

**BUDGET ADDRESS
FOR THE FISCAL YEAR 2008/2009**

***“Confronting Today’s Challenges
while seizing
Tomorrow’s Opportunities”***

by

**The Honourable Roosevelt Skerrit
Prime Minister and Minister for Finance
and Social Security, and Foreign Affairs**

**10th July, 2008
House of Assembly
Victoria Street, Roseau**

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INTRODUCTION

Madam Speaker, Cabinet colleagues, Honourable Members of both sides of this House, Citizens of the Nature Island of Dominica.

I give thanks to Almighty God for the opportunity to present to this Honourable House and to the people of our beautiful country, Dominica's Budget Address for financial year 2008/2009.

Madam Speaker, this year we celebrate the 30th anniversary of political independence and I am pleased to present this budget address under the theme "***Confronting Today's Challenges while Seizing tomorrow's Opportunities***". It is a theme, Madam Speaker that sends a very clear and confident message to the Dominican people. That message is the following: We are a Labour Party government and true to our party's motto "*All Shall Eat*". And we are confident that in the pursuit of this motto, all of Dominica will benefit; no one will be left behind.

During this address, we will show that we have already done and accomplished many positive things. We are pursuing economic growth with all our energies. We understand that economic growth is not an end in itself but a means to achieve social and economic equality, peace and prosperity. Therefore, even while we aggressively pursue economic growth, our compassion as a Labour Party government compels us not to abandon our most vulnerable citizens but rather to protect their dignity. We will therefore announce additional measures that we will undertake consistent with our motto.

Madam Speaker, we also want to assure the Dominican people that we pursue these ambitious goals while exercising the utmost fiscal discipline that our situation dictates, for which our past leaders have so greatly sacrificed, and which is necessary if we are to realize the second half of the theme of this address, seizing tomorrow's opportunities.

Our experiences during the first thirty years of independence have been mixed. We have faced many seemingly insurmountable challenges but being a resilient and creative people we have repeatedly triumphed. Our most recent challenges are those posed by the passage of Hurricane Dean and that of high and rising prices. Again, I have every confidence, Madam Speaker, resilient people that we are, we will also overcome these latest challenges.

ECONOMIC PERFORMANCE

Madam Speaker, my government is confident that by virtue of the macroeconomic framework and structural policies, our public investment portfolio and our social

protection ethos, we would have achieved our GDP growth target of a minimum 3 percent.

However, the passage of Hurricane Dean, caused significant damage and consequently the estimated outturn is for economic growth of 1.8 percent in 2007. The impact of the hurricane on the performance of our productive sectors is most dramatic in the performance of the banana sub-sector and on agriculture as a whole.

The first half of 2007 started with above average performance in agriculture with the banana sub-sector performing exceptionally well. In fact export production from January to August reached almost 7000 tonnes bringing in an amount of \$9.6 million.

Following the passage of Hurricane Dean a mere 130 tonnes of bananas were exported for the rest of the year, earning only \$175,000. Preliminary figures suggest that the agricultural sector contracted by 5.2 percent. There was also some contraction in value added of hotels and restaurants (that is the proxy for tourism) of 5.0 percent and manufacturing of 3.8 percent.

The decline in the hotel and restaurant sub sector is believed to have been caused by the high cost of travel, which is itself due to rising fuel prices and to changes in regional air travel arrangements. The decline in the manufacturing sector is mainly as a result of Colgate Palmolive Dominica discontinuing the production of some products.

However Madam Speaker, there was positive performance in Mining and Quarrying (12 percent), construction (12 percent), sea transport (13 percent) with an average 4.0 percent increase in all the other sectors. We are confident that we can return to our target of above 3.0 percent this year with the resilience and diligence of our people and the grace of the Almighty.

DOMINICA IN THE GLOBAL ECONOMY

Madam Speaker, Dominica is a Small Island Developing State. As such, our country faces numerous and enormous challenges in this era of globalization. It is well known that in spite of our many efforts at negotiating special and differential treatment for small states like ours, we continue to be confronted by the fact that we must compete with much larger, more developed and higher resource based states on the open global market.

Despite these challenges, we are aware that the future of our country lies not in our ability to hide and isolate ourselves, but to be fully integrated and actively engaged in regional and international discourse and arrangements.

But Madam Speaker, the challenge we must now face head on, is that of increasing international prices. This is the one issue that everyone in the world is facing. It is the one issue that has attracted the attention of every world leader and every prominent international institution. It is the one issue that threatens the lives and livelihoods of all people throughout the world. It is the one issue that if not addressed speedily can have devastating effects on the social accomplishments of even the most developed countries, far more, undeveloped and developing countries such as Dominica.

Madam Speaker, in early June, the United Nations held discussions on the issue of high prices at a Summit in Rome. The G8 arranged a discussion on the issue and invited China and India to participate. Even this week, the G8 met again in Japan to discuss, among other things, the issue of rising prices. At the regional level, CARICOM has held many a meeting on the issue. The Caribbean Development Bank (CDB) arranged for a special discussion on the matter. Needless to say, many options have been identified but as yet, it is not clear what the ultimate actions should be.

Madam Speaker, two commodities are at the heart of this 'rising prices' challenge: fuel and food. The cost of fuel on the international market continues to reach 'new record high' prices. Dominica is not immune to these international developments and their impact on the cost of goods and services.

The situation is that rapid economic growth in some countries has created higher demand for fuel. While there continues to be calls especially by the United States of America (USA) for increased production to help meet rising demand, the oil producing countries of OPEC have indicated that they are already producing at full capacity. It means that to reach some kind of equilibrium between supply and demand, demand must be reduced.

Madam Speaker, I wish to impress on the minds of our people that at the individual, corporate and State levels, we need to take immediate action to reduce our use of, and dependence on fossil fuel and related products. This Government has attempted to soften the impact by removing the customs service charge in the price build up for petroleum products. But we believe firmly that in the medium to long term, as world market prices continue to increase, it will be necessary to reduce the consumption and reliance on fossil fuels.

Madam Speaker, the population is aware that the Government reduced the excise tax on fuel used for the generation of electricity last year. However, as market prices continued to increase the effect of that concession was quickly eroded. Taxes are but a small part of the retail price of goods and over time the consumer must review his or her consumption patterns with a view to reducing costs.

Notwithstanding the challenges that this era of high fuel prices have brought, it brings us to the recognition that alternatives to fossil fuel must be found.

It is said that any investments undertaken now will do little to reduce the price of fossil fuel in the near term as these investments would have long implementation periods. But we must start - and there is no better time to start than now.

This is why this government has taken every possible opportunity to pursue the development of the alternative energy potential of this country.

Renewable Energy

This Government is clear that all options including, but not limited to geothermal, wind, hydro and solar should be investigated as alternatives to fossil fuel. In that regard, we continue to work with interested investors to adopt energy technologies that are not highly dependent on fossil fuel.

Madam Speaker, the Cabinet took a decision to approve the exploration of geothermal energy development through the efforts of West Indies Power Company, the Agence Francaise de Development (AFD) and the French Global Environmental Fund (FFEM). Consequently, a licence is now being finalized for West Indies Power in respect of a geothermal resource area in the South i.e. Soufriere/Scotts Head.

Madam Speaker, in April 2008, the Dominica Government signed an agreement with the Regional Council of Guadeloupe to commence research into the feasibility of geothermal development in the Wotten Waven area and of interconnectivity between Dominica and the French neighbouring islands of Guadeloupe and Martinique for geothermal power transmission.

This agreement is the prelude to a wider technical assistance package to Dominica for geothermal development financed by the European Union, AFD and FFEM to the tune of Euro 4.0 million over a three-year period. Within the next two years this investment will provide Government with information for the establishment of geothermal plants

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with the capacity to supply Guadeloupe and Martinique with electricity via submarine cable.

Government has moved to establish a project management unit to oversee the implementation of the geothermal development programme and will be sourcing technical assistance for its implementation.

Petro Caribe

Madam Speaker, another initiative of the Government in its effort to reduce the impact of the rising cost of fuel, is its participation in the Petro Caribe Arrangement. The arrangement as mentioned in last year's budget has progressed significantly.

A joint venture company between the Venezuelan oil company PDVSA and the Government of Dominica has been formed. The role of that company is to purchase fuel and other petroleum products from Venezuela and to sell these products to Dominican firms. To date, the joint venture has signed a contract with DOMLEC and is now supplying the company with diesel at a rate lower than that offered by other companies which tendered for the contract.

Through the Petro Caribe mechanism, additional financing will be made available to the Government to finance social projects by virtue of the fact that the Government will be given an extended period over which the full amount of the invoiced price of the fuel is to be paid.

It is the plan of the Government to use these funds particularly to support entrepreneurial development, creating employment and reducing poverty.

Food Prices

Madam Speaker, the second major concern is with the price of basic food items. According to the World Bank, the price of basic food items has increased by an estimated 83 percent on the international market over the past three years. The FAO food price index rose by an average 24 percent in 2007 alone. In our region the price of food over the 2002/2006 period ranged from 8 percent in some countries to 56 percent in others.

The confluence of a range of factors including weather related production shortfalls, low stock levels, increasing fuel costs and the use of food to produce bio-fuels has raised food prices on the international market. This situation has had very serious consequences for the less privileged among us. It is predicted that this phenomenon

will reverse the gains that were made in reducing poverty at the global level over the past ten years.

In Dominica the Consumer Price Index (CPI) moved by just about 3.2 percent in 2007. We are aware however, that the prices on some basic food items such as poultry, milk, flour, rice have increased by a larger percentage.

Madam Speaker, this Government is aware of the impact of these high prices on all citizens but in particular on the poor and will be taking steps to mitigate the negative impact. The challenge is for us to find ways to address this issue without creating other difficulties which will be equally detrimental to the population.

At the regional level, CARICOM Governments have considered many measures aimed at addressing the high and rising cost of food in the region. At the 12th special meeting of Heads of Government, consideration was given to some of the options available to member countries to help bring relief to the people of this region.

The Government of Dominica established a national committee to give careful consideration to the options available to government in the face of these high food prices. The committee was chaired by the Director of Trade and comprises persons from the public sector, private sector and civil society. The committee has considered the measures that may be examined given the special circumstances of our country.

Among the measures recommended were tax reduction/ subsidy programmes to include reductions in income tax, value added tax, excise tax, environmental levy. It also considered public education to be a critical measure. Other options include bulk purchasing of commodities by merchants, decreasing cost of production /increasing supply capacity and having customs duties applied on Cost and Insurance (CI) rather than on Cost Insurance and Freight (CIF).

Madam Speaker, my government has considered the list of options very carefully and has concluded that our country needs to take a progressive approach to this challenge by first looking at the possibility of increasing food production in our country, continuing to reform the tax system to provide relief to workers and targeting social protection at the most vulnerable among us.

Madam Speaker, all these recommendations above come on the heels of those measures which were already implemented by the Government including those which were outlined in the 2007/08 budget and some which came as part of the response to the

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passage of Hurricane Dean. I will take the opportunity to remind us of some of these measures.

Policy response in the wake of Hurricane Dean

It is imperative that we take a look at the passage of Hurricane Dean and its impact on the productive capacity and sectors of our economy and the constraints that it imposed on government's ability to adequately deal with this severe food crisis. On 17th August 2007, Hurricane Dean ravaged our beautiful country causing damage in excess of \$162 million amounting to approximately 24 percent of Dominica's Gross Domestic Product (GDP).

Madam Speaker, the agricultural sector suffered losses in excess of \$45.0 million, tourism approximately \$3.0 million, the commercial sector \$8.3 million, housing \$21.0 million and health and education a total of about \$7.0 million combined. Our physical infrastructure including roads carried the brunt of the damage with an amount of approximately \$73.0 million.

The response of my government was immediate and comprehensive. To date we have allocated over \$30.0 million to immediate rehabilitation efforts. The agricultural sector received almost half of the amount, in excess of \$12.0 million, of which \$4.0 million went to the banana industry.

Madam Speaker, the response of farmers to the rehabilitation effort is extremely encouraging. The impact can be seen in the large number of agricultural fields that were rehabilitated especially banana cultivations. These investments have also resulted in a very significant increase in vegetables on the local market.

We have also witnessed increased production in ground provisions especially sweet potatoes and dasheen. The full and complete benefits of these investments will be felt within the next few months, that is, when some nine months to one year would have elapsed following the passage of Hurricane Dean. This increase in the availability of food on the local market has resulted in a reduction in the price of most of the commodities making them more affordable to our citizens.

I wish to express my government's most sincere gratitude to our bilateral friends and the donor community who have assisted us in the recovery effort.

We urge our people to take full advantage of the increased availability of local food commodities, primarily vegetables. Creative ways should be found to prepare some

of our local food products to ensure a higher level of acceptance especially among our children and young persons. We have to seek to alter our values and change our eating habits towards the consumption of more nutritious local foods in the wake of the severe food crisis.

It has been accepted by the international community that the current global food crisis can only be solved in the long term through increased domestic production and consumption. Madam Speaker, we are ahead in many ways in that respect but it must be sustained.

Implementation of Fiscal Policies 2007/2008

Madam Speaker, we will recall that in my budget address of 2007/2008, I announced a number of measures aimed at increasing disposable income, improving the asset base of our people and generally improving their quality of life.

Notwithstanding our country's difficult fiscal situation, my government held fast to its commitment and undertook the reduction in personal income tax right across the income spectrum. In addition, government gave tax relief to private sector persons through part-exemption of travelling allowance. Government exempted redundancy payments from income tax. All pension incomes are now exempt from income tax.

Madam Speaker, we gave import duty relief to taxi drivers and reduced by half the duty payable on new and used vehicles below 1600 cubic centimeters. Import duty on energy saving bulbs was removed altogether.

There was also increased income support to holders of scholarships and bursaries, and a school transfer grant was launched.

In the absence of such measures, the impact of the rising cost of living on our people would have been even worse.

SECTOR INTERVENTIONS AND ACHIEVEMENTS

Madam Speaker, this government has also attempted to address the issue of rising prices by providing employment opportunities for our people. This we have sought to do by taking a very aggressive approach to the implementation of the capital programme. Madam Speaker, I will take the next few minutes just to highlight some

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of these programmes so as to explain the employment opportunities that were created in the last fiscal year.

Agriculture

Madam Speaker, it is this government's conviction that the agricultural sector has the greatest potential for sustaining rural livelihoods, fostering economic growth generally and mitigating against the effects of rising food prices.

It provides an opportunity to have available to our people nutritious and cheaper foods. I have already referred to the encouraging increased output of agricultural crops on the local market as a result of the investments my government made in the aftermath of Hurricane Dean.

The agricultural sector continues to operate in very challenging climatic and market conditions. Tropical weather systems and fluctuating weather patterns continue to affect the performance of that sector. We are also observing changing market arrangements for agricultural exports including bananas. That sector continues to contribute approximately 17.0 percent of GDP. All of the agricultural sub-sectors registered a decline in output largely as a result of Hurricane Dean except the fisheries sub-sector.

In 2007, the agricultural sector contributed approximately \$30.0 million in export earnings to the economy with \$13.6 million or 45 percent of this total coming from the export of bananas.

The Government of Dominica maintains its commitment to supporting the banana industry, making investments where possible as it did after Hurricane Dean and encouraging any marketing strategy that gives the banana farmer the best return on his investment.

Funds totaling \$14.6 million have been allocated for rehabilitation of farm access roads, establishment of multi-purpose packinghouses, the establishment of the National Centre of Testing Excellence, the construction of two inland reception and distribution centres, the construction of certified citrus propagation facilities and implementation of the agricultural information management system (AIMS). These projects, financed by the European Union, some of which are ongoing, will benefit over 250 farmers.

The sector has also benefited from the support of the FAO, the People's Republic of China and the Zoological Society of London in the following projects:

- Construction of facility for citrus rehabilitation
- Propagation and distribution of a wide range of vegetable seedlings and training for farmers at the Hillsborough Horticultural Centre
- Completion of a captive breeding facility for mountain chicken
- Development of management plans for Morne Diablotin and Cabrits National Park to include the marine section
- Legislative review for better management of genetic resources and biodiversity

Fisheries

Madam Speaker, the fisheries sector is estimated to have a direct impact on the livelihoods of some 3100 combined fishers, fish vendors and repair and maintenance service providers to the sector. Some 996 individuals are employed on a full time basis. In the last year 1,695,195 pounds of fish was landed at a value of \$11.9 million. This vital source of protein plays a major role as an alternative to the higher priced imports. The Fisheries Division continues to implement a number of programmes aimed at improving fish production output.

During fiscal year 2007/08, Government contributed in excess of \$100,000 through the granting of duty free concessions to fishers and investors in the industry. Additionally, contributions from the Hurricane Dean Relief programme totaled in excess of \$0.8 million, an effort that was instrumental in the rapid recovery growth of the sector's output and production.

Tourism

The recently completed Tourism Master Plan, which is a development framework tool for sustained growth and development within the tourism sector, will soon be available in booklet form for circulation to our stakeholders thereby enabling them to focus on the development of the sector in a strategic manner.

Madam Speaker, in the first quarter of the fiscal year 2007/08, the Ministry of Tourism continued its efforts at enhancement of tourism sites, the restructuring of the former NDC into the Discover Dominica and Invest Dominica Authorities, focusing on the promotion and marketing of the Destination in its strategic niche markets; and the full engagement of prospective investors for the realization of three development projects

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in the Woodford Hill, Hampstead and Portsmouth areas. The implementation of the SFA 2006 Tourism Development Programme for the development of a vibrant tourism sector, is also ongoing.

In fiscal year 2007/08, Government made available in excess of \$4.0 million to the tourism sector for promotion and marketing. The marketing and promotion drive also includes discussion with major cruise lines. The Royal Caribbean Cruise Line/Celebrity Cruises increased the number of calls for the 2007/08 season as a result, and discussions are ongoing with Disney and MSC cruises to include Dominica in their itineraries. A proposal has been submitted and we are now awaiting feedback from the mentioned cruise lines.

Much emphasis has been placed on certification of all the sub-sectors in the industry so as to ensure that the services and products provided, are of acceptable market-ready standard in keeping with the Tourism Standards Act 2005. Government's assistance through the provision of concessions has resulted in an increase in the number of export-ready rooms from 246 to 400.

Site development is another major area of focus. A sum of \$1.0 million was approved for the establishment of the Cabrits Heritage and Ecology Centre. The aim of the project is to provide Dominica with a Centre where groups from Dominica and the wider world can attend educational camps and training workshops in a historic and ecologically preserved setting to learn about the environment and heritage of Dominica.

Over the past year, the Project Management Unit for the Waitukubuli National Trail Project was established and the design and verification of the route was undertaken. Training programmes in trail construction and maintenance, vegetation management and training have been completed.

A total of thirty-three (33) persons including eleven (11) forestry officers have received training to undertake work on the various segments of the trail. Equipment has been procured to outfit the teams who will be involved in the construction of the trail. Work is progressing satisfactorily.

Housing

Madam Speaker, the housing revolution which is ongoing has touched the lives of thousands of Dominicans particularly the disadvantaged among us. As part of this revolution, the Government has embarked upon a very ambitious programme for addressing the housing needs in the country.

These include:

- The squatter regularization programme
- The special mortgage facility at the AID Bank
- The special mortgage facility administered by the Government Housing Loans Board to provide financing to certain categories of public officers
- The housing repair and sanitation programme
- Construction of low income houses in Bellevue Chopin
- Construction of low income houses in Hillsborough Gardens, St Joseph
- House construction and repairs in Dublanc and Bioche
- Construction of low income houses in Portsmouth
- Construction of low income houses in Carib Territory

Further provision was made for site and services infrastructural development in Union Estate, Jimmit Phase IV, Yam Piece and Glasglow, Cotton Hill in Lagoon, Chance in Portsmouth, Lily Valley in Trafalgar, Hillsborough Gardens in St. Joseph and Geneva, Grand Bay, while sub-divisions were planned for Canefield Extension Phase I and II, Plat Ma Pierre in Colihaut, and Castle Bruce.

Today, I am happy to report, that during the fiscal year 2007/08 an additional 50 squatters were regularized at \$1.00 per square foot. This brings the number of families who have benefited under this programme to 220.

Under the special mortgage programme at the AID Bank a total of \$5.0 million was made available to be on-lent at 5.0 percent interest. To date 51 loans have been approved and \$4.5 million has been committed.

An amount of \$7.0 million was made available to the Government Housing Loans Board all of which has been disbursed to targeted group of persons at 4 percent interest. Forty nine (49) loans for new home construction were approved under that facility.

Provision was made in the 2007/08 budget to spend some \$3.3 million on the home renovation and sanitation component of the Housing Programme. Because of the increase in demand for such assistance, an additional \$1.3 million was approved for the programme. This has resulted in improvements to over five hundred (500) homes

in twenty-eight (28) communities. The Grand Bay village council was provided with an additional \$300,000 for the execution of the programme in that community.

Further Madam Speaker, under the housing revolution programme sixty (60) new homes were constructed or totally rehabilitated. At Hillsborough Gardens, 20 of the 30 homes are 95 percent complete to include painting, tiling, plumbing and electricals, while the remaining 10 are in an advanced stage of construction.

In Bellevue Chopin, seven (7) of the eleven houses are also 95 percent complete while the remaining four (4) are in an advanced stage of completion. It is envisaged that this project will be completed and the houses allocated during the first half of this financial year.

In Chance, Portsmouth \$3.0 million was budgeted for the construction of 41 houses. There have been some delays but to date 15 of these houses have started and so far \$0.4 million has been spent.

In Dublanc/Bioche, work is well advanced for the construction of 20 houses. Persons of that community also benefited under the renovation and sanitation programme.

Madam Speaker, the much talked about Carib Territory programme has started with the awarding of 6 contracts, valued at \$3.7 million, to qualified persons in the Carib Territory for the construction of 41 houses. Construction has already started and it is expected that these houses will be completed and allocated during fiscal year 2008/09. Five houses were built to relocate persons who previously lived in houses at the site at which the new Salybia primary school is to be built.

It is hoped that another 50 houses funded by the People's Republic of China will also commence this year. I have been advised that we may be experiencing a shortage of construction workers in the territory as a result of this programme.

Madam Speaker, in the meantime over \$1.0 million has been spent on site and services infrastructure, engineering designs and subdivisions in the areas mentioned previously.

Just for emphasis, Madam Speaker, as at the end of fiscal year 2007/08, without considering the AID Bank and GHLB administered programmes, Government would have renovated and/or constructed over 600 homes to the tune of \$4.9 million.

In that regard, the Government of Dominica wishes to thank the Government and People of the Bolivarian Republic of Venezuela for their generous support and the People's Republic of China for making the funding available for this very historic housing revolution in the Commonwealth of Dominica.

Public Works and Infrastructural Development

Madam Speaker, the overall objective of the Ministry of Public Works and Infrastructural Development is the development and maintenance of the road network to provide safe and easy travel to all, and to safeguard life and property through the provision of adequate sea defences and road safety measures. The Ministry is also charged with the responsibility of managing the Government building and maintenance activities through the provision of technical services to facilitate Government's capital programmes.

Over the past year the Ministry of Public Works and Infrastructural Development has undertaken numerous activities geared at fulfilling its mandate. These include completion of the first phase of the Soufriere- Scotts Head sea defence and road project, Byack road and cliff stabilization, Cabannis cliff demolition, the Lagoon Bridge and sidewalk, the construction of the Tan Tan Sea Defence and the rehabilitation of sections of Federation Drive.

Madam Speaker, I must say how pleased I am with the work that was done on the Soufriere/Scotts Head Sea defence to date. I commend the residents of the area for their patience and understanding.

Madam Speaker, many other projects commenced during the last year and will be completed in the earlier part of the new financial year. These include the Indian River Bridge, the rehabilitation of the Warner Sultan Road, Layou River Wall, the rehabilitation of the Bleinheim to Thibaud Road, the Roseau River (UWI) wall, road restoration at Riviere Cyrique, Road Improvement and Maintenance Project (RIMP) and the rehabilitation efforts on the Wotten Waven road.

In July of 2007, a thirteen man technical team visited Dominica for a period of one month to undertake the initial assessment of the West Coast road. The objective of that exercise was to inform the work of a second technical team which is presently on island undertaking a detailed survey of the existing roadway to commence detailed design works prior to the commencement of the construction of the road.

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Airport Development

Madam Speaker, Government continued with its air access improvement programme focusing on the upgrading of the Melville Hall Airport. The Venezuelan mission's work on the excavation of the runway extension safety area (RESA) and sea reclamation and hillside works are now complete. It is estimated that this work cost some US \$10.0 million.

We are indeed grateful to the Government and people of Venezuela for their assistance. The site is now ready and has been handed over to the contractor for the commencement of construction work on the runway surfacing, drainage, fencing and installation of navigational equipment and lights. The value of that contract is \$36.0 million and is financed by the European Union.

Meanwhile, a contract for the sea and river defense works at the airport has been signed with Offshore Civil and Marine of Anguilla to the tune of \$24.8 million. This is being funded by Venezuela. Works have already begun and is expected to be completed within a year.

Greater progress on the terminal building and ancillary services was achieved in 2007/2008 and that component of the air access programme is now nearing full completion.

Providing Potable Water to Citizens

The Carib Territory Water Supply project, funded by the European Union to the tune of \$6.0 million is nearing completion. The project was undertaken in two phases.

Phase one involved construction of the Bataca storage tank and improvement of the water System. The second phase is the development of a new intake at Concorde and a supply line which is now under construction.

A number of projects involving rehabilitation and upgrade of the water system throughout Dominica were undertaken during the financial year. Under this programme a total of 11,000 ft of pipes were replaced or added to the system at a total cost of \$1.5 million. These rehabilitation and upgrading works were implemented in Paix Bouche, Castle Bruce, Thibaud, Federation Drive in Goodwill, Bay Street in Portsmouth, Paradise View in Wesley, Guillette Savanne Paille, La Plaine, Beaus-Bois, Fabien Road in Bense and Canefield South.

Improvement works were also undertaken on several storage tanks while two intakes were fenced to protect the water quality for use by the public.

Health

Madam Speaker, government has a responsibility to ensure that the citizens of this country have access to the best health care services possible. To achieve this, government has had to address the availability of personal health services which include preventive, diagnostic, therapeutic or rehabilitative services as well as services of a non-personal nature such as health education, legislation and the provision of facilities for basic sanitation.

At this time the Ministry of Health and Environment is at an advanced stage of the development of a new Strategic Plan for Health, 2008-2017 which will be the blueprint for the elevation of our health care services.

Madam Speaker, the leading causes of death in Dominica are the chronic non-communicable diseases - heart disease, stroke, diabetes and prostate cancer.

Despite our best efforts at prevention and early diagnosis, treatment and care must continue. It is well known that the Chronic Non-Communicable Diseases have the greatest impact on the expenditure for medicines in the country. Our expenditure for drugs for the 2007/08 fiscal year was approximately \$5.0 million. I am pleased to report that all efforts will continue to be made to ensure that Dominica remains in good standing with the OECS Pharmaceutical Procurement System in order to ensure a safe and reliable supply of drugs to our citizens.

Madam Speaker, the opening of a new \$1.3 million Type 3 health centre in Castle Bruce on March 28 this year is testimony of Government's commitment to a renewal in primary health care. The Ministry of Health will soon embark on a comprehensive evaluation of the primary health care system in order to ensure that the services are not only available, affordable and accessible but are also appropriate and adequate in keeping with our current epidemiological profile.

Our nursing service has continued to sustain the health care services of the country. During the last fiscal period, twenty four (24) new Graduate Nurses from the Dominica State College were employed and have been posted to serve in various districts. This has contributed to strengthening the manpower at PMH, Portsmouth, Marigot, La Plaine, Grand Bay, and Castle Bruce Health Districts.

Under the Cuban supported nursing training programme at the Dominica State College, 69 students are expected to graduate with an Associate Degree in Nursing in October 2008. Another twenty-nine (29) practical nurses will graduate in December 2008. I am also pleased to report that a further twenty-five (25) nurses are at different levels of completion of the Bachelor of Science in Nursing at the University of the West Indies (UWI) both on campus and on-line in areas of Nursing Administration, General Nursing, Nursing Education and Family Nurse Practitioner's course.

In addition to nurses, we also expect to improve the human resource capacity in health through training of Specialist Medical Officers. Under the Government of Republic of Cuba and Government of Dominica Joint Cooperation Programme, we expect to train thirteen (13) Specialist Medical Officers in Cuba in the following specialties: Radiology, Family Medicine, General Surgery, Paediatrics, Intensive Care, Urology, Emergency Medicine, and Orthopaedic Surgery among others. The Ministry of Health is also in discussion with friendly Governments for Specialist Medical Officers in Cardiology, Neonatology, Radiology and Anesthesiology while we make every attempt to train our local specialists.

Madam Speaker, while we have made considerable progress in the fight against HIV and AIDS we need to continue to scale up the activities to combat this disease. In the period 2001-2005 HIV and AIDS was the leading cause of death among men aged 25-44 years – men in the prime of their productive lives. Between 2003 and 2005 however, there was a 67% decrease in the number of deaths from HIV and AIDS among men and women since the introduction of antiretroviral drugs made available *free of cost* to the patient.

We are grateful for the support of the Global Fund in enabling this performance. This Government will continue to support the expansion of testing and treatment of HIV infection because it is only through the identification, counseling and treatment of persons living with HIV and AIDS that we can maintain them in the productive sector of our community while minimizing the risk of spread to others.

While we await the commencement of the hospital project under the Memorandum of Understanding signed by this government and the Government of the People's Republic of China, it is necessary to ensure that health care is provided in facilities that are conducive to ensuring the well-being of patients, staff and visitors. Consequently, the government continues to improve the physical plant at the PMH.

Renovation works have been completed on the male and female medical wards, the “Old Private Ward”, the main corridor and the mortuary. Roof renovations have been undertaken on the Francisca Dorival Complex and the accident and emergency and out-patient clinic.

The Government has invested in excess of \$1.5 million in improving the infrastructural and working conditions at the hospital with the attendant impact not only on the general ambience but also on the general management and recovery of the patients and staff satisfaction.

Madam Speaker, through the Drug Prevention Unit of the Ministry of Health and Environment we continue our drive for our youth to “say no to drugs”. During the next fiscal year, we hope to conclude the Master Plan for drug demand reduction. The plan also addresses programmes for rehabilitation and treatment which are also critically needed to address the problem of substance abuse.

Education

Madam Speaker, Education remains one of the most critical areas of focus of this Government. We recognize the significance of human resource development as pivotal to the development of our country. To date we continue to invest heavily in enhancing the quality of education while making it accessible to all our people at pre-primary, primary, secondary, and tertiary levels.

Madam Speaker, teachers are key in delivering quality education and this remains a major focus of the Ministry of Education. Over the past year the Ministry continued with its programme of providing financial support to teachers pursuing. Through this programme 80 teachers who are pursuing advanced training in Education Administration and Literacy Development by distance and face-to-face modes.

In addition, 35 persons are completing Associate Degree programmes in Primary Education, 40 in Secondary Education, and thirty (30) in Early Childhood Education. These numbers will add to the 11 teachers who graduated from the University of the West Indies (Dominica Centre) in the field of Education.

In October 2007 the Ministry of Education in collaboration with the Dominica State College began a programme to deal with the backlog of untrained teachers in the teaching service both at the primary and the secondary levels. This programme targets 82 teachers and will ensure that they are all trained by 2010. These formal programmes

are coupled with short training programmes intended to advance the implementation of the National Curriculum and address other challenges within the school system.

It is our expectation that by 2010, all teachers at our primary and secondary schools will be fully trained and new entrants to the teaching service will undergo pre-service teacher training at Associate Degree level or its equivalent or any approved teacher training programme before entering the classroom.

Meanwhile, the work of the many excellent and dedicated teachers continues to be applauded and publicized through the Excellence in Teaching Awards which is staged biennially and this year Ms. Cyrilla Anselm and Ms. Isabella Prentice were recognized for their outstanding performance at primary and secondary school respectively.

Madam Speaker, this government continues to give due attention to the welfare of our teachers. In this regard during this academic year thirty-seven (37) teachers received permanent appointments as Qualified Teachers, while nine teachers were appointed to the position of Graduate Teacher.

In further pursuance of enhancing the quality of education significant investments are being made in numeracy and literacy. The Ministry continues with its implementation of the USAID funded literacy programme with the Caribbean Centre for Excellence in Teacher Training. This programme will provide training to teachers to better deliver literacy programmes, as well as equipment and materials to enhance learning.

The introduction of Universal Secondary Education has led to a greater demand for transportation as a result of the increased number of students who have now gained access. In response to the transportation difficulties which were being experienced by secondary school students, the Ministry of Education initiated a programme to provide transportation to students in the areas worse affected.

The programme includes the contracting of bus services where an adequate number of buses are available with the provision of the necessary incentives to private owners, and the procurement of buses where absolutely necessary. The students whose parents can afford will be asked to pay a subsidized amount whilst those whose parents are unable to afford will not be required to pay. The payments in both cases will be met by the Education Trust Fund and the Ministry of Education. To date the Ministry has implemented the programme in Grand Fond, Morne Jaune, Riviere Cyrique, Penville, La Plaine, Delices and Boetica.

I wish to thank the village councils in the respective areas for their support in the administration of the programme.

The programme will be expanded in the new school year to include other areas where there is a need to secure the services for students.

Government's scholarship programmes continued in the financial year 2007/08 with the annual scholarships offered from domestic resources and by China, Russia, Bolivarian Republic of Venezuela, Mexico, the Republic of Cuba, India and the Organization of American States (OAS). This is in addition to the Island Scholar and the five (5) National Performance Awards which are given to the top performers at the Dominica State College.

In addition, the Government continues with its scholarship programme in partnership with the Grambling State University in Louisiana, USA. Presently, 54 students are benefiting from this programme.

During the period under review one hundred and twenty-three (123) Dominican students received awards. Our scholarship recipients currently pursuing studies stand at three hundred and twenty (320). In 2007/08, Government made financial assistance available in the amount of \$1.5 million to students at learning institutions locally and overseas to access tertiary education. One hundred and twenty-two (122) persons received assistance in the amount of \$460,834 for studies at the University of the West Indies in Dominica.

Seventy-eight (78) students at the Business Training Centre were assisted in the sum of ninety-eight thousand and twenty dollars (\$98,020.00), students of the Dominica State College and the Resource Development Institute (RDI) and Southern and Northern Caribbean Universities also received significant assistance from the government. It is also important to note that many students at schools in the United States of America, United Kingdom, Canada and other countries have benefited from the assistance given by the Government of Dominica.

Madam Speaker, to enhance the learning environment the existing physical infrastructure is being upgraded and expanded. The contracts have been signed for work on new primary schools for Salybia and San Sauveur at a cost of \$3.3 million and \$2.5 million respectively.

Work has started on Salybia primary school while work is expected to start on the San Sauveur Primary School in the next few days.

The tender documents on the Administrative Block of the Portsmouth Secondary School at a cost in excess of \$2.0 million have been received. Physical work will commence in the new fiscal year. Work is ongoing on the Roosevelt Douglas Primary at a contract sum of \$6.0 million and is expected to be completed by December of 2008. The construction of Phase 2 of the Dominica Grammar School at a contract sum of \$3.5 million remains on target with a completion date of August 2008.

Madam Speaker, Government, through the Ministry of Education, Human Resource Development, Sports and Youth Affairs has continued to strengthen physical education and sports in schools and supports the commendable efforts of national sports organisations through the provision of grants and various tax exemptions.

The National Sports Awards is another example of government's efforts at encouraging participation in sport and seeking to raise standards.

In addition, Government has recognized that there is a need for improved community playing facilities to accelerate the pace of growth and development in the area of sport, and in this regard, the rehabilitation of a number of community playing facilities will be the focus of much attention by the Ministry of Education, Human Resource Development, Sports and Youth Affairs in 2008/09.

Madam Speaker, our young people are an important part of the human resource of our country and this is a group which must be given the opportunity to make an optimum contribution to the development of the country. Those young persons who are not engaged in the formal education system are provided for through the programmes of the Youth Division. The staple of these is the Skills Training Programme (STP) which trained a total of 264 persons (73 males and 191 females).

In the coming year, STP is expected to train a total of 264 young people in a wide range of skills during the next cycle, September 2008 to June 2009. A section of the programme's target group will be young inmates at the State Prison.

The Dominica Youth Business Trust (DYBT) recently completed training for another batch of 26 young potential entrepreneurs and has to date trained 141 with 65 of these (29 males and 36 females) in established Small Businesses.

These small businesses have created employment for 87 persons overall. Under the Loan Guarantee Fund, DYBT has facilitated access to funding for Small Business development from which 34 (16 males, 18 Females) young entrepreneurs have benefited.

Total loans guaranteed by DYBT is \$309,596. The recent appointment of a young entrepreneur as a Small Business Development Officer to implement its Monitoring and Mentorship programme is another important service.

Community Development, Social Protection and Poverty Alleviation

This government fully understands that while we perform well at the macroeconomic level and successfully implement structural and sectoral measures, there are persons among us who need to be protected by government. Government has a very clear national development strategy well articulated in the Growth and Social Protection Strategy (GSPS) regarding its efforts at social protection and poverty reduction.

Our investments in that sub sector continue to climb even when we are faced with the most difficult of times.

During 2007, 2700 individuals and families received a monthly allowance from government under the Public Assistance programme amounting to a total of \$3.3 million. In addition government provided support and subvention to children in foster care and the elderly who are institutionalised.

The Basic Needs Trust Fund (BNTF) and the Dominica Social Investment Fund (DSIF) are Dominica's flagship programmes aimed at targeting the poor directly.

During the period under review projects totaling approximately \$600,000 were completed by the BNTF. In addition, a large number of projects were approved during that period amounting to close to \$3.6 million. Some of these projects are already ongoing and the others will commence during the course of this year.

The Dominica Social Investment Fund (DSIF) is fully operational. During the period under review the DSIF approved projects amounting to approximately \$3.3 million.

Among the projects approved by the DSIF are support to The Northern District Home for the Aged, the Adolescent Development Programme at Social Centre, the Woodwork Training Centre, the Woodford Hill Senior Citizens Group, the Boetica Rural Integrated Project, the Kalinago Fisheries Group Project, the Big River Bakery in Bataca, the Dubique Stowe Fisheries Development project and School Assistance Programme in the Carib territory and Dublanc.

These investments will impact significantly on the poor in various areas of their lives including education, employment, water and sanitation, skills training among others.

Budget Address 2008/2009

Madam Speaker during this period under review the government took steps to revise the minimum wage to ensure that employees at the lower end of the employment ladder received a fairer wage. We wish to express our gratitude to all our stakeholders and partners who cooperated with this government on this issue. We have accepted that this revision is an interim one which is subject to further review. The committee to spearhead this process was recently appointed by the Minister and is to be headed by the Labour Commissioner.

National Security

Madam Speaker, our beautiful nature isle continues to function as a tranquil country for both nationals and visitors. In spite of the many challenges, this government endeavors to protect its people.

Despite our best efforts there are those among us who continue to operate outside of the law. In this connection we commend the Police for their role in maintaining law and order in the State.

On 25th February 2008, 28 officers graduated from the Police Training School. In addition, a number of officers were trained in the United States of America, Canada, the People's Republic of China and in the region. Madam Speaker, my government has started the process of acquiring a Patrol Boat at a cost of \$1.9 million. The first installment has been paid and the vessel will be ready for use by December of this year.

During fiscal year 2007/08 also, eighteen (18) new vehicles at a cost of \$1.5 million were made available to the security services. An additional four (4) vehicles were also donated by the Government of the United States of America. We express our gratitude to them. We will continue to upgrade our internal surveillance systems to include an immigration control system for Dominica.

Madam Speaker, for the period under review my government ensured that the Fire and Ambulance Service was equipped to provide a reliable service to the people of this country. My government has now secured insurance coverage for fire officers to allow them to function with a higher level of security.

Special training programmes were also obtained at Fire Service Colleges in England funded by the European Development Fund for fifteen (15) fire officers. We also provided equipment and transport to that Division to the tune of nearly \$0.4 million.

Madam Speaker, we continue to improve on the facilities at the Stockfarm Prison, following the completion of the new cell block. We have established separate facilities for juvenile offenders and instituted a training programme for them.

Two new vehicles were provided and plans are being finalized for improved security to maintain the integrity of the prison. Fourteen auxillary officers were employed and plans are in place to build a new bakery and kitchen facilities for which the British Government has provided grant funding to tune of \$250,000.

Madam Speaker, I have sought to point out how the public investments were effectively executed as we endeavour to respond to your concerns for the security of the citizens as well as for employment and measures to help them adjust to rising prices.

I would now like to highlight some major and purposive actions which our government intends to pursue in three (3) key sectors of our economy focusing on agriculture, tourism and small and medium size enterprises.

MEASURES TO INCREASE AGRICULTURAL PRODUCTION

Madam Speaker, for the foreseeable future, agriculture will continue to play a major role in sustaining rural livelihoods and contributing to economic growth. However, for this to happen, the sector must be modernized. The modernization of the sector is necessary because of its critical role in providing our citizens with food security and employment and because we are left with no alternative but to make our agriculture more globally competitive.

It is the intention of this government to establish an investment unit within the Ministry of Agriculture to spearhead the agriculture investment plan for the country.

Government's investments in the sector will be guided by the 'Invest in Dominica-Secure Agriculture Investment Plan', which is geared towards stimulating greater production output to bring stability to prices on the domestic market. Specifically, the programme proposes to accomplish the following:

- Establishment of a revolving fund to be accessed by farmers, agro-processors and exporters;
- Establish propagation services to provide healthy and vigorous plant varieties for a wide range of fruit and vegetable crops;

- Upgrade legislation and regulations for the enforcement of contracts and for the reduction in praedial larceny;
- Develop legislation and regulations for land use and land availability with regard to the establishment of a land bank;
- Provide appropriate incentives to encourage the participation of youth and women and other entrepreneurs in agriculture;
- Support the safe and efficient post harvest handling of selected crops, poultry, pigs and small ruminants;
- Establish demonstration units in crop production; and
- Provide on a regular basis technical information to assist farmers in taking opportunities in existing and new markets.

On the credit side, government will provide resources to establish a revolving fund in an appropriate financial institution to provide credit to farmers and agro-processors.

Financing of this facility will come from the economic diversification programme of the Special Framework of Assistance funded by the European Union. These resources will be used to finance the credit line and other activities under the agricultural investment programme.

Given the volatile nature of commodity markets, government is committed to raising the confidence and security of farmers as regards their investments in the sector.

To advance this cause, government has considered inviting the private sector and particularly supermarket owners to a discussion on an arrangement that would guarantee the purchase of a selected list of commodities from farmers. This matter would include the concept of contract farming so that both parties could enter into a trusted arrangement to the benefit of consumers.

The key issue of the export of agricultural produce to regional markets will be given deeper attention. Government has made resources available under its SFA resources from the European Commission to carry out a feasibility study on acquiring appropriate sea transportation to move agricultural produce within the region.

We look forward to the recommendations of this study which is being done on a Windward Island level, to inform government's intention to obtain a vessel for transporting agricultural produce.

Madam Speaker, the measures I have outlined should result in an increase in food production and availability. They will be supported by ongoing initiatives and incentives to encourage Youth and Women to participate more fully in agriculture, to strengthen and modernise the infrastructure for the handling, distribution and export of crops and livestock products and to enhance competitiveness in crop production and processing.

The Chinese agricultural mission is providing support to the sector by way of producing hardy, disease resistant planting material. Government will ensure that the necessary package of technical support services to be delivered by the extension staff of the Division of Agriculture will be adequate and effective.

We will soon be signing an Economic Partnership Agreement (EPA) with the European Union. Government strongly believes that this will expand opportunities for the export of agricultural commodities to the United Kingdom and the wider European Community.

We intend to use our membership of WIBDECO to advance the company's strategy for marketing non banana crops in the U.K one step further by inviting farmers to enter into purchase contracts either directly or through existing farmer organizations.

FACILITATING INVESTMENTS IN TOURISM

Large tourism investments do not constitute simple events but rather represent a process. This process involves bringing financiers and developers to the table and striking agreements satisfactory to all.

The key is to manage the process and the relationship between the Government and the investor/developer in order to navigate inevitable challenges and unplanned turbulence. The present situation in international financial markets is such an example of unexpected turbulence.

Throughout the region there has been a slowdown in new foreign direct investment (FDI) as a result of the uncertainty in world financial markets. In Dominica, both the Woodford Hill and Cabrits projects are actively being pursued but have to be reconfigured and restructured under present conditions.

Progress is being made but structuring large deals like these take time and involve a lengthy process. I want to assure you that Government is actively working and managing the processes relevant to these projects to ensure they materialize.

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In the case of the Woodford Hill project, both Six Senses and Geest remain committed to the project.

One of the developers/financiers has backed out citing the credit crunch in financial markets. Six Senses and Geest are in discussions with other parties to fill the void.

Regarding the Cabrits Marina project, topographical surveys indicate that the required investment is much larger than first estimated and technical and financial solutions are being looked into.

While we continue to pursue large foreign direct investment, we recognize the contribution of local investors who have been making significant investments in the sector. The town of Portsmouth is a good example of a mixture of foreign and local investment. The town is not the same as it was a few years ago and this has been the result of investments made by many local persons and foreign investors in particular Ross University. We also recognize the foreign investors who are already making a significant contribution to investment in tourism.

This Government will continue to provide the necessary concessions to facilitate such investment. Moreover, we have recently reviewed the entire regime to determine the relevance of the existing menu of concessions and to make changes where necessary, consistent with the overall tax reform agenda.

Madam Speaker, it has been said that a major constraint to our ability to get investment in tourism is the airlift into Dominica. I have already spoken to the ongoing airport rehabilitation project but will focus here on the initiatives that we have been pursuing even while we seek long term solutions to the challenge.

Given the price of fuel, it is well known that international airlines across the world are cutting capacity and phasing out fuel inefficient planes. The fuel factor cannot be overlooked. It is reported that every \$1 rise in the cost of a barrel of fuel costs American Airlines \$75.0 million.

This has had a negative impact in the Caribbean. American Airlines has cut from 38 to 18 daily flights from the US Mainland into Puerto Rico. These reductions will result in a reduction in the number of flights to the islands.

This dramatic reduction will not only affect our stayover business but could also have a negative impact on cruise ship arrivals as most cruise visitors who come to Dominica do so via San Juan.

It is important to note that American carries 53 percent of the flights to the Caribbean, but the Caribbean constitutes only 6 percent of its total operations.

In our effort to improve airlift into Dominica, Government has been working in very close collaboration with LIAT and Carib Aviation. Carib Aviation Limited, has introduced daily non-stop service between Canefield Airport and Hewanorra Airport in St. Lucia from 9th June 2008. This service is a welcome addition to Dominica's regional route.

The new Carib Aviation services are timed to connect with flights operated by Air Canada, American Airlines, British Airways, Delta Airlines and Virgin Atlantic; and they will provide greatly improved access to Dominica from the United Kingdom, United States and Canada.

To maximize accessibility to travellers, Carib's new service will be marketed both by Carib Aviation acting on its own behalf; and in a code share arrangement with LIAT. The public should be aware that WINAIR has resumed daily non-stop flights from St. Maarten to Dominica.

This too, will assist in alleviating the access problem faced by travelers to and from Dominica.

Prior to our special Independence celebrations this year, Carib Aviation and its code share partner LIAT have also introduced non-stop flights from Dominica to St. Kitts to offer international connections there. This growth in Carib's operations into Dominica will add in excess of ten thousand seats per year to the Island and it is an important part of this Government's thrust to improve Dominica's accessibility.

Madam speaker, the second plank of the airlift discussion focuses on the medium-term plan for an international airport. This Government has always supported the idea of an international airport but we have said also that it has to be financed without undue burden on the taxpayers of Dominica.

The global realities make it imperative for us to continue to pursue this project with the expectation that in the medium-term we can in fact see the construction of an international airport.

Provision has been made in the budget for the establishment of a special unit responsible for the coordinating of all issues related to the construction of an international airport.

Budget Address 2008/2009

Even as we take action to immediately address the airlift issue, we will begin the process for the eventual construction of an international airport.

MEASURES TO FACILITATE SMALL AND MEDIUM SIZE ENTERPRISES

Madam Speaker, government recognizes the significant contributions that small and medium size enterprises (SMEs) continue to make to the economic development of the country.

The challenges faced by the SME sector have been well documented and include access to finance, limited management capacity, unsustainable production, weak marketing capabilities and related market access supports as well as high rates of failure in the establishment period of operation.

Access to finance has received some level of attention through the special financing facilities established in the AID Bank and the NGO system such as the National Development Foundation of Dominica, as well as some measure of the broadening of the loan portfolios of those institutions.

However, there is still the need for the stimulation of investments in the productive sector, particularly in agriculture, export manufacturing and the services.

It is clear that many SMEs, are lacking in the strategic planning, management and operational capabilities that are required for attracting the investments required in generating the competitive products and services that we believe we have the capacity to produce.

In light of this, Government has adopted a deliberate strategy of capacity building of SMEs and their support institutions that will address the challenges mentioned. This will be done with the immediate establishment of a small business unit in the Ministry of Trade, Industry, Consumer and Diaspora Affairs.

The unit will target production assistance to the many small entrepreneurs who operate businesses with growth potential but whose structure, scale, and seasonality of operation do not readily permit financing via a credit institution.

They include tailors, seamstresses, spas, furniture makers, producers of craft items, metal workers, tourism related vendors, artists, musicians, barbers, hairdressers, auto-mechanics and beauticians, to name a few. We expect the financial support that the unit will provide to act as a stimulus to release the creative potential of our people thereby expanding the pool of entrepreneurs.

Madam Speaker, other major initiatives being pursued by this government include the ICT Development Programme. The ICT Development Programme component for the establishment of a National E-Business Incubator (NEBI) was launched in June 2007. This will assist businesses to become profitable during their start-up or early development phase. The Incubator has established its Head office at the Canefield Industrial Estate and provides facilities for shared equipment and services, networking systems, capacity building support through training, business advice, mentoring and counseling services as well as assisting in securing finances from national and international funding sources.

Some 60 SMEs have already been pre-assessed. Satellite incubator sites are being located in Grand Bay, Sineku, Calibishie and Portsmouth. Total cost is \$6.4 million. In the last month, a Business Gateway managed by DEXIA has been established. This will address the enhancement of the competitiveness of the Private Sector and will provide counseling services to start up businesses, as well as, a range of business training, production improvement and marketing support services to the SME sector. Total cost is \$4.1 million over a 2 year period.

It should be noted that SMEs directly involved with export products and services have the benefit of the services of the OECS Export Development Unit and the Caribbean Export Development Agency in similar areas of management enhancement, product development and marketing that allows the national programmes more latitude to pay greater attention to enterprises involved with production and services to satisfy domestic demands.

Madam Speaker this programme of enterprise development is part of the broader strategy for private sector development as it will lay the foundation for a wider Private Sector Development Programme that has been formulated for 9th EDF funding from the European Union.

In the course of the new fiscal year, the Customs will be equipped and positioned so that the clearing of goods takes no less than 1-2 days. Under this programme, the intention is to progressively decrease further the amount of time it takes to clear goods as one component of our e-government initiative.

The importance government attaches to the development of small and medium enterprises will find further expression in a Small Business Act which will be presented to Parliament during the new financial year. This Act, among other things, will lay down a regime of incentives and entitlements for SMEs.

Government is also committed to bring to Parliament an Alternative Energy Act. This act will provide the legal and regulatory framework for investment and development of alternative energy including hydro, solar, wind and geothermal. Madam speaker, these measures, coupled to the ongoing reform of the public sector, should have a strong direct impact on the competitiveness of the private sector in Dominica, notably in terms of the cost and predictability of doing business.

MACROECONOMIC FRAMEWORK

Madam Speaker, this government remains committed to prudent fiscal and economic management. This year's budget is again guided by the parameters and targets outlined in the GSPS, and are being presented within the context of a three year framework.

The framework is predicated on the assumption that within the medium-term a 3.0 percent minimum GDP growth will be attained. Government is fully committed to maintaining the following policy goals in the medium-term:

- Ensuring sustainability of the country's fiscal position
- Debt sustainability over the medium-term
- Strong management of the public finances
- Achieving minimum economic growth of 3 percent per annum
- A primary surplus of 3 percent

In addition, Government seeks to promote social and economic development, strengthen social safety nets so as to cushion the impact of rising food and fuel prices, promote a safe and healthy environment and improve service delivery and infrastructure.

Madam Speaker, to achieve these targets requires that we maintain fiscal discipline both on revenue and expenditure. In order to meet our expenditure commitments, it is imperative that projected revenues are realized. The plan is that the wage bill be kept at below 12.25 percent of GDP and the capital programme be kept closer to 10 percent of GDP, with government funding at under 20 percent and loans at about 12 percent.

All of these targets are consistent with the strategy outlined in the Revised Growth and Social Protection Strategy (GSPS) which has been recently completed.

BUDGET FOR 2008/2009

Madam Speaker, notwithstanding the commitment to the above targets, this budget is being presented within the backdrop of escalating fuel and food prices which I detailed earlier in this presentation.

These circumstances are likely to remain with us for some time. In the meantime, government must take some action to ensure that the people of this country do not suffer undue and severe hardship as a result of this occurrence.

If nothing else, government has to assist the population to manage the transition through these difficult times. We will therefore propose some measures in this year's budget which, when the cost is factored in, results in a primary surplus which is less than our target. The projected primary surplus for fiscal year 2008/09 is 2.1 percent of GDP.

Madam Speaker, this is not a decision that has been made easily. The primary surplus is an indicator of the ability of the country to service its debt. If there are no savings the country cannot service its debt neither can it adequately provide services to its people. At the same time Madam Speaker, this government is of the view that it is also necessary to help its citizens remain above a minimum standard of living.

Madam Speaker, I must reiterate Governments commitment to the attainment of an annual average 3 percent primary surplus and this year's departure from the stated target does not reflect a change in the fundamental policy to achieve debt sustainability.

In fact, the government is hopeful that efficient management of its finances and the efficient implementation of the capital programme would eventually result in a better than budgeted position.

Budget Parameters

Madam Speaker, this budget has been prepared as a medium-term economic forecast for the next three years. It can be seen as an instrument through which public funds are efficiently allocated and managed so as to ensure improvement of the quality of life of our people.

It also reflects Government's attempts to address the issue of rising prices and continuing the rehabilitation work necessitated in the aftermath of Hurricane Dean.

Budget Address 2008/2009

The achievement of the targets set in this budget is highly dependent on the global environment and on stakeholder commitment to staying the path.

Table 1 shows the overall summary for the fiscal year 2008/2009 with comparative figures for the two preceding years. Total recurrent revenue is projected at \$310.2 million while current expenditure inclusive of debt amortization is estimated at \$289.7 million.

After taking into account current grants of \$2.0 million, a current account surplus of \$22.5 million is projected for the fiscal year. Overall, revenue is projected to exceed total expenditure by \$11.0 million and it is expected that a primary surplus of \$21.3 million will be realized.

Table 1. Budget Summary 2008/2009 (\$million)

	<i>Estimate 2008/2009</i>	<i>Estimate 2007/2008</i>	<i>Projected outturn 2007/2008</i>	<i>Actual 2006/2007</i>
Revenue				
Recurrent Revenue	310.2	274.3	295.2	295.1
From Grants	100.1	95.4	102.4	82.2
From Loans	30.6	17.4	5.9	9.8
(Government)	3.0	2.6	2.1	0.9
Total Revenue	443.9	389.7	405.6	388.1
Expenditure				
Salaries and Allowances	126.5	120.5	118.5	114.4
Other Current Operating Expenditure	122.5	105.7	128.7	107.0
Debt Service	18.0	20.2	22.5	20.1
PSIP (Capital Expenditure)	143.1	116.6	139.8	47.6
Total Expenditure	410.1	363.0	409.5	289.1
Debt Amortization	22.8	22.4	22.7	22.4
Primary Surplus	21.3	29.5	12.7	109.1
Current Account Surplus	22.5	5.5	2.8	31.2
Overall Surplus/(Deficit)	11.0	4.2	(26.6)	76.5
Overall Expenditure	432.9	385.5	432.3	311.5

Recurrent Expenditure

The recurrent expenditure projection for 2008/09 is \$289.7 million. This compares with projected expenditure outturn in 2007/2008 of \$292.4 million. The 2007/2008 outturn reflects significant expenditure associated with the cost of rehabilitation following Hurricane Dean as well as settlement of arrears to utility companies.

The wage bill which consists of personal emoluments, wages and salaried allowances is projected at \$118.3 million. This reflects a demonstration of Government's commitment to maintain the wage bill at about 12 percent of GDP.

This year a provision of \$55.6 million has been made for Government transfers. This includes \$6.3 million for meeting grants and contributions to local, regional and international institutions; \$13.6 million for educational assistance; \$5.9 million for public assistance and \$20.0 million for pensions and gratuities. The provision for transfers represents \$4.3 million more than the amount budgeted for the previous year 2007/08. This is partly due to an increase in allowances to be paid to disadvantaged persons and other public assistance and an increase in the provisions made to meet commitments to local, regional and international institutions.

An amount of \$18.0 million has been provided to meet interest payments. This is \$2.0 million less than what was provided for in last year's budget. The estimated interest payments for the year reflect the progress that the government has made in reducing the public debt to 95.0 percent of GDP.

The allocation of \$64.4 million for goods and services is \$12.4 million higher than last fiscal year. This reflects the impact of rising prices on the cost of providing goods and services to the public and the need to further improve the working environment by providing additional tools and equipment needed to heighten productivity in the public service.

Table 2 provides a summary of recurrent expenditure by economic classifications and includes the amounts for debt amortization. As can be seen, personal emoluments, wages, salaried and non-salaried allowances together constitutes the largest share at 43.6 percent of the recurrent expenditure budget. This is followed by goods and services at 22.4 percent. Interest payment and debt amortization together account for 14.1 percent

followed by grants and contributions at 10.3 percent. Retiring benefits account for 6.9 percent.

Table 2. Recurrent Expenditure by Economic Classification (\$million)

<i>Classification</i>	<i>Estimate 2008/2009</i>	<i>%</i>	<i>Projected 2007/2008</i>	<i>%</i>	<i>Budget 2007/2008</i>	<i>%</i>
Personal Emoluments	108.4	37.4%	104.4	35.7%	103.8	38.6%
Wages	4.3	1.5%	3.5	1.2%	4.2	1.6%
Salaries & Allowances	5.6	1.9%	4.2	1.4%	5.3	1.9%
Non-salaried allowances	8.1	2.8%	6.4	2.2%	7.1	2.7%
Interest	18.0	6.2%	22.5	7.7%	20.2	7.6%
Retiring Benefits	20.0	6.9%	22.3	7.6%	20.0	7.4%
Grants & Contributions	29.7	10.3%	32.1	11.0%	27.6	10.3%
Subsidies (Public Assistance)	5.9	2.0%	4.1	1.4%	3.7	1.4%
Refunds	2.5	0.9%	2.2	0.8%	2.5	0.9%
Goods & Services	64.4	22.2%	68.0	23.2%	52.0	19.3%
Loan Repayments	22.8	7.9%	22.7	7.8%	22.4	8.3%
Total	289.7	100%	292.4	100%	268.9	100%

Recurrent Revenue

Revenue performance for 2007/2008 Madam Speaker has been acceptable reflecting the growth in the economy. Revenue collections in most areas have surpassed initial projections, most notably in the areas of VAT, other domestic taxes, international trade taxes, income taxes, property taxes and rents and interests.

The estimates for the fiscal year 2008/09 sees revenue increasing by \$15.0 million from a projected outturn of \$295.2 million for 2007/08 to \$310.2 million in 2008/09.

The table below depicts the sources of revenue as projected for the coming year. The major categories are: personal income tax of \$24.9 million; corporate income tax of \$16.9 million; VAT of \$107.8 million; other domestic taxes of \$67.0 million; international trade taxes of \$61.0 million and non-tax revenue of \$32.4 million.

Table 3. Breakdown of Current Revenue Projections 2008/2009

<i>Item</i>	<i>Estimates 2008/2009</i>	<i>%</i>	<i>Projected outturn 2007/2008</i>	<i>%</i>	<i>Budget 2007/2008</i>	<i>%</i>
Personal Income Tax	24,979,589	8.1	32,344,786	11.0	30,259,200	11.0
Corporate Income Tax	16,958,750	5.5	17,042,472	5.8	18,280,000	6.7
VAT	107,792,394	34.7	94,393,807	32.0	86,755,500	31.6
Other Domestic Taxes	67,015,150	21.6	66,325,401	22.4	56,034,745	20.4
Int'l trade taxes	61,049,283	19.7	60,019,288	20.3	57,195,800	20.9
Non-tax Revenue	32,401,000	10.4	25,066,894	8.5	25,755,862	9.4
Totals	310,196,167	100	295,192,648	100	274,281,107	100

Capital Revenue

Capital revenue is estimated at \$3.0 million. This amount is expected to come mostly from the sale of houses and land.

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Capital Expenditure

Madam Speaker, the capital programme for 2008/09 is estimated at \$143.1 million and it will be financed as follows:

	<i>Amount</i>	<i>Percentage of Total</i>	<i>Percent of GDP</i>
Local Funding	\$ 14.4m	10.0%	1.41%
Loan	\$ 30.6m	21.4%	2.99%
Grants	\$ 98.1m	68.6%	9.60%
Total	<u>\$143.1m</u>		<u>14.0%</u>

Madam Speaker, the above numbers attest to Government's commitment to maintaining sound fiscal policies aimed at minimizing the debt burden while at the same time facilitating continuous growth in the economy.

PUBLIC SECTOR INVESTMENT PROGRAMME

I will now highlight some of the projects of the Public Sector Investment Programme which will be implemented during the year.

The largest share of 29.1 percent of the programme has been allocated to the Ministry of Public Works and Infrastructural Development. This Government has continuously spoken of insufficient capacity to implement the capital programme and the Ministry of Works is one of those most affected by this issue.

In that regard the Government has sought and has received confirmation from the CDB for the establishment of a project implementation unit to assist with externally funded capital projects. Notwithstanding our limitations in this regard, significant progress has been made towards the implementation of some major projects in the last fiscal year.

The contract for the Road Improvement Maintenance Project (RIMP) has been signed and the contractor mobilized. The contract for the Roseau Road Reinstatement Project should be finalized shortly.

In this new financial year, we propose to begin work for the construction of the road from Petite Soufriere to Rosalie and construction of sea defense and rehabilitation of the Fond St. Jean Road.

As indicated earlier, other projects which commenced in fiscal year 2007/08 will continue during 2008/09.

Madam Speaker, the Ministry of Public Utilities Energy and Ports has been allocated \$27.4 million or 19.1 percent of the capital budget. This allocation reflects the three ongoing phases of the airport rehabilitation and upgrade project. These are the sea defense and river diversion works, the runway extension and night landing and the upgrade of the terminal building.

There continues to be challenges with the implementation of this project but we continue to respond in as speedy a manner as possible. But I must add, Madam Speaker, that it is not unusual to have such challenges with multi donor/multiphase projects such as this.

Residents of the west coast villages of Colihaut, Dublanc and Bioche in particular have for some time been expressing concern about the integrity and reliability of their water supply. In the course of the new fiscal year, European Union resources will be used to conduct a feasibility study and design for a new west coast water supply. A similar exercise for a sewerage system for the town of Portsmouth will also be conducted.

I indicated earlier the initiatives of the Government regarding investment in geothermal as a major strategy in dealing with the rising cost of fossil fuel and consequently the necessary budget has been allocated for the implementation of this project.

In the agricultural sector, efforts are continuing with Hurricane Dean Rehabilitation works. Madam Speaker, we are already seeing the result of Governments investment after Hurricane Dean with the increased production of a number of products; and so we will continue the investment in agriculture first as a sustainable way of addressing the cost of food and secondly a means of income generation and economic activity.

In that regard, the credit facility of \$8.1 million approved by the International Monetary Fund is being used to fund the following projects in the agricultural sector:

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Support to Horticultural Sector	\$4,000,000
Development of Fisheries Sector	\$2,000,000
Cocoa Rehabilitation	\$400,000
Development of Pork Industry and Equipping of National Abattoir	\$750,000
Botanic Gardens Nursery Rehabilitation and Irrigation	\$700,000

These funds have been spread over more than one fiscal year. However, should implementation of the planned programmes occur at a faster rate than anticipated these funds will be available for use. In short, Madam Speaker, as fast as the sector can absorb these funds, the Government will make it available.

Grant funding from various European Union instruments will continue to support agricultural diversification efforts and the development of the Waitukubuli National Trail.

We are indeed pleased with the progress that has been made on the latter and we look forward to the continued construction of this trail and the positive impact it will have on employment.

Madam Speaker, I am pleased with the accomplishments of this Government in the housing sector. During this year we will continue with the implementation of those projects for which contracts have already been signed.

In the Carib Territory, contracts have been awarded for the construction of forty houses and this project has commenced. Our Kalinago people will enjoy new housing, with the firm commitment from their government to continue to improve their quality of life.

The housing sector remains a major focus for this Government. The infrastructure for the Lilly Valley Housing Project will begin this year and in Roseau South there will be rehabilitation of existing houses.

Regarding ongoing projects, eleven houses at Bellevue Chopin and the thirty houses being constructed at Hillsborough Gardens will be completed. In Portsmouth, there

will be forty-one (41) houses constructed. The current phase of construction in the Carib Territory will continue and the phase to be funded by the Government of the People's Republic of China will begin. Work will also begin on the construction of a facility to house the disadvantaged persons in Tarreau. This facility is expected to house 12 families.

Madam Speaker, by the end of the fiscal year 2008/09, construction of over 150 new houses will be completed and made available to persons in various communities in Dominica.

In the telecommunications sector, the European Union is funding the ICT Development Programme which comprises the following components:

1. ICT and E-business strategy development
2. Business skills development
3. Capacity building initiative
4. Legislative and regulatory framework
5. Business oriented e- government initiative

This project is already being implemented and is expected to make both the private and public sectors more ready to use information and communication technology in the conduct of business.

Madam Speaker, this Government continues to pay special attention to the Carib people. In December 2007, the Caribbean Development Bank approved a loan of \$6.7 million to the Government of Dominica to finance a capacity building project in the Carib Territory in an effort to reduce poverty and improve the quality of life.

The components of the project are institutional strengthening, road construction and resurfacing, construction and equipping of community resource centres.

Madam Speaker, the communities of Salybia and San Sauveur will see the construction of two new primary schools at a cost of \$3.2 million and \$2.5 million respectively. There is an allocation of \$500,000 for the construction of the Administration Block at the Portsmouth Secondary School.

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Work is continuing at the Roosevelt Douglas Primary School, Dominica Grammar School, Soufriere Primary School and Block T (Industrial Arts) of the North East Comprehensive School, all of which are expected to be completed in fiscal year 2008/09.

Madam Speaker, in our continued effort at ensuring access to education and in order to assist parents in ensuring that their children are able to attend secondary schools, we initiated a school transfer grant of \$250 per student in the 2007/08 fiscal year. During that period we were able to assist 498 students. This year, in the 2008/09 fiscal year we will continue with this programme.

Madam Speaker, our secondary schools continue to offer a wide array of technical vocational education training programmes. To date, we offer a total of 13 subjects: Electronics, Food and Nutrition, Home Management and Home Economics, Technical Drawing, Agriculture, Electricity, Woodwork, Clothing and Textile, Information Technology, Electronic Document Preparation and Management, Auto Mechanics, Refrigeration and Air Conditioning, Music and Dance.

During the next academic year we will be expanding our technical vocational education training programme. Our programme includes the expansion of facilities at schools and the training and upgrading of skills of our teachers. The BNTF funded projects for both the ITSS and the NECS will commence. With our partnerships with Countries, Colleges and Universities we will provide training for more teachers.

Budgetary provisions have been made to train 10 teachers at the certificate, diploma, undergraduate and graduate levels.

Government will continue to provide resources to the security services to ensure that Dominica remains a peaceful and safe country. In Grand Bay, a new police station will be constructed at a cost of \$3.5 million and this will accommodate both male and female police officers.

The present situation of having to wait for a female officer to be transported from Roseau to Grand Bay will be something of the past. We will also continue the repair programme for existing police stations around the island and an additional \$700,000 will be made available for the improvement of accommodation for the Special Service Unit.

The BNTF and DSIF will finance a large share of the government’s expenditure on social protection and poverty alleviation.

Under the Basic Needs Trust Fund (BNTF), \$1.5 million will be allocated to community development and poverty reduction projects such as farm access roads, construction of water tanks and improvement of water supply. Also, Dominica Social Investment Fund (DSIF) will provide funding to the tune of \$4.0 million in this financial year.

Earlier in this budget address, I outlined my government’s investment in the promotion and marketing of Dominica on the regional and international market and the benefits which accrued to our country. This year government intends to continue the vigorous marketing of our country and an amount of \$4.0 million has been budgeted for that purpose.

Madam Speaker, last year my government created a portfolio of Urban Renewal and assigned a Minister to carry out this very important function. The issue of urban renewal is a major priority for this government.

Through the adoption and implementation of policies, urban design concepts and guidelines, neighbourhood strategies and publicly financed projects, attention will be given to economic and environmental sustainability, heritage conservation, infrastructure efficiency, improved quality of life, social access to housing and transit-oriented development. Government will seek at the earliest to develop and adopt an urban renewal policy with broad participation of all stakeholders.

Among other things, Government pledges to:

- develop Roseau and Portsmouth as independent tourism products, enhancing as necessary public spaces;
- stimulate the urban economy thereby creating new job opportunities fueled by revitalized business sectors and the introduction of public sector services;
- improve the quality of life of residents by increasing the availability of housing units in the city and facilitating access to improved housing;
- protect the architectural heritage of the city of Roseau;
- embrace a “green city” philosophy.

Government has identified some major projects to meet its objective. These include, but is not necessarily limited to the following:

1. The reconstruction of roads, sidewalks and drainage system in the historic heart of Roseau;
2. The reconstruction of the 'Ruins' near the Old Market as a tourism vendors arcade in keeping with traditional architecture;
3. The revitalization the Pottersville Savannah as a community sports facility.
4. The long awaited redevelopment of impoverished neighbourhoods such as Pound and sections of Pottersville to enable low and middle income households access to better quality housing;
5. The rehabilitation and expansion of the State House;
6. The construction of new facilities at the Dominica State College;
7. The protection of homes vulnerable to river floods through the construction of select river walls in the wider Canefield community;
8. The redevelopment of Lagoon, Portsmouth for tourism purposes and the resettlement of current residents in a new housing scheme.

While discussions are ongoing for the possible financing of these projects, government will implement some other works geared at the same objectives. In that regard, an amount of \$2.4 million has been allocated in this year's budget. The programme will develop the various urban centres. This project is being conceived as a community based project and as such the opportunity is created for employment of many men, women and young people in the targeted areas. It is hoped that this project will also lift the ambience of the selected areas so that they can be marketed as a tourism site in their own right.

STRUCTURAL MEASURES

Madam Speaker, in an era where customer needs take priority and influence heavily the quality and quantity of services offered by organizations, and particularly in this year of Reunion 2008, it is of paramount importance that the public service focuses on improving the delivery of services to the citizens.

In order to effectively achieve this, we must envision the public service as one that is efficient in delivering core businesses, committed to enabling private sector development, focused on providing quality service to the general public, and a public service that is more professional, flexible, integrated and accountable.

Progress towards this vision is to be achieved through continuing and targeted reform and modernization measures. Reform by nature can be a protracted process but the Government has taken every possible action to have the identified measures implemented in the quickest but in the most efficient manner.

In this constantly changing environment, the Public Service faces numerous challenges in its effort to achieve a more responsive and professional public service. Madam Speaker, the following is an update on the main activities.

Over the last year the Reform Management Unit has embarked on major corporate initiatives to reengineer administrative and business processes across the public service through programmes such as a unified land information system, the use of the ASYCUDA trade facilitation system in our Customs reform programme, and the development of the Government of Dominica website, which will be launched in the last week of this month.

This year will see the start of a comprehensive e-government programme through the implementation of the recently approved World Bank funded E-Government Regional Integration Project, and the provision of much needed technical support with the establishment of the E-Government Unit. The programme will be buttressed by the passage of relevant legislation that will allow for the use of e-transactions in the government service.

Much progress has been made in the reform of the Customs and Excise Division. A Customs Reform Director has been appointed, and will provide direction and technical assistance to the entire reform and modernization of the Division.

The implementation of the ASYCUDA project started on 1st July 2008. This is a two year project but specific targets have been set so that the even while implementation is progressing, the benefits can be enjoyed. The new ASYCUDA software is expected to facilitate the execution of the risk management system that is a method of clearing goods which is quicker and more efficient.

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For the 2008/09 financial year, the Establishment, Personnel and Training Department will implement a service-wide Human Resource Audit and consequently develop a Human Resource Plan and Succession Plans.

In this regard, the Establishment, Personnel and Training Department in collaboration with its Reform Management Unit, is working assiduously towards securing the services of a Human Resource Specialist for the conduct of this one-year consultancy, expected to begin as early as July 2008.

Over the next financial period, improving the efficiency of the public service will be driven primarily by the increased use of Information Communication Technologies within the public service.

Madam Speaker, we must recognize and understand that the advent of Information Communication Technologies has altered the work people do and the way they do it. The way government operates has been irrevocably transformed by information technology which is both a driver and an enabler of change in the public service.

New technologies contribute to public sector transformation because they offer opportunities to deliver services more efficiently, but more importantly they require reform of organizational structures and processes to use them effectively.

Over the next year the Reform Management Unit/Establishment Personnel and Training Department will intensify implementation of other aspects of the Public Sector Reform Strategy (PSRS).

I have already indicated Government's decision to include an investment unit in the Ministry of Agriculture and a Small Business Unit in the Ministry of Trade. Government will also review the administrative structure in the nursing, police and teaching service.

We recognize the need to review the administrative structures of these essential services, to deal with the policy changes in each discipline. We will also use the opportunity to seek to rationalise and where necessary regularise a number of positions and to provide room for promotion, personal development and career enhancement for persons who wish to make these services a lifelong career.

The transparency and efficiency of the judicial system affects not only the time and cost of doing business, but also the environment within which business is conducted.

Over the next year the RMU will be working with the Ministry of Legal Affairs and other major stakeholders to implement much needed legal reforms. These reforms are expected to increase the efficiency and effectiveness of the entire judicial and legal system.

The Growth and Social Protection Technical Assistance Project, a project of the Reform Management Unit and jointly funded by the World bank, the EU and the Government of Dominica, is expected to provide added impetus and support to the implementation of these public sector reform initiatives, along with improvement in the investment climate and reforms to the Regulatory Framework for the Energy Sector.

The Government will also proceed with the implementation of legislation relating to regulation of the activities in the non-bank financial services.

INTERNATIONAL COMPETITIVENESS

Madam Speaker, when we gained independence in 1978, we were able to sustain ourselves by producing goods and services which we traded under preferential and highly favourable regimes.

Such was the case with bananas. Under the Treaty of Chaguaramus, Dominica and the islands comprising the Eastern Caribbean States were conferred with “special and differential treatment”, enjoying benefits which our more developed CARICOM partners did not.

Today all of this is changing. The WTO has put in place rules by which nations should trade with each other. Paramount among these rules is a requirement for the progressive removal of tariffs so that eventually, free trade becomes the order of the day.

In this scenario, the countries that will achieve sustained economic growth and at the same time provide adequate levels of social protection to their vulnerable citizens are those who are able to produce and sell at competitive prices.

In pursuit of this objective countries in many regions of the world are coming together and forming trading pacts and economic partnership agreements. These arrangements create opportunities for firms to grow because of the advantage of economies of scale

provided within the much larger regional markets that are created and within which preferential regimes are allowed to exist under WTO rules.

Madam Speaker, the OECS Economic Union, the CARICOM Single Market and Economy and the much talked about Economic Partnership Agreement with the European Union are examples of this. While they allow us greater market access for a wider range of goods and services, we will only be able to take advantage of this if we are able to successfully compete with other suppliers of goods and services operating within these regionally protected markets.

Madam Speaker, the measures outlined in this budget address all speak to the issue of improving our international competitiveness.

The programmes in Human Resource Development and ICT are designed to provide knowledge and skills to our people so that they can be competitive at home or anywhere in the world. Our farming community is being provided with the infrastructure, credit, guaranteed market and technical services. We expect an increase in productivity which should reduce unit costs and improve price competitiveness.

Never before were there so many programmes addressing the needs of small and medium enterprises. Our social protection programme will ease the financial burden of families for maternal and childcare as well as care for the elderly, allowing breadwinners to spend more time at the workplace free of worry. The reforms of customs, the Registry, land use and administration, an expanding Bureau of Standards and our tax regime, will enhance the attractiveness of Dominica as a country for doing business.

Madam Speaker, the messages and signals we send to the rest of the world also affect our competitiveness.

When these messages tell the world that we are not in harmony with each other and that we speak ill of our country then we begin to lose the lustre that we enjoy as the welcoming Nature Isle of the Caribbean. But, Madam Speaker, I trust in the patriotism and love of country of most Dominicans and we will overcome the negatives that work to impede our competitiveness.

I make reference to the work being done by the Invest Dominica Authority (IDA). Madam Speaker, the IDA was established by an Act of Parliament in 2007 to facilitate and promote investment in government's priority sectors.

The IDA through assistance from the USAID/COTS has installed an Investor Tracking System Database.

This database will improve the efficiency of the IDA, in keeping investor information, providing update to investors on the expiration of concessions granted, and providing information on the generation of employment and investment made by investors to the economy of Dominica.

In this regard, Honourable members may wish to note that based on data collected by the government, several investors have, over the years been granted alien landholding licenses to purchase land for intended projects which many years later, have not got off the ground.

It is the intention of government to revisit the alien's landholding legislation in order to ensure that where licenses are granted and the project has not been developed a penalty will be exacted in order to avoid speculation of our land by non-nationals.

GOVERNANCE

Madam Speaker, the issue of governance is usually discussed in the context of transparency, accountability and integrity in public office.

No one can doubt the commitment of this government to openness and inclusiveness. In 2003 when this Government presented the Integrity in Public Office Bill to Parliament it was for the purpose of ensuring that public officials provide service to the people of Dominica with integrity, probity, transparency and accountability.

It is therefore ludicrous to suggest that a Government would present legislation to the Parliament for approval and not be willing to implement it. The IPO Act calls for the appointment of a commission to be headed by a Chairman. The legislation specifies the qualification of the persons that should be appointed to this position.

The cost of implementing the IPO Act is substantial and could be considered under two headings. On the one hand, there is the cost of setting up an office and providing for the day to day operations of the commission. On the other hand, there is the cost of the conduct of any investigation, commission of inquiry, research or the like. Indications

are, based on the cost of commissions of inquiry done in Dominica and elsewhere, that it is this cost which can be significant.

However, Madam Speaker, we believe at this point that we have made sufficient progress to begin the implementation of the Act. The allocation in this year's budget is for the setting up of the office and providing for the engagement of the members of the commission. The cost related to any review, research or investigation is subject to the nature of the matter being pursued at the time and the relevant budgetary provision will be made as the need arises.

A potential Chairman has already been identified and has consented to serve. We expect that all of the appointments can be made, for the commission to be operational effective 1st September, 2008.

Madam Speaker, the implementation of IPO Act is a concrete way of showing Government's commitment to good governance and we trust that the entire population will give full support in providing information when necessary on any matter that may be brought before the commission.

The Government is aware of some of the shortcomings of the legislation and at some point we will propose some improvements to the Act.

FISCAL MEASURES

Madam Speaker, a major challenge for all Governments at this time is how best to address the issue of rising cost of living without compromising government's fiscal position to the future detriment of the very people that it may be trying to protect. The challenge for this Government is no different. Madam Speaker, the fact that we have just implemented a programme of structural adjustment is not far from the mind of this Government.

The prudent fiscal management of this Government has resulted in some savings which we have used to meet critical expenses. As with households, Government must make provision for unforeseen circumstances. The setting of targets such as the primary surplus is one measure of this. It is the savings made by the government in previous fiscal periods that has allowed us to respond in quick time after the passage of Hurricane Dean.

This is what allowed us to take some action on the cost of living in the last budget and this is what will allow the Government to take action aimed at relieving some of the burden on our people in this fiscal year.

Madam Speaker, increases in prices will be influenced by factors over which Government has little or no control but the Government expects that the measures reflected in this budget will impact positively on the lives of our people by mitigating some of the adverse consequences of the global increase in prices.

1. Support for Vulnerable Groups

As is expected, issues of high prices, particularly high prices of food will impact most heavily on the already disadvantaged groups. Effective July 2008 allowances granted under the social assistance programmes will be increased by 10 percent. This will include allowances to young people in foster care, clothing and transportation allowances for disadvantaged students, and grants provided to institutions that take care of disadvantaged persons.

The amounts paid as ‘public assistance’ will be increased by 50% effective July 2008.

The total cost of these measures is \$1.8 million.

2. Removal of Taxes on Petroleum Products

Madam Speaker, Government has decided to set the customs service charge on petroleum products at zero percent. In addition, we have also taken a decision to remove the excise tax on Liquidified Petroleum Gas (LPG) imported into this country.

The removal of the excise tax will cost some \$1.0 million. It also means that no taxes will be included in the price build up for LPG. This measure is being taken to bring relief to our people and to ensure that LPG which is a basic commodity remains accessible to all of our people. This measure will apply from the first shipment received after today 10th July, 2008.

3. Exemption from all Hospital Fees

Madam Speaker, it is well known that this Government has great regard for older persons and young people. We have already manifested this regard in various ways.

We have taken the decision that all persons 65 years and older, as well as infants and young persons up to the age of 18 years who are still at a formal education institution, will be exempted from the payment of hospital fees. Further, Madam Speaker, all physically and mentally challenged people will be exempted from the payment of hospital fees.

Madam Speaker, I am aware of the request of the nurses for Government's consideration for exemption from basic hospital fees. Government has decided to give favourable consideration to this request and the details will be worked out with the Ministry of Health and the Establishment, Personnel and Training Department.

4. Reduction in Tariffs

Madam speaker, much has been said on the matter of removal or reduction of tariffs. There are nevertheless issues which have to be considered when making a decision on this matter. These include the size of the tariff relative to the cost of the goods. The second issue is the impact of the price to the consumers.

There is also the question of the sustainability of the measure in the face of continuous price escalation. The example of last year's reduction of the excise tax on fuel sold for generation of electricity is striking.

Notwithstanding the action of the government to reduce the excise tax by half, as the world price of fuel continues to increase, the excise tax as a percentage of the entire cost of fuel becomes smaller and less significant, and the impact of the excise tax reduction was quickly eroded.

Madam Speaker, it must also be noted that taxes are not applied on many of the basic food items. For example there is no import duty, no VAT, and no excise tax on milk; yet this is one of the products for which prices have increased significantly. Similarly, there is no VAT on rice, flour and sugar and also no import duty when these items are imported from CARICOM.

Notwithstanding this, the Government has identified a number of products for which tariffs will be eliminated effective 1st August, 2008.

The full list is the following:

Active Yeast	Milk – Condensed
Baby Formula	Milk, Concentrated or containing added sugar
Baking Powder	Oats
Beans – Pink, Red	Oatmeal Farina – Cream of Wheat
Beef (meat of Bovine animal – frozen)	Oil (Corn/Canola/Olive/Vegetable)
Bovine	Other - Frozen
Brine	Pasta/Macaroni
Butter	Peas – Yellow and Green
Candles	Pig Trotters
Cheese – Cheddar	Plastics
Chicken frozen – other	Raison Bran/Cornflakes
Chicken liver	Rice
Chicken backs and neck	Salted Fish
Corn Meal	Sanitary Towels, Napkins for Babies
Exercise books	Sardines (Canned)
Fish – Dried	Sausages
Flour – Durum	Soups and Broths
Herring	Stew – Goat (Meat of Goat), Pork (Meat of Swine/Pig)
Juice – Apple	Sugar
Laundry Detergent	Tea – Black, Not fermented
Lentils	Tea – Green, Not fermented
Mackerel	Tea - Other Black (Fermented)
Margarine and Spread (Sunflower/Safflower)	Toilet Paper
Meat of Bovine animals – Fresh and Chilled	Tuna (Canned)
Meat of Bovine Animals – Other	Turkey

The exact list of items, with the corresponding tariff numbers, will be specified in an amendment to the relevant regulation.

This measure is estimated to cost \$2.5 million or 0.24% of GDP.

In a further effort to reduce the cost of imported goods, the Government has agreed to increase the number of days that imported cargo can remain on the port before "storage charges" are applied. The number of days will be increased from 3 days to 5 days. It will be necessary to make amendments to the Dominica Air and Sea Port Authority Act to accommodate this measure.

5. *Support to Government Pensioners*

Madam Speaker, we are aware that a number of persons who retired from the public service many years ago receive pensions which are grossly inadequate to meet basic needs. We are also aware that the formula for determining pensions is provided in the Pensions Act.

We will move to amend the legislation to guarantee a minimum pension to persons who receive pensions less than \$200 per month. This is akin to the provision of the Dominica Social Security where provision is made for minimum pensions to contributors.

6. *Implementation of the Second Phase of the Income Tax Reform*

Madam Speaker, in last year's budget address, I stated Government's firm intention to reduce the income tax burden over a three year period. In January 2008, we implemented the first phase of this income tax reform.

That reform included the increase of the tax free allowance from \$15,000 per annum to \$18,000 per annum and a reduction in the rate of tax in each tax bracket; that is from 20 percent to 18 percent on the first \$20,000 of taxable income, from 30 percent to 28 percent on the next \$30,000 of taxable income and from 40 percent to 38 percent in the next tax bracket.

Fiscal year 2008/09 is the second of those three years and we will go one step further towards achieving this objective. Effective 1st January 2009 the following further actions will be implemented by way of additional tax relief for the population:

- The tax free allowance threshold will be increased from \$18,000.00 to \$20,000.00;
- The rate on the first \$20,000 of taxable income will be reduced from 18 percent to 16 percent;

- The rate on the next \$30,000 of taxable income will be reduced from 28 percent to 26 percent; and
- The rate on taxable income above \$30,000 will be reduced from 38 percent to 36 percent.

The cost of this measure is \$9.7 million for the full fiscal year or \$4.9 million for the period January to June 2009.

These measures will result in 585 persons no longer paying income tax. The number of persons who now fall in the first tax bracket is reduced by 462, while the number in the second tax bracket is reduced by 89. Only 248 persons will now pay tax in the highest tax bracket.

All these taxpayers will have more disposable income, which make for greater income empowerment of the population, and will help in buffering the effects of the price increases which are due to imported inflation and the global increase in commodity prices.

7. Support for Renewable Energy

Consistent with Government's commitment to encouraging the use of alternative forms of energy, with immediate effect all duties on equipment to be used in the self-generation of energy from renewable sources will be removed.

Madam Speaker, I have no doubt the package of measures that I have announced in this Budget Address will make an important contribution to assisting our people to adjust to the rising prices, and the difficult international economic environment that continues to confront us.

8. School Transfer Grant

Madam Speaker, last year we introduced the school transfer grant which was paid to disadvantaged students who were attending secondary school for the first time. The amount paid was \$250 per student. This fiscal year, Madam Speaker, we propose to increase that amount to \$500.00 per student.

9. Cost Containment

Madam Speaker, I wish to make a special plea to all public officers and persons in the employ of government by way of contract or otherwise to pay special attention to cost containment. It is imperative that all times we seek to be conservative in the use of government resources, such as government vehicles, as we attempt to reduce the cost of operations within the context of rising prices.

CONCLUSION

Madam Speaker, needless to say, the global economic circumstances are less than favourable for countries like Dominica. Nonetheless, we ought not to be daunted by the task that lies ahead of us.

As a government we are satisfied that the policies we have adopted, the measures that we have taken and the projects we are implementing are the best in the prevailing circumstances.

Every good thing the Government undertakes must be examined on how sustainable it is. It becomes useless in the long run if action taken today only serves to create greater hardship later.

We should be proud of our accomplishments over the thirty years of independence particularly the achievements in the first eight years of the twenty first century. These achievements are a testimony to our resilience.

They are proof of our ability to harness our talents and skills to build a great nation. Ever mindful of the challenges we must resolve as a people to continue to work hard to build this, our country.

Madam Speaker, we are grateful to our many friends in the regional and international communities who have helped us on the journey; our bilateral partners like the Government of Venezuela, the Republic of Cuba, the Government of the People's Republic of China; the Government of France, the United Kingdom, the United States of America, Canada, Governments of the member states of CARICOM, in particular the Government of Trinidad and Tobago; the European Union, our multilateral partners including the Caribbean Development Bank, the International Monetary Fund and

the World Bank; our domestic institutions including the Eastern Caribbean Central Bank. Indeed, it is the hard work and generosity of the people of these institutions and countries which have helped us stay on our feet.

In closing, I urge our people to participate fully in the reunion activities; to use this as an opportunity to build fellowship and brotherhood. We call on all Dominicans overseas to be part of this celebration. So far we are encouraged by the success of the activities which have been held and we are sure that the remaining activities will only be better.

As we recall the impact of Hurricane Dean last year I pray God's favour on our country that we will be spared the ravages of storms during this hurricane season and that our every action will be guided by his wisdom.

May God bless Dominica and all its people as we celebrate the journey together.

I thank you.

