

**Budget Address**  
**For the Fiscal year 2006/2007**

**“Enhancing the Investment Climate”**

*By:*

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# CONTENTS

INTRODUCTION

RECENT ECONOMIC PERFORMANCE

PUBLIC DEBT

MACRO-ECONOMIC PERFORMANCE

BUDGET 2006/2007

THE GROWTH AND SOCIAL PROTECTION STRATEGY

AGRICULTURAL

TOURISM

HOUSING, LANDS, TELECOMMUNICATIONS, ENERGY and PORTS

EDUCATION

OUR NATION'S HEALTH SECTOR

PUBLIC SECTOR INVESTMENT PROGRAMME

THE IMF-SUPPORTED PROGRAMME -- LOOKING AHEAD

CONCLUSION

## Introduction

Madam Speaker, Cabinet Colleagues, Honourable Members of this House, invited guests, members of the gallery, fellow Dominicans at home and abroad.

It is my honour to present to this House and to the people of Dominica, this second Budget of the Labour Party Administration in its new term of office since its decisive victory at the general elections of May 2005. I wish to once again thank the people of Dominica for this, on behalf of the Government and the Dominica Labour Party, both of which I have the honour and privilege to lead. You have shown great confidence in a Government that had the courage to do the right things for the country and take the right decisions in the overall national interest, despite the considerable political risks involved.

I am appreciative of my colleagues and the people of Dominica for understanding the major challenges confronting the country at a time when these difficult but critically essential decisions were taken. That notwithstanding, the citizens of our beloved country have again placed great confidence in this Government. It is therefore this administration's intention to reward our people by continuing to embark on sound macroeconomic and fiscal policies. This will in turn contribute to the achievement of sustained economic growth, reduced poverty and improved standard of living of our people.

The theme of this year's Budget Address is "Enhancing the Investment Climate". Madam Speaker, there is an essential continuity to the strategy of this Government over the years. We restored order to the economy and public finances of our country. Last year we outlined our focus on growth and poverty reduction, and spoke to the ongoing work on the country's Growth and Social Protection Strategy (GSPS). This year Government is inviting a focus on enhancing the climate for business; on putting in place those measures that are conducive to attract private sector investments, both domestic and foreign. These investments are absolutely vital if we are to realise the growth that is necessary for job creation and for social and economic development in general.

By the time I conclude this Address, Madam Speaker, you will find that the achievements of this Government over the past year have been many; and that the measures we intend to implement in the coming fiscal year make eminent sense. The transcending imperative of the time, and this applies to Dominica as it does to the other countries of the Caribbean, is to ensure the competitiveness of our country; to ensure that our country makes itself attractive to potential investors; and that our country is as business-friendly as possible.

## Recent Economic Performance

Madam Speaker, I wish to first review our country's economic performance over the past year.

Macroeconomic performance remained strong in 2005 and into the first months of this calendar year, despite some areas of weakness. The economy continued to grow, with real GDP growing at about 3.5 percent to yield the second straight year of higher-than-average growth. This was evidenced by strong domestic demand, high consumer imports, higher than projected tax revenues, and an increase in credit provided by commercial banks.

The financial services sector is estimated to have grown by 5.0 percent while electricity and water production grew by 2.7 percent. Output in the manufacturing sector is estimated to have increased by 1.5 percent. Agricultural production declined by 0.6 percent with the crop sub-sector declining by 1.2 percent. Both banana and non-banana agricultural exports declined. Despite a contraction in total visitor arrivals, the number of visitors in paid accommodation increased resulting in growth of 1.1 percent in the tourism sector as measured by hotel and restaurant services. Inflation remained relatively low, despite the increases in energy prices.

The external current account deteriorated, largely due to high fuel prices, and the rapid growth of non-fuel imports resulting from the economic recovery.

Current revenues have performed better than budgeted. The amount budgeted for the year 2005/2006 was EC \$234.3 million. It is now anticipated that revenues will exceed our projections. The main areas of better-than-anticipated performance were withholding tax, sales tax, taxes on international trade and transactions and fees on sale and transfer of property.

Current expenditures were kept below the programme target, although payments for retiring benefits and payments for utilities exceeded the budgeted amounts. The wage bill target was met. Current expenditure plus debt amortisation to June 2006 is projected at EC \$233.1 million compared with the budgeted amount of EC \$226.8 million and actual expenditure for 2004/2005 of EC \$229.5 million. Government was able to accommodate the increase in current expenditure because of the better than expected performance of revenue.

Capital spending has been lower than projected. This was due in part to delays in the disbursement of donor funds. Government was required to finance some projects that had been expected to be financed from grant resources. Our initial projection was for capital expenditure in the region of EC \$52.5 million. However, the increased pace of implementation in recent weeks and greater accuracy in reporting suggests that this estimate could be higher.

In the end, all quantitative performance criteria (up to end March) agreed to under the IMF supported programme were met.

### **Public Debt**

Madam Speaker, during 2005/06 we continued our efforts to restructure the public debt. I can report that to date we are nearing closure with one of our major bilateral creditors with whom negotiations have been continuing for some time. Signing of this agreement will bring the percentage of debt restructured to more than 80.0 percent. We remain committed to continuing our 'good faith' negotiations with the remaining creditors that have not participated in our debt restructuring, and we continue to make payments into an escrow account on their behalf on the restructured terms. We have made every effort to contact every creditor and to provide all necessary information.

As further evidence of our commitment, legislation was passed in December 2005 to allow the debentures that were issued to the creditors participating in the restructuring to be traded on the Eastern Caribbean Securities Exchange (ECSE). We had hoped to have all these securities listed by 1<sup>st</sup> July 2006. We were unable to achieve this target but we continue to work with the ECCB and the ECSE to bring this matter to completion. All creditors will be informed at that time.

Madam Speaker, I am pleased to report therefore that during fiscal year 2005/06 there has been further consolidation of the Government's debt performance. Total Central Government debt now stands at EC \$677.0 million (excluding arrears) of which EC \$457.2 million or 67.5 percent is external, and EC \$219.8 million or 32.5 percent is domestic. The ratio of central government debt to GDP stands at 86.2 percent which is a reduction of 1.5 percentage points from 87.7 percent at the end of June 2005.

There has been significant reduction in arrears (as represented by the value of unpaid cheques) from EC \$31.0 million at the end of June 2005 to EC \$12.1 million at the end June of 2006. It is noteworthy to mention that unpaid cheques to Dominica Social Security have declined in value from EC \$28.3 million in June 2005 to \$7.7 million in June 2006. As at 30<sup>th</sup> June 2006 all Government balances were positive. This means that the overdraft balances at the commercial banks in respect of Government of Dominica accounts had been completely eliminated.

Madam Speaker, we have more work to do in some areas, but we are able to report with confidence, for the second straight year, that our country's economic indicators are moving in the right direction.

### **Macro-economic Framework**

Madam Speaker, this year's Budget reflects Government's commitment to prudent fiscal management. The 2006/07 estimates are being presented within a three-year budgeting framework, prepared by the Ministry of Finance and planning, based on submissions of the various ministries.

In particular, the Budget reinforces this Government's policy of continuing to bring debt to a level that is sustainable; of continuing to reduce the wage bill; of strengthening public finance management; and to achieve a primary surplus of 3.0 percent of GDP. The fiscal policy targets a wage bill of not more than 12.25 percent of GDP by fiscal year 2008/09. In the current fiscal year 2006/07 we expect to reduce that ratio to 13.1 percent of GDP from 13.7 percent in FY 2005/06. The public investment programme for 2006/07 will be kept at an upper limit of 10.5 percent of GDP, with just about 75.0 percent of the capital programme for this year to be financed by grants.

### **Budget 2006/2007**

Madam Speaker, the Budget for 2006/2007 continues the policy of keeping the proposals within the macro-economic framework we described earlier. The fiscal parameters seek to continue the positive results we have attained over the last two years. Table 1 of the printed text of my Address depicts the Budget Summary for the fiscal year 2006/2007. Total revenue including loan receipts is projected at \$327.5 million, and with overall expenditure including loan amortisation at \$326.0 million, resulting in an overall surplus of \$1.5 million during this fiscal year.

Table 1. Budget Summary, 2006/2007

	Estimate 2006/2007	Estimates 2005/2006	Projected outturn 2005/06
<b>Revenue</b>			
General Revenues	244.1	234.3	248.0
From Grants	70.5	63.4	14.1
From Loans	11.4	11.8	10.6
Capital receipts	1.5	1.5	1.5
<b>Total Revenue</b>	<b>327.5</b>	<b>311.0</b>	<b>274.2</b>
<b>Expenditure</b>			
Compensation	112.6	113.6	111.6
Other Current Operating Expenditures	90.6	80.4	85.1
Debt Service	20.8	20.2	22.2
Capital Expenditure	85.1	81.9	52.5
<b>Total Expenditure</b>	<b>309.1</b>	<b>296.1</b>	<b>271.4</b>
<b>Primary Surplus</b>	<b>27.8</b>	<b>23.3</b>	<b>14.4</b>
<b>Debt amortization</b>	<b>16.9</b>	<b>12.6</b>	<b>14.2</b>
<b>Current Account Surplus</b>	<b>20.1</b>	<b>20.2</b>	<b>29.1</b>

*Primary surplus is defined as total revenues net of loan receipts minus total expenditures net of interest payments*

### **Recurrent Expenditure**

The recurrent expenditure (excluding debt amortisation) projection for 2006/2007 is \$224.0 million. The wage bill is projected at \$106.9 million, representing Government's commitment to keep wages at about 13.1 percent of GDP.

An amount of \$20.8 million has been provided to meet interest payments. This amount is basically identical to the provisions for the previous fiscal year. The budgeted figure also includes amounts to be paid into the escrow account at the Eastern Caribbean Central Bank to meet interest payments of creditors with whom negotiations are continuing regarding the restructuring. Overall, the

debt restructuring exercise has resulted in lower interest payments over the last two years.

Government transfers are projected at \$46.7 million, and include \$23.0 million for grants and contributions to local, regional and international institutions, \$3.7 million for public assistance and \$20.0 million for pensions and gratuities. The budgeted amount for transfers represents \$2.8 million more than the amount budgeted for 2005/06 due mainly to an increase in the allocation to regional and international organisations. The amounts budgeted for retiring officers have remained the same.

The summary of recurrent expenditure by economic classification plus debt amortisation, as shown in Table 2 of my printed text, reveals that personal emoluments, wages, salaried and non-salaried allowances together account for 46.7 percent of recurrent expenditure, total debt obligations (interest payments and amortisation) 15.6 percent, transfers 19.4 percent and goods and services 17.6 percent. We have been able to increase the budget allocation for goods and services by 21.8 percent over last year's budget, consistent with our policy to remain current on our obligations particularly in regards to payment of utilities and to purchase the services outsourced during the previous year.

Table 2. Recurrent Expenditure by Economic Classification, 2006/2007

<i>Classification</i>	<i>2006/2007</i>	<i>%</i>	<i>2005/2006</i>	<i>%</i>
<i>Personal Emoluments</i>	<i>96.2</i>	<i>39.9%</i>	<i>94.7</i>	<i>41.8%</i>
<i>Wages</i>	<i>5.8</i>	<i>2.4%</i>	<i>7.7</i>	<i>3.4%</i>
<i>Salaried Allowances</i>	<i>4.9</i>	<i>2.0%</i>	<i>4.9</i>	<i>2.2%</i>
<i>Non-Salaried Allowances</i>	<i>5.6</i>	<i>2.3%</i>	<i>6.3</i>	<i>2.8%</i>
<i>Interest</i>	<i>20.8</i>	<i>8.6%</i>	<i>20.2</i>	<i>8.9%</i>
<i>Retiring Benefits</i>	<i>20.0</i>	<i>8.3%</i>	<i>19.7</i>	<i>8.7%</i>
<i>Grants and Contributions</i>	<i>23.0</i>	<i>9.6%</i>	<i>20.8</i>	<i>9.2%</i>
<i>Subsidies (Public Assistance)</i>	<i>3.7</i>	<i>1.5%</i>	<i>3.4</i>	<i>1.5%</i>
<i>Refunds</i>	<i>1.5</i>	<i>0.6%</i>	<i>1.5</i>	<i>0.7%</i>
<i>Goods and Services</i>	<i>42.5</i>	<i>17.6%</i>	<i>34.9</i>	<i>15.4%</i>
<i>Loan Repayments</i>	<i>16.9</i>	<i>7.0%</i>	<i>12.6</i>	<i>5.6%</i>
<b><i>Totals</i></b>	<b><i>240.9</i></b>	<b><i>100.0%</i></b>	<b><i>226.8</i></b>	<b><i>100.0%</i></b>

## Current Revenue



Madam Speaker, projections of revenue collection for financial year 2005/06 reflect the continued revival of the economy. However, Government's revenue projections for 2006/07 remain conservative, given the need for caution in estimating revenue from the newly introduced VAT. Current revenue for 2006/07 is set at \$244.1 million, compared with \$234.3 million budgeted in 2005/06.

The main sources of revenue are projected to be: personal income tax of \$33.5 million, corporate income tax of \$16.2 million, international trade taxes of \$55.9 million, VAT \$69.9 million, excise tax of \$30.0 million and other domestic taxes of \$18.0 million. A summary is presented in Table 3 of the printed text.

*Table 3. Breakdown of Current Revenue Projection, 2006/2007*

<i>Item</i>	<i>2006/2007</i>	<i>%</i>	<i>2005/2006</i>	<i>%</i>
<i>Personal income tax</i>	<i>33.5</i>	<i>13.7%</i>	<i>29.9</i>	<i>12.8%</i>
<i>Corporate income tax</i>	<i>16.2</i>	<i>6.6%</i>	<i>10.9</i>	<i>4.6%</i>
<i>Sales tax</i>	<i>-</i>	<i>-</i>	<i>26.4</i>	<i>11.3%</i>
<i>VAT</i>	<i>69.9</i>	<i>28.7%</i>	<i>22.6</i>	<i>9.6%</i>
<i>Excise Tax</i>	<i>30.0</i>	<i>12.3%</i>	<i>10.0</i>	<i>4.3%</i>
<i>Other Domestic tax</i>	<i>18.0</i>	<i>7.4%</i>	<i>19.7</i>	<i>8.4%</i>
<i>Consumption Tax on imports</i>			<i>40.0</i>	<i>17.1</i>
<i>Other Int'l trade taxes</i>	<i>55.9</i>	<i>22.9%</i>	<i>53.7</i>	<i>22.9%</i>
<i>Non-tax revenue</i>	<i>20.6</i>	<i>8.4%</i>	<i>21.3</i>	<i>9.1%</i>
<b><i>Totals</i></b>	<b><i>244.1</i></b>	<b><i>100.0%</i></b>	<b><i>234.6</i></b>	<b><i>100.0%</i></b>

### Capital Revenue

Capital revenue is projected at \$1.5 million. This has never been a significant source of revenue for the Government. However as we move forward with initiatives to make state lands available to citizens we expect this amount to increase.

## **Capital Expenditure**

The estimated capital expenditure of \$85.1 million is consistent with Government's policy to maintain capital spending at not more than 10.5 percent of GDP. This target is reflective of Government's stated policy to ensure debt levels that are sustainable. It also takes into account the capacity of the public service to implement projects efficiently and expeditiously. In short, the Government takes a responsible position and presents to the State a budget that is implementable and does not compromise the fiscal parameters.

The capital budget is to be financed largely from grant resources amounting to roughly \$65.1 million. The remainder will be financed with loan funds of \$11.4 million and government resources of \$8.6 million. The details of the capital programme will be highlighted later in this address.

## **Summary**

In summary, Madam Speaker, the current revenue projection for fiscal year 2006/2007 is \$244.1 million, against a current expenditure (excluding amortization) projection of \$224.0 million, resulting in a current account surplus of \$20.1 million. Madam Speaker, total revenue including loan receipts is budgeted at \$327.5 million against total expenditure of \$309.1 million (excluding debt amortisation). Interest payments are estimated at \$20.8 million. This results in a primary Surplus of \$27.8 million. Madam Speaker, this analysis demonstrates Government's commitment to pursuing fiscal policies geared at controlling expenditure and debt, key pillars in the drive to keep the country on a sustainable economic growth path.

## **The Growth and Social Protection Strategy**

Madam Speaker, before I go on to present the public investment programme, I must formally announce completion of our country's medium-term Growth and Social Protection Strategy (GSPS). As I indicated in my last Budget Address, the GSPS articulates a medium-term strategy for growth and poverty reduction over the next five years. Priorities set in this document make poverty reduction the direct focus of the Government's economic and social policy. Government regards the pursuit of sustained strong economic growth to be the main strategy to alleviate poverty. The GSPS provides the over-arching frame that informs the medium-term macro-economic framework, the structural reform agenda, the medium-term public investment programme, and the annual budgets to be presented to Parliament. The Government's policies and programmes will ensure that opportunities are available to all, and benefits from growth are shared across the society as widely as possible.

Government recognises that a document of this nature will need to be continually updated and improved to make up for the inevitable limitations of the initial document, and we are committed to reviewing it annually on the basis of updated information and continuing public consultations. The GSPS is in the nature of a 'rolling' plan that takes account of changing circumstances and is therefore of continuing relevance.

Completion of the GSPS is a significant achievement in the context of going forward to grow the economy and reduce poverty. It constitutes our country's development strategy into the medium-term. It is reflective, Madam Speaker, of a Government that has a clear vision, mission and plan, driven by a sense of purpose that is realistic and responsible.

The GSPS seeks to foster growth in the economy by building on four pillars:

- 1) Fiscal policy and administrative reform;
- 2) Enhancing the investment climate for private enterprise development;
- 3) Sectoral strategies for growth; and
- 4) Strategies for poverty reduction and social protection.

The government will pursue the development of Dominica on these four pillars. I must mention also that Government will table this document in the Parliament shortly.

At this point Madam Speaker, I will provide an update on some of the activities and plans of the various Ministries and sectors.

### **Agriculture**

Efforts at providing the necessary infrastructure and creating the enabling environment to propel agricultural diversification continue to be a top priority of Government. There have been some major achievements.

A total of approximately \$730,000 was spent on farm access road rehabilitation for the 2005/06 financial year. Of this amount, \$430,000 was spent on rehabilitation of twelve major farm access roads island wide, and \$300,000 on a direct farm access road programme aimed at improving the access to individual small farms. Over 300 farmers have benefited from these road improvements.

A contract has been awarded for the design and construction of three Inland Reception and Distribution Centres at Marigot, Portsmouth and Fond Cole at a cost of \$281,995.00. A contract has also been awarded for the construction of a Tissue Culture Weaning and Hardening Facility at Londonderry. This facility is

designed to produce up to 50,000 banana tissue culture plants per cycle and is expected to be completed within the next few weeks.

The Government has provided tremendous support to the banana industry geared towards obtaining EUREP GAP Certification. The Government calls on all stake holders to join in ensuring that this is achieved in order to sustain the banana industry and the livelihood of our banana farmers.

The Young Farmers' Programme has provided support in the amount of \$81,000 to several young persons to begin businesses in agriculture ranging from vegetable and horticultural production, poultry and livestock production, seamoss cultivation, commercial wildlife farming, banana ripening and herbal products for medicinal purposes.

That Programme has also provided training to all project beneficiaries and interested young persons and has made \$150,000 credit available through the National Development Foundation to several young persons for additional projects.

Thirty-seven training activities were financed during the year at a cost of EC \$381,500. Training included:

- Vermi-composting;
- An Onion Study Tour;
- An Agro-processing Study Tour;
- Training in Soil, Leaf and Food Analysis;
- A Plant Quarantine Capacity Building Workshop;
- Coffee Pruning; and
- Livestock Management.

Construction of a Molecular Laboratory to conduct research on the status of the amphibian population in Dominica was completed at a cost of \$160,000 and is fully functional in the amphibian research programme. The second phase of the project will include the construction of a captive breeding facility for crapauds.

Work to be undertaken during the 2006/07 financial year include the following:

1. Eight major farm access roads will be rehabilitated.
2. Ninety -five (95) applications for farm road assistance are currently being processed for implementation under the Direct Farm Access Road Program.
3. The implementation of the Agricultural Information System, delayed last year, will commence with the recruitment of a Coordinator for the programme in July 2006.

4. Construction of the National Centre for Testing Excellence at Stock Farm and the Certified Multipurpose Packing Houses for fresh produce at Roseau and Portsmouth should commence in early 2007.

### **Citrus Project**

Grant funding has been secured in the amount of \$445,500 from the Food and Agricultural Organization (FAO) for assistance in the management of Citrus Tristeza Virus (CTV) that has caused severe dieback of citrus trees in Dominica. The objective of the project is to assist the Ministry of Agriculture to contain the spread of the virus in the short term and to develop and implement a programme for its sustainable management and other major citrus pests. This will be achieved through training and effective nursery management in the medium to long term. The project will be implemented in the new fiscal year.

### **Central Livestock Farm**

It is anticipated that the new Central Livestock Farm at Londonderry will commence operations early in 2007 to provide improved breeding stock for the livestock sector and to enhance production of small stock such as rabbits.

### **Hillsborough Agricultural Centre**

The rehabilitation of the Hillsborough Propagation and Demonstration Centre is progressing satisfactorily with the imminent implementation of green house production and irrigation systems which will serve as training and demonstration systems for farmers, through the Technical Cooperation Arrangement between the People's Republic of China and the Ministry of Agriculture, Fisheries and the Environment. The ultimate goal is to transform the station into a modern agricultural training and demonstration centre for the benefit of the farmers in Dominica.

The PRC has also begun providing assistance in aquaculture. Two aquaculture specialists are on island and are assisting the Fisheries Division with the production of prawns.

### **Policy Framework**

Madam Speaker, Government has embarked on the formulation of a Strategic Policy and Management Framework for Agricultural Development in Dominica. This work has commenced with the support of the Inter-American Institute for Cooperation in Agriculture (IICA). This strategy will be formulated within the framework of our Growth and Social Protection Strategy and will be informed by discussion and consultations with stakeholders. The document will be ready for discussion within the next two months, and will be followed up by the

formulation of a comprehensive Agricultural Sector Plan to guide the development of the sector.

## **Tourism**

Madam Speaker, during the past fiscal year, Government continued to place emphasis on the expansion of economic activities in tourism, industry and private sector development.

A re-branding and re-positioning exercise for 'Destination Dominica' has been undertaken by Green Team of the USA. The new logo and brand for the destination is "The Nature Island of Dominica - Defy the Everyday". This image and brand name will be reflected in all our country's marketing activities to include print advertising, collateral material and website development and marketing.

To ensure that the sector receives the appropriate guidance for sustained growth and development, a tourism master plan is being prepared by the firm, CHL Consulting Ltd. This Master Plan will be guided by the Tourism 2010 Policy, which was approved by Government last year. The Caribbean Development Bank (CDB) has provided the resources amounting to \$405,000 for preparation of this Plan. The Plan will be prepared with the involvement of all stakeholders and it is expected that it will be completed in the first quarter of this fiscal year.

During 2005/06 and going forward into 2006/07 Government will continue to focus on the three pillars critical to the industry's success; namely: 1) air access, 2) product development and 3) marketing.

### **Air Access**

Madam Speaker, with regard to air access, we saw the introduction of service by 'Caribbean Sun' from San Juan, providing additional access from the United States gateways. American Eagle will, in November 2006, add a second flight three days a week on a trial basis through the end of January 2007. If load factors are satisfactory, the flight will be maintained beyond the trial period. The Ministry of Tourism is working closely with the private sector to devise strategies to fill this new seat capacity. The introduction of 'Take Air' and 'Carib Aviation' into Canefield will significantly improve air access into and out of Guadeloupe, Martinique, Antigua and St. Lucia. Carib Aviation is scheduled to begin operations at the end of July 2006.

These efforts to increase air-lift will gather momentum once night landing is in place.

In all these efforts to increase air-lift into Dominica, the Ministry of Tourism, Industry and Private sector Relations has worked in close collaboration with the Ministry with responsibility for Civil Aviation.

### **Product Development**

Product development includes human resource development, upgrading and expansion of tourism sites as well as upgrading and expansion of existing and new hotel rooms.

Madam Speaker, in order to ensure that the industry provides quality and efficient service, our human resources must be equipped with the core competencies. Through Government's support and resources under the basic skills component of the Eco-Tourism Development Programme (ETDP), the National Development Corporation (NDC) continues to provide basic skills training in tour guiding, customer care and overall housekeeping and management. Additionally, scholarships were made available to 31 individuals to pursue studies in tourism and related fields at associate, bachelor's and master's degree level, at local, regional and international institutions. Twenty students at the Dominica State College are benefitting from this award for the two-year Tourism and Hospitality Programme. Last summer, some of these students were able to obtain practical experience at some of our hotel properties.

It is intended that the basic skills training provided by the NDC will be transferred to the Dominica State College by September 2006. The intention is that the NDC will be able to focus more on its core activity of destination marketing.

Additionally, Princess Cruise Lines has agreed to provide on-board training to students and hotel employees whenever one of their ships is in port. Government is discussing with other cruise lines the possibility of providing similar training opportunities.

During the last fiscal year, the Ministry of Tourism received parliamentary approval for the revised Tourism (Standards and Regulations) Act. This approval gave the NDC the mandate to implement this policy.

Particular attention is being paid to the enforcement of standards and quality service within the accommodation sector, aimed at increasing the total number of quality rooms available to stay-over visitors. Under this programme, accommodation properties will be allowed duty-free concessions on the importation of furnishings, equipment and material required to upgrade to the minimum standards and to attain certification. Currently, out of a total of 846 rooms, Dominica has 275 'export ready' rooms. The goal is to ensure that all these rooms are 'export ready' to meet the needs of increased visitor arrivals.

Government continues to encourage investment in high quality boutique hotels and eco-lodges. At this time there are a number of such properties being constructed across the country. These include:

1. Red Rock Haven Hotel and Spa- located in Calibishie. The entity will have a total of 14 rooms inclusive of spa. Excavation works have already begun. Completion date is expected in 2007 and employment will be provided for nineteen persons. Investment of equity of \$3,475,000.00
2. Petit Coulibrie- located in Soufriere. The project is expected to be completed this year. The hotel will have a total of 11 rooms/suites inclusive of spa facilities. Temporary employment is being provided for persons in the construction area. Total investment in the project is expected to be \$18,000,000.00.
3. Rosalie Bay Nature Resort- located in Rosalie. Upon completion, total room stock will consist of 47 rooms, health spa, and other amenities. Construction is ongoing with temporary employment being provided for Dominicans in the construction phase, 12 suites are expected to be completed by December 2006, while the balance of the rooms will be constructed thereafter. The promoter has estimated that she has spent over \$5million dollars to date in the development of the project.

Emphasis was also placed on further development of sites and facilities. With support from the Caribbean Development Bank, (an amount of approximately \$225,000), the interpretive signs, including panels and DVD presentations were completed for five of our major tourism sites, namely Kalinago Barana Aute (KBA), Syndicate Reception Facility, Soufriere Sulphur Springs, Middleham Falls and the Fresh Water Lake. The Kalinago Barana Aute benefited from specialized services from a Business Coordinator/Consultant who contributed to the preparation of a Business Plan which is currently guiding the operations of the newly opened facility. In keeping with Government's policy of providing opportunities for the private sector, the management of these sites will be contracted out to private sector individuals and community groups. The Fresh Water Lake is already being managed by such a Group. More sites will be similarly contracted out during this fiscal year.

During this fiscal year, approximately \$475,099 from this CDB-funded programme will also see the completion of another structure at the Fresh Water Lake to provide facilities to vendors in that area.

EC\$1.0 million will go towards improving the attractiveness and safety of sites within our National Parks and Protected Areas. The Emerald Pool and Trafalgar Falls will see improvements such as increased toilet facilities and better parking for the new season. The Botanic Gardens will have a Master Plan for its



overall planning and management. The Cabrits/Fort Shirley is also receiving major improvements through restoration works funded under the ETDP at a cost of \$500,000. Expansion works at the Roseau Ferry Terminal to the tune of \$1.5 million will also be another flagship project being funded under the ETDP. Works commenced in June 2006 and will be completed in the second quarter of this fiscal year. Cabinet has also approved the acquisition of land for the building of a Vendors Arcade to provide improved facilities to the Roseau Vendors.

Community Tourism also received special attention. A sum of \$1.4 million is being utilized to support fifteen communities at Penville, Vieille Case and Portsmouth in the North; Riviere Cyrique, Grand Fond, Castle Bruce and Carib Territory in the South East; Mero and Mahaut in the West; Wotten Waven and Giraudel, Bellevue Chopin, Pointe Michel, Soufriere, Scott's Head and Grand Bay in the South. These communities have submitted economically viable tourism projects that include agro-tourism outlets, customer related information centres, art and craft centres and beachfront amenities for enhancing beach and water sporting activities. These projects will increase and spread the benefits to be derived from Tourism. Tourism will truly become everybody's business. The community groups will receive training in management and marketing with a view to ensuring the sustainability of these projects.

Madam Speaker, efforts have also been made to further develop our dive sector and to ensure that Dominica remains among the top ten dive destinations in the World. A Hyperbaric Chamber costing \$750,000 under the ETDP arrived in Dominica on 2<sup>nd</sup> June 2006 and is now installed at the Princess Margaret Hospital. Last week, personnel from the Princess Margaret Hospital were provided with technical training for operating this Chamber. It will be of tremendous benefit to the Tourism and Health Sectors. The hospital will now have the capacity to generate its own oxygen.

Our Soufriere/Scotts Head Marine Reserve (SSMR) is one of our major snorkeling and diving areas, where efforts are being made to ensure that it is properly and pristinely maintained. A patrol boat costing \$140,000, and funded under the ETDP arrived in Dominica last week and will soon be made available to the Local Area Management Authority for the patrolling and maintenance of this marine reserve.

Also in the SSMR, the EDTP will be providing resources for the construction of a 500ft boardwalk and trail, along the Champagne Beach. This project which is estimated to cost in the region of \$200,000, is intended to improve the access to this most popular snorkeling site, and create the conditions for increased economic activity in this aspect of our eco-tourism development.

The Ministry of Tourism will be paying greater attention to the North and North East, all geared at increasing visitor arrivals to these areas. In particular, efforts are being made to have the cruise industry utilise the cruise ship berth in the North. This was one of the matters discussed with officials of the Cruise Industry when they visited Dominica in early June this year. With the renovated Fort Shirley/Cabrits and added sites along the Penville-Gillette Road, it is hoped that the North and North East will see increased tourism activities. I call on the communities along this route and citizens of the North and North East to play their part in providing clean and beautiful environments, which are safe and secure, and in which visitors can enjoy the rich cultural experience that our country has to offer.

Madam Speaker, with specific reference to inward investment in hotel accommodation, Government is in active discussions and negotiations on three major tourism projects to be undertaken in the North and North-East. The first involves a hotel marina in Portsmouth. A presentation on this project will be made to Cabinet during the week of July 24<sup>th</sup>.

Joint venture agreements between Government, private landowners and foreign investors have been completed on the other two. The next stage for these two projects, both located in the North-East, is to negotiate with international hotel operators with which Government has been having discussions. A proposal from one such flag operator is expected this week. One of these two projects will include a golf course.

### **Marketing**

Destination Marketing is a critical tourism activity that is necessary to showcase what we do and have in Dominica. Resources made available by Government and through the ETDPA have been expended on promotion and marketing activities such as print-advertising, trade shows, fam trips and press visits all geared at telling the world what Dominica has to offer. Tour operators, travel writers and Marketing Representatives in the United States, United Kingdom and France have also contributed to this effort.

Madam Speaker, Government will re-energize and re-direct its marketing strategy through:

- 1) A greater focus on the media channels through which our niche marketing is targetted;
- 2) Immediate attention to the effective use of a database of visitors for web-based marketing programmes;
- 3) A proactive stance in creating and matching opportunities between the private sector and foreign suppliers;
- 4) Packaging the adventure side of our tourism product for the international market place. The dive sector has done this successfully. Our land-based

product is equally attractive and competitive internationally but, unlike the dive product, has not been successfully packaged. The NDC is in active discussion with the private sector and foreign tour operators with a view to completing this packaging in time for the next tourist season; and

- 5) We are in the process of developing new niche tourism markets to include health, wellness and yachting.

Government continues to provide technical and other support to small and medium-size enterprises, within the context of our industry and private sector development thrust.

Madam Speaker, allow me to make mention of the Waitukubuli Trail work on which is scheduled to commence in November of this calendar year. The point, Madam Speaker, is that the Trail is a project that will create significant employment in our rural communities. This is quite apart from the fact that it will enhance Dominica's image as a viable eco-tourism destination, and serve as a precursor to economic investments, especially in the rural communities along the trail, that have been adversely affected by the decline in banana production.

Madam Speaker, Government wishes to express its sincere thanks to all its partners - public and private - for working with us to get where we are today. Their support and contributions will continue to be both needed and appreciated. Special thanks to our development partners in the international community, in particular the European Union and the CDB, who have made the resources available, (financial and technical), to enable our country to enhance and expand its tourism industry.

### **Housing, Lands, Tecomunications, Energy and Ports**

Government continues to work very hard towards the realization of the broad objectives outlined in the 2005/06 Budget Address. In keeping with its goal of assisting as many citizens as possible to own a piece of Dominica and to build their own homes, Government has implemented a Squatter Regularization Policy. In keeping with this Policy approximately one hundred and sixty-seven (167) low income persons who had been illegally occupying State lands at Ravine Bernard (Canefield), Stock Farm, Fond Cole Housing scheme, Guillette/Savanne Paille, Fond Cole South, Chemin Neuf (Point Mitchel), Jimmit, Tarish Pit, Calibishie, and Maranatha square (Geneva) have been regularized during the last fiscal year.

Our intention is to continue the Squatter Regularization process in all twenty-five (25) known squatter sites on the island. Recently, two additional surveyors were awarded contracts with a view to accelerating the pace of implementation of this programme.

Efforts to improve services at some of the housing development project sites continue. Road improvement and electricity works are in progress at Jimmit Phase III Scheme. At the Bellevue Chopin Village Extension, road works and installation of water and electricity systems commenced while at the Union Estate Housing Development in Pointe Michel, access roads are being constructed and electricity and water systems are being installed. Tenders for the construction of the \$500,000 sewage system in Jimmit are now being reviewed. Preparatory work for the Hillsborough Gardens Housing project continues and an allocation of \$300,000 has been made available to facilitate the work of the local agency partnering in this operation.

With financing from the Caribbean Development Bank, the Government will undertake a Shelter Development Project for Dominica. The Shelter Development Project is part of the Government's thrust to improve shelter conditions of low-income households in Dominica.

This project provides resources to:

1. Assist Government to formulate a National Shelter Policy to address the shelter development needs of the country, with specific attention to the needs of low income households;
2. Increase access by low income earners to financial resources for home improvement and new house construction, through a Special Mortgage Programme; and
3. Strengthen the capacity of the Housing Division of the Ministry of Housing, Lands, Telecommunications, Energy and Ports to provide technical support to low income households engaged in home improvement or new housing construction activities.

The National Shelter Policy will address the shelter needs of the country, with particular reference to the issue of demand, supply and quality of housing, access to developed land and affordability, housing credit and regularization of tenure in informal settlements, particularly for low to lower middle income earners. The National Shelter Policy will be devised within the framework of the overall macro economic and social development strategy of the country, and will help build national consensus around stated policy goals, objectives and principles on shelter strategies and priorities.

A National Shelter Policy Consultant, a Construction Technologist, and a Housing Micro Credit Specialist will shortly be recruited to assist with the implementation of this very important national project. Government is totally committed to this project.

## **Lands**

We continue to support our hard working farmers, particularly the landless and young farmers, by making lands available to interested farmers around Dominica. Land grants have been made to several farmers during the last few months. This we hope will help to ensure that our young persons are gainfully employed and productive. This policy of making agricultural lands available to our young landless farmers is complementary to our Young Farmers Programme initiative.

While we seek to make lands available to farmers in an orderly manner, we wish to appeal to persons engaged in illegal clearing of State forest lands to desist from such practices. It must be drawn to the attention of those involved that such practices negatively impact on the island's biodiversity as well as the integrity of our rivers and streams.

## **Physical Planning**

Madam Speaker, a discussion of housing and lands leads easily to a discussion of land use and physical planning. Both of these matters have been in the public domain over the last few months. The Government has noted expressed public concerns and is taking steps to improve land use and planning on the island.

Housing and other developments in the Pond Casse /Brantridge/ New Foundland/ Fond Melle district, on the perimeter of our Morne Trios Pitons National Park and World Heritage Site have been the focus of much public debate. During the last few weeks, our Physical Planning Division has been engaged in the development of a comprehensive and integrated land use proposal for that district. This proposal has been shared with Cabinet and the Division will, within the next few weeks solicit stakeholders' and public input as it seeks to finalise the Plan all geared towards the protection of our world heritage site.

The Ministry of Housing, Lands, Telecommunications, Energy and Ports through the Physical Planning Division is undertaking a similar exercise in the Cotton Hill/Cabrits area in the North. The Cotton Hill/Cabrits area holds tremendous potential for a well planned and properly managed development. The State, through the Dominica Social Security and the Planning and Development Corporation, owns significant acres of land in the Cotton Hill/Cabrits area. The area also contains several privately owned parcels of land on which some squatting has been taking place. The intention is to facilitate the squatters without compromising the development potential of the area. It is envisaged that the finally approved land use and development Plan for the area will address the concerns of all interested and affected persons and provide for the orderly development of the area, in a manner which will result in maximum

social and economic benefit to the country. We ask for the understanding and cooperation of all concerned as we seek to move this process forward.

In our attempt to develop the Cotton Hill/Cabrits area and the anticipated development in Portsmouth, particularly Chance and Picard, the need for appropriate infrastructure is imperative. Government is therefore actively exploring the possibility of undertaking a feasibility study with the ultimate goal of developing an appropriate water and sewerage project for our second town of Portsmouth.

### **Telecommunications**

In the last year, Dominica experienced significant positive changes in the Telecommunications and Information Technology Sectors. These changes have been brought about by the liberalization process and the greater emphasis placed on ensuring the provision of modern telecommunications services at affordable prices. The process has made for improved and diverse services, and enhanced the climate for facilitating and stimulating economic development in the Information and Telecommunications Technology Sector. It has also contributed to the development of other sectors as well as the development of a technologically literate and sophisticated workforce.

It is already self evident that the telecoms liberalization process has benefited the Dominican consumer in terms of reduction in rates and improved quality of service. The mere expectation of competition has driven down prices, especially in cellular service. The recent launch of services by a new provider means that Dominicans are now enjoying rates as low as EC\$0.50 for a one minute call to the UK and North America; rates that only three years ago were as high as EC\$3.25 per minute. Also, communication between two users of the same network can now occur for as low as EC\$0.03 per minute for the first three minutes. These savings are very significant, and should help promote new confidence in potential investors.

In spite of those achievements we continue to be concerned about rates for certain fixed line services, as well as Internet service. Lower rates for such services will result in lower business rates and ensure a more telecommunications friendly environment for investment and business development. With the advent of alternative and greater capacity of broadband infrastructure, we hope to finally resolve these issues. The landing of a submarine cable in collaboration with our French Neighbours is critical to this endeavour. This submarine cable will provide for greater broad bandwidth capacity to the country and is essential for the further development of the ICT sector and for companies operating on an ICT platform. This endeavour is expected to come to fruition by the first quarter of 2007.

One of the key benefits of liberalization is employment. While the Telecommunications Companies themselves provide employment, a number of already existing firms and businesses have undoubtedly benefited and will continue to benefit from the presence of these companies. It must be stated that the environment has also been created for self-employment and innovative entrepreneurial approaches towards generating business.

The ICT sector is very important to our development and in this period of diversification and the quest for economic growth, we have realized the need for a comprehensive approach to this sector's development. While there have been drawbacks relating to the establishment of call centers in particular, a new call centre has set up business in Dominica and is making great strides. It is expected that more employment will be generated in that sector.

The impact of telecommunications reform continues to be evident throughout the country in terms of direct benefits to residential and business subscribers. The benefits have been further manifested in the cultural, sports and educational sectors as well as in the society as a whole. We anticipate even greater benefits to our country in the coming year. In the context of enhancing the business climate, Madam Speaker, there is no doubt that the strides made in the telecommunications sector have contributed to this process.

## **Energy**

In March of this year Cabinet appointed a National Energy Commission (NEC). Among other things the Commission is mandated to guide the development of a National Energy Policy. We are very grateful to the members of the National Energy Commission for accepting to serve on a voluntary basis.

The National Energy Commission was appointed in part because of Government's desire to explore and promote the development of our country's renewable energy potential, particularly in this period of escalating fuel prices. Although progress in development of the renewable energy sector has been slow, we remain committed and optimistic about the goal of developing a viable renewable energy sub-sector.

Our promise of benefits under the Venezuelan Petro Caribe initiative to the Dominican people will soon bear fruit. In spite of the several challenges being encountered, many of which are not within our control, Government in partnership with the other islands in the Region, continues to pursue this initiative. The Petro Caribe project, when fully implemented, will directly and positively impact the lives of every Dominican.

Madam Speaker, I am very pleased to report that last month on June 26<sup>th</sup> the Petro Caribe Project received a major boost when Energy Minister the Hon. Reginald Austria and Vice President of the Venezuelan National Petroleum

Company (PDVSA), Mr. Alejandro Granado, signed an agreement that formalised the establishment of a joint venture company between the Dominica National Petroleum Company and PDV Caribe. The new joint venture Company is called the PDV Caribe Dominica Ltd.

This new joint venture agreement will minimise the involvement of middlemen, and should result in a reduction in energy costs. It will enable Dominica to receive further benefits under the Petro Caribe initiative of the Government of Venezuela. It will make provision for a 60 percent credit to Dominica as a twenty-five year loan at an attractive rate of one percent interest. We hope to use this credit to fund social infrastructure and for the liquidation of more expensive debt.

Government has identified a site in Belfast for the construction of tanks for the storage of diesel, gasoline and liquid petroleum gas to be supplied by Venezuela, under the Petro Caribe Agreement.

Regarding electricity rates, Madam Speaker, I appeal again to DOMLEC, as I did in my Independence Day Address last year, to have regard to the need to increase the efficiency of its operations. In these times of very high world oil prices, it is even more imperative that our electricity provider exercises its corporate mind towards cushioning the increasing burden on the consumer and on the business sector. The country and the public are simply not satisfied that the company is doing enough to look within, and strive for the highest levels of efficiency.

It will not do -- for DOMLEC's management to call on Government to remove the VAT on electricity - to deprive the Treasury of revenue that is desperately needed to run the State and provide the goods and services that are essential to a functioning society. DOMLEC's business is to get on with the business of efficient utility generation and distribution; and not to provide Government with gratuitous advice on fiscal and economic policy. It is not Government's business to encourage DOMLEC's inefficiency by removing the VAT on electricity.

These efficiency issues will be a main part of the remit of the proposed Regulatory Commission that will follow enactment of new Electricity Supply Act that will come to Parliament in August 2006. This legislation will be a big step in improving the legislative framework for electricity generation and distribution. The draft legislation is being discussed extensively with all parties. The proposed framework is consistent with best practices, such as ensuring that the cost of inefficiencies in electricity production and generation are not passed on to consumers.

Madam Speaker, Government is taking such action as it has the authority to do, and is in the national interest. Members will recall the amendments to the



VAT Act that was approved in this House on 10<sup>th</sup> May 2006. One of these amendments zero-rated the first one hundred units of electricity consumed. The effect of this measure was to exempt over 16,000 households from paying any VAT on electricity.

In addition to these 16,000 households who will pay no VAT on their light bills, Madam Speaker, every other domestic consumer will be paying less tax than they otherwise would, since their first 100 units of consumption have been similarly zero-rated.

With a view to the longer term, Government continues to make the necessary preparations to exploit Dominica's vast geo-thermal potential, and thereby reduce dependency on fossil fuels and open up an export industry. The first plank in this process is to improve the legislative framework for electricity generation and distribution.

## **Ports**

Our seaports and airports are Dominica's gateway to the world. Consequently, Government continues to pay particular attention to the improvement of infrastructure, ambience, and security at our ports of entry.

The Melville Hall Airport Improvement Project is one of the major capital projects currently in progress on the island. The project is expected to cost some \$75.0 million. The Terminal building and car park components of the project are nearing completion. Tenders are being invited for Airside Works, Equipment and Navigational Aids, and Training. These phases are being generously financed by the European Union.

The Government and people of Dominica are therefore grateful to the Government and people of the Bolivarian Republic of Venezuela for the significant contribution being made towards our Melville Hall Airport Enhancement Project. About 30 Venezuelan military personnel are currently engaged on the project. In addition, several pieces of heavy equipment have been received since last November to undertake the major earth-works associated with this project.

The land and property owners affected by the Melville Hall Airport project have been and are being compensated for land and property acquired for the project. Government approved and processed payment of some \$6.2 million to landowners. Indications are that affected property owners are very satisfied with Government's timely settlement of compensation packages.

The merger of our Air and Sea Ports is one of Government's policy initiatives. In this regard it should be noted that the final Consultancy for examination of the feasibility of such a merger has been completed. The recommendations of the

consultants are being discussed within the Ministry and were presented to Cabinet for consideration. The intention is to effect the merger by the end of the first quarter of the 2006/07 fiscal year.

### **Education**

Education remains one of our priorities and a key strategy for poverty alleviation as well as for providing the human resource skills required for moving the Dominican economy forward. Improvements in the quality of primary education, expansion of and improvement in the quality of secondary and tertiary education and providing the necessary support services and materials have been the key strategies in the development of education.

#### **National Curriculum**

The development of a New Curriculum is a key reform to be undertaken to improve the quality of education. Earlier this year, following extensive consultation, Government adopted the National Curriculum Framework as a working policy document for the curriculum. To better inform the public of this initiative, a public relations programme for the National Curriculum has commenced and will continue into the 2006/07 financial year.

#### **OECS Education Development Project (OEDP)**

The OECS Education Development Project (OEDP) was completed during the last financial year. It focused on technical and material support under Curriculum Development, Literacy, Children at Risk, and Student Assessment. Several training workshops were conducted. Training Packs for Pastoral Care Coordinators were compiled in the areas of Diversity in the classroom, Special Education Needs and Behavioural Management.

This will provide much needed materials and expertise for responding to the diverse groups of students within the classroom. Training in schools review and accompanying manual for schools self-review was published. To date, seven primary school and four secondary school reviews have been conducted and schools are expected to implement the recommendations for improvement coming out of the reviews. To that end discussions with the respective schools are ongoing.

#### **Early Childhood Education**

The Government of Dominica through the Division of Education focused on registering, licensing, monitoring and improving early childhood facilities on a national level. To this end, a number of Early Childhood facilities were visited

and Seventy-eight (78) were issued three year licences while others which are in need of upgrading were issued a one year license with recommendations for improving those facilities. Funding in excess of \$300,000.00 has been secured from UNICEF for upgrading those facilities.

The Government continues to recognize the importance of pre-school education in the life of every Dominican and has been exploring avenues to provide further assistance to Pre-schools.

Commencing 1<sup>st</sup> September 2006 all certified Pre-schools will pay a flat rate of \$18.80 for water consumed on a monthly basis. The Government expresses thanks to the Board and Management of DOWASCO for their consideration and cooperation.

## **Training**

To address the training of our teachers, Government has provided over \$100,000. Forty (40) teachers were successfully trained at primary level and are now complementing the numbers already at our primary schools, while another twenty-six (26) are now being trained. Twenty-three (23) teachers successfully completed the secondary level training and are now back in the schools. Another twenty-Seven (27) are now under going training.

Plans and methodologies are currently being evaluated to ensure the success of these programs. The Government of Dominica has provided an additional \$1.0 million to the Dominica State College to assist in improving the facility to ensure that the college can deliver on its mandate to develop the human resource base of this country.

Further, we have requested that some eighty (80) temporary positions of Qualified and Unqualified teachers be converted to established positions over a two to three year period to facilitate the permanent employment of teachers who have been in the system for over a number of years, but could not be appointed because there were no vacancies in the system. The proposal is to phase in the appointments starting with the teachers who have been in the system for five (5) years and over. That we believe will assist in raising the motivation level of teachers and serve to impact positively on staff morale. The anticipated output is greater levels of efficiency and productivity in the classroom.

In the last financial year, your Government awarded over one hundred and sixty (160) scholarships to Dominican students to pursue their university education abroad. Madame Speaker, the Government expects to award approximately 150 scholarships by September 2006.

In addition, Madam Speaker, Government continues to provide scholarships to many students who attend the Dominica State College. \$300,000 was spent for that purpose during the last financial. That is in support of our conviction that no child should be denied tertiary level education because of financial difficulty.

### **School Places and Education Quality**

Your Government remains committed to improving the quality of education through the constant upgrading of the island's educational facilities. The completion of the Northern Education Complex to the tune of some \$21.0 million and the completion of phase one of the New Dominica Grammar School has aided in that regard. We are convinced that with the construction of the New Roosevelt Douglas Primary School at a cost of approximately two million dollars (2,000,000.00) and the anticipated reconstruction of the Newtown, Salybia and San Sauveur primary schools the movement towards the provision of quality education for all will be further achieved.

Government is committed to ensuring that Dominicans are trained and educated to meet the challenges of national development and to assist Dominica in taking its rightful place among the community of nations, regionally and internationally. Dominica will continue to work with its friends and partners to ensure that the noble goal of 'Education for all' (EFA) and the Millennium Development Goals (MDG's) are achieved.

In pursuit of its development agenda, Government is also committed to ensuring that each household in Dominica has at least one university graduate. This will require the joint effort of partners, friends and benefactors as well as every civic-minded Dominican. Our people must be prepared to compete in the global arena. Madam Speaker, I wish to thank all friendly Governments and institutions that continue to support our goal in this regard.

### **The Health of our Nation**

Madam Speaker, the Government of the Commonwealth of Dominica subscribes to the CARICOM Heads of Government Nassau Declaration of 2001 which states "The Health of the Region is the Wealth of The Region". Government supports and values our health care providers and is committed to upgrading the health system to provide improved quality care for the people it serves. This we will continue to do despite our challenges.

In keeping with Government's commitment to ensure improved access and health quality care, the implementation of a National Health Coverage Plan is currently receiving attention. An officer has been assigned to the Ministry of Health to focus on this particular initiative and a committee has been

appointed by Cabinet to guide the process. The objective of the National Health Coverage Plan is to develop a system of health care financing for Dominica that will assure a fair distribution of the burden of payment for health services and make a contribution to the achievement of the National health policy goals.

The refurbishment of the Nursing School and Nurses Hostel has just been completed, with assistance from the Government of Cuba estimated at \$1.2 million and counterpart funding from the Government of the Commonwealth of Dominica of \$417,826. The official opening of this facility is scheduled for 26<sup>th</sup> July 2006.

The refurbished building now consists of two (2) clinical labs, one (1) computer lab and four (4) classrooms, among other amenities.

In March of this year, the largest intake of students in the history of nurse training in Dominica was admitted to the General Nursing Programme of the Dominica State College. A total of eighty-six (86) students began the two and a half (2 ½) year training programme. This was made possible through the assignment of seventeen (17) nursing tutors from the Republic of Cuba.

Early next year, a new accelerated programme for Level-two Registered Nurse will begin in Dominica. This will provide Nursing Assistants, Mental Health Nurses and Primary Care Nurses who meet the entry requirements, an opportunity to upgrade themselves to become registered nurses.

A total of thirty (30) nursing students who entered the Nursing Programme in 2004 are expected to write the Regional Examination for Registered Nurses by June 2007.

The Government of Cuba continues to make a significant contribution to health care in Dominica. Last year, we saw the commencement of the Cuban Eye Care Programme. Since the introduction of the program, in July 2005 over one thousand, one hundred and fifty (1150) Dominicans have received free surgical eye treatment in Cuba. The Cuba Eye Care programme complements the local Eye Care programmes such as the Diabetic Retinopathy project which is aimed at eliminating the preventable blindness caused by Diabetes by the year 2020.

Currently, there are limited diagnostic services offered by the Ministry of Health out side of Princess Margaret Hospital and there is no intensive care service on the island. In order to improve health care services, the Government with the assistance of the Republic of Cuba will establish a *“Diagnostic Centre” at the Reginald Fitzroy Armour Hospital in Portsmouth and a four (4) bed Intensive Care Unit at the Princess Margaret Hospital in Roseau.*

The Diagnostic centre in Portsmouth will be the first of its kind in Dominica. This will bring significant improvement in the standard of health care in Dominica. This diagnostic centre will assist the Government in its target to resolve over 75 percent of the health problems at the level of the Primary Health Care delivery System.

The services to be offered through the diagnostic centre include:

- 24 hours emergency and out-patient services.
- Provision of high quality life support and stabilization of critically ill patients
- Adequate referral with well equipped ambulance service to secondary care hospital.
- Provision of special attention to patients with chronic non-communicable diseases (diabetes, hypertensive, asthmatics, heart diseases), and diseases of the Gastrointestinal tract (eg. Peptic Ulcer and Stomach and Colon Cancers).

Dominica has never had an intensive care Unit. Critically ill patients are flown to the neighbouring French Islands to receive treatment at very high cost. Hence the establishment of an Intensive Care Unit at the Princess Margaret Hospital will be a major achievement of this Government in the Health sector.

Madam Speaker this facility will:

- Provide support care for critically ill patients who would have otherwise been flown overseas;
- Ensure medium to long-term reduction in Health Care Expenditure;
- Reduce mortality and morbidity for patients requiring intensive care management;
- Provide opportunity for local health care providers to be trained in critical care.

Madam Speaker, the Government of Cuba will provide twenty-two (22) medical professionals to meet the human resource needs of the Diagnostic Centre and the Intensive Care Unit.

The Government of Dominica expresses its profound and profuse gratitude to the Government and people of the Republic of Cuba for this level of assistance given to Dominica in meeting our health care needs.

Work is on-going on the \$1.2 million Health Centre at Castle Bruce. The project is expected to be completed within 9 months.

Madam Speaker, on completion of this facility it is expected that the residents of the Carib Territory, Castle Bruce, Morpo, Depas, Tronto, Good Hope, San Sauver and Petite Soufriere will benefit from major improvements in services such as Family and Reproductive Health, Management of Chronic Diseases e.g.

(Diabetes and Hypertension); control of Communicable diseases; improved environmental health; community mobilization and health promotion activities.

Madam Speaker the Government is conscious of the problems associated with HIV/AIDS and the devastating impact that this disease can have on our population. In this regard, Government has established the AIDS Central Unit. The unit provides public education and counseling aimed at reducing the incidence of AIDS among the population.

A voluntary testing and counseling programme to cover 100% of the island will be introduced during this year. Government will also continue in its programme to provide essential medicines to all AIDS patients in Dominica in an attempt at enhancing their health and well being. We will continue to access financial resources from regional and international donor agencies in our fight against this deadly disease. Madam Speaker, this Government is determined to bring this disease under control and will spare no effort in achieving this goal.

A New Landfill at Fond Cole which was completed at a cost of \$10.0 million is now operational. Restoration works at Portsmouth and Stock Farm landfills are progressing satisfactorily. As part of the same programme, a biomedical waste treatment facility at the Princess Margaret Hospital is to be commissioned shortly. Curbside collection has now been expanded to about 95% of the country. This is all in an effort to ensure that our country remains clean, green and safe for our people and those who visit us.

In addition to the many initiatives which I have already alluded to, we expect to see progress in the following other areas:

- Development of Strategic Plan for Health 2007- 2012.
- Complete design for PMH redevelopment project to be funded by the People's Republic of China.
- Prepare designs and identify funding for construction of the Roseau Health Centre.
- Provide in-house and community based rehabilitative therapy for drug abuse patients in Dominica.

Madam Speaker, I now turn to the Public Sector investment Programme.

### **Public Sector Investment Programme**

Madam Speaker, the Public Sector Investment Programme for 2005/2006 was set at \$82.0 million. Many of the projects which were to be implemented during the year were affected by delays in disbursement of funds from some donors. Of note is the delay in disbursement of the European Union's Stabex 98/99/00 allocation. Accordingly, the capital programme for 2005/2006 had to be adjusted in an effort to implement some of these priority projects for which budgetary provision had been made, but the programmed funds were not

received. In addition, where necessary new projects were accommodated based on the availability of Government financing.

Included on the list of projects which should have been financed from EU resources but which were actually financed from Government resources are the following:

- Implementation of the VAT to include outfitting of office space, purchase of equipment and public education;
- Land acquisition for the Melville Hall Airport project; and
- Payment for the Machine Readable passport equipment; and
- Tourism Marketing and Promotion.

The capital programme in 2005/06 was dominated by the two major projects, namely the Windsor Park Sports Stadium and the Melville Hall Airport Enhancement Project. We are more than satisfied with the progress that has been made with the Windsor Park stadium. Notwithstanding the attention paid to details when preparing the designs, there had to be some adjustment and modification to the original design. I am pleased to announce that the Government of the Peoples Republic of China has agreed to finance these modifications. I must place on record the gratitude of the Government and people of Dominica to the Government and people of the People's Republic of China for their solid and overwhelming contribution to this long-awaited project.

Work on the Melville Hall project is progressing, inspite of the many challenges. In an effort to expedite the work, we have made a proposal to the EU Delegation in Barbados to further strengthen the management of the project by recruiting an overall coordinator with experience in handling projects of similar complexity. Such an arrangement will ensure that we meet the many deadlines imposed by the various financing agreements for executing all the works required on the Melville Hall Airport project.

In the 2005 budget address, Government emphasized the need to provide housing for the people of Dominica. During the last financial year, Government invested in infrastructure in a number of housing developments. I mentioned earlier the achievements of Government in that regard. This process will be continued as Government seeks to increase the number of landowners with certificates of title and at the same time provide the opportunity for needy persons to access the Special Low-mortgage Programme administered by the AID Bank. Legal support is being provided by the Ministry of Legal Affairs to those who require that service.

Some of the major projects completed during the year 2005/06 include the following:



1. *The Social Protection Programme* - With assistance from the EU, approximately \$1.1 million was spent during the year to provide short term employment, skills training and micro credit, benefiting many persons primarily in the rural communities.
2. *Agriculture and Tourism/Site Upgrading Project* - Under this project we welcomed the completion and formal opening of the Carib Model Village, now known as the Kalinago Barana Aute at a total cost of \$3.0 million. This project was aimed at the diversification of Dominica's tourism profile and the showcasing of the indigenous culture of the Carib people. It also provided them with much needed employment options. The Soufriere/Sulphur spring and Fresh Water lake roads were also completed under this project at a cost of \$1.0 million.
3. *Relocation of the Dominica Grammar School Phase 1* - The first phase of the relocation of the DGS was completed during the year with the construction of 16 classrooms. The school population is now approximately 1000 students.
4. *Dominica Rural Enterprise Development Project* - The DREP project came to a close with the completion of the Petite Soufriere Breakwater facility. This facility will permit fishermen in the area to land their boats with limited disturbance from the rough seas. This also results in improved safety for the fishermen.
5. *VAT Implementation Unit* - Under the Medium Term Public Sector Reform Project which was to be funded from the Stabex 98/99/00 resources, an allocation was made for the establishment of the VAT Unit. Given the timeframe for implementation of the VAT, this activity was undertaken as a stand alone project and completed during the year at a cost of \$0.7 million.

### **Capital Estimates 2006/2007**

The Public Sector Investment Programme for 2006/2007 is set at \$85.1 million or 10.5 percent of GDP, to be financed by a combination of Grants of \$65.1 million (76.5 percent), loans of \$11.4 million (13.4 percent) and Government resources of \$8.6 million (10.1percent).

The following major projects will be implemented during the year:

#### **1. Economic and Social Infrastructure**

*Air Access Improvement.* Work will continue on the terminal building and car park. Completion is expected towards the end of this fiscal year. Work on the airside component being undertaken by the Venezuelan Government started

during this fiscal year and is continuing. Government was able to acquire land to the tune of \$6.2 million in fiscal year 2005/06 to facilitate the implementation of this component. An allocation of \$31.5 million has been made this year for the continuation of the project.

The *Road Improvement and Maintenance Programme (RIMP)* will commence this year. This project involves the rehabilitation and widening of roads in the Roseau Valley area beginning at the Bath Estate Bridge and terminating at the Laudat main road. The access road linking Wotten Waven and Trafalgar has been completed. Government is in the process of selecting the Consultant who will supervise the works. This phase should be completed during this month. The next stage will be the launching of the construction tender to begin implementation of the works. The project will be implemented over an 18-month period at a total cost of about \$17.0 million funded by the Caribbean Development Bank.

*Rehabilitation of the West Coast Road.* Feasibility and design works are ongoing. The Government of the People's Republic of China signed a commitment with the Government of Dominica to redevelop the road. It is expected that implementation will begin immediately following the completion of the Windsor Park Stadium. There is no doubt that this road will be welcomed particularly by those who pass through the villages of Massacre and Mahaut.

The *Roseau to Melville Hall Road Upgrade.* This project will involve the widening of the road from Roseau to Melville Hall. Negotiations were recently completed between the Consultant and the Government. An inception report and final designs will be provided within the next six months. This project is being funded by the Agence Francaise de Development and is expected to cost about \$53.0 million with \$1.5 million budgeted for this year.

*Roseau Road Reinstatement Project.* The designs for this road project have been completed. Because of its size and cost, the project will be implemented in phases. The first phase should begin this fiscal year. A shortlist of consultants has been prepared and submitted to the Kuwait Government. An allocation of \$3.1 million has been made for the project this year.

*Construction of Castle Bruce Health Centre.* A few years ago, the European Union earmarked approximately \$600,000 for construction of a Health Centre at Castle Bruce. These funds were budgeted for drawdown in the 2005/2006 fiscal year. The revised estimated cost of the facility based on the final designs is \$1.2 million.

*Establishment of an Intensive Care Unit.* Government is receiving assistance from the Government of Cuba to establish an Intensive Care Unit at the

Princess Margaret Hospital. An area has been identified for the location of the Unit and refurbishment is expected to begin later this month. The Government of Cuba will provide equipment and personnel for the Unit.

## 2. Education and Sports

*Windsor Park Sports Stadium.* Work on the Windsor Park Stadium is ongoing and is expected to be completed by the end of the calendar year. The value of the work expected during this fiscal year is \$11.3 million.

*Construction of the Roosevelt Douglas Primary School.* Demolition of the old structure, and designs for the new facility were undertaken in financial year 2005/2006. The Government has signed an agreement with the Regional Council of Martinique to undertake the design and supervision of the construction phase. Projected expenditure during this fiscal year is \$2.1 million.

*Construction of the Salybia Primary School.* Architectural designs and structural drawings have been completed. The next phase will involve finalization of a site for construction. This has been delayed but we expect work to begin this year.

*Upgrading of State College.* \$1.0 million has been provided by the People's Republic of China to upgrade the Dominica State College. This will involve library improvement, purchase of administrative software and other computer equipment, laboratory equipment, general building improvement and rehabilitation, fencing of the compound and enhancement of the parking area.

*Construction of the New Town Primary School.* The building that currently houses the Newtown Primary School has been rendered unsafe. Government is taking emergency action by constructing a new facility to house the students. The project is in its early phase but work is expected to commence during this financial year. Financing is being provided by the People's Republic of China.

## 3. Agriculture

The Agricultural Diversification Programme has been ongoing for the past two years with support from the EU. One key objective of this programme is to strengthen our national agricultural marketing system in order to meet new WTO requirements for trading in agricultural commodities.

During the financial year 06/07 the following activities will be undertaken:

- Construction of the National Centre of Testing Excellence;
- Establishment of a multi-purpose packinghouse at Portsmouth;
- Establishment of a multi-purpose packing-house at Roseau;

- Continuation of the Citrus Certification Programme; and
- Review of Land Legislation.

The Government has received assistance from the Government of the People's Republic of China to develop a model plant production facility at Hillsborough. This facility will utilize the latest sustainable plant propagation and production techniques which will improve efficiency, sustainability and training. It is expected that the facility will provide planting materials to farmers as well as provide training and demonstrations. This year an allocation of \$60,000 will be made available to rehabilitate the drainage network, the irrigation system and the existing propagation infrastructure.

Work on the development of the Central Livestock Farm is continuing. During the first half of the year, the focus will be on development of the main access road and completion of the water system. An allocation of \$80,000 has been provided in the budget.

#### 4. Housing

This year's capital programme makes provision to continue to implement the initiatives in housing which were started last year. Housing continues to be a major priority for this government. Major investments in the housing sector include development of lands in Bellevue Chopin to facilitate village extension as well as the continued development of the Pointe Michel Union Estate area. Additional support is being provided in the housing sector with funds being sought from friendly governments.

#### 5. Tourism

##### ***Tourism Marketing and Promotion***

Destination marketing will continue in this fiscal year to ensure that Dominica maintains a presence in the market place. Some of the activities proposed during the year include the completion of a website which will assist in the thrust towards E- Marketing. \$1.0 million dollars has been budgeted for destination marketing. Recently, the Government was able to secure an additional \$1.0 million which will also be made available for this purpose.

*Eco-tourism development Programme.* This programme will come to an end in December 2006. Over the next six months, work will continue on various components with a view to completing works at the Cabrits, Roseau Ferry Terminal, Botanic Gardens, the Giraudel flower project, parking and additional toilets at the Emerald Pool and Trafalgar facilities, refurbishment of the Sulphur Springs at Soufriere, construction of a viewing platform and safety measures at the Boiling Lake and the Middleham Falls.

*Construction of Vendors Facility at Fresh Water Lake.* The CDB-funded Tourism Site Upgrading project came to an end last year. However, the Government of Dominica requested and received approval from the CDB to utilize the unallocated balance under the loan to construct a Vendors Facility at the Fresh Water Lake. An allocation of \$475,099 has been made for that project.

## 6. Social Sector Projects

### *Country Poverty Assessment*

The second major Country Poverty Assessment will be undertaken during the first quarter of 2007. It will provide poverty data to assist Government and the donor community in better formulating policies, strategies and programmes geared at poverty reduction. It will also allow Government to monitor the progress that has been made over the past four years since the previous assessment in 2002.

### *Local Government Reform*

The objective of this project is to strengthen the local government system in our country. It will involve the review of existing local government legislation, the formulation of a national policy on local government and the formulation of a comprehensive local government Act. This legislation will combine all existing Acts for the Roseau City Council, the Canefield Urban Council, the Carib Council and the thirty-seven Village Councils around the island.

### *HIV and AIDS*

The Government is also undertaking programmes aimed at protecting the population from the Aids Pandemic with the assistance of the International Donor Community through the OECS Secretariat. Government will continue to implement the HIV AIDS Programme aimed at educating and sensitizing the general public and to provide those affected with essential drugs to combat the disease and prolong their lives.

### *Drug Abuse Prevention Programme*

Government is also continuing the implementation of the Drug Demand Reduction Programme, which is aimed at drug abuse prevention at the primary level. The programme targets schools, adolescents and vulnerable groups. It also includes an awareness education and training component that focuses on drug education, leadership skills, life skills and other activities, all aimed at encouraging young persons to stay away from drugs.

### *Dominica Social Investment Fund*

Over the last two and a half years, Government has been in discussion with the European Commission on the question of delivering the final Stabex instrument covering the period 1998-2000 as general budget support, a departure from the modality in which resources under Stabex are made available to ACP countries. For reasons entirely external to Dominica, conclusion of these arrangements was long delayed.

Today, Madam Speaker, I am happy to report that the legal instrument for the release of the Stabex funds has finally been signed by the Commission and the Government. By the end of September this year, we will receive the first tranche of \$11.0 million. The grant contract for financing the SIF has been signed by the SIF's Chairman and the European Commission.

As you will recall, the social investment fund was established by Government in 2004 to deliver targeted assistance to vulnerable groups and communities throughout Dominica.

Government takes this additional opportunity to record its appreciation to the European Commission for the generous level of development assistance being provided to the Commonwealth of Dominica.

### **Medium Term Proposals**

Madam Speaker, the annual Budget speaks to financial allocations to be made over a period of one year. The following projects reflect some of Government's priorities over the Medium Term:

- Chance Housing Development;
- Squatter regularization;
- Pointe Michel/Union Estate - continued development/second phase;
- Jimmit Housing Development Phase 3;
- Charlotte Valley Housing Project
- Construction of Police Stations in La Plaine and Grandbay;
- Construction of New Melville Hall Fire Station and Purchase of Equipment for that facility;
- Aux Delice/Rosalie Road;
- Campbell Road;
- Good Hope road restoration;
- Soufriere/Scotts Head sea defence;

- Sultan and Warner village roads;
- Rehabilitation of Arawak House of Culture; and
- Restoration of Old Mill Cultural Centre.

Madam Speaker, although the aforementioned list of projects is not exhaustive, we believe that the full Public Sector Investment Programme is by itself comprehensive and will positively impact the social and economic landscape of Dominica. But it is not enough.

The Government of Dominica has been in regular consultation with the residents of this country. While we know that people understand the pressures under which the government is operating, we recognize as well that we cannot always operate 'inside the box', if we are to achieve desired results.

Madame Speaker, that is why a few weeks ago, we instructed the technical team to compile a list of those projects which needed urgent funding, but for which monies were not readily available.

During the last general elections, this administration went to great lengths to explain to citizens the three primary sources of procuring funding for capital projects. These were identified as loans, grants and taxes.

I have stated repeatedly that I do not believe the taxpayers of Dominica should be called upon to carry any undue burden. I think they have sacrificed enough. Therefore, I have no intention of asking the workers of Dominica to help finance the projects that we need to get started, even though these projects are in their interests. Imposition of new taxes for such needed projects is therefore not an option.

In its bid to undertake several pressing aspects of its public sector investment agenda, this Government looks to its friends and well wishers. Some in our midst have accused this Government of forming and pursuing what they term "strange alliances." I have said repeatedly that Dominica's foreign policy, under my watch, will be determined by what is in the best interest of its citizens.

We therefore requested the technical officials to compile a list of necessary and needed projects. We sensitized friendly governments of our objectives and aspirations. Among the first to respond was the government of the Republic of Venezuela. President Hugo Chavez saw our need and invited me to Caracas for bilateral discussions.

I am pleased to announce, for the record, that on my recent visit to the Republic of Venezuela, I was able to negotiate an amount of \$29.7 million in grant and concessionary financing for various development projects. Twenty-five percent or \$7.4 million of this amount will be a loan at highly

concessionary terms and the balance of \$22.3 million is in grant. Again, let me repeat, 75 per cent of the \$29.7 million will be in the form of a grant, which means that the taxpayers of this country will not have to pay it back.

Madam Speaker, consistent with its general election manifesto promise, it is the intention of the Government to make some \$7.0 million available to the Government Housing Loans Board for on-lending to certain categories of public officers at the very concessionary interest rate of 4 percent. The facility is being extended to public officers who earn a maximum of \$24,000 per annum or the maximum level on the Junior Clerk scale. The target group is the lower level earners who in many cases are young people who are attempting to get a head start in life.

Madam Speaker, the aforementioned relates to planned assistance for low and middle-income public officers, but this government is committed to tackling the challenges of housing in this country on all fronts. Accordingly, a portion of these funds will go towards the structuring of a housing development initiative, where we would hope to utilize state lands to provide housing solutions to hundreds of Dominican families. It is not our intention to grant any one company, local or foreign, a single contract to build these units, but to empower small community artisans to develop their trade to the point where they too can become entrepreneurs.

We therefore intend to issue several small and medium-sized house-building contracts to builders across the country, which would be required to conform to minimum standards that will be set down in a code to be agreed upon by all parties concerned. Madam Speaker, this government is determined to make a major dent in the shortage of affordable housing in Dominica, within the next 18 months.

It is opportune for me Madam Speaker, to announce at this point, the outcome of similar negotiations that have been carried on with the CARICOM Secretariat.

On that occasion, Madam Speaker, Members of the Parliament would recall that I made an immediate appeal to CARICOM to consider a line of assistance and funding under the CARICOM Petroleum Fund initiative, launched by the Government of Trinidad and Tobago. Very little has been said in recent months about the progress of those negotiations, but silence, I can assure you, Madam Speaker, was not a reflection of inactivity.

This Government detailed to the CARICOM Secretariat the damage caused by the earthquake as well as several social and infrastructural projects in Dominica that needed and were deserving of direct assistance from the Fund. Two weeks ago I paid a visit to the Secretariat in Guyana to further discussions on this matter. On his way to the recent Heads of Government Meeting held in



St. Kitts, the CARICOM Secretary General, Mr. Edwin Carrington stopped off in Dominica to get a first hand look at some of the projects and initiatives we were promoting.

I am pleased to announce on the occasion of this Budget Address, Madam Speaker, that the comprehensive set of proposals submitted by this Government for direct grant funding by the CARICOM Petroleum Fund was assessed by colleague Heads of Government in St. Kitts and found to be completely in order and deserving of their support. Accordingly, in addition to the \$29.7 million in grant and concessionary loan financing agreed to by President Chavez and the Government of Venezuela, this government will very shortly have at its disposal another \$24.8 million in grant financing to invest in the social and infrastructural development of Dominica.

Madam Speaker, it is by no means inconsequential that in the government of Dominica could within a period of three weeks negotiate in excess of \$50.0 million in what is essentially grant financing to fund major social and infrastructural projects.

I consider this a tribute to the high esteem with which this government and the people of Dominica are held and the appreciation by many external interests of the efforts that this government has been making to prudently manage the resources of Dominica.

Among the top priority projects is the replacement of the Indian River Bridge and the bridge in Lagoon in Portsmouth. Another important part of this assistance will go to the rehabilitation of roads including the Aux Delices Road, the Carib Territory Road (that is from Pagua to Castle Bruce), the road from Castle Bruce to Petite Soufriere, the road from Laplaine to Delices, the Giraudel/Eggleston Road and farm access roads in the Marigot area. Government will also assist in the re-construction of the St. Johns School.

Madam Speaker, Portsmouth has long been touted as the future hub of economic activity in Dominica. The people of Portsmouth have waited long for significant improvements to their environs. Today, we say to them, the time has come. A direct offshoot of the Petroleum Fund draw down will be the Portsmouth Streets Reinstatement project whereby we modernize the entire road system in Portsmouth, including the provision of sidewalks, roundabouts and other intersection improvements. As I indicated earlier, we have agreed to the construction of a National Diagnostic Centre in Portsmouth, servicing not only that community and constituency but also the entire country.

Madam Speaker, in the aftermath of the earthquake and consequent bad weather, many farmers suffered loss of business opportunities. Several of them have applied for direct governmental assistance in rehabilitating and irrigation their farms as well as access to small and medium sized farm equipment. The

Government was previously not in a position to assist, in a very tangible way. Scores of such individuals can be assisted with getting their farms and businesses back on track with minimal direct governmental assistance. With this infusion of cash, Government will be meeting shortly with members of the farming community to agree on a mechanism for the transfer of direct technical and financial assistance to affected farmers across the country.

During the course of this debate and in the weeks and months ahead, we shall detail various other projects which will benefit from these two significant infusions of cash into the Dominica economy. Suffice it to say, Madam Speaker, that we intend for the benefits to flow to all 21 constituencies across Dominica and to positively impact all residents, particularly those in greatest need of assistance.

Speaking about those in greatest need, I am determined, Madam Speaker, to channel a portion of these funds to the upkeep and well-being of seniors in Dominica. I know traditionally we have dealt with seniors by providing intermittent increases in pensions and other subsidies, but the time has come for society to take a more clinical and comprehensive look at the care and well-being of those who have built this country.

This Government wants to ensure that our seniors lead quality and dignified lives. We want to ensure that they live in safe and secured conditions, meeting minimum standards and that their surroundings are adequately maintained. In brief, we will provide quality care at home, in an attempt to minimize the demand and need for institutional care. A pilot Senior Citizens Home Repair and Home Care Programme will be an integral part of our social outreach agenda during the course of this financial year.

It is also the intention of this Government to utilize funds earned from the economic citizenship programme to finance activities for developing youth enterprise. An amount of \$2.0 million will be channeled to the Youth Business Trust (YBT) for administration and management of the funds. The rules and guidelines of the Youth Business Trust will apply. This amount will be allocated to training and skills development as well as to allow for an increase in the guarantee fund. The latter we hope will assist more young persons to access funding for setting up small businesses. We urge all young persons to take advantage of these opportunities. Government is committed to making available as many opportunities as possible for young person to be employed; but these opportunities will be of no effect, if those for whom they are created, do not make a move to utilize them.

After a visit to the Republic of Cuba earlier this year, I announced that the Government of Cuba would provide a team of engineers to re-evaluate the work to be done on the Soufriere/Scotts Head Sea Defence Project. With this evaluation completed, we await the results, and the country will be informed

as we proceed. However, based on the initial estimates, the cost of this project is likely to be significant and as such funding may have to be sourced from more than one financing agency. In that regard we also invited the CDB to review this project and they too are being considered as a possible agency for its financing. Needless to say, Government will leave no stone unturned in seeking to have this project finalized and implemented, since not to do so is to expose the lives and livelihoods of the people of the Soufriere/Scotts Head area to the risk of disaster.

## **Water**

Madam Speaker, over the past three years we have spoken about the potential for developing the water resources of our country. We have been able to bring pipe-borne water to most communities, and we continue to make positive efforts to ensure continuous supplies to water-scarce communities like Gallion, Giraudel and Eggleston. Our aim is to continue to upgrade our water systems and to bring potable into every home and establishment.

We believe that there is great potential in the constantly and rapidly expanding trade in exported water. We continue to receive expressions of interest from a number of investors to develop the export potential of our water resources. We have been careful to ensure:

- the integrity of those persons with whom we intend to do business;
- that due consideration is given to the preservation of our environment and the sustainability of our water resources; and
- that substantial benefits will accrue to the citizens of Dominica from any export trade in water.

We are blessed with few natural resources and it is our responsibility to protect and conserve our water resources by adopting water conservation and protection policies, including the re-forestation of our hillsides and the control of chemical and other harmful effluents into our rivers and streams. This will ensure that we do not deprive future generations of those benefits that we now enjoy.

During the course of the next week or two, I hope to make a more definitive statement on the progress we have made in pursuing those opportunities that we have identified for bringing in the right kind of investment for development of our water export potential.

## **Enhancing the Investment Climate**

Madam Speaker, in an effort to realise sustained economic growth, job creation and poverty reduction, our economy must be investor friendly. It is through

increased levels of private investment, domestic and foreign, that the requisite opportunities for employment generation will be created, and existing businesses expanded. Investors bring into our country their financial and technical resources and access to overseas markets - all of which are essential for businesses to grow, for the private sector to expand, and for jobs to be created.

Essentially, with the fiscal situation clearly stabilised, it is now necessary to give sharper focus to the growth effort. An essential prerequisite for the generation of economic growth is the attraction of inward investment, and a necessity for investment is to remove those barriers to investment that have been identified in various studies and reviews.

What is needed now is action on a number of long-outstanding structural issues which will contribute to laying the platform for economic growth and poverty reduction.

Traditionally, in our country there has been an over-reliance on Government for economic growth and employment creation. Government has been playing its part, through the public investment programme; through its public works and other public spending. It should be clear however that Government cannot do it alone. A large role falls to the private sector therefore to be energetic, dynamic and productive.

There are many locally owned businesses in our country that are playing their part, and Government takes the opportunity of this Budget Address to express appreciation for their contribution to economic activity in this country. Government is also appreciative of the efforts of those foreign owned businesses that are creating jobs and contributing to economic growth. Both existing and potential investors need an investment climate that is more amenable to doing business.

Madam Speaker, all reviews that have been conducted of the business climate in Dominica point to a situation that is far below optimal. These reviews have identified legislative, procedural and policy impediments to doing business in Dominica. Government will be working to eliminate these barriers to investment, focusing in the first instance on a few of the critical ones. The Investor Road Map analysis, conducted by USAID in 2004 on the basis of consultation with a wide range of business owners, lawyers, freight forwarders and others, identifies the most critical areas as: Customs, the NDC and land ownership and administration. These findings were validated earlier this year following a series of interviews conducted with a number of businesses that had begun operation over the past two years.

The Customs reform process has already begun, with the involvement of the Reform Management Unit. Government will be putting measures in place to

modernize Customs operations, starting within the next two months, including: the introduction of updated information and communications technology; making changes to the staffing structure of the department; conducting a human resources capacity assessment to ensure a good match between the modified staffing structure and the actual staffing of the department; setting up an Intelligence Unit at Customs; and providing customer service training to all Customs staff. This programme of reform will take into account the many complaints made by business entities about the delays and inefficiencies they experience when seeking to clear their goods. It will also seek to make Customs a friendlier and more efficient arm of public administration. The objective is for Customs to become a genuine trade facilitator and to leave behind the perception that it acts as a barrier to trade and investment in our country.

In the case of the NDC, Government has already made known its intention to move speedily to restructure this statutory corporation to streamline its operations and make it more efficient. The NDC was established to be one of our country's most important public sector growth institutions. It is Government's intention to provide the corporation with a better opportunity to perform this function. We may end up with separate agencies for tourism and investment promotion - the discussion is ongoing - but at the end of the day we envisage: an agency unmistakably identified with the promotion of tourism,

Long delays and complex bureaucratic processes in the ownership, transfer and registration of land have been identified as a deterrent to investment in Dominica. Government has already appointed a Land Tenure and Administration Reform Task Force that will oversee the process of improving and modernizing the legislative, institutional and administrative systems governing land administration and tenure in our country.

The foregoing reforms will all take place during the course of this fiscal year, and will be supported by the USAID Caribbean Open Trade Support Project (COTS). Additional support to the work of the Land Tenure and Administration Task Force will also come from the EU under its Framework for Mutual Obligations for the use of STABEX funds in respect of the application years 1998, 1999 and 2000.

Madam Speaker, restoring fiscal health to our country, and confidence in the governance of our country, were major steps in enhancing the investment climate. Countries do not attract investment when their public finances are in a state of disarray; when debt is very high and out of control. With the support and understanding of the people of this country, Government has taken the important first step. What we have done is necessary but it is by no means sufficient to attract high levels of investment. The measures that I have just outlined will help to get us there.

Government is keen on forging a genuine partnership with the business community. I am aware that the revitalised DAIC is seeking a total change in the business culture of its members and of the country. Government recognizes that it too has to change its culture of doing business. Partnering with businesses will not always mean that business gets everything it seeks from Government. Government has to operate in the total national interest, something that requires a balancing of all the relevant considerations in decision-making. But we are determined to work with the business community to give a sharper focus to the growth imperative that we must confront, in part by improving the overall environment for investment attraction and doing business in Dominica.

Madam Speaker, in the context of a discussion of the business climate in our country, I wish to make reference to two relevant initiatives. The first is the Business Gateway in support of micro, small and medium enterprises. Micro, small and medium Enterprises make up a significant part of our overall private sector. In last year's Budget Address, I referred to our intention to establish the Business Gateway to provide assistance to that sector. Bids for a grant contract of \$3.4 million have been evaluated and a recommendation has been made to the Delegation in Barbados for award of the grant. The release of funds for commencement of activities should occur by October of this year. The purpose of the Gateway is to enhance the competitiveness of the private sector, particularly small enterprises, through a business support programme that will assist new business start-ups and provide business upgrading for existing enterprises.

The second initiative is the Enterprise Development Facility that is now popularly referred to as the 50/50 scheme. Up to the end of last year approximately four hundred individuals and businesses had benefited from the programme. The programme was recently evaluated by external consultants, who reported positively on its achievements in Dominica and recommended its continuation. Government, through the office of the National Authorising Officer of the European Development Fund, is currently in discussion with the European Commission for a continuation of the programme, which has a balance of \$5.0 million that is still available for use under that facility.

Madam Speaker, I crave your indulgence for my going on at some length about the climate for doing business in our country; for there are many aspects to this. There are implications for how we deal with each other in the delivery of public services. It is about the efficiency with which firms and small enterprises are treated when they come to government agencies for service. Improving government policies and behaviour are fundamental to shaping an investment climate that we all need for growth in the economy -- how long it takes to get a government agency to deal with an application for incentives and for goods to be cleared from customs.

We need new forms of behaviour on the part of our public service. It has to move from a culture of doing things at its own pace, to becoming more efficient and making those who come for service feel they come as of right and not to seek a favour.

Madam Speaker I would like to call on our government departments and agencies to have regular customer service days. Let people come in and learn how you operate and share with them your challenges and concerns and seek their advice on how to improve the service.

Experience shows that we must be constantly seeking ways for ongoing improvements in the investment climate. If we have to be able to compete and help our enterprises meet the new requirements of open trade, we must make life easier for them and consult with them as to how we can better serve them.

### **Other Structural reforms**

I should make mention of additional structural and institutional reforms that are relevant in the context of this discussion. Progress on the implementation of some of these structural benchmarks has been slow. The acute personnel constraints have hampered this work and delayed completion beyond the target dates. The following is a summary:

- The proposed review to streamline the structure and functions of government units was limited. Priority was given to reviewing the ministries of Agriculture, Health, Education, and Community Development. Cabinet has examined these reviews, and approved the recommendations to streamline their structure and functions, and improve their efficiency. The government is seeking external assistance to undertake similar exercises at the Police, Fire and Prisons departments.
- A draft Action Plan for the elimination of the unfunded liabilities of the Dominica Social Security (DSS) was prepared and has been approved by Cabinet. The action plan benefited from wide consultation with stakeholders. This plan builds on Government's previously stated commitment to take action to preserve the integrity of the DSS and protect the pensions of contributors to the scheme.
- Following public consultation and Cabinet's approval of the proposal to amend the Finance Administration Act, amendments are being drafted.

### **Government's Legislative Agenda**

Madam Speaker, this Government recognizes that sound legislation is critically important to facilitating development. In view of this, Government intends to

address the issue of outstanding legislation. With the assistance of the USAID/COTs project we will review and propose amendments to legislation that will enable Dominica to take advantage of its membership in the Caricom Single Market (CSM) and World Trade Organisation (WTO) compliant. These new pieces of legislation will form part of our concerted drive to improve competitiveness and the environment for doing business.

In addition, Government will take to the Parliament amendments to existing legislation and proposals for new legislation in regard to structural benchmarks to which the Government is committed. Chief among these is the proposed amendment to the Electricity Supply Act, which we hope will be tabled in Parliament at its next sitting. This draft is being subjected to wide consultation. Draft legislation has also been prepared to give legislative authority to the Financial Services Unit of the Ministry of Finance and Planning. Proposals outlining amendments to the Finance Administration Act were approved by Cabinet and circulated for comments all of which will be considered in preparing the final draft of this legislation.

Various pieces of legislation relating to the public service administration and management will also be presented to Parliament this year. These pieces of legislation will seek to modernize the guidelines and principles by which the public service operates. In this regard I wish to thank the various public service unions, all of which have participated in the consultative process.

Other proposed legislation includes amendments related to improving tourism standards, local government, family law, consumer protection, Government procurement, traffic and road regulation and protection of the environment.

Most of these amendments will directly impact or give support to the effort at improving the business climate.

### **The Off-shore Financial Services Sector and Economic Citizenship Programme**

Madam Speaker, during the last fiscal year, Government undertook a review of the offshore financial services sector through a technically equipped Task Force. The government is in the process of developing other revenue initiatives. To this end, we are pursuing the offshore sector with renewed vigour and determination. We intend to avoid the mistakes of the past and come up with a sector that is not only clean but is also vibrant.

To imbue new confidence and dynamism in this area of economic endeavor, it is my intention to appoint a new Minister to head this sector. We are ready to appoint a qualified person from anywhere in the political spectrum who is



ready to take this responsibility and act in the best interest of all Dominicans. This Minister will be responsible for among other things:

1. The development of an Offshore Sector, including development of new products;
2. The creation of conditions to attract new Investments in offshore and onshore sectors;
3. The revision of the existing Economic Citizenship Programme in a way that we can attract a significant number of qualified investors and really benefit our economy. This will include putting in place straightforward procedures and revision of the existing fees structure; we are currently pursuing;
4. Renaming FSU to Financial Services Commission (FSC) which is analogous to offshore regulatory bodies in Jersey, Gibraltar for example. This will not only be a new name, but a whole new attitude;
5. Supervising and regulating some financial activities of insurance companies, such as attracting deposits from the local population;
6. Supervising and regulating companies' financial activities, such as debenture issuance and exchange of other companies' papers for money from the local population;
6. Amendments to the IBC Act, which will allow us to make our most popular offshore vehicle even more attractive and provide extra revenue to the Government;
7. Amendments to the Offshore Banking Act. We are looking to take a whole new approach to the Offshore Banking industry in Dominica. We intend to limit that activity to prudent financial dealings, which will not place us in conflict with the more developed countries;
8. Revision and re-development of our Online Gaming Policy, which include the revision of fees and putting in place straightforward procedures. We expect to attract new Online Gaming operators which should create around 70-100 new jobs within the next two years and also bring extra revenue to government.
9. To create new and maintain necessary attractive conditions in Dominica as a place to settle for wealthy international investors and retirees. We also intend to attract a significant number of expatriates to reside in Dominica. This will increase the number of people employed as house-keepers, gardeners, security services among others. Also it will have a

positive impact on the construction industry plus we can expect an improvement in the restaurant business, stores and service providers, because these people will spend money they made overseas. This will also help to promote Dominica as a safe and attractive place to invest, reside and visit.

While our main focus is the development and supervision of offshore financial services, we cannot forget that we need to protect our population from different types of scams that occur from time to time and to seek to control and prevent such activity.

### **Maximizing the Potential of Foreign and Trade Relations**

Madam Speaker, foreign relations and trade policy continue to be important planks of our country's development strategy. Small countries like ours must of necessity actively engage the rest of the world in our bid to leverage the highest possible levels of financial, technical and diplomatic support for the development of our people.

During the past year we have expanded the range of countries with which Dominica has diplomatic relations. Special mention must be made of the achievements derived from relations with the Peoples Republic of China; The Bolivarian Republic of Venezuela; The Republic of Cuba; Japan; Libya; Spain; South Korea; France, Mexico, India, Nigeria and the Organisation of American States (OAS). Tangible evidence of these can now be seen through the several projects and programmes currently being undertaken by this Government particularly in areas of sports, agriculture, education, health and fisheries.

Government will continue to take advantage of every opportunity to expand our bilateral relations, in the national interest.

Given the establishment of the CSME and Government's decision to join the CSM in July 2006, special focus will be placed on Dominica's trade policy to govern its strategies and activities as a member of the regional grouping.

Our country's trade policy will continue to be informed by the national interest, while being conducted within the framework of regional and sub-regional arrangements, such as the OECS, the CSME and the Regional Negotiating Machinery. Our commitment to these processes strengthens the imperative to expand into other member countries of the CSME, by forging strategic alliances and partnerships with regional business enterprises; but it also requires that our people be more productive and our goods and services providers more competitive.

Indeed Madam Speaker, these considerations are exactly relevant to the theme of this Budget Address, i.e. enhancing the investment climate and the

environment for business. The measures that I have outlined in this address will facilitate the attraction of investment from international as well as regional and national sources.

As I previously indicated, Government remains irrevocably committed to regional integration. This commitment extends to the OECS Economic Union project which is aimed at transforming the OECS countries into a single economic space by ensuring that “all legal and administrative impediments to the most efficient allocation of factors of production and the fruits of production within this economic space are removed.” An economic union of OECS member states will create a unified economic territory out of the separate economic entities that constitute the OECS. This would make the OECS the third largest economy after Trinidad and Tobago, and Jamaica.

The issue of competitiveness, Madam Speaker, assumes tremendous importance in the context of the new open trade environment. With the advent of the CSME, and with work in progress to establish an Economic Partnership Agreement with the European Union by 2008, our companies face the challenge of having to enhance their competitiveness within the regional and global economies. It is clear that a more comprehensive approach to increasing the competitiveness of our economy is necessary. In the meantime, by way of a response to this challenge, Government continues to provide support to the OECS Export Development Unit (EDU), through direct contributions to the OECS Secretariat and under the Regional Programme with the European Commission. The EDU is currently working actively with thirty-three Dominican companies to enhance their export performance and global competitiveness. This type of direct support to enterprises is also being provided under the USAID/COTS Project.

Madam Speaker, over the coming year and beyond, the Ministry of Foreign Affairs, Trade and Labour will place priority on meeting Dominica’s obligations with respect to the Revised Treaty of Chaguaramas and measures agreed by the various organs of the Community. These include completing the removal of restrictions on trade and movement of the factors of production.

More generally, Madam Speaker, Government is embarking on formulating a comprehensive trade strategy to provide a more structured basis for informing its policies in bilateral, regional and international relations. A request for assistance to formulate this strategy has met with a favourable response from the Commonwealth Secretariat.

### **Fiscal Measures for 2006/2007**

#### **No new taxes**

Madam Speaker, I come now to that point of the speech where members of the public listen with interest to hear what's going up and what's coming down. I have outlined today a comprehensive programme of activities and initiatives that will continue to spur the social and economic recovery and development of Dominica. I have stated clearly how much it will cost and how the funds that will be required will be generated. On this the occasion of Budget Address 2006, I have great pleasure in announcing to citizens of this country that as Minister of Finance I will not be calling on them to contribute one additional dollar to the upkeep of this government or in pursuance of its programmes. Simply put, there are no new taxes or other impositions in Budget 2006. Far from new taxes, the various studies I have indicated will be commissioned and conducted during the course of this year should result in direct and meaningful benefits to taxpayers of this country. I will not speculate nor pre-empt their deliberations, but it is entirely possible that we could return to the people of this country with some even better news in the months ahead.

### **The Wage Bill**

In the 2005 budget address, I announced plans to reduce the size of government and to provide opportunities for the expansion of the private sector. I am pleased to report that the planned outsourcing of some Government services has been satisfactorily accomplished. Outsourcing the provision of security services was completed satisfactorily with three local companies awarded contracts for the provision of services. Two of the companies are owned by former public officers.

All employees who were desirous of continuing employment were re-employed by the contractors. Outsourcing the provision of janitorial services was implemented in three phases. All three phases were completed satisfactorily with nine (9) local companies awarded contracts for the provision of those services. One of the companies so established consists of former employees. Again all employees who sought employment were re-employed by the contractors.

A significant part of the action plan to reduce the size of Government in 2005/06 was the merger of the air and sea ports. This has also not taken effect since the Government thought it prudent to undertake some additional analysis to ensure that the transition is as smooth as possible.

Government proposes to implement the following measures in fiscal year 2006/07:

- a. Implement the recommendations made for the merging of the airports with the seaport to form an Air and Sea Ports Authority. This will be implemented effective October 1, 2006.

- b. Reduce the size of the Electrical Division as a result of the impending establishment of the Independent Regulatory Commission. This activity will take effect by October 1, 2006.
- c. Develop a new management structure for the National Parks Service. The Caribbean Development Bank (CDB) has confirmed the provision of technical assistance to the Ministries of Agriculture, Fisheries and the Environment (MoAFE) and Tourism, Industry and Private Sector Relations to assist in this regard. This new structure should take effect by October 1, 2006.
- d. Privatise the operations of the Marigot Fisheries Complex and the vending operations of the Roseau Fisheries Complex. All preparatory work will be completed by September 2006 so that contracts are awarded effective October 1, 2006.
- e. Outsource the provision of vector control services effective October 1, 2006.
- f. Transfer the provision of environmental health sanitary services to the respective City, Urban or Village Councils through corresponding increases in the subventions provided to the Councils.
- g. Outsource the provision of road maintenance services of the Ministry of Public Works and Public Utilities effective October 1, 2006.
- h. Government will continue its efforts to increase efficiency in other areas. During the year, education administration in the Ministry of Education, Human Resource Development, Sports and Youth Affairs will be examined. We will review some of the functions being undertaken by trained police officers that could be undertaken by civilians. We are also exploring ways to review, with external assistance, the Police, Fire and Prisons departments to identify deficiencies and to find ways to improve operations in these departments. Work will also be undertaken with a view to improving efficiency of operations and service delivery at the Public Works Garage.

Some progress has been made in examining the proposal to commercialise the operations of the Government Printery. This needs to be finalized and financing sources confirmed for the upgrading of the printing equipment and facilities. In addition legislative research is being conducted on the possibility of setting up the Printery as a small statutory agency.

All of these measures are being undertaken within the context of Government's decision to provide new opportunities for the private sector and which could also result in a leaner but a more efficient and better-paid public service. In

this context, we hope that negotiations for the triennium 2006-2009 will be concluded speedily. We expect good faith and reasonableness to prevail on both sides. Government appreciates the fact that public officers have contributed significantly to the programme of economic and fiscal adjustment, but we are mindful also that any decision we take in regard to rates of pay to public officer should not undermine that contribution. In fact I might venture to say, that if the Government were to agree to conditions that are not sustainable, in particular increases that are too high, this would be a sign of fiscal irresponsibility on Government's part. It is expected that negotiations will be guided by this consideration, in addition to economic indicators such as the change in the consumer price index which on average is 2 percent and GDP real growth with 3 percent being the level targeted by the Government. I take this opportunity to again thank public officers for their resilience and contribution to the process of economic stabilisation and growth in our country over the past few years and in this regard I wish to repeat my offer of a 3% increase in salaries for public officers.

### **The Value-Added Tax**

After 30 months of preparatory work, Government restructured its tax system with the repeal of four taxes and the introduction of VAT and Excise Tax on 1<sup>st</sup> March 2006. I must report that to date the transition from the old tax system to the VAT/Excise Tax system was relatively smooth. I take the opportunity to thank and commend all Dominicans for their cooperation in ensuring a smooth transition.

As the tax system has only been in place for four months, there is currently only three months of collection data. As such, it is difficult to fully ascertain if the VAT is performing according to expectations. However our initial review suggests that on average the net revenues from March to June are consistent with annual revenue. While the VAT was expected to be revenue-neutral, we will be carefully monitoring collections and other operational aspects of its implementation to ensure collections remain in line with projections.

We were pleased to note also that filing compliance for the three months was fairly high. This high level of initial compliance is due in part to the VAT Unit's efforts to contact all registrants prior to the filing deadline to remind them of their filing requirements. But we believe that it also reflects the commitment of the private sector to ensure that the system works. In addition, the records show that filing compliance among the large taxpayers was 100 percent. As at May 31, there were 630 registrants for VAT.

Systems have been put in place to ensure that VAT refunds are paid in a timely manner.

I must reiterate that Government is fully committed to implementing an effective VAT. We are satisfied that this is the best system for us and that benefits will accrue because of the widened tax base and the greater economic efficiency of the tax.

Madam Speaker, there has been much discussion about the recent amendments made to the VAT and Excise Acts. In the early days of implementation it was recognized that there was need to strengthen administration of the tax in some areas and to provide some additional support to some critical sectors. Government is mindful that granting of numerous exemptions and concessions will erode the tax base. In this regard, we intend to undertake a comprehensive review of the experience under the VAT, one year after its implementation, taking into consideration the many concerns and queries raised, but mindful that Government will take no action which will weaken the VAT system or complicate its administration.

### **The Personal Income Tax**

Madam Speaker, in my Budget Address of 2005, in relation to the VAT, I promised the nation and I quote: *“if things go according to plan, Government could possibly be in a position to reduce personal income tax within a period of two to three years. Perhaps I could be in a position to make this joyful announcement to the nation in my budget address of June 2007.”*

I wish to announce that Government has decided to employ a consultative process, similar to that pursued for the preparation of the VAT, for reviewing the income tax regime, that is to appoint a multi-sectoral task force which would review the options for tax reform, paying particular attention to the personal income tax, and propose specific actions for the consideration of the Government. Decision by the Government on these recommendations will also be influenced by the results of the comprehensive VAT review which I referred to earlier. Membership of the Task Force will include representatives of public and private sector unions, representative of the DAIC and the Dominica Employer’s Federation, the Ministry of Finance and Planning, the Ministry of Legal Affairs and a public accountant.

We will also seek the technical support where necessary for this process as we did when we prepared for the VAT implementation.

The work of the task force will be informed by the findings and recommendations of the Task Commissioners appointed by the Monetary Council of the Eastern Caribbean Central Bank as well as the review of Dominica’s tax system undertaken by the Fiscal Affairs Department of the IMF. In addition concerns raised by the general public such as tax status of retired persons will be examined. The task force will be mandated to present its

recommendations for consideration before the presentation of next year's Budget.

As we have always indicated, Government is committed to reforming the entire tax system. We see this as critical in the effort to enhance the enabling environment and to ensure a tax system that is equitable and efficient.

### **The IMF Supported Programme - Looking Ahead**

Madam Speaker, August 2006 will mark four years since the Government started implementing stabilization programs agreed with and supported by the IMF and the rest of the regional and international community. December 2006 will mark the end of a 3-year arrangement under the IMF's Poverty Reduction and Growth Facility (PRGF).

Surely, it is unnecessary for me to rehash the facts as to how serious was the crisis that our country had to overcome.

The facts show that after taking appropriate action to restore fiscal stability and lay a platform for growth, the years 2004/05 saw a return to economic growth of around 3 ½ percent, a remarkable turnaround from the recession years of 2001/02. The positive turnaround in policy implementation paved the way for the approval of the IMF's PRGF programme in December 2003, under which the IMF committed \$29.7 million (US11 million) on very concessional terms, and provided support for introducing measures aiming at re-establishing growth based on further fiscal reforms, debt restructuring and structural reforms to strengthen competitiveness.

Madam Speaker, our country has achieved remarkable success under the internationally-supported economic adjustment programme. As the end of the PRGF approaches, Dominicans are wondering whether Government will enter into a new formal programme with the Fund or whether the opportunity will be taken to cease any new formal relationship. There are persons who talk in terms of "getting the IMF off our backs".

Government has been giving serious consideration to this matter. As a sovereign Government, we have always been in a position to terminate the IMF-supported programme at any time we desired. The facts are that the IMF programme has brought tremendous benefits to our country. We have restored regional and international credibility, and in particular our credibility with the donor agencies without whom our country simply could not survive. We have benefited from financial resources on very concessionary terms. The platform for sustained growth has been laid, but the agenda is unfinished. The macroeconomic path has to be continued; it has to be sustained. We have serious capacity limitations in the public service. The IMF has opened the door



not only to financial resources, but also to much technical assistance. We are aware, Madam Speaker, that the donor community is keen for Dominica to renew its formal engagement with the Fund. Indeed, most of our ongoing engagements with the donor community assume a continuing formal engagement with the Fund.

Madam Speaker, It is all a matter of what is in the best national interest, and what is demanded by considerations of prudent fiscal and economic management. The options are (a) to seek to conclude a renewed formal programme with the Fund; (b) to not enter into any new programme with the Fund after December 2006; or (c) to seek to agree to an informal surveillance programme with the Fund, under which the Fund would periodically review economic performance in our country and make recommendations for the guidance of the Government. This last option would not involve specific conditionalities and performance criteria that our country would be required to satisfy. However it is only under a formal Fund arrangement that we would have access to additional funding from the IMF.

Madam Speaker, which direction we take in this matter will have everything to do with our continued fiscal and general economic performance. Government will be giving very active consideration to this matter in the course of the next few weeks, and before coming to a position on the matter, Government will be taking the matter to the public through a number of public consultations. I expect that after this period of consultations, I will be in a better position to make an announcement to the country well before the expiration of the current arrangement in December 2006.

In the meantime, Madam Speaker, we continue discussion with the staff of the World Bank for a new facility for Dominica - the Poverty Reduction Credit Facility of US\$1.5 million, to be supplemented by 0.5 million Euro to be made available from the European Union. These amounts will be used to support needed institutional reforms in support of investment attraction and economic growth. An amount will also be used to support Government's policy of improving the targeting of its poverty reduction interventions.

### Conclusion

Madam Speaker, the last fiscal year was one of considerable achievement by this Government. The list of achievements is long, as was evident from the report issued by Government at the time of its first anniversary in office since the general elections of 5<sup>th</sup> May 2005.

Obviously there is more that we would have wanted to accomplish. We suffered setbacks deriving from the slow pace of disbursement of donor funds that we had negotiated and agreed upon with the donor community. We also suffered

setbacks deriving from the limited human resource capacity of the public service, resulting in delays in commencement of major projects and the slow pace of project implementation.

But we have done well, Madam Speaker, within these limitations, and the evidence is there for all to see.

This fiscal year will see commencement of major projects and hopefully an increased pace of project implementation, thus providing increased opportunities for employment generation, economic growth and poverty reduction. From the private sector also, we expect to see increased investment, foreign as well as domestic, as they seek to capitalize on our actions to improve the business environment in our country. With all hands on deck, Madam Speaker; with the fullest cooperation of all our citizens, at home and abroad, our country will see continued progress towards improving the lives and livelihoods of our people.

Government is firm and unwavering in its resolve. It has a clear strategy for going forward. With the support of our people, we will take our beloved country to the next level.

At this time, on behalf of the Government and people of this country, I wish to record our sincerest gratitude to all the donors, governments and institutions who supported us during the last financial year, and who have pledged continuing tangible support for our development efforts into the medium term.

Madam Speaker, in 2008 we will celebrate thirty years of political independence. In my Independence Day Address last year, I paid tribute to the people of this country. I reflected on the fact that there are so many things that are good about our people and country. It was the collective willingness on the part of our people to make the necessary adjustments that was in large measure responsible for the manifest support to our country during its hour of greatest need. I spoke then of the warmth, the kindness, the friendliness, the smiles of our people as legendary qualities that are not lost on visitors to our shores.

Let us begin planning now, and planning well, to make our 30<sup>th</sup> anniversary the most memorable ever. Government will be calling on all Dominicans in all parts of the world to come home and celebrate our historical, cultural, economic and social achievements. We want 2008 to be a year of sustained activity covering all those areas that make our country the gem beyond compare, in the words of our National Anthem.

Government has appointed a committee to plan activities for our grand reunion and you will be hearing more about this in the months ahead.

Madam Speaker, I commend this Budget to this House.

May God bless our collective efforts.

May God bless our people! I thank you