.00	\$ 7.50
(c) exceeding \$5,000,000 but not exceeding \$10,000,000	\$10.00	\$ 5.00
(d) exceeding \$10,000,000	\$ 5.00	\$ 2.50

The stamp duty payable on leases and agreement for lease will also be reduced by 50 percent. We further propose to add service and works contracts to the list of exemptions under item 9 of the Schedule to the Stamp Act with effect from May 01, 2007. This means, among other things, that contractors and builders should see a reduction in the cost of doing business. Of course, works and service contracts will now be liable to VAT but this will be paid by the client in addition to the full value of the contract.

The estimated annual cost of the adjustments to the Stamp Act is EC\$1.1 million.

One area of concern in respect of the stamp duty payable at the Registry of the High Court is the large number of transfers which are being registered as deed of gift. Approximately one-half of the deeds registered in 2004 and 2005 were recorded as deeds of gift. This indicates that some unscrupulous persons are using the concession granted to evade the tax payable to the Government. During the upcoming year we will amend the legislation to narrow the categories of persons who will qualify for a waiver on stamp duty on the transfer of property by way of a deed of gift. We will also be conducting a review of those transfers which have been registered in order to ensure that they were fully compliant with the legislation. Any violations of the guidelines which are contained in the legislation will be firmly dealt with.

In this regard, I have already put an investigative team in place to uncover the particular cases of abuse and breach of the law regarding improper transactions involving Deeds of Gift. Under the law as it currently stands, the lawyer who prepares the Deed is required to make an appropriate statutory declaration of the veracity of the family relationship between donor and donee. A lawyer who wrongfully makes such a declaration is liable to certain heavy penalties. I am accordingly requesting that all those persons who have breached the law on this matter and evaded the payment of stamp duty, to pay the requisite stamp duty on those deeds. A period of grace up to March 31st, 2007, is hereby allowed for this to be done. Thereafter, the full force of the law will be applied. This unscrupulous conduct by those who ought to know better must stop.

Prices for Petroleum Products

Since the last increase in petroleum prices in August 2006 there has been a considerable easing in the prices for petroleum products on the international commodities markets. Accordingly, the government is now in a position to lower the retail price for gasoline and diesel which we propose to implement from January 01, 2007 as follows:-

Gasoline from \$11.50 to \$9.75 per gallon

Diesel from \$9.50 to \$8.75 per gallon

In light of the fact that the price of diesel will be lower than the August 2006 price, we propose to suspend the transportation subsidy payable on diesel vehicles with effect from January 2007. The subsidy will of course be implemented if and when the price of diesel moves beyond EC\$9.25 per gallon which is the price that existed in August 2006 at the time of the most recent increase. The subsidy for gasoline vehicle will be reduced to EC\$0.25 per gallon from January 2007.

The reduction of prices for diesel and gasoline has been delayed to January in order to allow the government to recover some of the losses which was incurred since the latter part of 2004.

Customs and Port Charges

During the budget consultations we received a number of complaints from businesses and other users of the Kingstown Port about the high costs and the long delays. The problem seems to be mainly related to congestion and the increased trade which has occurred in recent times. Despite the best efforts of the hard working Customs and Port officers the problems have persisted and have led to much frustration, particularly among the business community.

As a short-term measure, the government has procured some additional space at the WIBDECO compound for the storage and processing of containers. We have also increased the staff at the Customs and Excise Department with the creation of nineteen (19) new positions in the 2007 Estimates. From this additional staff we propose to establish a small unit to deal exclusively with the unpacking of containers at the port.

We have also agreed to authorize the use of overtime in order to clear any backlog of customs entries which may occur from time to time and to finance this cost from the Consolidated Fund. Importers can now expect to have all their customs entries processed within ten working days of lodgement or two working days for small entries.

In the medium to long term, we propose to revisit plans for a complete rationalization of the Kingstown Port, including the feasibility of reclaiming additional land for port operations. We will also examine the possibility of directing more cargo to the Campden Park Port.

CONCLUSION

Mr. Speaker, Honourable members, as I conclude, let me say that this Budget and its surrounding antecedents have touched, are touching, and will continue to touch, most positively, the lives of thousands of Vincentians. Let us briefly list each material particular in summation. These are in addition to the specific fiscal measures relating to VAT, personal income tax, company tax, stamp duty on mortgages and contracts, gasoline and diesel, customs and port charges.

First, from November 20th this year until December 31st, duty free concessions for the Christmas barrels were yet again granted, subject to the usual stipulations. This is the sixth consecutive year that these concessions have been granted.

Secondly, some 4,000 persons are benefiting this year from the special Christmas programme of road cleaning, currently ongoing, at a cost of EC\$1.5 million. This again is a commendable institutionalised specialty of this administration.

Thirdly, I wish to reiterate, or announce for the first time, the following in relation to the working people directly:

- (i) A 5 per cent wage increase for 2006 back-dated to January 1st this year for the daily paid and fortnightly paid workers employed by the Central Government. This wage increase was negotiated on behalf of these workers by their Trade Unions. This wage increase back-dated January 1, 2006, affects literally hundreds of employees and costs the Government approximately EC\$ 1 million. This back-pay will be paid to these workers before Christmas 2006.
- (ii) A Christmas bonus for all Central Government employees of EC\$200 tax-free. This bonus costs, in the aggregate, some EC\$1.1 million for the approximately 5,500 beneficiaries. This is the fifth consecutive year that the ULP administration has been delivering a bonus to central government employees. As usual I urge the State-owned enterprises and the private

sector employers to do likewise, and be even more generous if practicable.

- (iii) The last Wages Council reported in 2004. By law, they are to be appointed afresh to consider minimum wages throughout the economy periodically; the norm of a Labour Government is every three years. Under the NDP administration this was not done for eleven (11) years. This Labour government intends to follow the norm of other Labour governments. Accordingly, in 2007 the relevant Wages Councils will be appointed, the public consultations effected, and the determinations made in relation to a possible amendment or new schedule, of minimum wages for 2008. This measure will affect the many thousands of wage-earners who are paid minimum wages and inevitably those for whom the minima are used as benchmarks for wages above the minima.
- (iv) By mid-2007, it is expected that the Reclassification Exercise for Central Government employees, especially teachers, will be finalised and back-dated to January 1, 2007. This has been a complex, time-consuming exercise which must be brought to a successful conclusion.
- (v) All persons on public assistance or in receipt of the Non-Contributory Aged Pension through the NIS will receive a special EC\$50 Christmas payment additionally. The payment will be made also to those on invalidity pensions from the NIS. In all, some 7,700 persons will benefit from this payment which will cost EC\$385 thousand.

Fourthly, especial arrangements for financial resources will be made available to Credit Unions to assist in the financing of micro and small enterprises.

Fifthly, the farmers will continue to be subsidized on their inputs, with the profits from sugar imports, to the tune of EC\$1.75 million annually. Almost 2,000 farmers benefit from this inputs subsidy. Further, the active banana farmers will be receiving some EC\$500 thousand or EC\$1 per box of bananas sold for the first 26 weeks of this year as a bonus.

And sixthly, the fisherfolk, small hoteliers and the providers of tourism services will be facilitated through loan monies from the Development Bank and Credit Unions with monies specifically negotiated from the NIS.

Mr. Speaker, this is the first time, I have been advised, since the first Gulf War in 1991 that the retail prices for gasoline and diesel have been reduced. I had promised to do so, if the circumstances were propitious, and I have done so. As always this Government keeps its promises, keeps its word.

Mr. Speaker, Honourable members, it is vital that the people whom we represent, trust us to keep our word and our bond with them. Every year when this Government promises to do something, the perennial oppositionists, cynics and "doubting Thomases" declare the promises to be a comfort to fools and that the Government will never honour them. Often, these cynics and sceptics prattle that it is all deceptive election talk or political gimmickry. But every year this Government proves them wrong. This year the concessions and initiatives abound far and wide. They touch favourably the working people, the business people, hoteliers, fisherfolk, the professionals, the farmers, the tax payer – high and low, the Central Government employees, the poor on public assistance or non-contributory aged pension, the elderly and those on invalidity pensions, the motor vehicle owner and minibus operator, the borrowers on mortgages, the persons in the construction industry, minimum wage earners, importers, and the recipient of Christmas barrels. This is truly a "Together Now" Budget; there is something in the Budget for practically every individual, and for the greater common good; for all the people of St. Vincent and the Grenadines; for future development.

Mr. Speaker, several events, pregnant with great import, conspire to make 2007, a year of historical and contemporary significance. These are:-

- (i) The hosting in the Caribbean of the Cricket World Cup (CWC) 2007 from March to May. In St. Vincent and the Grenadines, we are hosts for warm-up matches over a five-day period. An extra-ordinary effort has been put into this matter locally and regionally. CWC 2007 promises to be the occasion of the largest voluntary movement of persons into our region since conquest and settlement.
- (ii) The 200th Anniversary of the Abolition of the Atlantic Slave Trade falls on March 25, 2007. This event will commemorate

the abolition of an enforced trade in Africans to the so-called "New World", which slave trade was the largest involuntary movement of persons in the history of our Caribbean. This Government has played a leading role locally, regionally, and at the United Nations in securing the official acknowledgement of this commemoration and in demanding an apology and reparations from the British, Europeans, and their American cousins. This commemoration ought properly to be twinned by us with CWC 2007 and be utilised, among other things, as a critical part of the process of our historical reclamation. This commemoration will run from March to December 2007. In this Budget, the sum of EC\$250 thousand has been earmarked for the commemoration in St. Vincent and the Grenadines.

- (iii) The introduction of the VAT on May 01, 2007. I have spoken earlier of the seminal importance of this tax reform measure.
- (iv) The planned opening of the Rabacca Bridge and the Canouan International Airport, and the scheduled commencement of the earthworks for the International Airport at Argyle. These are epoch-making activities.
- (v) The proposed signing of the Economic Union Treaty by member-states of the OECS to usher in the establishment of an economic union.
- (vi) The debates in the House of Assembly on the Final Report of the Constitutional Review Commission and the Report on Local Government Reform, as staging posts for meaningful constitutional and local government reform.
- (vii) The hosting of the Heads of State/Government of CARICOM in St. Vincent and the Grenadines under the Chairmanship of the Prime Minister of St. Vincent and the Grenadines who shall be CARICOM's Chairman until June 30, 2007.

Mr. Speaker, all these events, and more, demand of our people their activist involvement and a great sense of individual and collective responsibility. I urge that the remarkable national consensus, shaped under the leadership of my government, and which has emerged on matters relating centrally to education, job creation, poverty reduction, economic and fiscal policy, social policies broadly, good governance, regional integration, national security, culture and sports, and foreign

policy, be solidified. I further urge, on the basis of the greater common good, that the temptation be resisted by those who are demagogically inclined to choreograph angels on the head of a pin or who raise distinctions without a difference like the discredited cynics of ancient Greece. To be sure, let us have lively debates, but let us be constructive within the national consensus which has so evolved sensibly. Let us together embrace governance as an enterprise steeped in intellectualism and commonsense, managerial activism, the quality delivery of public goods or services to the people within the confines of the available resources, and democratic politics which is at once responsive and responsible to the people, for their common good, in this our well-grounded Caribbean civilisation and its Vincentian component.

THANK YOU!!

APPENDIX I

Proposed Excise – with effect from May 1st, 2007

Commodity	Rate
Beers and Stouts	\$0.66 per litre
Malt	\$0.35 per litre
Wine	\$2.0 per litre
Rum, Brandy, Whiskey, Gin, Vodka and liquor	\$2.00 per litre
Other fermented beverages	\$0.66 per litre
Gasoline	\$2 per gallon
Gas Oil	\$0.7 per gallon
Kerosene	\$0.5 per gallon
Butanes	\$3 per 100 lb
Used Tyres	20%
Incandescent Bulbs	10%
Transport Vehicles	50%
Car and Jeeps	45%
Goods Vehicles	55%
Tobacco	5%
Cigars and Cigarettes	10%

APPENDIX II

ZERO RATED SUPPLIES

The following supplies are zero-rated in accordance with the Value Added Tax Act.

1. Export of goods and other supplies of goods for consumption outside of St. Vincent and the Grenadines.
2. Export services and other supplies of services for consumption outside of St. Vincent and the Grenadines.
3. A supply or import of one of the following foods listed for human consumption:-
 - (a) non-package white rice
 - (b) cane sugar
 - (c) milk
 - (d) raw chicken back, neck and wings
 - (e) raw turkey back, neck and wings
 - (f) baby formula
 - (g) non package wheat flour
4. (a) the first 200 kilowatt hours per month of electricity and
(b) the fuel surcharge provided by Vinlec or any other approved person
5. gasoline, kerosene, diesel and LPG
6. Exercise books, newspapers and computers.
7. packages, containers, labels and bottles
8. invalid carriages and orthopedic appliances
9. services by:
 - (a) St. Vincent and the Grenadines Port Authority
 - (b) Any airport in St. Vincent and the Grenadines
10. International Financial Services.

APPENDIX III

EXEMPT SUPPLIES

A supply listed in one of the items below is an exempt supply in accordance with the Value Added Tax Act.

1. financial services
2. international transport services including international mail services provided by the Postal Corporation.
3. the sale of real property *
4. a lease, licence, hire or other form of supply of the rights to occupy accommodation in residential premises.
5. hotel or holiday accommodation for a continuous period of more than 45 days.
6. transportation of passengers by land, sea or air within St. Vincent and the Grenadines excluding:
 - (a) Chartered tours
 - (b) A chartered journey by sea or air
7. education services
8. medical, dental, nursing, convalescent or similar services.
9. nursing homes or residential care for the aged, indigent, infirm or disabled
10. prescription medicines.
11. veterinary services
12. gambling by an approved non-profit body.
13. tickets in a lottery conducted by the National Lotteries Authority or the Windward Islands Lotteries Commission.
14. domestic postal services by the Postal Corporation.
15. supply of unprocessed agricultural products if the supplier is the producer of the goods.
16. supply of live animals or insects other than domesticated animals generally held as pets.
17. agricultural inputs including machinery and equipment for agriculture.
18. fishing inputs including boats and outboard engines up to 75 hp and inboard diesel engines, used for taxable fishing activity.
19. aircrafts and ships stores and spare parts if used during flight or voyage that constitutes international transport.

* The Act is to be adjusted

20. bread supply by the producer of bread.
21. services by a trade union to a member or another trade union in the ordinary course of its objectives as a trade union.
22. articles of religion worship or a supply of religious services by an institution.
23. goods or services supplied to a diplomatic mission.
24. import of goods given as an unconditional gift to an approved charitable organization, or government school.
25. goods imported for international organization or personal.
26. imports of goods which are exempted from custom duties.
27. goods shipped or conveyed to St. Vincent and the Grenadines for trans-shipment or conveyance to any other country.
28. a supply of water by the Central Water and Sewerage Authority if the supply is provided to residential premises for domestic use.

Appendix IV

Taxes to be Abolished with the Introduction of VAT

Item of Revenue	Revised Estimates 2006 EC\$m	Actual Revenue 2005 EC\$m
Consumption Duty - Imports	86.50	80.03
Consumption Duty - Local	7.00	6.43
International Telecommunications Surcharge	2.20	2.26
Domestic Telecommunications Surcharge	1.60	1.80
Hotel Tax	7.52	6.86
Stamp Duty - Receipts	5.50	4.60
Entertainment Tax	<u>-</u>	<u>0.008</u>
Total	<u>110.32</u>	<u>101.99</u>