



Commonwealth of Dominica

BUDGET ADDRESS

for Fiscal Year 2013/2014

Presented by:

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PRIME MINISTER AND MINISTER FOR FINANCE



“Building on the gains we have made”

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BUDGET ADDRESS FOR FISCAL YEAR 2013/14

“Building on the Gains We Have Made”.

INTRODUCTION

Madam Speaker, Cabinet and Parliamentary colleagues, Members of the Diplomatic Corps, Specially Invited Guests, fellow Dominicans, Ladies and Gentlemen.

As I deliver this year's budget address to the Parliament, I am extremely thankful to God for the opportunity to present another blue print for growth and development of our country, Dominica.

Madam Speaker, since 2008 we have been in the grips of a global crisis which has left its mark on both developed and developing countries. At that time, we all thought that it would be short-lived. That has not been the case. What was once unusual is now common-place, for we have been dealing with these issues for five years now. It is from this perspective that I present this budget; we recognize the challenging times; we recognize that we must grow ourselves out of these challenges; as much as the conditions are not ideal, we will nonetheless pursue the right fiscal and economic policies and build on our successes. We must stay the course and remain focused on the commitment to improve the lives of the Dominican people. We must therefore continue to take actions which will cause the economy to grow.

For this reason I have decided to present this address under the theme: ***“Building on the Gains We Have Made”***.

From that perspective Madam Speaker, I am confident that the programme outlined in this budget indicates that the prospects are good, that we will meet our desired growth objectives.

Madam Speaker, it is important for our citizens to appreciate from the outset the great lengths to which this Government has gone to be fiscally responsible and non-political in the management of this country's resources, in the last five very challenging years. From the day of our first election to office to the present, we have conducted the business of this House and the management of our country's resources in as responsible and mature a manner as could be expected of any administration.

Even now, Madam Speaker, general elections are constitutionally due in under two years and we are already hearing of a movement of chairs on the other side as they seek to repackage themselves.

In this Budget presentation, we have remained focused. I can say from the outset, that there will be no new taxes and no unrealistic promises. Our economy is too delicately poised and the regional and international economic environment too volatile and uncertain for us to make rash or opportunistic decisions.

So, from every perspective, Madam Speaker, this presentation will show that the Government of Dominica is still very much at work and focused on the job of strengthening the economy, through targeted interventions for growth and job creation.

We have had direct consultations with special interest groups, unions and the private sector and we have conducted scientific surveys. We have a very clear picture of the needs and concerns of

Dominicans. We know what the issues are. We are aware of the quest by many to secure meaningful employment; we are aware also of concerns about businesses which are not performing well; and about crime and anti-social behaviour and how these could impact on our development prospects. We have in this presentation addressed them all in an upfront but also responsible manner.

INTERNATIONAL AND REGIONAL CONTEXT

Madam Speaker, we are guided on the international economic projections by the International Monetary Fund (IMF). The IMF recently reduced its projections for world economic growth.

To quote a statement appearing on the IMF Survey Magazine and published on the IMF website, *“The global economy is growing more slowly than expected, with risks increasing especially in emerging markets says the IMF. Global growth is now projected at 3.1 for 2013 and 3.8 percent for 2014, a downward revision of ¼ percentage point compared with the April 2013 World Economic Outlook forecast.”*

This confirms what we already know; that is, the global economy is not recovering fast enough. Further, countries such as China and Brazil, which withstood the crisis in the early stages, are now being negatively impacted. Growth in the economies of our major trading partners is small but gives some confidence that the recovery, though small, is on the way. The IMF estimates that the United Kingdom will grow by 0.9 percent and 1.5 percent in 2013 and 2014 respectively. The United States is expected to grow by 1.7 percent and 2.7 percent in 2013 and 2014 respectively. China is expected to grow by 7.7 percent and 7.8 percent while Brazil is expected to grow by 2.5 percent and 3.2 percent in 2013 and 2014 respectively.

These projections are not great, but we take some comfort in that there is a recovery.

Member States of the Eastern Caribbean Currency Union continue to feel the effect of the crisis. Real growth in the ECCU for 2012 is estimated at -0.2 percent. These economies are however, expected to grow by 1.5 percent in 2013 and 2.2 percent in 2014.

The region still continues to grapple with the effects of the crisis on its financial system. Dominica supports the regional approach to the resolution of the challenges facing the ECCU area. The challenges in each country are very similar and with limited financial and human resources, it is definitely more efficient to work collectively. In that regard, we associate ourselves with the efforts to improve the regulation and supervision of the financial sector, the sector which arguably, has been the most directly affected by the crisis.

Madam Speaker, I wish to applaud the many British American Insurance Company (BAICO) and Colonial Life Insurance Company (CLICO) policyholders who have shown patience as the Governments of the Region attempted to resolve this matter.

BAICO policyholders have had their policies transferred to SAGICOR. In addition, a number of policyholders whose policies or investments matured, have received some payout as a result of

these efforts. In the first phase of payment 282 people were eligible to receive payment in Dominica and 207 actually came forward to collect. The amount paid out is \$1.2 million.

In respect of CLICO, active discussions are ongoing among the ECCU Governments and the Judicial Manager of CLICO International Life Insurance Limited to determine the way forward.

We acknowledge the contribution of various governments in the Region for their role in resolving this matter.

REVIEW OF THE DOMESTIC ECONOMY

Economic Developments

Madam Speaker, preliminary GDP estimates indicate that economic growth for the year 2012 was -0.1 percent. While this outturn is not in line with our projections, it is slightly above the average of the ECCU region. The economy is projected to grow by 1.6 percent in 2013 and by a further 1.7 percent in 2014 supported by improvements in the Agriculture, Construction, and Tourism sectors.

Agriculture

In 2012, agricultural production accounted for 12.3 percent of total GDP, with an overall increase in the sector of 7.5 percent. Positive growth was recorded in all of the major subsectors with the exception of bananas which saw a 23.5 percent decline in production. An increase of 7.7 percent was recorded in crops, mainly attributable to non banana crop production which recorded a marked increase of 13.0 percent.

In 2013, the sector is expected to expand by 1.3 percent. This is supported by a turnaround in activity within the banana subsector as banana production is expected to increase by 3.1 percent. Positive growth rates in all the other subsectors will keep the sector as a whole on a positive growth trend.

Tourism

The hotels and restaurants sector is estimated to have contracted by 1.6 percent in 2012 in contrast to growth of 8.3 percent in 2011. The number of cruise ship calls and cruise passengers is estimated to have decreased significantly due mainly to an inactive offseason during which there were no cruise ship calls. Although the total number of stay-over visitors increased by 3.5 percent over the previous year, the length of time spent and the amount spent per visitor dropped, resulting in an overall contraction in value added in the sector.

Overall, the tourism sector is expected to grow by 1.5 percent in 2013. Projections take into account an increase in tourist arrivals with the introduction of new cruise ship calls as well as the new business that is expected in the hotel sector. The reliability of air transportation is expected to be an added advantage for travellers as LIAT continues its re-fleeting exercise. Government will maintain its commitment to assisting LIAT in that regard and reasserts that the investment in

LIAT was made in the best interest of Dominica. It is also anticipated that tourism spending will increase given the improvement in the economies of the source markets.

Construction

Economic activity within the construction sector is estimated to have declined by 6.9 percent in 2012 following growth of 4.5 percent in 2011. Growth in the sector is driven to a large extent by the Public Sector Investment Programme (PSIP) which has seen the completion of some major projects within the past year. Gross value added in the sector amounted to \$63.7 million compared to \$68.5 million for the previous year.

Projections for 2013 suggest a turnaround in construction as private sector activity should gain some momentum and new public sector infrastructure projects come on stream. This is expected to result in growth of 7.1 percent.

Education

The education sector accounts for 13.0 percent of GDP in 2012, a slight increase from the 12.7 percent of 2011. Preliminary estimates indicate that the sector has recorded growth of 1.7 percent owing to an increase in enrollment within the private education subsector.

In 2013, the sector is expected to further expand by an estimated 1.0 percent, supported by positive movements within both the private and public education subsectors.

Financial intermediation

This sector measures the contribution of the financial institutions such as banks, credit unions and insurance companies, to the economy. Banks account for the largest share of the sector. The insurance subsector is still being affected by the collapse of the CL financial group evidenced by a 1.0 percent decline in 2012.

Projections for 2013 suggest an expansion in the sector as a whole with an anticipated growth rate of 1.7 percent. It is expected that banks and other financial institutions will do better as well as insurance and pension funds.

Fiscal Developments 2012/13

Government continues in its efforts at consolidating its fiscal position but not all targets were achieved as planned. Total revenue is estimated to have exceeded the budget estimate by \$3.2 million supported mainly by current revenues. Current revenues surpassed original estimates by \$6.7 million owing to strong non-tax revenue performance. The table below shows a comparison between the outturn for the current fiscal year and original budget.

Table 1: (Preliminary) Fiscal Outturn for 2012/2013

Indicator	Budget 2012/2013	Prelim projections 2012/2013
Total Revenue + Grants	431.6	411.9
Total Revenue	372.9	376.1
Current Revenue	367.8	374.5
Tax Revenue	314.2	301.7
Non-Tax Revenue	53.6	72.8
Capital Revenue	5.1	1.7
Grants	54.7	35.8
Total Expenditure	457.5	466.0
Current Expenditure	320.5	324.4
Capital Expenditure	134.7	141.6
Current Account Balance	47.3	50.1
Overall Balance	(84.6)	(89.8)
Overall Balance +Grants	(25.9)	(54.0)
Primary Balance	(6.4)	(32.3)
Primary Balance (% GDP)	(0.5)	(2.4)

Source: Ministry of Finance (using standard GFS format)

Collection of taxes on incomes and profits fell short of original estimates by \$3.3 million amounting to \$52.7 million. This was due mainly to short falls in the collection of corporate income taxes and withholding taxes of \$6.4 million and \$0.6 million respectively. On the other hand, personal income tax collection exceeded original estimates by \$0.4 million.

Revenue from taxes on domestic goods and services exceeded the initial budget estimate. Collections for the current fiscal year were recorded at \$184.9 million, 2.1 percent more than anticipated. The Value Added Tax (VAT) is the main contributor.

Initial estimates of revenue from taxes on international trade and transactions indicate a shortfall in collections by \$11.0 million or 16.0 percent.

Non-tax revenues exceeded initial budget estimates by \$19.2 million or 35.8 percent. This increase is as a result of collections of revenue from the economic citizenship programme. The increase was more than sufficient to offset the small negative variances realized in the collections from the other subcomponents, yielding an overall revenue collection of \$72.8 million.

Collections of capital revenue for the fiscal year amounted to \$1.7 million compared to a targeted \$5.1 million. This performance is directly related to delays in receipts from the disposal of government assets.

Government continues to exercise prudent fiscal management and utilizes tight expenditure controls where possible. However, the smaller than anticipated receipts of grant inflows have necessitated a reconstitution of financing of expenditures. The continuing issues of weather related rehabilitation costs as well as efforts to accelerate the implementation of the capital programme, have resulted in total outlay of \$466.0 million for 2012/13.

Current expenditures are estimated at \$324.4 million which is \$3.9 million more than budgeted. Expenditure on interest payments and transfers and subsidies were higher than budgeted. Expenditure on personal emoluments was within the budget estimate. Deliberate policy was applied to restrict expenditure on goods and services, keeping spending well within the estimates.

The Public Sector Investment Programme remains the most direct policy tool utilized by the government to foster growth. Acting as a fiscal stimulus, this programme of targeted capital expenditures continues to fuel economic growth. Expenditure at the end of the fiscal year has surpassed the budget estimate, amounting to \$141.6 million, with 25.2 percent being financed with grant resources.

Overall, based on preliminary estimates, government's fiscal operations for the year have resulted in a current account surplus of \$50.1 million. The overall balance after grants is a deficit of \$54.0 million. The primary balance is estimated at -\$32.3 million or -2.4 percent of GDP. This result represents a deviation from the target set in the 2012/13 budget and is the consequence of the fact that a number of critical projects being implemented are loan financed and carry with them an associated Government counterpart.

Review of Debt Portfolio

Total public debt at the end of the fiscal year 2012/13 stood at \$981.3 million, of which central government accounted for \$818.9 million or 83.5 percent, and government guarantees accounted for \$162.4 million or 16.5 percent. External debt accounted for \$712.5 million with central government accounting for \$598.5 million and government guarantees of \$114.0 million. Domestic debt on the other hand was \$268.8 million of which \$220.4 is held by central government and \$48.4 million by public corporations. The debt to GDP ratio is estimated at 71.0 percent.

The Government of Dominica participated on the Regional Government Securities Market and obtained an interest rate of 2.7 percent. Every instrument issued was significantly oversubscribed reflecting the confidence of investors in securities issued by the Government of Dominica.

Fiscal framework

Madam Speaker, the fiscal framework adopted by Government is one that results in an annual average primary balance of 3.0 percent of GDP. It presumes that the capital programme is funded mostly with grant resources. The reality is however, that the inadequacy of grant resources to finance a larger part of the capital programme and the need to finance development

projects with loans, some of which are disaster rehabilitation loans, could affect the attainment of the primary balance target. Government however, intends that over the medium term, the target will be achieved, as it continues its efforts to raise the required grant resources.

The fiscal framework being pursued is intended to provide the platform for economic growth of an annual average of 3 percent. Government expects that continuing investments in the major sectors will result in economic growth in the targeted areas.

SUSTAINING THE EFFORTS FOR GROWTH AND POVERTY REDUCTION

Blueprint for Growth and Job Creation

Madam Speaker, in last year`s budget address, three core pillars for pursuing growth and the creation of jobs were identified. These were:

- A sound macroeconomic framework and financial management system;
- Reforms to enhance competitiveness; and
- Targeted investments

Government continues to adhere to its sound macroeconomic and fiscal policies. The reform programme to enhance competitiveness is making satisfactory progress, especially with respect to e- governance.

As the global economy is beginning to show some signs of recovery, albeit small, common sense dictates that we should move to take advantage of opportunities that will eventually emerge. Fortunately, there is no need for us to reinvent the wheel. The Third Growth and Social Protection Strategy (GSPS), has identified in clear and unequivocal language, that the National Export Strategy (NES), has the potential for constituting a veritable development strategy for Dominica. This budget address, has selected the NES as the template for fueling the growth potential that exists in virtually all sectors of our economy. The investments planned will therefore target the delivery of outcomes elucidated in the NES.

Government has decided to take the bold steps needed for filling the gaps in the value chain for a number of commodities so as to ensure that the desired outcomes for export and domestic consumption are achieved.

Madam Speaker, government`s aim is to stimulate trade and to pursue investments to achieve economic growth and the creation of jobs. Appropriate policies will be introduced, and investments in partnership with the private sector will be embraced where possible. The capital programme for this year is the vehicle being used to pursue these investments.

I will now proceed to outline the core elements of this initiative.

The Agriculture Sector

Agriculture holds the distinction of being a major contributor to national growth and development. The sector is regarded as the surest way to secure the country`s future, to improve

livelihoods and the health of the people, to reduce poverty and the cost of living, and to ensure food and nutrition security.

Our past successes in the agricultural sector, were built on a support network comprising strong farmer organizations, effective extension services, access to agricultural credit, regular payments to farmers for produce, and reliable sea transportation for exporting the produce, principally bananas, to the market.

As time went on, the requirements demanded by the export market began to grow. These requirements arose from concerns relating to consumer health, environmental standards on the production unit, and changing packaging and handling rules. The farmer found it difficult to make the necessary adjustments.

The less productive banana farms were subjected to further pressure with the onset of new global trading arrangements that eliminated the favourable tariff barrier under which we had been exporting our bananas for decades. The new mantra became competitiveness, competitiveness, competitiveness.

More recently, Black Sigatoka disease has ravaged banana and plantain cultivations, reversing the gains that were being made in their recovery. An integrated Pest Management Strategy for the disease was instituted earlier this year. The implementation of this strategy is ongoing.

Additionally, our citrus was also affected by diseases. Government's response to the challenges in that industry has been prompt. One action taken is the distribution of six thousand one hundred and twenty three (6,123) disease free citrus plants to 373 farmers between July 2012 and February 2013. The propagation of disease resistant plants is continuing.

Madam Speaker, government has long recognized that a new, modern infrastructure was an imperative for the successful export of agricultural commodities. We invested in Packing Houses and in Inland Reception and Distribution Centres at a total cost of \$11.9 million.

It is common knowledge that we have been implementing a programme for the rehabilitation of feeder roads. This programme will continue under the Banana Accompanying Measures (BAM) where a total of nineteen feeder roads will be rehabilitated at a total estimated cost of \$14.0 million.

Government addressed the need for credit to farmers by establishing the Agricultural Investment Unit (AIU). This unit was capitalized with two million dollars (\$2.0 million) for operating a revolving credit scheme to agricultural entrepreneurs. Additionally, Government financed a line of credit for agriculture, amounting to one million dollars (\$1.0 million), through the National Development Foundation of Dominica (NDFD).

In addition to the resources provided through these loan facilities, Government provided direct support for horticulture. Under that programme, seedlings and plants were provided. Importantly, Government also continued to subsidize the cost of fertilizer, a vital input for sustaining agriculture.

The agricultural sector is benefitting from the presence of the Chinese Agricultural Technical mission which provides support in the form of improving the technology for production, provision of seedlings and small machinery and technical assistance. The Mission intends to introduce to Dominica the Smart Greenhouse technology. The first of the greenhouses has been erected at One Mile Agricultural Station in Portsmouth to serve as a pilot to the project.

Madam Speaker, the investments I have just outlined, have maintained buoyancy of the agricultural sector in the face of tremendous challenges and will continue to engender its further growth.

The Banana Accompanying Measures (BAM)

The principal stimulus for this revitalisation has come from the component of the National Adaptation Strategy (NAS), that is, the Banana Accompanying Measures (BAM), negotiated with, and financed by the European Union. Approximately fifty-four million dollars (\$54 million) of targeted investments in the sector will be made. These investments will be linked back to the crops identified in the NES as having the greatest prospects for export into regional and international markets.

We are now calling on new and existing farmers to re-energise themselves and to put themselves in a position to fill shipping containers with dasheen, yams, sweet potato, plantain, pumpkin, coconut, bananas and other locally grown produce.

The investment package being implemented is designed to systematically address the problems of low productivity and inefficiencies in the banana industry and the wider agricultural sector.

The components of the investment package include:

1. Assessment of Farm-Level Conditions. The purpose is to assess the capacity of the farm in the context of its potential productivity, management, ability to utilise technology and to construct and source financing of an appropriate business model.
2. Generate economies of scale. Joint procurement of inputs and managerial advisory services will be facilitated to reduce the costs and risks to farmers.
3. Labour Productivity Enhancement. Training in the best agricultural practices and agri-business and in the application of improved technology will be delivered.
4. Risk Support. The capital base of WINCROP will be strengthened thereby enabling it to make a greater impact in reducing the farmers' production losses from adverse weather conditions and provide them with the financial resources to make a faster recovery in output.
5. Irrigation and feeder roads. Credit will be made available to farmers to bring irrigation onto their farms, especially in those areas containing irrigation infrastructure, such as Castle Bruce and Calibishie. Twelve (12) miles of feeder roads will be rehabilitated; three in the eastern region, eight in the western region, two in the southern region, five in the north-east region.
6. Entrepreneurial Development/ Business Management. This approach will link knowledge dissemination with the actual practice of managing a farm.
7. Research and Extension. This function is of critical importance for delivering timely support services to the farmer. Specific investments will be made in building capacity in

pest and disease control and leaf and soil analysis as well as in the strengthening of propagation facilities. The National Centre of Testing Excellence (NCTE) will play a key role in this endeavour.

8. Safety and management of Agricultural Products. The NCTE will be the lead agency for establishing and monitoring the implementation of standards for handling, processing and packaging produce passing through the packing houses and intended for export.
9. Agricultural Technology Support Services. Under the NAS, matching grants will be made for the adoption of improved production technologies. Producer organisations and the Ministry of Agriculture will be supported to disseminate information and training in that area.
10. Consolidation of the Banana Industry. This intervention will be geared towards facilitating the correction of the apparent contradiction and inefficiencies of two inadequately resourced producer and exporter organizations competing for limited resources in a sensitive and important sector.

Madam Speaker as part of the mentorship programme that I will speak to later, Government will contribute directly to this process by providing financial support to any farmer who is willing to engage a young farm entrepreneur, who wishes to get involved in agriculture. We envisage that at least one hundred (100) jobs will be created.

Coffee

Construction of a coffee processing plant at One Mile in Portsmouth with the capacity to process two thousand (2,000) tonnes of coffee beans per year has commenced. As part of the coffee development programme, 25 acres of coffee have been established and over 10,000 coffee seedlings have been prepared for distribution.

In order to deliver this level of supply, approximately two thousand (2000) acres of coffee will be required. Local supplies of coffee beans will be initially supplemented by imported beans to meet the requirements of the plant. The amount of beans imported will be progressively reduced as local production increases.

In addition to the coffee rehabilitation programme, the Ministry of Agriculture will undertake a coffee development programme under which new acreages will be established, now that funding has become available. A number of farmers have expressed commitment to increase their participation in the rehabilitation programme. Over the next three years, at least 500 acres of coffee will be rehabilitated and established. One hundred and sixty six (166) acres will be planted or rehabilitated in each of the next two years, and 168 acres in the third year.

Madam Speaker, at full production, the coffee enterprise will comprise up to two hundred farmers employing an average of three persons per farm. Thus, up to 800 sustainable jobs will be created as a result of this project.

The locally registered company, *Nature Island Coffee (NIC)*, has been formed. The NIC, in partnership with the *Venezuelan Coffee Corporation (VCC)*, has established a joint venture company, *VENEDOM* in which the VCC owns fifty one per cent (51%) per cent and NIC forty

nine per cent (49%). Dominica's equity contribution in VENEDOM is the coffee equipment and the land on which the plant is being constructed.

The VENEDOM has obtained funding of \$11.2 million from the ALBA Bank to construct and commission the coffee plant, to assist farmers in rehabilitating their farms, and to finance the establishment of new farms.

Madam Speaker, as a production stimulus, farmers participating in this programme will be assisted by Government under the mentorship programme. Farmers will also be assisted in harvesting the beans and paid a guaranteed price by VENEDOM.

Madam Speaker, the next stage in the value chain is the processing and packaging of the final product. For the operation of this link in the chain, the following positions will be available:

- 1 mechanical / electrical engineer. We will target graduates returning with a first degree in the field;
- 1 Quality Assurance supervisor – we will target a graduate in Food Science and Technology for this position;
- 5 machine operators – we will target the graduating class in engineering at the State College for filling these positions;
- 10 packers;
- 1 marketing officer to work alongside Export Dominica.

We expect at least eighteen new jobs from the operational aspect of this enterprise and many more in the actual production and cultivation of the coffee beans.

The processed and packaged beans will be sold to Venezuela and subsequently other members of the ALBA group, the French market and CARICOM.

Poultry and Livestock

Transformation of the livestock subsector is essential for guaranteeing food security of the nation, reducing the food import bill, expanding farming enterprises, and in contributing to the growth in exports. This national objective is currently being pursued by constructing an abattoir for the handling and processing of poultry and pork and by undertaking all the ancillary activities for guaranteeing its success.

This facility is currently being constructed in Layou Park. It has been designed, and is being built according to international standards established and recognized by the European Union. Upon completion, it will have the capacity to process fifty (50) pigs daily at an average live weight of one hundred and sixty (160) pounds to one hundred and ninety (190) pounds. The enterprise will progressively move toward meeting this target over a three year period.

The poultry side of the business is planned so that incremental growth will occur in the years ahead. The ultimate aim is to achieve self- sufficiency in chickens. The success of the abattoir will depend on the willingness of consumers to adjust their consumption practices in favour of the locally produced chicken.

Madam Speaker, all existing, interested and potential poultry and pig farmers are urged to take advantage of this new opportunity. An intensive farm development and extension programme which commenced with existing farmers is being implemented by the Livestock Division of the Ministry of Agriculture. All livestock farmers and interested people should call on the Division for information on how they can participate in this important initiative.

Madam Speaker, a conservative five year projection on the rearing of chickens and pigs reveals the following :

Year	Chickens	Pigs	New jobs created
1	38,400	1,920	25
2	70,000	3,000	25
3	120,000	5,000	25
4	170,000	7,000	30
5	250,000	10,000	45

The processing of chickens in the quantities projected will open up opportunities for the establishment of a hatchery. It is hoped that enterprising private sector investors, will grasp the opportunity presented by the development of the poultry industry.

Another critical aspect of the programme is animal feed. Currently, feed is being supplied by private importers. Dominica will soon ratify the ALBA Foods Programme. Upon doing so, the abattoir will be able to benefit from existing arrangements between Venezuela and Cuba to obtain feed at cheaper rates.

A programme for mobilizing and training of new entrepreneurs in the sector is being developed. This programme will be particularly targeted at existing and potential young farmers. A training and business development module designed for the interested entrepreneurs will be delivered in a collaborative effort of the State College and the Ministry of Agriculture, using the agricultural stations as training centres.

The new entrants into the sector will be assisted with financing and technical assistance for establishing their farm units.

Madam Speaker, the investment cost of the abattoir project which amounts to \$10.6 million is being funded by the Venezuelan government as a grant. The Government of Dominica is grateful for this significant investment for securing self sufficiency in the supply of Dominica`s poultry and pork. The processing operations will be conducted in accordance with internationally accepted standards and will provide the opportunity to export these commodities in the future.

Transportation and the role of Export Dominica

Madam Speaker, it is generally accepted that transportation is important to expansion of trade in agriculture. Government has therefore, allocated four million dollars (\$4.0 million) to go towards the purchase and retrofitting of an appropriate refrigerated cargo vessel.

In the budget address of the last fiscal year, I announced the formation of an entity to be named Export Dominica. I stated then, that Export Dominica would work in close collaboration with the Ministry of Agriculture, manufacturers, producers of cultural products, and other enterprises with the potential to export. The formation of this vehicle is a work in progress and should be fully established in the first quarter of the new fiscal year.

Last year`s budget address made reference to an OECS study which informed that if there was increased production, then the logic of supply and demand would come into play, and vessels would become available for the transportation of agricultural produce.

However, over the past year, the experience of both DEXIA and DAPEX rendered this conclusion questionable. Both entities could not grasp export opportunities available to them because of inability to secure transportation when needed and at rates which were economically viable.

Government is currently in contact with a group of vessel operators to determine all the issues that need to be considered in acquiring a vessel primarily for transporting agricultural commodities. We expect that the private sector will be interested in partnering with Government in this enterprise.

Tourism

Madam Speaker, there are numerous recommendations for making the tourism product more competitive and for increasing visitor arrivals. These recommendations have come from local and external sources alike. The downturn of the sector in the Caribbean, brought on by the global crisis, has triggered a search for lasting solutions.

A pressing concern of this government is to address issues that adversely affect visitor experience. Government is also desirous of positioning the country to host a wide variety of regional and international meetings and conferences.

Currently, there are approximately four hundred and sixty (460) export ready rooms. By the end of the year, that number is expected to increase by one hundred and fifty five (155) rooms to a total of six hundred and fifteen (615). The completion of the Cabrits Hotel and Spa funded by the Government of the Kingdom of Morocco will contribute sixty- eight (68) rooms to the hotel stock.

Madam Speaker, in keeping with the commitment made in the budget address last year, to commission the design of a hotel on the site occupied by the Public Works Corporation, I am pleased to report that with the assistance of a Chinese firm, the design has been completed. Government is now in possession of designs for a four to five star hotel at this location. An offer of financing for the construction of the hotel has been made which Government is considering.

Madam Speaker, the invitation for expressions of interest in the management and operation of the Cabrits Hotel and Spa drew responses from one local company and four reputable external

companies. The local company later withdrew its interest. In due course, a decision on a management contract will be made.

With some signals that the global financial crisis may be beginning to crest, there has been a resurgence of interest in development of the Woodford Hill Resort. The prospect of raising the required US\$10.0 million equity appears positive. This will cause the release of US\$5.0 million which government has reserved for the project and which will go towards developing the infrastructure. Government will inform the nation on progress on this important development for Woodford Hill and the surrounding villages, in the coming months.

Madam Speaker, villa developments, along with the concept of shared ownership, now form an integral part of tourism projects throughout the world. Indeed, many of the new resorts around the Caribbean have embraced the concept of “mixed resorts”, whereby villas form part of the development and are available for sale through whole or shared ownership; this provides a key financing vehicle for the development. In our current environment, such methods of additional financing are much needed. In order to be competitive in attracting similar developments to Dominica, the current legal and tax framework will be revised.

In the short to medium term, new hotel plants will become operational which will result in the creation of approximately three hundred (300) new jobs of which one hundred (100) will be associated with the Moroccan funded hotel.

Citizenship by Investment

Madam Speaker, government proposes to establish a variant of the Economic Citizenship Programme to facilitate investment. This is partly in response to a recommendation of the revised Tourism Master Plan for reviewing the legislative framework to attract new investment in the sector. But it will go further and is intended to deal with investment more broadly. To this end, a Special Purpose Vehicle (SPV) will be formed. The SPV will have an adequate governance structure and will be managed by a Board of Directors with clearly spelt out terms of reference and responsibilities and will include the appropriate checks and balances.

This SPV will be a real estate purchase based scheme. This scheme is gaining favour in the Caribbean. Its emergence has come about from the realisation that some economic citizenship clients, have a preference for a fixed investment and a genuine local address. Many buyers never visit their property and such sales will be restricted to resort developments and be subjected to a mandatory rental programme. In this way, hotel inventory will be created with no long term capital cost to the resort and rental income is split between the resort company and the individual property owner in order to generate a return on the investment.

This variant of the economic citizenship programme is not expected to affect the ongoing programme.

Geothermal Energy Powering Growth

Madam Speaker, the cost of energy affects the quality of life of families, individuals and households and the competitiveness of businesses.

The “fuel surcharge”, which is part of the electricity bill related to the use of diesel for operating the generators, can be up to 45 per cent of the bill. The generation of electricity from geothermal energy will eliminate the need for this surcharge.

Since coming into office, Government has focused on the development of the country’s geothermal resources. We believe that this resource can have a tremendous transformational effect on the Dominican economy due to the number and variety of new investments that a relatively cheap energy supply could attract. Madam Speaker, to date, Government has invested \$30.5 million for test drilling; in August 2013, the drilling of a production and reinjection well will commence. This is estimated to cost an additional \$36.7 million making a total of \$67.2 million invested by government in developing the resource in the Roseau Valley. These investments have allowed government to establish that the geothermal resource of the Roseau Valley is of excellent quality and available in sufficient quantity to generate in excess of 120 megawatts of electricity.

Madam Speaker, there is reason to believe that we are beginning to reap the benefits of using this approach. At a meeting recently held in Paris, the Agence Francaise de Developpment (AFD) offered to provide full financing for the construction of the small power plant of 15 megawatt which will supply electricity to the local market. Upon construction of this plant, the current analysis suggests that consumers can expect to see a decrease of some 40 percent in the price paid for electricity.

The Government and people of Dominica will own between 80 percent to 90 percent of the small power plant which will be constructed by 2015. A minority shareholding of between 20 percent and 10 per cent will be offered to a group of French and other investors with interest in developing the large power plant of 100 plus megawatt to supply electricity to Guadeloupe and Martinique.

In the coming months, work will commence to determine the amount of land that will be necessary to successfully build and operate the geothermal plants that we plan to establish. In doing so, Government guarantees that the property rights of landowners in the selected communities will be respected. Those occupying lands legitimately, but with no title to the property, will be assisted in obtaining title so as to facilitate transactions for bringing the resource to commercial reality.

Government regards the people in possession of the lands in the resource area as key stakeholders. As such, government will intensify the dissemination of information on all aspects of the development and will seek their participation and involvement in its planning as the project progresses.

The geothermal undertaking, Madam Speaker, should have the support of every Dominica.

Constituency Empowerment

Madam Speaker, one of the best ways of empowering our people is to engage them in development activities at the community level. This imperative is even more pressing in light of the effects of disasters on our many vulnerable communities and the quick response that is necessary to restore normalcy to the lives of affected persons.

The constituency empowerment initiative of the Government, introduced in 2009, facilitates the execution of small community projects utilising local authorities and community groups. This has proven to be an effective vehicle for quickly mobilizing communities to carry out projects for improving community infrastructure and the living conditions of families and individuals. In addition, the use of labour in the designated community is also an objective.

This year, Madam Speaker, we will expand the programme and in so doing will tackle many of the projects which have been identified by the communities; these will include, but are not limited to, physical infrastructural development, housing development and support for small farms.

An allocation of \$7.0 million has been made to support these constituency and community based projects in the next fiscal year.

Madam Speaker, it is easy to envisage that under this initiative, most constituencies should have an average of twenty persons in employment at any point in time, thus making available approximately four hundred and twenty (420) short-term jobs.

Business Development, Apprenticeship and Mentorship

Madam Speaker, it is worth repeating that Government takes the stance that economic growth can be advanced through entrepreneurial development. In that regard, during the last fiscal year the programme of financial and technical support continued through the Small Business and Employment Agency (SBEA). Loan and grant disbursements by the SBEA amounted to eight hundred and eleven thousand nine hundred and sixty two dollars (\$811,962) in the fiscal year just ended. This benefitted one hundred and ninety two (192) businesses throughout Dominica.

We recognised from our earlier interventions that the small business development programme is likely to be more successful if it is accompanied by an apprenticeship or mentorship programme. As such, Madam Speaker, following on the policy position articulated in the last budget address, for reactivating the apprenticeship programme, SBEA selected forty five (45) young apprentices desirous of establishing their own small business. These young apprentices were enrolled in Culinary Arts and Creative Manicure and Pedicure Apprenticeship Training programme.

The two-month programme is ongoing, and a stipend is provided to participants to cover transportation and incidentals. The SBEA collaborated with the National Bank of Dominica (NBD) and the Dominica Social Security for orienting the apprentices to establish business relationships with these institutions. The apprenticeship programme prepares the potential

entrepreneurs with the general knowledge, skills and basic procedures and practices for establishing and operating a business.

The general features of the programme are as follows:

- Support is provided for a period of two to six months in duration;
- Targets young unemployed men and women between the ages of 18 to forty five years desirous of establishing their own small business;
- Payment of a stipend to each apprentice;
- Upon completion of the training programme, funding will be provided to support the small business; and
- Bank accounts established and all apprentices registered with the DSS.

Through a similar programme targeting the Layou and St. Joseph communities a number of persons were assisted with technical and financial assistance. In Layou, a total of twenty five (25) women of the community were further empowered as certified food handlers and seamstresses. In St. Joseph, Government made available \$200,000 to implement the programme. Fifty-seven people from the Mero and St. Joseph communities received assistance from that component.

Government will continue to strengthen the apprenticeship programme and one million dollars (\$1,000,000) has been allocated for its continuation in this fiscal year. A stipend of between \$25 and \$50 per day will be paid to apprentices in the programme.

We recognize that the programme of apprenticeship will not always be adequate for transferring the necessary confidence and range of business skills required to successfully enter the world of business. To address this, Government will provide support for a mentoring programme. One part of the programme will see government engage a number of “mentors”; persons with knowledge and experience in business who will guide and impart the ‘know how’ required for the apprentice to enter the world of business.

The second aspect of the programme will see Government making a contribution towards the cost of the engagement of the persons employed in various fields of agriculture, tourism or small business. The success of the interventions which were referenced earlier requires the engagement of a cadre of new employees. As such, each of the interventions I mentioned earlier will receive support under the mentorship programme.

The programme allows the potential investors to engage persons with the relevant qualification or skills but who require on the job training so that eventually they will be able to fully take over some of the responsibilities. While not discounting the positive impact on the investor or employer, we expect that this programme will be particularly beneficial to the potential employees. Both the apprenticeship and mentoring programmes will give priority to persons desirous of entering the areas of business activity related to the products and commodities identified in the targeted investments outlined. An allocation of \$7.0 million is made for the mentorship programme.

Creating New Employment

Madam Speaker, the economic growth we aspire to have, is not an end in itself; the bigger picture is that it will create the opportunity for employment and as a result in the continuous reduction in poverty.

Madam Speaker, I now invite this Parliament to examine the new job opportunities that will be created as a result of the investments I have outlined in this address. For ease of reference, they are:

- The BAM - 100 new full time jobs;
- Coffee - 820 new jobs;
- Poultry - 150 new jobs;
- Pork - 50 new jobs;
- Tourism - 300 new jobs
- Total - 1320 new jobs

Madam Speaker, not all of these jobs will be available within one year. The trend will be toward a sharp increase in the number of employed. It should be noted, that mention is not made, of the hundreds of part time jobs that will become available as a result of these targeted investments.

I further draw to the attention of this Parliament that both full time and part time jobs will continue to be created through governments capital investment programme, the PSIP, through the BNTF, and through the SBEA. These jobs are not captured in the new jobs just estimated.

BUDGET FOR 2013/2014

Madam Speaker, I now present the budget proposal for the financial year fiscal year 2013/14. Total revenue estimated is \$537.0 million. Recurrent revenue is estimated at \$401.5 million; capital grants of \$77.5 million and current grants of \$7.0 are estimated, an amount of \$45.5 million is expected from loans. Recurrent expenditure exclusive of debt amortization is \$333.0 million, while capital expenditure is estimated at \$163.6 million. In this financial year, it is anticipated that there will be a current account surplus of \$68.4 million. The expected primary balance is \$16.8 million or 1.2 percent of GDP

Table 2 shows the overall summary of the estimates for fiscal year 2013/14 in comparison with estimates for fiscal year 2012/13.

Table 2: Overall Summary

	Estimate 2013/14	Estimate 2012/13
Revenue		
General Revenue	401.5	369.8
Current Grants	7.0	4.0
Capital Grants	77.5	54.7
Loans	45.5	49.7
Other Inflows	5.6	5.1
Total Revenue	537.1	483.3
Expenditure		
Compensation	148.8	145.4
Other Current Operating Expenditure	158.3	157.9
Debt Service	21.9	19.5
Project Expense	163.6	134.7
Total Expenditure	492.6	457.5
Current Account Balance	68.4	47.0
Primary Balance (\$)	16.8	-4.5
Primary Balance (% of GDP)	1.2%	-0.5%
Debt Amortisation	37.1	41.6
Sinking Fund	0.5	
Investment	4.0	
Total expenditure, Debt amortization, Sinking Fund and Investment	534.3	499.1

Recurrent Revenue

Madam Speaker, the recurrent revenue for fiscal year 2013/14 is estimated at \$401.5 million and this surpasses the 2012/13 estimate by \$31.6 million. Estimates of tax revenues are \$5.2 million less than last fiscal year while non-tax revenue is expected to be \$36.8 million more than last year's estimate.

Table 3 below gives a summary of the revenue estimates for fiscal year 2013/14 by the major contributing categories.

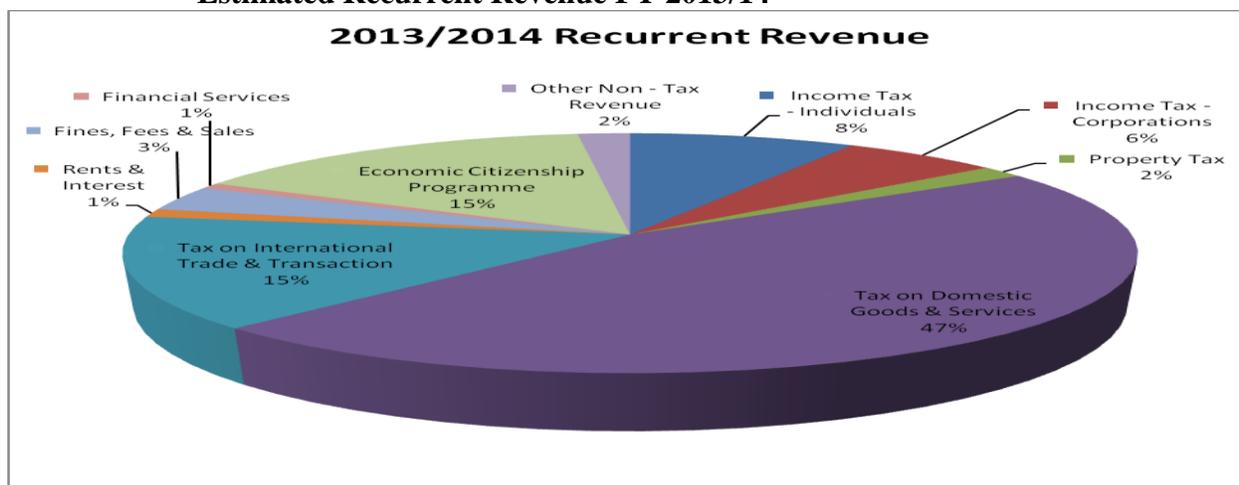
Table 3: Recurrent Revenue Estimates 2013/2014

Code Name	Estimate 2013/14 (\$)	%	Estimate 2012/13 (\$)	%
Summary				
Tax Revenue	311.1	77.5	316.3	85.5
Non-tax revenue	90.4	22.5	53.6	14.5
Total	401.5	100.0	369.9	100.0
Tax Revenue				
Income Tax - Individuals	33.6	8.4	33.0	8.9
Income Tax – Corporations	23.5	5.9	25.0	6.8
Property Tax	6.6	1.7	8.4	2.3
Tax on Domestic Goods and Services	186.6	46.5	181.2	49.0
Tax on International Trade and Transactions	60.7	15.1	68.7	18.6

Personal income tax will contribute \$33.6 million to revenue while corporate income taxes will contribute \$23.5 million. Taxes on domestic goods and services account for \$186.6 million or 46.5 percent of revenues. Taxes on international trade and transactions account for \$60.7 million for 15.1 percent.

The largest contributor to non-tax revenue is the economic citizenship programme which is estimated to contribute \$61.6 million.

Estimated Recurrent Revenue FY 2013/14



Recurrent Expenditure

Recurrent expenditure including debt amortization is estimated at \$370.7 million. Table 4 shows the breakdown of the expenditures by the major categories. In the recurrent expenditure, salaries and wages account for 35.8 percent of the total expenditure; goods and services account for 24 percent; interest and loan repayment account for 15.9 percent and transfers and subsidies for 12.1 percent.

The allocation for goods and services include expenditures to be incurred for road maintenance, purchase of equipment, maintenance of properties, training, insurance, purchase of medical supplies, consultancy services, office and general expenses. Transfers and subsidies include education grants, contributions towards social protection programmes for the elderly and less fortunate, contributions to regional and international institutions and grants to local government.

Table 4: Recurrent Expenditure by Economic Classification

	2012/13 (\$)	2012/13 (%)	2013/14 (\$)	2013/14 (%)
Wages and Salaries	129.1	35.4%	132.9	35.8%
Salaried Allowances	6.4	1.7%	6.0	1.6%
Non- Salaried Allowances	9.9	2.7%	10.0	2.7%
Goods and Services	90.4	24.8%	88.8	24.0%
Transfers and Subsidies	44.3	12.2%	45.0	12.1%
Retiring Benefits	21.2	5.8%	22.5	6.1%
Debt Servicing	19.5	5.4%	21.9	5.9%
Repayment of Loans	41.6	11.4%	37.1	10.0%
Sinking Fund	-	0.0%	0.5	0.1%
Refunds	2.0	0.5%	2.0	0.5%
Investment Financing			4.0	1.1%
Total Recurrent Cost	364.4	100%	370.7	100%

Table 5 shows the distribution of recurrent expenditure by the line ministries.

Table 5: Recurrent Expenditure by Ministry/Department

Head	Ministry/Department	Expenditure	% of Expenditure
D21	President's Office	815,289	0.22
D22	Integrity in Public Office Commission	663,505	0.18
D25	Legislature	1,194,011	0.32
D26	Audit Department	1,045,008	0.28
D27	Ministry of National Security, Labour and Immigration	38,148,617	10.29
D28	Elections	472,598	0.13
D29	Ministry of Employment Trade, Industry and Diaspora Affairs	3,742,827	1.01
D30	Prime Minister's Office	5,174,777	1.4
D31	Ministry of Finance	104,110,441	28.09
D32	Ministry of Agriculture and Forestry	9,488,675	2.56
D33	Ministry of Education and Human Resource Development	59,748,346	16.12
D34	Ministry of Lands, Housing, Settlements and Water Resource Management	3,416,019	0.92
D35	Ministry of Social Services, Community Development and Gender Affairs	17,372,863	4.69
D36	Ministry of Health	47,805,954	12.90
D38	Ministry of Environment, Natural Resources, Physical Planning and Fisheries	2,512,187	0.68
D39	Ministry of Tourism and Legal Affairs	14,743,019	3.98
D42	Ministry of Information, Telecommunications and Constituency Empowerment	1,725,504	0.47
D43	Ministry of Carib Affairs	397,259	0.11
D44	Ministry of Culture, Youth and Sports	5,149,164	1.39
D50	Establishment, Personnel and Training Department	11,338,322	3.06
D52	Ministry of Public Works, Energy and Ports	30,182,495	8.14
D53	Ministry of Foreign Affairs	11,428,220	3.08
Total		370,675,100	100.0

An allocation of \$104.1million or 28 percent of the recurrent expenditure is to the Ministry of Finance. Of this amount, \$22.5 million is for retiring benefits, \$37.1 million is for loan repayments and \$21.9 million is for interest payments. The Ministry of Education and Human Resources Development will receive \$50.2 million or 16.1 percent, the Ministry of Health is allocated \$47.8 million or 12.9 percent, the Ministry of National Security, Labour and Immigration is allocated \$38.1 million or 10.3 percent. Allocation to the Ministry of Public Works, Energy and Ports is \$30.2 million or 8.1 percent.

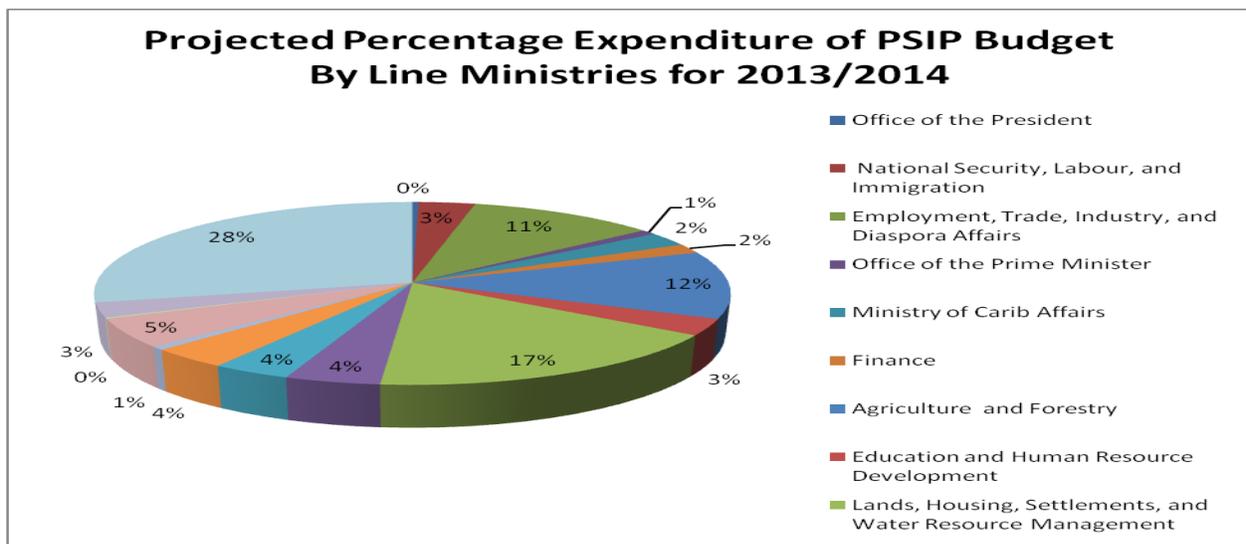
Public Sector Investment Programme

The Public Sector Investment Programme includes projects which will foster economic growth and is aimed at reducing poverty and creating employment. The Public Sector Investment Programme for the fiscal year 2013/14 is estimated at \$163.6 million and financed as follows:

FY 2013/2014

Funding	Amount in EC\$	Percentage of Funds
Local Funds	40,567,913	24.80%
Loans	45,508,049	27.82%
Grant	77,513,008	47.38%
Total	163,588,970	100.00%

The following is a pie chart that shows the percentage allocation to ministries.



The following table 6 is a summary of the allocation of the capital budget to Ministries and Departments.

Table 6: Allocation of Funds by Ministries

Percentage of total		Budget Estimates 2013/2014			
		Total	GOCD	Loan	Grant
0.35%	Office of the President	575,000	75,000	500,000	-
3.22%	National Security, Labour, and Immigration	5,259,553	2,135,409	2,582,144	542,000
10.79%	Employment, Trade, Industry, and Diaspora Affairs	17,648,807	4,300,000	700,000	12,648,807
0.86%	Office of the Prime Minister	1,400,000	1,400,000	-	-
2.47%	Ministry of Carib Affairs	4,044,203	544,203	3,500,000	-
1.70%	Finance	2,779,998	1,574,906	-	1,205,092
11.91%	Agriculture and Forestry	19,480,711	2,116,006	-	17,364,705
2.94%	Education and Human Resource Development	4,802,647	1,500,397	2,802,250	500,000
17.21%	Lands, Housing, Settlements, and Water Resource Management	28,155,225	8,991,434	4,926,000	14,237,791
4.34%	Information, Telecommunications, and Constituency Empowerment	7,100,000	100,000	-	7,000,000
3.58%	Social Services, Community Development, and Gender Affairs	5,858,714	1,277,743	-	4,580,971
3.63%	Health	5,934,502	2,764,129	-	3,170,373
0.60%	Environment, Natural Resources, Physical Planning, and Fisheries	988,206	293,920	-	694,286
5.14%	Tourism and Legal Affairs	8,414,340	2,540,000	-	5,874,340
0.19%	Culture, Youth, and Sports	307,697	307,697	-	-
2.61%	Establishment, Personnel & Training Department	4,271,945	2,427,301	1,500,000	344,644
28.47%	Public Works, Energy, and Ports	46,567,423	8,219,768	28,997,655	9,350,000
100.00%	TOTAL	163,588,970	40,567,913	45,508,049	77,513,008

Madam Speaker, I highlighted earlier some of the initiatives we will be implementing during the year through the PSIP. The following is a summary of other critical projects and interventions.

The Ministry of Public Works, Energy and Ports will receive \$46.6 million or 28.5 percent of this year's capital programme for continuation of infrastructural works and production of geothermal energy.

Road rehabilitation works continue as we make every effort to address the challenges posed by heavy rainfall and the impact on road and related infrastructure. Madam Speaker, Dominicans as well as visitors to Dominica, who have the opportunity to pass through the Melville Hall to Pond Casse road, marvel at the fortitude of the Government in undertaking this project. It is indeed a challenging undertaking, but even in this incomplete stage, we already have an appreciation of the great experience, the reduction in time and the quality of the drive, the completion of this project will bring to all users.

We are at an advanced stage in the procurement of consultancy services for both Layou Rehabilitation project and the Ophelia Rehabilitation Project, both projects funded by loans from the CDB. The Layou Rehabilitation Project will include the construction of river protection,

road rehabilitation and the construction of a hurricane shelter in the village. The Ophelia Rehabilitation Project is for the shelving of the cliff on the portion of the Roseau Valley road just east of the intersection of the Valley Road and St. Aroment Back Road, and the extension of the sidewalks from Bath Estate to Silver Lake.

Provision is being made for the construction of vending stalls at the newly completed boulevard in Pointe Michel so that the economic activity which once took place in that vicinity would recommence but with better facilities.

Madam Speaker, Government recognizes the rehabilitation works that are required on the east coast road. We are in the process of finalising the arrangements with the European Union to proceed with the implementation of the sections identified for financing under the B'envelope. Actual works are expected to start towards the last quarter of the financial year. The full project is expected to cost Euro 6.9 million (approximately EC\$24.8 million). Other interventions for east coast are being discussed with the World Bank and the Chinese Government. Although the discussions and the preparatory works are well advanced, it is not expected that actual works will begin before the next fiscal year.

The credit facility agreement which was signed with AFD in January 2013, will enable the commencement of the geothermal energy production. It is expected that the drilling of the production and reinjection wells will begin in August 2013.

The Ministry of Lands, Housing, Settlements and Water Resource Management is earmarked to receive \$28.2 million or 17% of the capital budget for continuation of the housing programme and provision of potable water to all communities. The housing programme will continue since it has had a positive impact on the quality of the life of citizens of the Commonwealth of Dominica. It has also provided access to affordable housing for low income households. We recognize that notwithstanding our success to date in dealing with the housing needs of our country, there is still much more to be done; it is a task that we cannot leave incomplete.

In fiscal year 2013/14, infrastructural works will continue in Union Estate in Pointe Michel (88 lots), Hillsborough Gardens in St. Joseph (53 lots), Carib Territory and the Petro Casa Housing. Work will commence in Plat Ma Pierre in Colihaut (67 lots), San Sauveur and Lily Valley in Trafalgar (27 lots).

Government commits to make good on payments for land acquired for public purposes. This year Madam Speaker, provision is being made to make payment for the land which was acquired for housing development including that which was acquired at Cotton Hill, Portsmouth. A total of 113 lots will be made available over time. The next step is to begin to develop the infrastructure. We have already invited persons who are interested in purchasing land in Cotton Hill to submit applications.

Apartment buildings will be constructed at Elmshall and Bath Estate with resources from the Government of China. Also Madam Speaker, the preliminaries for the construction of the apartments at Silver Lake have been completed and actual construction will proceed during the year.

Government's aim is to provide for 100 percent coverage of safe, reliable, potable water and this is being pursued through maintenance of existing water systems and the construction of new water systems. This will also include increasing storage capacity. Madam Speaker, many people assume that because Dominica boasts of 365 rivers, that the provision of potable water is an inexpensive venture. This could not be further from reality and we will continue to work tirelessly to meet our objective. I wish to commend DOWASCO for the diligence with which it has worked with Government to achieve that goal.

Among the projects being undertaken are the following:

- Rehabilitation of the Vieille Case Water System
- Upgrading of the Savanne /Scotts Head Water System
- A new system to serve Belles/Penrice/Sylvania/Layou Park
- Completion of Lot 1 West Coast Water Supply project (Access Roads and intakes at Coulibistrie and Picard)
- Commence work on Lot 3 of West Coast Water supply project –Construction of Storage Tanks
- Completion of Bense, Grand Fond and Shawford Water Supplies
- Upgrade of Water Area 1 at Antrim

The West Coast Water project is a significant project for the citizens of Dominica especially those communities from Capuchin to Salisbury. The project includes the construction of new intakes, storage tanks and laying of new supply lines. This project will no doubt improve the coverage and quality of water supply in the target area.

The Ministry of Agriculture and Forestry will receive 11.0 percent of the capital budget which translates into \$19.5 million. Construction work will continue on the abattoir for the slaughtering and processing of poultry and pork under hygienic conditions. With the completion of this facility it is expected that there will be a reduction in the import of meats namely poultry and pork and improve the balance of trade in respect of goods.

With resources expected from the European Union, work will continue to improve the access to farms through the feeder roads improvement programme. These investments will complement the investments that Government made in the last fiscal year utilizing local resources.

Over the last few years, the agriculture sector has been affected by pests and diseases of various types. An estimated \$0.8 million is provided to address these issues. Madam Speaker, I strongly urge all farmers to work with the Ministry of Agriculture in reducing the spread of these diseases by adopting the practices which are recommended.

The capital budget for the Ministry of Employment, Trade, Industry, and Diaspora Affairs is estimated at \$17.6 million and aims to develop and improve the standards for small business development, and also to generate employment.

The small business support agency aims to deliver a programme of certified apprenticeship training activities in areas such as stone cutting, block laying, culinary arts, manicure, pedicure,

tiling, plumbing, landscaping, jewellery making, furniture manufacturing and hospitality services. The apprenticeship programme sets the basis of the mentorship programme which I referred to earlier in this statement.

Madam Speaker, the improvement of activity in the tourism sector will continue with the Ministry of Tourism and Legal Affairs receiving \$8.4 million or 5.1 percent of the capital budget. The Access Marketing Strategy project aims to assess the economic impact of tourism in Dominica. One of the components of the project is to support and strengthen the national statistics offices to improve its capacity to undertake these studies.

The Community Tourism Expansion project will provide for improved facilities, purchase of equipment, training and capacity building in the communities of Laudat, Capuchin, Tantane and Marigot. I am pleased with the successful negotiation with the cruise lines, in which agreement was reached that will result in an increase in the number of visitors and the number of the cruise calls expected in the upcoming season. We must now ensure that every visitor leave our shores having had a good experience and has contributed to the economy. While Government focuses on finding ways to promote and improve the product, it is the responsibility of each of us to ensure that every visitor who leaves Dominica has a memorable experience.

Madam Speaker, construction work on the Roseau River Promenade Project will soon commence. A contract in the sum of \$ 3.8 million is being awarded for the construction of a retaining wall on the northern side of the river. The project will create fifty jobs in the construction phase, and when completed, will provide an enhanced and attractive recreational, commercial and social public space for citizens and visitors alike.

In the social services sector, the Basic Needs Trust Fund will continue with the implementation of infrastructural projects which address the improvement of basic requirements, services and strengthening of organizations in the communities. This year, an amount of \$4.5 million will be spent on projects funded under BNTF 6. Preparatory work will commence during the year on the projects which have been identified for financing under BNTF 7.

With an allocation of \$4.8 million, the Ministry of Education continues the thrust to improve the quality, efficiency and effectiveness in basic education through enhancing the learning environment at both primary and secondary schools. The Education Enhancement project seeks to address gaps in the education system which affects the provision of quality education. The improvement in school plant will also continue with the commencement of work on some schools buildings.

Implementation of the Carib Territory capacity Building project will continue. The allocation in this year's budget is \$4.0 million. This phase of the project will see work commence on the resource centre and ongoing road works.

In order to ensure sustainable economic and social development it is essential to create a sense of safety and security for all of the residents of the state, citizens and visitors alike. Every incident of crime or antisocial behaviour impacts negatively on this sense of safety, and violent crime, drugs and firearms related crime have a negative impact even beyond the borders of the state. In

that regard, government will provide the support required by the law enforcement agencies, both legislative and material, to fight crime. Government will continue to collaborate with regional and international agencies to ensure that Dominica is not used as a safe haven or transshipment point for trafficking in drugs and small arms, money laundering, human smuggling and bring under control incidence of violent crime and antisocial behaviour.

The Ministry of National Security will receive 3.2 percent of the capital budget to continue improvement/renovation of existing buildings. Construction works on the Calibishie Police Station began in the last fiscal year and the La Plaine Police Station will be started in this fiscal year.

Madam Speaker, there has been much debate on the ability of Dominica to provide its own health care. We recognize the efforts of our health professionals but acknowledge that in these times the use of technology in diagnosis and treatment is becoming the norm. In that regard, Government has approved for the acquisition of the following diagnostic equipment namely:

- Magnetic Resonance Imaging (MRI). Madam Speaker, the MRI machine would be useful in diagnosing Brain tumors, Alzheimer's disease, Stroke, Meningitis, Multiple Sclerosis, injuries to the brain or spinal cord, and infections of the bones. It is also used in detecting breast cancer and to determine the extent to which cancers may have spread in the body and to detect heart abnormalities and extent of damage after a heart attack.
- Mammogram. A mammogram machine allows the doctor to have a more in-depth look at changes in breast tissues that cannot be felt normally during a breast exam. Madam Speaker, this Government is concerned about the increase in the number of cases of breast cancer among our women and we are determined to arrest this situation through early screening and diagnosis.
- Computer Tomography (CT) scan machine. A CT scan is a tool widely used to diagnose health conditions related to the kidney, liver, lungs, pancreas, intestines and heart among others.
- Endoscope. This is special diagnostic equipment used in gastroscopy and colonoscopy. Madam Speaker, this will allow our doctors to evaluate and detect problems in the esophagus (gullet), stomach and duodenum and also the rectum and the colon. It is used in the detection of cancer, polyps and growths in these organs.

There is now a functioning CT Scan at the PMH, but the technology has been so improved that it justifies the purchase of the new one.

Madam Speaker, our concern with health financing is no secret. While we have taken steps to ensure that people who fall sick have access to adequate care, we must admit that prevention is better than care. This is why the acquisition of these pieces of equipment is being made such a priority. The earlier the detection, the more successful we will be in managing the incidence of some of the chronic diseases.

I must recognise and applaud the work of the Dominica Cancer Society and the many partner organisations and benefactors who support their work. Indeed, your efforts in seeking care for people who are diagnosed as well as the emotional support to the families is commendable.

These will be complemented with other equipment purchased with resources from the European Union under the programme to further improve maternal and child health. The provision of this equipment will put us in good stead for a state of the art hospital. The discussion with the Chinese Government is moving apace to finalise the arrangement for the implementation of this project.

All in all, Madam Speaker, I have highlighted only the major capital projects. We expect that the programme presented for approval of the Parliament will result in economic activity and job creation at the community and national levels. I must however, raise a concern, Madam Speaker. That concern is the tendency to be inefficient in the implementation of Government projects. I therefore urge all contractors and employees who will have the opportunity to work on these projects to give of their best, give good quality work and ensure that these projects are completed on time and within budget.

FISCAL AND OTHER MEASURES

Madam Speaker, during the pre-budget discussions, several persons thought that it was necessary to increase the cost of Government services. We have considered that suggestion in the context of the enhancements we have made in delivery of many services and thought that the suggestion was valid. We also considered Madam Speaker, the state of the world economy and our own efforts to ensure growth and poverty reduction. In the final analysis, Madam Speaker, we have come to the conclusion that the time may not be right now to increase fees in the context of a global economy that is not strong enough. In other words, there are no new taxes or fees in this budget. We will continue our efforts at becoming more efficient in the delivery of services to the citizens, so that the cost of services is less to the Government as well as to the private sector.

All of the measures announced in last year's budget are being implemented and are at varying stages.

I wish however, to again take the opportunity to urge strongly those who owe the State to make a concerted effort to settle their debts. Madam Speaker, the people and businesses who owe know themselves. In all cases, they would have received at least one notice at some point in time from the Inland Revenue Division or from the relevant Government agency such as the Ministry of Housing. Some people take comfort in the fact that they pay only a part of what is required; but that is not enough. We again offer the opportunity to those willing to pay their outstanding taxes in full, the consideration of a waiver of penalty and interest. Each request, of course, will have to be dealt with individually and consistent with the legislative process. We trust that during this fiscal year we can improve the level of compliance for all of our tax types.

I will now propose the measures which will be implemented in this year.

Expansion of social security services

The Government of Dominica in an effort to extend the safety net provided by the Dominica Social Security, has requested of the Actuary that consideration be given to expanding the existing provisions of the Dominica Social Security as it relates to the voluntary coverage of insured persons. It is hoped that Dominicans who migrate would have an extended period within which to express their interest in continuing to make their contributions to the Fund on a voluntary basis. By so doing, they will enhance their entitlement to pensions. It is hoped that the programme will be broadened to allow Dominicans residing overseas to pay into the Fund and thereby secure entitlement to a pension. This provision would help relieve the plight of nationals who would have worked overseas and on returning home do not have access to the social security system.

We are also exploring the arrangement whereby nationals of some CARICOM Countries are able to enjoy increases in their pensions from the British System even after they would have departed the United Kingdom during their retirement.

These measures are intended to augment other programmes that the Government of Dominica has already put in place for its nationals who reside at home and will serve to further enhance the lives of those who have worked overseas and would have contributed to the nation's development through the remittances they would have sent during their working lives overseas.

Improving tax administration - Formal launch of e-filing and e-payment of taxes

The Inland Revenue Department is in the process of implementing an online service. The Tax e-filing system will enable electronic interactions for the purposes of (i) registration, (ii) filing of declarations and returns, and (iii) performing electronic payments of taxes.

An electronic user (e-user) will be empowered to use the service on his behalf or on behalf of other taxpayers. The system will also allow the registered user to enquire on his / her own registration data and request amendments, tax account and e-filing/e-declaration documents. It will provide document management facilities with the purpose of archiving and storing attachments and forms in accordance with the legislative requirements. E-user will be able to perform electronic payments of taxes by several means including but not limited to Debit/Credit cards and Bank transfers.

The expected benefits of the Tax E-Filing System include:

- Integration of the tax preparation, tax filing and tax payment.
- Reduction in administrative costs to the private sector and the general public to file declarations and returns for all tax types, including income tax and VAT.
- Reduction in the administrative costs to government to verify online tax submissions.
- Greater availability and number of channels for the collection of government revenue.
- Provides channel for Diaspora and overseas investors to make payments.
- Improvement in the efficiency of the tax collection process.
- Potential for increased tax revenue.

I am sure Madam Speaker, these improvements will bring a greater level of efficiency in tax administration. It should also bring some efficiencies to the business which will make use of the facility.

Energy Efficiency

Madam Speaker, as we focus on developing geothermal energy, we look for ways in which we can bring some relief to the population. In previous budgets we reduced the import duty on items which encourages the use of renewable energy and on energy saving bulbs. As the technology improves, new products emerge that may have the same impact but which are not covered under the current concession regime. Specific to reducing the cost of electricity, we are aware that LED lights are even more efficient and have a much longer life, than the existing fluorescent and energy saving bulb. We therefore intend to extend the concession of the removal of import duty on LED bulb effective 1st October 2013.

We encourage all citizens to adopt any measure that will help in improving energy efficiency at the household level. Within Government, we will begin the transition with the introduction of LED lights at the new Government buildings being constructed.

CONCLUSION

Madam Speaker, fiscal year 2012/13 was a challenging one, but yet again we were able to mitigate against the most challenging of circumstances. As I said from the outset, we have endeavoured in this Presentation to be responsible in our approach to tackling issues of concern to the people of Dominica. We have not asked more of them, because we understand the impact of the global economic downturn on their personal finances. By the same token, however, we have also not offered more than we could reasonably and responsibly afford.

The effects of severe and sometimes unusual weather conditions are a major risk to our development. The fact the rest of the World is growing at only a slow rate is beyond us. But there are things that are within our control.

We must be more efficient in our operations- private and public sector. We must find a way to use technology to make us more productive. We must be more focused on the common good and less on individual achievements and we should use our individual achievements to work for the benefit of others. We should see respect as something due to everyone and remember that disrespect of our nation and its institutions is more of a negative reflection of us.

In short, Madam Speaker, while the budget address focuses directly on ‘bread and butter’ issues we must come to the realization that the effectiveness of all of the policies that I articulated during this address will be almost meaningless without these values. I therefore urge all of us to be mindful of this.

This Budget presentation is about building on the gains we have made, while at the same time ensuring a relatively safe and sound social and economic environment for all to live, enjoy and do business.

When we examine economic indicators around the region and the world today, the Commonwealth of Dominica continues to defy the odds. We are presenting a budget in July 2013 from which no worker is feeling threatened, no business is being additionally taxed, no social service is being withdrawn or reduced, no child's education or health is being compromised or tinkered with in any way, no retiree is any worse off and no investor is being asked to pay more for being or doing business here. This is as enviable a position as one can reasonably aspire to in the year 2013; given all that is going on around us. I invite members of this House and the community at large to consult other report cards in the region and elsewhere to influence their assessment of this package

I express the deepest gratitude to the people of Dominica, here and abroad, for remaining steadfast in your commitment to working with this Government to build our country. I thank our benefactors and friends for support which is manifested in many ways. I thank Almighty God for His strength, courage and wisdom.

Madam Speaker, this country is ours to build and it is my hope that opportunities provided in this budget will be pursued by those who stand to benefit and look forward to the fulfillment of the promise that the budget holds.

Madam Speaker, I commend this budget to this Honourable House.

May God Bless the Government and People of Dominica.

Thank You.