

**BUDGET ADDRESS
FOR
FISCAL YEAR 2014/15**

“TOWARDS EXPANSION OF THE ECONOMY”

Presented by
Hon. Roosevelt Skerrit
Prime Minister and Minister for Finance

23rd July 2014

Madam Speaker, Members of this House, my fellow Dominicans

Introduction

I am thankful to God for the opportunity to once again present a budget address to the nation and to outline the policies and programmes that this Government wishes to implement for the growth and development of our country and for the benefit and prosperity of our people.

Let me also say thanks to the many friends, supporters and well wishers of the Government for your encouragement, support and acknowledgement of the work that we have been doing.

My gratitude also goes out to the members of Cabinet and the Parliamentary Secretaries for the yeoman service they render, as together, we apply our minds and energies to the challenges we encounter as we strive to take Dominica to higher levels of development.

Madam Speaker, this is my eleventh (11th) budget presentation. When I presented the 2004 budget address, it was at a time when we were implementing an IMF supported structural adjustment programme. That programme was necessary because of the poor economic and financial management of the United Workers Party Government during their term of office from 1995 to early 2000. With the diligence and hard work of this Government, led in the first year of the programme by the late Pierre Charles, the sacrifices of the people of Dominica, our resilience as a nation and the support of our bilateral and multilateral partners, we came through this programme with flying colours; to the extent that the Labour Party was returned to office in 2005 and again in 2009.

At this time Madam Speaker, challenges remain; but these are challenges caused by a global crisis which first started with the financial crisis in 2008; a crisis that has changed the global economic landscape and which has left no country unscathed. For all of this term of Government, we have been operating in difficult times but despite this, we have continued to focus on the development of our country and our citizens. We have made prudent fiscal management the platform on which our growth strategies are built and have put measures in place to make our debt sustainable. Not only have we maintained social programmes, but we have gone further and increased support to the disadvantaged among us. We have done our best despite the challenges, but the challenges persist.

However, these are challenges that we are resolved to overcome. What is needed, is determination to stay the course, remain focused and work toward delivering the results that are virtually assured in the package of projects and programmes for which financing has been secured. The fundamental message I wish to leave with listeners and all those who will be charged with implementing these policies is that we cannot guarantee the social protection and standard of living we have hitherto enjoyed, unless we all become more enterprising, put our shoulders to the plough, and create employment and wealth from the human and material resources with which we are endowed.

Madam Speaker, we have therefore decided to present this budget statement around the theme ***“Towards Expansion of the Economy”***. Through this theme, we will articulate a more diversified approach to sustainable economic recovery and social development to take us out of this prolonged global recession and into an era of prosperity.

Regional and International Performance and Outlook

Quoting from the International Monetary Fund (IMF) World Economic Outlook (WEO) of April 2014, the prognosis for growth in the global economy is that *“Global activity strengthened during the second half of 2013 and is expected to improve further in 2014–15.”* Overall, global growth is projected to strengthen to 3.6 percent in 2014 and then to increase further to 3.9 percent in 2015. Much of that growth is expected to come from advanced economies. The United States of America (USA) is expected register growth of about 2¾ percent. Growth is projected to be positive but varied in the Eurozone.

In emerging markets and developing economies, economic activity is projected to improve gradually with growth increasing from 4.7 percent in 2013 to about 5 percent in 2014 and 5¼ percent in 2015. In China, growth is projected to remain at about 7½ percent in 2014.

The IMF also indicates that economic activity in Latin America and the Caribbean (LAC) is expected to remain relatively subdued in 2014. Real GDP growth in Latin America and the Caribbean fell further in 2013 to 2¾ percent, down from 3 percent in 2012 and 4½ percent in 2011. In 2014, growth is projected to remain low at about 2½ percent.

Among members of the Eastern Caribbean Currency Union (ECCU), growth is expected to be subdued with growth for the Union estimated at 0.8 percent for 2013 and projected to be 1.9 percent and 2.3 percent in 2014 and 2015 respectively. According to the ECCB, these estimates reflect improved performance overall, but that level of growth is not nearly enough to generate the type of economic and social transformation that the countries of the ECCU require. However, these results are not surprising given the impact which the global crisis has had on each territory.

There are risks associated with these projections, not least of which is the potential for increases in petroleum prices as a result of the political climate in the Middle East. There is also the risk of increasing competition in the global marketplace, as the emerging superpowers - Brazil, Russia, India, China and South Africa (the BRICS) - get their act together. It is clear that in this environment, we have to become more enterprising and develop the capacity to spot niches and capitalise on them quickly.

Notable achievement in the face of Global Challenges- Report card on successful interventions since election 2009

Madam Speaker, this is an election period, as constitutionally, all things being equal, general elections will have to be called before the next budget is presented. But, Madam Speaker, the necessity of an election does not mean that we deviate from the characteristics that are the

hallmark of this Government's management of public finances and the economy generally. After eleven years, as Minister for Finance, I have not taken a gamble with the management of government resources and from all reports Madam Speaker, the fiscal policies of this Government have served this country well.

By our estimate Madam Speaker, for the period 2009 to 2013, real GDP growth averaged 0.5 percent. The preliminary estimated growth for 2013 is 0.8% while the estimate for 2014 is 1.5 percent. (The estimate for 2013 will be confirmed on the completion of the 2014 National Accounts survey). Our target is for an annual average growth rate of 3.0 percent. The main contributors to that growth were agriculture, construction, manufacturing and tourism. Madam Speaker, we are concerned that our expectation for growth in agriculture is being compromised by new and emerging diseases. Much has already been said about the Black Sigatoka and Citrus Greening diseases. We have not stood by and ignored the problem; with a combination of measures including the application of the necessary pesticides, cutting down of infected fields and obtaining new planting material, we expect to win the war over these diseases. At the same time, we are reassured that the policy to support horticulture is bearing fruit and keeping the agriculture sector as a whole on a growth path.

The construction sector has been supported through a series of Government policies. The Housing Revolution has been a major factor in construction; whether it was created through the special loan facilities at the AID Bank and the Government Housing Loans Board (GHLB) or through the Housing and Sanitation Programme, the construction sector has been positively impacted. The infrastructural works undertaken by Government is likely the most significant contributor to the construction sector. In 2010, growth in that sector was estimated as high as 8.7 percent. However, it is estimated that output in the sector fell by 2.0 percent in 2013 because some large infrastructural projects were coming to an end.

The tourism sector has seen mixed fortunes with growth from 2009 to 2013 averaging 1.0 percent with a high of 8.2 percent in 2011 and a low of -4.1 percent in 2009. This sector is the one which has been most directly affected by the global crisis which started in 2008. Hence the 2009 result is not surprising. This, along with the decrease in cruise arrivals, meant that the level of growth desired in the tourism sector has not been achieved. However, preliminary estimates suggest that from a 1.6 percent decline in 2012, activity in the sector strengthened during 2013 with estimated growth of 2.0 percent.

Activity within the manufacturing sector has remained positive for the last three years. Output has been robust, with strong gains in soap, beverage, and paint production. In 2012 growth of 3.8 percent was recorded. In 2013 growth is estimated at 3.4 percent. Growth for 2014 is expected to be 2.0 percent.

The performance of the various subsectors change from time to time, but the imperative is always to identify the measures which will encourage growth.

A review of growth rates for selected OECS countries reveal that Dominica has stood its own among the OECS States.

Table 1 OECS Countries Growth Rates 2004 - 2013

| Country | 2009 | 2010 | 2011 | 2012 | 2013 ^P | Annual Average |
|--------------------------|--------|-------|-------|-------|-------------------|----------------|
| Antigua & Barbuda | -10.67 | -8.57 | -2.1 | 2.79 | 0.14 | -3.7 |
| Dominica | -0.76 | 0.73 | 1.71 | -0.19 | 0.8 | 0.5 |
| Grenada | -5.63 | -1.99 | 0.14 | -1.22 | 2.74 | -1.2 |
| St. Kitts & Nevis | -3.77 | -3.83 | -1.88 | -0.86 | 1.95 | -1.7 |
| St. Lucia | -0.23 | 0.14 | 1.49 | -0.84 | -1.59 | -0.2 |
| St. Vincent & Grenadines | -2.03 | -2.26 | 0.28 | 1.52 | 3.14 | 0.13 |

P denotes preliminary. Brackets denote negative growth.

Source: ECCB Annual Economic Review 2013

Madam Speaker, the record of this Government in regard to fiscal management is well known. There have been challenges created by external shocks such as the impacts of the global financial crisis and weather related events and disasters. Despite these, Government continues to maintain fiscal discipline while safeguarding the poor and vulnerable. The challenge in the last five years was to find a balance between the necessary fiscal imperatives and meeting the growing needs of our citizens who are themselves feeling the effect of the global crisis. We sought to address this matter by building relationships and alliances with countries and institutions which share a common vision with us and through whom we were able to obtain financing in the form of grants and highly concessional loans to fund our development programmes. Reaching a primary surplus target of 2.4 percent of GDP over the medium term remains our commitment. However, the balance that we sought has resulted in varied results over the last five years. In the fiscal year, 2013/14, the estimated outturn is a primary deficit of 0.7 percent, an outcome which bettered the previous year.

Madam Speaker, debt management remains a core aspect of Government's activities. When we came into office in 2000 the debt to GDP ratio was 130 percent, a situation that made it necessary to restructure the country's debt. In June 2014, Government fully amortised the short bonds which were issued as part of the debt restructuring in 2004 and has begun the amortisation of the intermediate bonds. Debt repayment remains among the top priorities of Government's operations, and all debts are paid in a timely manner.

At the end of the fiscal year 2013/14 central government debt totalled \$862.5 million or 75 percent of GDP. Of this, external debt was \$632.4 million and domestic debt was \$ 230.1 million.

Government borrowing is guided by its debt strategy. During the year, disbursements were received from various agencies and in various currencies. Predominantly, disbursements were in United States dollars, Euro and RMB. New debt contracted was in US dollars from the Caribbean Development Bank, for emergency response to the December 2013 trough.

The Government of Dominica continues to participate on the Regional Government Securities Market (RGSM) as a means of obtaining cheaper financing. This also helps to build the regional securities market. During the fiscal year 2013/14, on two occasions we obtained what has been the lowest rate of interest for the Treasury Bills issued on the RGSM; that is 1.999 percent; all Treasury Bills issued by the Government of Dominica have been oversubscribed.

Madam Speaker, we have successfully maintained our fiscal stance. The results and response to the issuance of Government of Dominica instruments on the RGSM is testimony that the public at large share the same view of our performance. Based on instruments that were issued (by all ECCU countries) on the RGSM this year, the weighted average interest rate for the 91 day Treasury Bill is 4.145 percent with the highest rate being 5.748 percent. To obtain a rate of interest which is way below the average, is a vote of confidence in the Government and in its policies.

Government's focus has been consistent with that outlined in the Growth and Social Protection Strategy (GSPS). Many initiatives, projects and programmes were introduced towards the achievement of economic growth and poverty reduction. All of the budgets which were presented to the Parliament were based on the three major pillars of the GSPS namely:

- Fiscal policy and administrative reform
- Sectoral strategies for growth, and
- Strategies for poverty reduction and social protection.

It is through the budget that we articulate and implement the programmes for development and poverty reduction. Our review of the implementation of these budgets, confirms that we can be proud of our achievements. What are some of these sectoral achievements? The truth is Madam Speaker, if I had to present a complete list, we may be here for much more than the average of one and a half to two hours within which the budget address is presented. I will still try to do justice to this remarkable performance by highlighting just a few of our successful interventions.

Tourism

The development agenda for **tourism** included site development, destination marketing, hotel development and improving air access. The following are some of the achievements.

- A major achievement of the Government is the introduction of night landing at the Melville Hall airport. No longer are Dominicans returning home, and visitors who are journeying to Dominica, forced to overnight in other jurisdictions because the main airport had to be closed at sunset. This particular achievement was welcomed by the majority of Dominicans who appreciated the convenience of being able to arrive in Dominica in one day. As a result of the investment in and installation of modern equipment, the airspace classification moved from G to D and transcended from Visual flight Rule (VFR) to an Instrumental Flight Rule (IFR) aerodome.
- The Air Access Strategy was developed in 2012 and the first ever Air Access Conference was hosted on 25th to 27th September 2012. Outputs of the initiatives are the seamless transition from the American Eagle to Seaborne Airlines in April 2013, the seamless transition from Air BVI to Winair serving Dominica via St. Maarten and the most recent,

increase of up to 15,000 seats per year serving Dominica from Guadeloupe and St. Maarten through a Winair and Air Antilles Joint Venture.

- The Waitukubuli National Trail was completed and commissioned and now forms a major part of the tourism product.
- Government continues to be the major contributor to the hosting of the World Creole Music Festival (WCMF).
- Visitor facilities have been improved and include the construction of new Interpretation Buildings at Capuchin and Marigot; additional washroom facilities were built at Fresh Water Lake and at Titou Gorge and reception facilities were built at Indian River, Wotten Waven and Bellevue Chopin. In addition, site rehabilitation works were undertaken at Soufriere Sulphur Springs and Cabrits and works were undertaken to enhance the interpretive Centres at Emerald Pool, Trafalgar Falls and Middleham Falls.
- With the concessions granted by Government, 226 hotel rooms were upgraded to international standards.
- Training was administered to 212 tour guides and 276 taxi operators and 195 vendors were certified.

Agriculture

Madam Speaker, the focus in **agriculture** has been on increasing production, with the intention of increasing exports, encouraging import substitution and achieving food security. This was pursued by providing support to farmers and fisher folk, especially in the context of combating certain diseases and the impact of weather conditions. Contractual delays in completing the construction of an abattoir, have set back plans for growing the poultry and pork industries; however, corrective measures have been taken and the abattoir will become operational during the year.

To address the challenges of diseases in the sector, we have developed special programmes and strengthened the capacity within the Ministry of Agriculture to respond. A citrus certification project was implemented to deal with the diseases affecting citrus. Disease resistant varieties were introduced to replant the fields which were destroyed. For fiscal year 2013/14, 3,571 citrus plants were distributed to 273 farmers.

An aggressive plan was developed to deal with Black Sigatoka. Infected fields were cut down, and the affected areas treated. With assistance available under the Banana Accompany Measures Programme, new disease resistant varieties of bananas will be introduced.

The horticulture programme introduced by Government has been very successful and has been largely responsible for the growth in the agriculture sector in the past five years. The non-banana crop sector is estimated to have grown by 6.4 percent and 13.0 percent in 2011 and 2012 respectively. An estimated 1,100 farmers have been assisted in establishing 560 acres of root and fruit crops. As an example, we note that yams are available practically all year round now.

Under the arrangement with the Government of Morocco, 4,300 100-pound bags of fertilizer were distributed to farmers. This was used in the cultivation of various crops on a total acreage of 1,050.

The horticulture programme is supported by the expanded services provided through the Dominica/China Horticulture Centre which was recently built in Portsmouth. The Centre is particularly helpful in the production of vegetables and the introduction of new varieties of fruits, vegetables and flowers.

Financing is always identified as a constraint to investing in agriculture. Government made available \$2.0 million to operationalise the Direct Farm Investment Fund which is managed by the AID Bank. A credit facility with an initial capital of \$600,000 was also made available at the National Development Foundation of Dominica (NDFD).

Infrastructure in the form of the construction of farm access roads in Calibishie, Vieille Case, Capuchin, Morne Prosper, Salisbury, Cochrane, Delices, Wesley, Layou Valley and Riviere Cyrique was satisfactorily completed. Other investments include the erection of greenhouses and the construction of two multipurpose pack houses as well as the National Centre of Testing Excellence. These are intended to provide the support for the increasing production and marketing of agricultural produce.

Among the other achievements in the sector is the support provided to fisher folk in the form of providing boats, engines and fishing gear.

Energy

Madam Speaker, the thrust towards clean and renewable **energy** is being pursued vigorously. The main objective is to reduce the cost of electricity to the benefit of households and also to attract new investment and support existing investments. We are pleased with our achievements to date in the drive to develop the geothermal potential of this country. In that regard, the specific achievements include the following:

- Three test wells were dug confirming the viability of the geothermal resource;
- Two production wells were drilled;
- Successful flow testing of Production Well, WW-P1 was carried out between June 10, 2014 and June 16, 2014;
- The production well, WW-P1 is capable of generating about 11.4MW of electricity which is essentially enough electricity supply to cover the existing Base Load of the country.

While the technical work is ongoing, negotiations continue with interested partners for the construction of the plant, which in the first instance will provide energy for domestic purposes and ultimately for export. It is anticipated that the domestic plant will become operational by 2016.

Information and communication technology

The introduction of **technology** in day to day operations is necessary if Dominica is to become and remain competitive in the delivery of services. Technology is a basic tool of development. According to the census data, 30 percent or 7,618 of households have internet connection while 44.5 percent have access to internet. In comparison, over the last decade, 8.6 percent of households had internet connection. Households with personal computers recorded 9,449 or 37.7 percent as compared to 2,885 or 12.7 percent in 2001. These results are closely associated with the following:

- Mobile penetration moved from 137 percent in 2009 to 143 percent in 2013 while access to broad band increased by 4.1 percent in the same period.
- Government and other services can now be accessed through Community Internet Access Points in a number of communities.
- A total of over 480 computers, projectors, printers, networking equipment and other accessories were distributed to over 20 schools on island. Eleven primary schools participated in the Pilot of Primary School ICT Curriculum. Education Management Information System (EMIS) has been completed and all schools uploaded to the system.
- The e-legislation agenda was advanced with the approval of the Electronic Filing and Electronic Transactions Acts.
- Internet Exchange Point (IXP) was established.
- ASYCUDA World software was introduced at the Customs with the aim of reducing the time taken to clear goods and enhancing the process by which goods are cleared while the Unified Land Information System (ULIS) was introduced to improve and streamline the land management processes.
- Substantial progress has been made on the introduction of the multipurpose identification card.

Physical infrastructure

Madam Speaker, significant resources are being invested in development of **physical infrastructure**, a preeminent requirement for the efficient movement of people, goods and the delivery of services. This is particularly true of road infrastructure. The Third Edition of the Growth and Social Protection Strategy identified physical infrastructure as the binding constraint to development. The response of Government has been to invest heavily in the improvement of main roads, secondary roads, feeder roads and community access roads.

We aim at having 85 percent of the road network in good condition by the end of 2015 and 95 percent by the end of 2020. It is now possible to drive from Pointe Michel to Portsmouth and from Roseau to Melville Hall on modern well marked roads with pedestrian access. Madam Speaker, in the last five years, we estimate that we spent over \$300.0 million on major roads. This includes projects such as:-

- Loubiere to Grand Bay road,
- Canefield to Pond Casse Lot 1
- Roseau Valley roads -RIMP
- Pond Casse to Melville Hall Lot 2
- Chinese Friendship Bridge constructed in Roseau
- West Coast Road rehabilitation renamed Oliver Leblanc Highway
- Roseau Road Reinstatement Project – Link Road

We estimate that we spent about \$50 million on road maintenance for the period. This includes small projects executed in virtually all communities in the country.

Other physical infrastructure started and/or completed in the last five years include:

- Grand Bay Police station
- Marigot Police Station refurbished
- Fire Station at Melville Hall airport completed
- The State House and State College
- Recreational facilities in several communities,
- Health Centre rehabilitation in various communities
- Construction of Resource Centre in various communities

Housing

The **Housing Revolution** is a hallmark of this Labour administration and through that programme, housing has been provided to beneficiaries throughout the country. New houses were provided to citizens at Hillsborough Garden, Carib Territory, Chance, Bellevue Chopin, Bellevue Rawle and Grandbay and several other communities and villages around Dominica. Steps to transform Silverlake into a modern housing area have started with completion of a six-unit apartment building. In addition, six apartment buildings comprising 60 units are being built at Elmshall and Bath Estate and will be completed in fiscal year 2014/15.

Between 2009 and 2013, more than 3,500 individuals benefitted under the House Renovation and Sanitation Programme. The programme includes repairs to some houses, construction of new houses and the replacement of pit latrines with modern washrooms. Forty of the fifty Petro Casa houses have been completed and handed over to families. Land has been sold to beneficiaries at \$1.00 per square foot under the squatter regularisation programme. This has given many citizens ownership of lands. More than 500 families in a number of communities have benefited from that component of the programme. Land has been sold in various new housing developments at prices below the prevailing market price with savings to the buyer estimated between 25 percent and 40 percent.

The special mortgage facility at the AID Bank and the Government Housing Loans Board (GHLB) facilitated many middle income families in constructing their own homes. The introduction of the Unified Land Information System is assisting in the conduct of land transactions and therefore is making it easier to have access to land for housing.

Water resource management

Madam Speaker, we are within sight of our target of providing potable **water** to all the communities in Dominica. So far we have completed and commissioned new and upgraded water supply systems for Warner, Campbell, Delices, Penville, Petite Savanne, Savanne in Scotshead, Grand Fond, Concord and North End in Marigot, Bagatelle, Clifton, Cocoyer, Vieille Case and Shawford. In addition:

- The Wesley distribution system has been upgraded and a new 500,000 gallon storage tank was constructed at Morne Bruce.
- We undertook the West Coast Water Supply project to improve the quality and reliability of the water supply to the communities along the North West coast from Capuchin to Coulibistrie and Salisbury including Grand Savanne.
- Improvements were made at the Water Area 1 (WA-1) that included increased storage capacity with the construction of new storage facilities in Springfield and Massacre, establishment of a filtration plant at Springfield as a means of improving quality of water distributed to the population and replacing the distribution pipes on the West Coast.
- Distribution pipes were also replaced in Grand Bay.
- Works to upgrade the Bense Water Supply is nearing completion and a contract has recently been signed to construct the Belles/Penrice Water Supply.

Social protection

Madam Speaker, many countries in the region look on our **social protection programmes** with interest, and some have sought to replicate various aspects of it within their jurisdictions.

The assessment of poverty in Dominica indicates that most of the poverty is as a result of low or no income. Hence, to grow out of poverty, employment opportunities have been foremost in our minds. The most direct solution for unemployment is the creation of jobs. We have taken on the International Labour Organisation (ILO's) recommendations for dealing with youth unemployment with the launch of the National Employment Programme (NEP). The NEP has provided opportunities for young people and other unemployed persons to be exposed to the workplace and gain much need mentorship and experience. Interns have been engaged in various positions in both the public and private sectors. The community employment component of the programme has empowered young farmers around the island, engaged community workers in cleanup and beautification campaigns, care of the elderly, and community tourism.

When the programme was launched in December 2013, we targeted the engagement of 400 people. To date, we have exceeded our target and more than 700 people have been engaged in the programme. Some private sector firms have retained some NEP participants in permanent employment because of diligence and exemplary performance exhibited while on the NEP. The NEP is well complemented by the Apprenticeship Programme which has trained over 200 young people in hospitality, stonecutting, construction, and landscaping.

In addition, we have accomplished the following:

- Pioneered the YES We Care programme which continues to be implemented;
- Lowered the age for free medical care from 65 years to 60 years and introduced free medical care for young people under the age of 18 years;
- Financial support is being provided to day care centres in the hope that it would be less costly for low income families and single mothers;
- Introduced programmes, such as the provision of free cooking gas in partnership with Petro Caribe to assist the elderly including our centenarians;
- Expansion of Social Security services;
- Implemented the BNTF programme which focused on critical community based projects;
- Implemented the Capacity Enhancement and Empowerment Programme (CEEP) designed to build capacity in communities where the level of poverty was above the national average;
- Ensured that all those who should be beneficiaries of Public Assistance are being reached.

Security

Madam Speaker, while each citizen has the civic obligation to ensure the **security** of himself and his family, government has the overarching responsibility to secure our national borders and to provide the infrastructure, both physical and human, that allows our citizens to go about their business in a secure and peaceful environment. While we continue to collaborate with regional and international security agencies to stem the flow of illicit and illegal drugs and firearms, we have been working on strengthening our own security apparatus and so far, we have:

- Obtained and commissioned a new dinghy to patrol the west coast borders;
- Increased coast guard patrols and introduced the use of two very fast interceptor craft donated by the U.S. Government;
- Increased the number of positions in the police force from 444 to 500;
- Established the Major Crimes Unit in 2012/13;
- Improved crime fighting capacity through the use of 90 motor cycles donated to the Police Force by the People`s Republic of China;
- Constructed the police station in Grandbay while construction is on the way at Calibishie and Laplaine;
- Established the Police Task Force;
- Implemented the Border Management System;
- Introduced the use of electronic recording of interviews.

Education

Our “no child left behind policy” begins at the level of the pre- school and continues through to primary and secondary school then onto the State College and university if necessary. Government has facilitated registered pre-schools in delivering care to children of disadvantaged parents, by making a grant of up to \$2,500.00 available to these schools, in proportion to the number of children in attendance.

We addressed the concern of parents who were challenged in meeting the transportation costs of children attending school, by providing transportation to and from school. From fiscal year

2009/10 to 2013/14, \$9.6 million was spent on transportation services for children to attend school. Of this, \$7.7 million was paid for contractual arrangements with private bus drivers for transporting students to school. Up the 76 bus drivers and their families benefit from this arrangement.

To ease the cost of transfer from primary to secondary school, a school transfer grant of \$500.00 is provided to students in need. This grant has been used to purchase uniforms, books and shoes for students.

It is now widely known that Government supports students willing to attend the Dominica State College (DSC) but who do not have the financial means to do so, by paying the cost of college attendance. The opening up of this opportunity to our students has seen the enrolment at the DSC increase to the extent that currently 87 percent of students leaving secondary schools attend the DCS, up from 7 percent in 2002. Government is increasing the subvention to the DSC by \$1.2 million in this fiscal year.

The 2011 Population and Housing Census observed a 28.5 percent increase in the number of persons attaining G.C.E or C.X.C certificates over the past decade. Additionally, the number of students attaining Associate Degrees rose exponentially by 972.5 per cent moving from 207 in 2001 to 2,220 in 2011. The number of people obtaining Bachelor's Degrees registered a 130.6 per cent increase moving from 842 in 2001 to 1,942 in 2011. The number of people attaining higher degrees, namely masters or doctoral level degrees, recorded a 61.7 percent increase.

In addition Madam Speaker, 1558 teachers from the primary school level were trained while 1032 were trained at the secondary level. Also 33 teachers were trained under the Education Enhancement Project in specific technical and vocational subjects.

Three hundred and forty eight students have been granted scholarships to attend various universities and colleges around the world. In addition to those who are granted full scholarships, another 991 were given partial scholarships. In the fiscal year 2009/10 Government pledged and provided support to thirty six (36) teachers who were pursuing the Early Childhood Programme at UWI and at the Dominica State College.

Not only have we given attention to the human resources but we also invested in the physical infrastructure and have upgraded primary and secondary school plant throughout the island. On an annual basis, rehabilitation works on school plant cost an average \$2.0 million. Additionally, seven secondary schools have been upgraded to meet technical and vocational education (TVET) requirements. New schools have been constructed in Salybia, San Sauveur and Portsmouth. Work has commenced on the Newtown Primary School and designs are being finalised for the Thibaud Primary School.

Health

Madam Speaker, in my address to the nation at the anniversary of our national Independence last November, I reaffirmed the vision for the health sector. Our goal is to provide twenty first century quality care to Dominicans. I indicated then, the equipment we intended to procure. I

can report that except for an MRI and the surgical tower Laparoscope, all have been purchased and are operational. Installed and functioning are:

- A new CT scan machine
- A new mammogram machine
- A new Gastroscopy/ Colonoscopy System.

The down payment has been made towards the purchase of the surgical Tower Laparoscope. Negotiations are in progress with suppliers for the purchase of an MRI suitable for our requirements.

Madam Speaker, Government remains concerned about the escalating cost of health care. Government has been requested to provide significant assistance to individuals and families. We must find a sustainable resolution to this challenge. We have been in discussion with some insurance companies and more recently with PAHO on the matter. We will continue to research the matter and we are confident that we will find or create a model that suits the particular circumstances of Dominica. But I must remind the entire population that health care is first and foremost a personal responsibility. This is the first step in addressing the health care issues.

We have received the final drawings of the new hospital from the technical team of the Peoples Republic of China (PRC). The drawings are being reviewed and we expect to complete this process during the year. We thank the Government of the PRC for this undertaking. We expect that the improved facilities will improve the quality of care to all citizens.

We have more trained nurses at this time than we have had before and have been able to increase the number of nursing positions from 257 in 2009 to 371 in 2014. We have increased the number of the doctors pursuing training in various specialised disciplines including oncology, and internal medicine. For the specialities that are not available locally, arrangements have been made to have visiting specialists. Services provided in that way are cardio-thoracic and vascular surgery and paediatric and adult cardiology.

In addition, we can cite the following achievements:

- Expansion of Central Medical Stores;
- Hyperbaric Chamber internationally certified;
- Diagnostic services were widely utilised, 1,500 uses of the CT scan were recorded and 700 uses of the mammogram were recorded; and
- Four rapid testing sites for HIV/AIDS are now available on island.

Madam Speaker, the list of items I have highlighted is not exhaustive, but is presented simply to make the point that we need to stop and take stock and be grateful for our achievements. It also points us to the realisation that the work is not yet complete and that we must continue apace on the road to development.

Estimates of Revenue and Expenditure 2014/15

Madam Speaker, I now present the budget proposals for the 2014/2015 fiscal year. The Government of Dominica intends to spend the sum of \$552.4 million for the 2014/15 fiscal year. This includes \$378.5 million for recurrent expenditure inclusive of debt servicing (interest and amortisation) and \$173.8 million in respect of the Public Sector Investment Programme (PSIP).

Table 2 shows the overall summary for the fiscal year 2014/2015 with comparative figures for the preceding year.

Table 2

| Overall Summary | | |
|--|--------------------------------|--------------------------------|
| | Estimate 2014/2015 \$(m) | Estimate 2013/2014 \$(m) |
| Revenue | | |
| General Revenue | 417.0 | 401.5 |
| Current Grants | 5.0 | 7.0 |
| Capital Grants | 75.0 | 77.5 |
| Loans | 38.3 | 45.5 |
| Other Inflows | 5.1 | 5.6 |
| Total Revenue | 540.3 | 537.1 |
| Expenditure | | |
| Compensation | 148.3 | 148.8 |
| Other Current Operating Expenditure | 168.3 | 158.3 |
| Debt Service | 23.2 | 21.9 |
| Project Expense | 173.8 | 163.6 |
| Total Expenditure | 513.6 | 492.6 |
| Current Account Balance | 77.2 | 68.4 |
| Primary Balance | 10.7 | 16.8 |
| Primary Balance (% of GDP) | 0.8 | 1.2 |
| Debt Amortization | 38.8 | 37.1 |
| Investment | 1.0 | 4.0 |
| Sinking Fund | | 0.5 |
| Total Expenditure plus Debt Amortization and Sinking Fund | 552.4 | 534.2 |
| GDP (Market Prices) | 1415.0 | 1,365.7 |

Table presented in GFS Format

A current account surplus of \$77.2 million is anticipated for 2014/2015. The estimated primary balance is 0.8% of GDP.

Financing the Budget

Madam Speaker, the above mentioned expenditure will be financed from the following sources:

- i. Recurrent revenue of \$417.0 million
- ii. Local capital revenue in the amount of \$5.1 million;
- iii. Grants in the amount of \$80.0 million of which \$75.0 is capital grant and \$5.0 is current grants
- iv. Loans of \$38.3 million

Any shortfall in financing will be raised through the issuance government instruments, to include Bonds and Treasury Bills.

Recurrent Revenue

Madam Speaker, it is estimated that recurrent revenues of \$416.96 million for 2014/2015 will surpass the 2013/2014 budget estimate by \$15.5 million. The components of revenue are as shown in Table 3.

Table 3

| | Estimate 2014/15 | % | Estimate 2013/14 | % |
|---|---------------------|-----|---------------------|-------|
| Summary | \$(m) | | \$(m) | |
| Tax Revenue | 312.5 | 75% | 311.1 | 77.5% |
| Non - Tax Revenue | 104.5 | 25% | 90.4 | 22.5% |
| Total | 417.0 | | 401.5 | |
| Tax Revenue | | | | |
| Income Tax - Individuals | 34.0 | 8% | 33.6 | 8.4% |
| Income Tax - Corporations | 25.5 | 6% | 23.5 | 5.9% |
| Property Tax | 8.0 | 2% | 6.6 | 1.6% |
| Tax on Domestic Goods & Services | 181.6 | 44% | 186.6 | 46.5% |
| Tax on International Trade & Transactions | 63.3 | 15% | 60.7 | 15.1% |
| | | | | |

Madam Speaker, Taxes on Domestic Goods and Services constitute the largest source of recurrent revenue totalling \$181.6 million or 44 percent of the total. Taxes on International Trade and Transactions will contribute \$63.3 million or 15 percent to revenue. Non Tax revenues particularly, the Economic Citizenship programme will also contribute a large part to the budget. Government expects to generate resources of \$80.0 million in that area. The sum of \$34.0

million and \$25.5 million respectively are expected to be generated from Personal Income Tax and Corporate Income Tax.

Grants

Grants are expected mostly from the following sources:

- European Union under the Banana Accompanying Measures (BAM) and 10th EDF Programme of assistance;
- The People's Republic of China
- Government of Venezuela
- Climate Investment Fund (CIF)
- Kingdom of Morocco
- Grant resources received from India, Mexico, Suriname and Guyana for rehabilitation in the aftermath of the 24th December 2013 Trough System.

Recurrent Expenditure

Recurrent expenditure, (exclusive of debt amortization and interest payment), is estimated at \$316.6 million. This accounts for 57 percent of total expenditure and represents a 4 percent increase when compared to projected recurrent expenditure for fiscal year 2013/14.

The 2014/2015 total recurrent expenditure budget (including debt amortisation and interest payment) of \$378.5 million compares with projected amount for 2013/2014 of \$367.5 million. The table below shows the distribution of expenditure by Ministry/Department.

Table 4

| Ministry/Department | Amount | % |
|---|---------|------|
| | \$000's | |
| President's Office | 973 | 0.26 |
| Integrity in Public Office Commission | 663 | 0.18 |
| Legislature | 1,364 | 0.36 |
| Audit Department | 1,044 | 0.28 |
| Ministry of National Security, Labour and Immigration | 37,720 | 10.0 |
| Elections | 868 | 0.2 |
| Ministry of Employment Trade, Industry and Diaspora Affairs | 3,718 | 1.0 |
| Prime Minister's Office | 5,038 | 1.3 |
| Ministry of Finance | 104,401 | 27.6 |
| Ministry of Agriculture and Forestry | 9,890 | 2.6 |
| Ministry of Education and Human Resource Development | | 16.6 |

| | | |
|---|---------|-------|
| | 62,888 | |
| Ministry of Lands, Housing, Settlements and Water Resource Management | 3,414 | 0.9 |
| Ministry of Social Services, Community Development and Gender Affairs | 17,645 | 4.7 |
| Ministry of Health | 47,698 | 12.6 |
| Ministry of Environment, Natural Resources, Physical Planning and Fisheries | 2,471 | 0.7 |
| Ministry of Tourism and Legal Affairs | 14,804 | 3.9 |
| Ministry of Information, Telecommunications and Constituency Empowerment | 1,706 | 0.5 |
| Ministry of Carib Affairs | 366 | 0.1 |
| Ministry of Culture, Youth and Sports | 5,160 | 1.4 |
| Establishment, Personnel and Training Department | 11,813 | 3.1 |
| Ministry of Public Works, Energy and Ports | 33,359 | 8.8 |
| Ministry of Foreign Affairs | 11,534 | 3.0 |
| Total | 378,536 | 100.0 |

Madam Speaker, the allocation for the Ministry of Finance is the largest; that is \$104.4 million or 27.6 percent. This includes provision for interest payment and loan amortisation of \$61.9 million and for retiring benefits of \$23.0 million.

The Ministry of National Security will receive an allocation of \$37.7 million or 10.0 percent while the Ministry of Public works, Energy and Ports will receive the sum of \$33.4 million or 8.8 percent.

The allocation for the Ministry of Education and Human Resource Development is \$62.9 million or 16.6 percent. The sum of \$47.7 million or 12.6 percent will go to the Ministry of Health while the Ministry of Social Services will receive \$17.6 million or 4.7 percent.

Madam Speaker, Table 5 provides a summary of recurrent expenditure by economic classifications.

*Table 5: Recurrent Expenditure by Economic classification
(\$m)*

| | Estimate 2014/2015 | % | Estimate 2013/2014 | % |
|-----------------------------|-----------------------|-------------|-----------------------|-------------|
| Wages and Salaries | 131.9 | 34.8% | 132.9 | 35.9% |
| Salaries Allowances | 6.3 | 1.7% | 6.0 | 1.6% |
| Non- Salaries Allowances | 10.1 | 2.7% | 10.0 | 2.7% |
| Goods and Services | 93.5 | 24.7% | 88.8 | 24.0% |
| Transfers and Subsidies | 48.8 | 12.9% | 45.0 | 12.1% |
| Retiring Benefits | 23.0 | 6.1% | 22.5 | 6.1% |
| Interest Payment | 23.2 | 6.1% | 21.9 | 5.9% |
| Repayment of Loans | 38.7 | 10.2% | 37.1 | 10.0% |
| Sinking Fund | - | 0% | 0.5 | 0.1% |
| Refunds | 2.0 | 0.5% | 2.0 | 0.5% |
| Investment Financing | 1.0 | 0.3% | 4.0 | 1.1% |
| | | | | |
| Total Recurrent Cost | 378.5 | 100% | 370.7 | 100% |

Madam Speaker, personal emoluments which is made up of salaries, wages and allowances, account for \$148.3 million or 39.2 percent of the recurrent budget.

Goods and services account for \$93.5 million or 24.7 percent. The provision for interest payments is \$23.2 million or 6.1 percent while debt amortization account for \$38.7 million or 10.2 percent.

The sum estimated for transfers and subsidies is \$48.8 million or 12.9 percent of the budget.

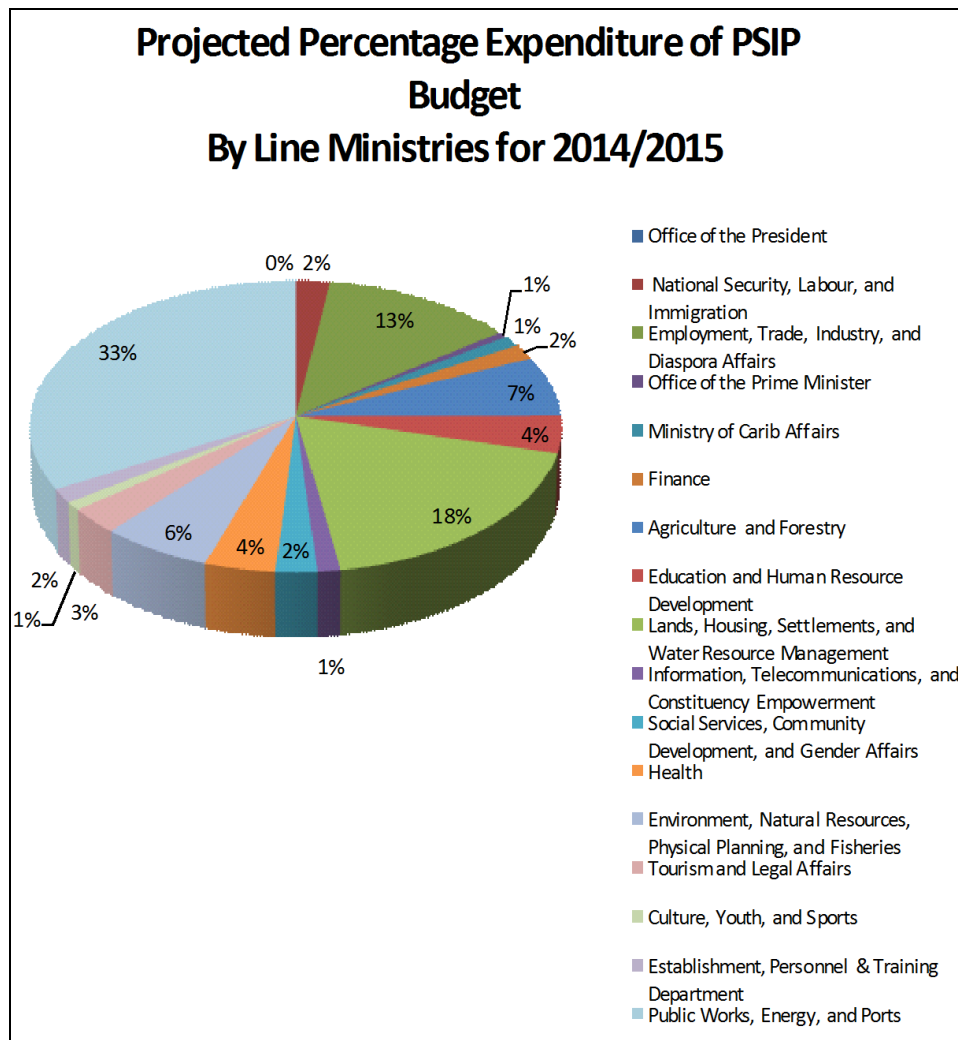
Capital expenditure

The Public Sector Investment Programme for the Financial Year 2014/2015 is estimated at \$173.8 million and financed as follows:

Table 5: Capital expenditure by type of financing

| Funding | Amount in EC\$ | Percentage of Funds |
|-------------|----------------|---------------------|
| Local Funds | 60,582,223.00 | 34.85% |
| Loans | 38,265,868.00 | 22.01% |
| Grant | 75,000,428.00 | 43.14% |
| Total | 173,848,519.00 | 100.0% |

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



The following table is a summary of the allocation of funds by Ministries.

Table 6: Capital expenditure allocation by Ministry

| Percent age of total | | Total | GOCD | LOAN | GRANT |
|----------------------|---|--------------------|-------------------|-------------------|-------------------|
| 0.00% | Office of the President | - | - | - | - |
| 2.20% | National Security, Labour, and Immigration | 3,823,608 | 1,556,823 | 2,266,785 | - |
| 12.58 % | Employment, Trade, Industry, and Diaspora Affairs | 21,874,626 | 10,844,244 | 2,000,871 | 9,029,511 |
| 0.63% | Office of the Prime Minister | 1,099,000 | 1,099,000 | - | - |
| 1.18% | Ministry of Carib Affairs | 2,054,100 | 554,100 | 1,500,000 | - |
| 1.70% | Finance | 2,950,887 | 814,899 | - | 2,135,988 |
| 6.65% | Agriculture and Forestry | 11,553,788 | 2,903,143 | - | 8,650,645 |
| 4.14% | Education and Human Resource Development | 7,196,134 | 1,576,134 | 620,000 | 5,000,000 |
| 18.4% | Lands, Housing, Settlements, and Water Resource Management | 31,993,881 | 11,072,178 | 9,150,573 | 11,771,128 |
| 1.32% | Information, Telecommunications, and Constituency Empowerment | 2,300,000 | 300,000 | - | 2,000,000 |
| 2.34% | Social Services, Community Development, and Gender Affairs | 4,064,617 | 983,646 | - | 3,080,971 |
| 4.03% | Health | 7,006,924 | 4,468,189 | - | 2,538,735 |
| 6.30% | Environment, Natural Resources, Physical Planning, and Fisheries | 10,958,114 | 658,899 | 7,979,894 | 2,319,321 |
| 2.92% | Tourism and Legal Affairs | 5,075,000 | 2,000,000 | - | 3,075,000 |
| 0.93% | Culture, Youth, and Sports | 1,619,305 | 450,000 | - | 1,169,305 |
| 1.55% | Establishment, Personnel & Training Department | 2,694,707 | 2,694,707 | - | - |
| 33.12 % | Public Works, Energy, and Ports | 57,583,829 | 18,606,260 | 14,747,745 | 24,229,824 |
| 0.0% | Foreign Affairs | - | - | - | - |
| 100.0 % | TOTAL | 173,848,519 | 60,582,223 | 38,265,868 | 75,000,428 |

Projects included in the capital programme for the year

Madam Speaker, I will highlight a few of the projects included in the capital programme for the year.

Infrastructure

The Ministry of Public Works will receive \$57.5 million which is 33.1 percent of the total Public Sector Investment Programme (PSIP) for the continuation of infrastructural works and production of geothermal energy.

The 24th December 2013 trough system resulted in significant damage to private property and public infrastructure. An allocation is made for rehabilitation and construction works to drains in Newtown and Fortune, and Green Valley and Siboulie in Point Michel as well as cliff stabilisation and sea defence works at the Champagne roadway.

Madam Speaker, work will commence on the rehabilitation of the east coast roads. This will commence with the Bois Diable to Pointe Mulatre road with funding from the European Union. Designs and other preparatory works for the other east coast roads and which form part of the project funded by the World Bank will also be undertaken during the year.

In keeping with our promise to enhance the visibility and safety features of the road network, LED lights will also be installed along some portions of the Pond Casse to Melville Hall road. This activity will continue until all the major roads on the island are fitted with LED lights.

Madam Speaker, I announced the Roseau Enhancement Project and the Portsmouth Enhancement Project as two major developments aimed at improving infrastructure and ambiance in Roseau and Portsmouth. I will refer to these in greater detail later in this address but in current fiscal year we will see the commencement of the infrastructural works under Phase 1 of these projects. In Roseau, the works will focus on road rehabilitation and drainage improvement inclusive of sidewalks and street lighting on the Dame Eugenia Charles Boulevard (Bayfront) and all streets in-between up to Hanover Street. The works will be undertaken in an incremental manner so as to minimize the inconvenience to the general public. Discussions are ongoing for the construction of an administrative office building in Portsmouth and it is expected that the Dominica Social Security will finance the construction and will lease space to the Government. In addition, major rehabilitation works are being undertaken at Harbour Lane and Rodney Streets and paving work will begin on the Lagoon to Purple Turtle section of roadway.

Housing

The Ministry of Lands, Housing, Settlements and Water Resource Management will continue in its efforts to provide affordable housing to all segments of the society. An allocation of \$31.9 million or 18.4 percent of the capital budget has been allocated towards this undertaking. The two main components of the work of the Ministry are the programme to replace pit latrines with more modern washroom facilities and the construction of up to 1,500 new houses which will begin this year. Madam Speaker, the records of the Ministry of Housing indicate that close to 1,300 people have applied to purchase or obtain houses being constructed by Government. The sixty apartments being constructed at Elmshall and Bath Estate is vastly inadequate to meet this

demand. This points to a need that we have still to satisfy, that is for every family to own a house. We anticipate that with this project will take us closer to our goal. The houses will be constructed throughout the country but with priority given to areas where the need is more acute.

Employment and Trade Facilitation

The Ministry of Employment, Trade, Industry and Diaspora Affairs will receive \$21.8 million or 12.5 percent of the capital budget. This includes provision for the financing of some of the growth initiatives such as the provision for the small business programme, the apprenticeship programme, employment creation and mentorship programme and the promotion of exports. Madam Speaker, by all reports the National Employment Programme (NEP) has been successful in providing many young and not so young people with the opportunity of mentorship and training. We see the evidence of the work of the apprentices in the stone walls that are being rehabilitated on High Street and Turkey Lane.

The budget allocation for operationalising of the pack houses and the development of standards which I mentioned earlier as necessary to improving the export trade is made within the Ministry of Trade.

Agriculture

The Ministry of Agriculture has been allocated a capital budget of \$11.5 million or 6.7 percent to continue implementation programmes that will increase the output of agricultural commodities. Resources provided under the European Union (EU) funded Banana Accompanying Measures (BAM) will be used to finance critical interventions in the agriculture sector. The programme for the rehabilitation of feeder roads and farm access in the major production areas will continue with grant funding from the BAM. The Ministry of Agriculture will undertake a Banana Stabilization Programme to increase acreage of bananas and plantains. Five hundred (500) acres will be rehabilitated with tissue culture planting material.

The Livestock subsector is a critical subsector providing employment and contributes towards feeding households. The Ministry of Agriculture will introduce new genetic material at Central Livestock Farm to increase production of cattle, goat, sheep, rabbits and pigs. This will be accompanied by training and the installation of the required equipment. This project will complement the existing pork and poultry project and will improve food security, reduce the balance of trade and the export of foreign exchange and thus increasing the circulation of money in the economy. Concurrently, work will continue to complete the abattoir.

One of the main challenges for livestock farmers is the cost of feed. We are in discussions with a French firm that is willing to establish an animal feed plant in Dominica. In addition, the company is also engaged in supplying chicks and is willing to provide that service to Dominican farmers.

Government will continue to provide support to horticulture, as it will do for coffee and cocoa. These projects are important components of the diversification programme. Under these projects, assistance will be provided to farmers to increase production in the selected crops. I trust that farmers will make good use of this assistance.

I will refer specifically to coffee and cocoa later in this address.

The Environment

Madam Speaker, the Ministry of Environment, Natural Resources and Physical Planning will receive \$10.9 million or 6.4 percent of the total capital allocation. The major project to be implemented is the Disaster Vulnerability Reduction Project (DVRP). This project is aimed at reducing vulnerability to natural hazards and climate change impacts in Dominica. The project comprises of four components.

- **Prevention and Adaptation Investments** – This component is designed to reduce physical vulnerability and pilot adaptive measures to build resilience to current and future hydro-meteorological shocks. Activities will include the construction of infrastructure for water storage and distribution, transportation and improvement of drainage in selected areas. It is expected that the first undertaking of this component is the rehabilitation of storm drains and increasing water storage to complete the work done under the West Coast Water Supply Project. Also Madam Speaker, the designs for the Pond Casse to Castle Bruce road will be undertaken this year as part of this project. The subsequent construction works will also form part of this project.
- **Capacity Building and Data Development, Hazard Risk Management and Evaluation** – this component will support capacity building for analysis and assessment of risks from natural hazards and climate change.
- **Natural Disaster Response Investments** – This will assist in designing a mechanism for the Government to respond to emergencies if they arise during the implementation of the project.
- **Project Management and Implementation Support** – component is for providing project management support.

Later in the proceedings Madam Speaker, I will present a resolution to the Parliament seeking the approval of the financing arrangements for this project.

The Ministry of the Environment will also receive an allocation which will be used to assist fisher folk to procure equipment and supplies and to provide further training in fishing techniques which will result in increasing the catch of fish.

Education

The Ministry of Education and Human Resource Development will receive \$7.2 million or 4.1 percent of the total capital allocation to continue to improve on education infrastructure and the quality of education services. Specifically, the allocation will finance the works at the Newtown Primary School and the continuation of the Education Enhancement Project.

Health

With an allocation of \$7.0 million or 4.03% the Ministry of Health will focus on improvement works at the Portsmouth and Marigot hospitals and on renovation of other health facilities. The move towards upgrading of equipment will continue. Importantly, Madam Speaker, in this fiscal year the Ministry will begin the construction of a new state of the art hospital to provide high quality medical services to the population.

Tourism

The Ministry of Tourism and Legal Affairs will receive \$5.0 million or 2.9 percent of the PSIP budget. After several phases of discussions, I am happy to report that we have resolved all the outstanding technical matters and we are in a position to start the actual construction of the Roseau River Promenade. In preparation, a retaining wall is being constructed on the northern bank of the river. The effort to improve air access will continue. Likewise, upgrades to facilities at tourist sites.

Sports Development

Madam Speaker, an amount of \$1.6 million has been earmarked for the Ministry of Culture, Youth and Sports. This includes an allocation for the construction of an indoor sporting facility in Stock Farm and the Roseau Recreational Facility. Also, work is expected to be undertaken on the Soufriere playing field and additional works at the Woodford Hill playing field and the Tete Morne Hard Court. These facilities will ensure that youthful energies are utilised in a positive way and provide opportunities for the residents to improve their physical wellbeing. Funds are also being provided to ensure that the Windsor Park Sports Stadium is maintained at acceptable standards to host sporting and cultural events which generate income for the country.

The full list of projects is contained in the estimates of expenditure. All of these projects are specially chosen because of their potential to bring social and economic development to our people. I take the opportunity once again to appeal to the good conscience of our employees, our contractors, our consultants and everyone involved in project execution and implementation, to strive for a great degree of efficiency in the implementation of the capital programme. To do otherwise is to short change the Country and is tantamount to wastage of scarce resources. I trust that I will get the support of all in this regard.

Strategic Growth interventions

Madam Speaker, it is patently obvious that if we want to continue providing the social goods and services our people need; enable them to purchase the goods and services they want; and strengthen the social safety net to protect them from unforeseen misfortune, then we must diversify and grow our economy. We cannot provide these facilities unless we generate the wealth to pay for them. In the emerging highly competitive marketplace we ALL must become more enterprising. We can no longer sit back and expect Government or overseas investors to do what is necessary. We need to work together because we are all stakeholders in the creation of the Better Dominica of which we dream.

Dominica has much to offer in terms of material resources. But above all, it has talented, resourceful and resilient citizens as well as a caring and responsible Government. Let us therefore commit ourselves to intensifying our efforts to take Dominica forward towards the vision of a prosperous and just society.

Let me assure you that this Government will take a leadership role in responding positively to the challenge of meeting our growth targets by making investments aimed at increasing our foreign exchange and export earnings while simultaneously improving the environment for doing business in Dominica.

The strategic growth interventions we have in mind are not all new, but in fiscal year 2014/15 we will begin to implement new phases of these interventions. I will refer to ten such items.

The infrastructure for agricultural and other exports

Agriculture will continue to be prominent in the mix of activities contributing to economic growth. However, the processes involved in producing and exporting agricultural commodities now require adherence to a regime of environmental and quality protocols that can be quite challenging. However, we have been preparing for this.

In order to meet the handling, labelling and packaging standards that are required, government has constructed two pack houses at substantial cost, one in Portsmouth and the other in Roseau and is in the process of equipping both. Commodities processed through the pack houses will bear the official stamp of the Bureau of Standards indicating that the packaged items would have met the standards required for export.

The recruitment of personnel for the pack houses has commenced, financing of equipment has been obtained, and a training programme for recruited staff is being finalised.

A regime of standards and the accompanying tests to ensure compliance are also applicable to manufactured products intended for export or domestic consumption. The National Centre for Testing Excellence (NCTE) has been built at Stock Farm and is being equipped to discharge this function. As in the case of the pack houses, training for recruited staff in the procedures and use of installed equipment is in train.

The funding for these activities has been obtained from the CARICOM Development Fund.

In addition to this, adequate transportation is required to address issues relating to the marketing and sale of local products. There are only short distances between our islands. OECS and CARICOM countries cannot realize their true potential without improving their maritime transport facilities. We need vessels to transport people and goods cheaply between the islands. Our Caribbean Sea should be a bridge and not an obstacle.

Dominica intends to fill this vacuum. Some progress has been made in determining the kind of vessel that should be purchased. Government will continue this dialogue and we expect that by the time a final decision is made, the volumes of agricultural produce would have increased thereby improving the viability of this investment.

The Agricultural Investment Unit (AIU)

Madam Speaker, the need for agricultural credit at a rate that is affordable and under conditions that are appropriate for growing a crop or engaging in livestock farming, is persistent. This need persists notwithstanding that farming incomes are not taxed, vehicles are available to farmers free of duty, fertiliser is subsidised by government, and farmers receive planting material free or at substantially discounted prices. In addition, technical services are provided through the Division of Agriculture at no cost.

Over the years, Government has responded to this need through various mechanisms. We established a credit facility operated through the AID Bank and interested credit unions. Under this facility, farmers were able to contract loans up to fifty thousand dollars (\$50,000.00) where fifty per cent (50%) of the loan amount was given as a grant.

Evaluation of the programme revealed that it was highly instrumental in allowing farmers to diversify and provide support to those who were experiencing difficulties in dealing with fluctuating banana prices and other demanding new production and marketing conditions.

One of the issues the AIU has had to contend with, relates to farmers who have not been consistent in meeting their obligations to the unit. As a result, the quantum of funds that should have been revolving as grants and loans to farmers, have not kept pace with the demand. To correct this situation, the AIU will be reorganised so that it is responsive to the needs of commercial farmers whose output can have a positive impact on exports and on food security. Where necessary, business management courses will be designed for our farmers, to instil in them the notion of farming as a business with great potential.

Coffee and cocoa processing

In the budget for the last fiscal year, Madam Speaker, I made reference to coffee as one of the crops for growth of the agricultural sector. Today, I am pleased to report that the coffee processing plant, constructed at One Mile in Portsmouth and financed by the Government of Venezuela, will soon be commissioned. The plant has an installed capacity to process two thousand (2000) tonnes of coffee per year. I must thank the Venezuelan army corps of engineers for what I consider to be an exceptional job on the construction of the facility.

As of this date, two hundred (200) farmers have indicated interest in producing coffee to supply to the plant and the Division of Agriculture has provided ten thousand (10,000) plants, to farmers free of cost. Madam Speaker, that number of plants is equivalent to 140 acres under coffee cultivation. These acreages have been established throughout the country, with the largest number of plants being cultivated in the north east region.

There has been an increasing demand for cocoa, both on the local market and for export. Government will therefore continue to support the rehabilitation and expansion of cocoa. Progress is satisfactory for reaching the target of three hundred (300) new acres of the crop, with fifty (50) acres having been established, while one hundred (100) acres have been rehabilitated.

Let me take this opportunity to thank all Dominicans, particularly those in the farming sector, for embracing our Haitian residents and for having work with us to sustain and grow the agricultural sector as a major plank of our economy.

Tourism

Government's commitment to take every measure possible to develop the tourism industry remains as strong as ever. We are cognisant of the fact that tourism has strong linkages with others sectors of the economy, especially agriculture which supplies a variety of products to the hotels and restaurants locally.

One concern of the industry to which government is giving close attention, is that of increasing the number of market ready rooms. As a contribution to overcoming this, government is proceeding to complete the construction of the Cabrits Hotel and Spa which is being financed largely by the Government of Morocco. Direct assistance has also been provided to the Atlantique Hotel in Anse de Mai and we have partnered with the proprietor of Vistas of Iwasi to complete the construction of a three star hotel in Crayfish River. These interventions will increase the number of market ready rooms.

Madam Speaker, I will refer to the Citizenship by Investment (CBI) Programme shortly. But it is necessary to indicate that under the re-launched programme a real estate component has been included and among other things, it targets investments in tourism infrastructure. Under the programme, a memorandum of understanding was signed with Range International for the construction of a hotel in the vicinity of the Cabrits. The discussions on this project are ongoing and it is expected that an additional 125 rooms of five star quality will be added to the stock of rooms. The signing of the final agreement is imminent.

Discussions are also continuing with a private firm which is interested in constructing a hotel on the site currently used by the Public Works Corporation. That hotel will result in an increase in rooms but importantly it will increase the number of export ready rooms in the Roseau area. Just a few weeks ago Madam Speaker, we had the opportunity to host a test match and I am advised that we could not accept the offer because we did not have rooms available. These are the opportunities that we wish to take advantage of, but without the relevant infrastructure we will miss more of these and the economic benefits that can be derived from them.

Improvements to the Melville Hall airport to accommodate night landing has had a positive impact on arrivals. However, for some originating countries, notably in Latin America, the issue of same day arrival is of concern. This concern is easily addressed if attention is paid to those inter-island carriers that have inter-connection agreements with airlines originating out of Latin America. Let me also add that the provision of decent passenger ferries, would mean that visitors could start their vacation as soon as they board the vessel for the last leg of the journey to Dominica.

Product development is necessary to keep abreast with the requirements of visitors. The Waitikubuli National Trail stands out as one of the most promising products and it is becoming a premiere attraction to trail lovers. A growing number of visitors come to Dominica for the purpose of walking various segments of the trail. This has contributed to the development of a number of restaurants and small bed and breakfast type enterprises in various communities along the trail. Government will encourage support for these and similar enterprises through its many business support interventions, notably that established within the National Development Foundation where \$5.0 million has been made available by Government for on lending to small and medium enterprises. We encourage communities along the trail to make use of these opportunities.

The Roseau River Promenade is another important addition to the tourism product. After protracted discussions with the various stakeholders, work will commence on the construction of the Roseau River Promenade. In the first phase of the project, river defences will be constructed to provide protection against storm surges on the northern bank of the river. This phase has been estimated to cost approximately \$3.8 million.

Dominica is in a prime position to capitalize on producing unique tourism products based on culture and heritage, environmental preservation and appreciation, as well as health, education and sports tourism.

Madam Speaker, we propose to develop further, our efforts in education tourism. The presence of medical students on island is a boost to the economy, particularly in the areas where they are situated. We have entered into new arrangements with the Ross University aimed at increasing the number of students. In order to accommodate the proposed increased number of students and faculty, Ross University is now improving its infrastructure. The immediate boost to the construction sector is welcomed and the impact of having more students on island for a longer period will undoubtedly add to economic activity particularly in the north of the island.

The proposed improvements to the main hospital will help cement the relationship with the medical school. An improved hospital places us in a better position to provide the full range of services required by the medical schools.

Madam Speaker, every student and staff member of the medical school is a guest in our country. As such we consider them to be part of the tourism sector. We will do what is necessary to ensure that this part of the tourism sector continues to grow.

Review of Fiscal Incentives Regime

Madam Speaker, Government has had a fiscal incentives regime in place for over forty (40) years. The regime was intended to encourage investors, individuals and companies, to establish businesses and to expand existing ones. An objective assessment of the effectiveness of the existing regime leads to the inescapable conclusion that it may no longer be relevant to the current business models of investments.

Several concerns have been raised by existing and potential investors concerning the competitiveness of the current fiscal incentives. These have included, for example, issues concerning transfer fees applicable to land transactions, stamp duties, the efficacy of the VAT for dealing with certain investments such as the sale of villas, timeshare arrangements and fractional ownership of property. Other issues include withholding tax on rental income and the need for the alien landing holding license and the associated fees.

Government will appoint a working group to review the various fiscal incentives regimes offered to the private sector. The review, will among other things, determine the relevance of the existing tax concessions and the application of these concessions to new and emerging forms of investment models. As this review progresses, discussions will be held with stakeholders in the private sector.

The results of this exercise will help determine the need for amendments to our existing fiscal incentives regime and to the fees and other charges the investor has to meet in doing business in Dominica.

Strengthening Government/ Private Sector relations.

Government has welcomed the formation of the Dominica Business Forum, an advocacy group representative of the entire private sector. Government would like to see this body as a true partner in identifying and dialoguing on matters of development and economic growth. We want to reach the stage where government only has to focus on creating and improving the environment for private enterprise to flourish, so that they become the main drivers of economic growth.

To this end, a committee of senior Government officials has been appointed to serve as the body which will engage the private sector in this partnership. In the first instance, the issues of concern to the Forum will determine the agenda for these meetings. It is intended that the engagement will be done on a regular basis and over time the agenda will be broadened to address issues of mutual concern. The focal point for the Forum is the Secretary to the Cabinet who will be the first point of contact for the Forum.

In order that our enterprises address the challenge of achieving economies of scale due to their size, it is important that they begin to look outward to create networks and business models that capitalise on the benefits of the OECS Economic Union and the wider CARICOM. In that regard, the OECS Business Council is the ideal starting point. This Council has been established as the major advocate of the private sector in the OECS. Its principal focus is to place the sector on a more competitive footing, to capitalise on opportunities for investment and trade and to make policy proposals to governments to achieve these objectives.

Government endorses the OECS Business Council, and encourages the private sector to embrace it as another instrument of advocacy at the regional level.

The Citizenship by Investment CBI as a mechanism to support investment

The Citizenship by Investment (CBI) Programme has been designed to give a boost to foreign direct investment. The programme seeks to increase foreign direct investment and mobilise investments for development projects, particularly investments in tourism infrastructure.

The CBI is a programme that is attracting the attention of virtually all governments in the region. A Unit has been established within the Ministry of Finance to deal exclusively with all aspects of CBI including the review of applications, initiating the due diligence on applicants, preparing promotional material and responding to queries on the programme. Further, we have entered into an arrangement with British based firm, CS Global to undertake the marketing of the programme. Among other things, the firm will be responsible for ensuring that Dominica's programme becomes well known around the world and that it is adequately represented at international forums. Even as we seek to give greater coverage of the programme, the integrity and quality will be preserved.

Madam Speaker, much interest has been shown by prospective investors and we have received expressions of interest in regard to financing activities in mining, ongoing hotel projects and the creation of executive office space. The programme is intended to increase FDI's which means it will be targeted at new projects. Also, any project approved must create an asset in Dominica. The Government has also produced a list of projects which it will make available to interested investors should they wish to pursue these investments under the programme.

I indicated above the discussions we are having with Range International. We are also confident that the CBI approach will also open the way for moving forward with financing for other tourism related projects such as the development of the Woodford Hill Resort, which because of the global financial crisis, has been challenged in attracting equity financing needed to move the project forward.

The CBI programme is also geared at attracting financing for public sector projects. Funds obtained under the 'cash option' of the project are used to provide counterpart financing for major development projects such as the geothermal project and the large road infrastructure projects.

These interventions are expected to be converted to jobs in the country.

Progress on geothermal energy development

Madam Speaker, our ongoing negotiations with a French Consortium to develop the geothermal energy potential of the Roseau valley, has reached the point where we could sign an agreement by October 2014. The encouraging results obtained from the drilling of the first production well have advanced the delivery of cheaper, cleaner and more reliable energy to Dominicans. Discussion has commenced with DOMLEC on improvements to be made to the grid for accepting this new source of energy for transmission and distribution to consumers.

Dominica has been highlighted as a leader in geothermal development. As we take steps to convert this energy into lower electricity cost, we must identify the investment which we would like to target, that is, we must position ourselves to develop industries that will be successful as a result of this cheaper electricity. For our young people, there are new career prospects that become available and now is the time to prepare ourselves to derive these benefits.

The domestic plant is expected to come on stream by 2016.

Roseau and Portsmouth Enhancement Programme

Madam Speaker, the rehabilitation and enhancement of the city of Roseau and the town of Portsmouth have been on government's agenda for some time. These interventions for improving Roseau and Portsmouth are two components of a comprehensive programme of strategic measures designed not only to enhance the appearance of these two main centres of commerce and economic activity, but to upgrade and expand the infrastructure in order to attract new investment.

This initiative will build on earlier interventions such as the Roseau Roads Improvement and project which included the construction of the St. Aroment back road, the link road and the construction of the Bath Road Bridge. The latter along with the Hanover Street Bridge, has enhanced the flow of traffic and entry into and exit from the city.

The first phase of the Roseau Enhancement Project includes rehabilitation of all the streets, to include subsurface drainage, road pavement structure, sidewalks, utility duct banks and streetlights. The components also include the following:

1. The design of sites for permanent parking facilities and a new bus station on the periphery of Roseau;
2. Construction of the new bridge to replace the west bridge;
3. Provision for improved traffic flow at Pottersville;
4. Construction of a bypass road through the Botanic Gardens; and
5. Construction of a Cruise Ship and Ferry Terminal.

During the fiscal year 2014/15, work will commence on the road aspect of the project focusing on roads in the vicinity of the Dame Eugenia Charles Boulevard.

Madam Speaker, the town of Portsmouth will also receive attention to improve its appearance, beautify public spaces and increase access and exit. Among the improvements targeted for Portsmouth are:

1. Rehabilitation of the streets within the town;
2. The construction of a new link road from Glanvillia to One Mile;
3. A bypass road from Purple Turtle to the Cabrits;
4. The construction of a new bus station; and
5. The erection of new administrative building to house government and other offices.

Other projects that are planned under this programme are:

- A state of the art indoor sporting facility to be located at Stock Farm
- A petroleum transiting facility and the setting up of the infrastructure for the bulk export of water in Portsmouth.

Madam Speaker, the enhancement of Roseau and Portsmouth must go beyond the interventions I have highlighted. The value of the planned investments will be diluted if we do not pay greater attention to cleanliness, by avoiding littering of the streets, sidewalks and gutters. In that same vein, the owners of vehicles with sound systems are reminded to keep the volumes at levels that are not deemed a public health nuisance.

Targeting, mobilizing and empowering our youth

Madam Speaker, an often-overlooked catalyst for national development is our youth. Young people, by virtue of their numbers, their energy, their better education, their idealism and their desire to prove their independence are definitely one of the most valuable resource at our disposal. History shows that young people have always played a vital role in making the transition from one era to the next. The previous 60-year era that won us Independence and

managed the process that took us to the first decades of the 20th century was essentially propelled by young people.

The current era that is driven by the new technology belongs to our youth. Government will continue to work closely with the Youth Division, the Dominica National Youth Council, the Dominica State College, the National Employment Programme, the National Development Foundation, the Small Business Unit, the private sector and all other stakeholders in the wholesome development of our young men and women, to empower them to take their rightful place in leading the movement for economic emancipation.

You can therefore expect to see a major reform of the secondary and tertiary curricula - both formal and informal - to meet the needs of our children with a range of academic and non-academic intelligences which are essential to the development of our nation. Going forward, we are looking to the Dominica State College, the Youth Division, NYP, NEP and all the agencies that serve youth to help induct more of their "interns" into the entrepreneurial culture, with the clear understanding that even though all will not want to be entrepreneurs, research has shown that an enterprising employee is an asset to his/her employer.

Madam Speaker, with cheaper geothermal energy imminent, a modern infrastructure for the export of agricultural commodities, a robust tourism sector, adequate financing of development projects, better education and training, and a friendly legal and regulatory environment we can expect sustained expansion of the economy.

Fiscal Measures

Madam Speaker, this Government is mindful of the economic challenges which confront the population as a result of the impact of the global economic climate. Government is also aware of the impact on government finances and the imperative for introducing measures that will facilitate economic growth. The challenge for Government is how best to maintain strong macroeconomic policies and prudent fiscal management while at the same time attempting to meet the needs of its citizens and especially to devise realistic responses to the needs of the private sector who we see as our partners in development.

In that regard, we have considered a number of recommendations made by several groups and obtained through discussions and from submissions made during the last fiscal year. For the records, Madam Speaker, I wish to confirm that we engage groups and individuals during the year and we take note of the recommendations that are made either in writing or through various fora. What is important to us, is that we listen to the population whenever and wherever they speak and respond in the best way possible.

The proposals we have received range from requests for:

- reduction and removal of the VAT;
- reduction and removal of income taxes;
- reduction and removal of import duties on certain products;
- reduction and removal of excise taxes;

- increase in salaries for public officers;
- relief to pensioners and people of pensionable age who do not have a pension; and
- provision for health financing.

Amidst our review of these requests, we had to remain focused on the fact that as Government we are required to provide goods and services to the citizens. There is always the risk that when there is a reduction in taxes, that it has to be accompanied by increase in other taxes or a reduction in expenditure. A reduction in expenditure could mean the withdrawal of some services provided by Government. Further, proposals to reduce taxes which could have the effect of minimizing the impact of development policies are also not appropriate. For example, we consider the complete removal of duties on juice to be at variance with the policy to invest in agriculture and to encourage citizens to eat and use what we grow.

Review of the tax system

It is the view of Government that the tax structure should always be relevant to the needs of the country. As such, we have initiated a process whereby we propose to undertake a review of the tax system beginning with another review of the income tax regime. The Caribbean Technical Assistance Centre (CARTAC) has indicated a willingness to assist us in this process. It is likely that the entire system may be changed. For example, we could opt to set a flat rate of income tax which may make administration and calculation simpler. We will engage the relevant stakeholders in this exercise.

Madam Speaker, I will now outline the fiscal measures adopted for this fiscal year. The intention is to bring relief to the extent that we can to our citizens and residents, as we work towards expansion of the economy. There are no new taxes in this budget.

Measures aimed at improving the efficiency of clearing courier packages

Madam Speaker, the advent of online and internet shopping and the growing awareness by the population that goods and services required urgently can be accessed quickly via the internet have resulted in a new type of trade and growth of the courier business. The increase in that type of business now necessitates a change in the procedures utilised in clearing such items. Generally, people who utilise courier services anticipate receiving their goods within a short period of time. Customs and port procedures must take this fact into consideration.

The current practices by which courier packages are cleared have not kept pace with the growth of that type of activity. A number of administrative and legislative changes have been identified to address this matter. Of specific significance is the introduction of a “Di Minimis” system. Under such a system, goods imported below a certain value do not attract any taxes and fees and the clearance procedures, including data requirements, are minimised.

The new system which will be established is for the immediate release of goods valued up to CIF EC\$150.00. This is in keeping with the already established procedure of processing gift packages. During the sorting process, goods valued at CIF EC\$150.00 and less would be released to the courier agents instead of being retained by customs for duty purposes. The Di Minimis system shall not apply to:

- Commercial Goods
- Tobacco Products
- Alcoholic Beverages

Commercial goods are goods imported into Dominica for any commercial, industrial, occupational, institutional or other similar purpose. We therefore expect the cooperation of all so that no one will attempt to misuse this system for commercial purposes or to import tobacco or alcoholic beverages.

In addition to the introduction of this system, the Customs Division and the Dominica Air and Sea Ports Authority will introduce new administrative procedures which will facilitate ease of processing for those persons who must go to the Port to clear goods. It is anticipated that this change will facilitate businesses as well as individuals in clearing of goods in a more efficient manner.

The estimated revenue foregone is \$435,664.47.

The new “Di Minimis” system is to be introduced from 1st August 2014.

Residential Tourism in the context of Citizenship by Investment Programme

Madam Speaker, I referred to the Citizenship by Investment Programme earlier. Cabinet approval was granted for a Residence Tourism Policy. Among other things, the policy specifies the concessions and waivers granted under the programme and conditions under which such concessions and waivers are granted.

The real estate option of the Citizenship by Investment (CBI) programme allows for investment in real estate. Subject to meeting the requirements of the CBI programme, consideration is being given to participants in the residential tourism initiative to be eligible for Dominican citizenship under the CBI programme. The residential tourism policy is now to be implemented as a component under the CBI Programme. This gives the local private sector the opportunity to make use of the benefits that are available.

VAT on Service Charge

Madam Speaker, during the preparatory stage and in the early days of implementation of the Value Added Tax (VAT), among the recommendations made and accepted was the application of a lower rate of VAT on hotel accommodation and dive activities. As such, only a VAT rate of 10 percent is applied to rooms and the dive services while the general rate of 15 percent is applied to all other services including food and beverage.

I have always indicated Madam Speaker, that the VAT is the backbone of our revenue. The VAT replaced a range of taxes including the consumption tax, the sales tax and the entertainment tax. The tax base was broadened and the rate set lower than the average rate of the taxes which were removed. When it was introduced, we promised the nation that if the VAT performed well, we would reduce the rates of personal income tax. This we have done and continue to do. To do the large scale reduction which has been requested would not only be dangerous but would be

irresponsible on the part of Government. Therefore Madam Speaker, we have reviewed the proposal that has been made by the sector and have decided to remove the VAT on the service charge which is charged by the hotels.

A service charge is commonly added to the services offered by a hotel. The service charge is not a government tax or fee. It is the view of the tourism sector that the application of the VAT to the service charge makes Dominica less competitive.

Effective 1st September 2014, the VAT will not apply to the service charge. We hope that this measure will have the desired effect of making Dominica a more competitive destination.

Reduction of import duties on Baby wipes and adult disposable diapers

Madam Speaker, we are conscious of the changing dynamics in caring for children and the elderly. There are two products that are more widely used than before; one is baby wipes and the other is disposable diapers. Baby wipes are now classified in the same category as soaps. In an effort to protect the local production of soap, the tariff on all items in this category is high at 65 percent. Baby wipes however are not manufactured in Dominica, and thus cannot be considered as an actual threat to the soap manufacturers. We have decided to remove the import duty on the baby wipes and to set the rate at zero.

In regard to disposable diapers, the import duty rate is 20%. In a previous budget, this Government reduced the rate for baby disposable diapers to zero. There is no threat to local production as that item is not produced locally. We have decided to remove the import duty on adult disposable diapers and set the rate at zero.

These changes are expected to take effect on 1st August 2014.

Reduction in import duties on computers

Government is seeking to have citizens make greater use of information and communication technologies and has done so through a number of policies. Included in these are the construction and outfitting of resource centres in many communities, making computers available at schools, the introduction of new e-government services including e-filing and the passage of the relevant e-government legislation. The Government has provided full access to the internet via wireless network at the Dominica State College.

We believe that making computers more accessible to households will complement the ongoing effort. Equally important, is the necessity of assisting small businesses to incorporate the use of technology in their operations.

Consequently Madam Speaker, Government has decided to remove the import duty of 5% and the customs service charge of 3% which are now applied to computers. It means that only the VAT and the Environmental levy will be applied to computers on importation.

We expect that this measure will benefit the many young people who rely on the technology for research and educational activities as well as those who have set up small businesses with the assistance and guidance of the Small Business Unit and the National Development Foundation of Dominica (NDFD).

This measure will come into effect from 1st August 2014.

Relief to pensioners and people of pensionable age who do not have a pension

Madam Speaker, there is one category of Dominican residents to which I would like at this time to turn my attention.

There are persons in this society who have worked tirelessly at building the family structure. They may not have been the most trained or skilled of their time, but by dint of hard work and perspiration they did all that was necessary to put food on the table of their families and a roof over their heads. I am speaking about persons of pensionable age who did not work long enough in any particular job to qualify for a pension, either state or private, but who, nevertheless are builders of Dominica. I speak here of retired gardeners, tradesmen, fishermen, housewives, community workers, domestics, to name a few categories. Some of them have no offspring and in other instances, the children of these individuals are not in a financial position or are generally not minded to assist as they should. Irrespective of the circumstance, the reality is that there is a category of senior citizens in Dominica who helped in their own way to build this country and who, the country should now assist, however small, in enabling them to lead dignified lives.

A long term solution to this scenario must be found and I will be asking Actuaries associated with the Social Security Service to advance options for consideration in the medium to long term. Far more urgent, however, is the need for the State to assist these persons through the current economic squeeze that besets our country.

I propose therefore, that effective 1st October 2014 all persons 70 years and older, with no known source of income, or whose income is less than \$200 a month, shall be entitled to a Cost of Living Grant of \$200 a month. This initiative shall continue until such time as a more permanent system can be effected for the benefit of those who have contributed over the years to the development of our country.

People wishing to benefit from this measure, are asked to register with the village council offices or with the constituency offices where they live. The information will be assessed by Government.

In the case of other senior citizens who currently receive pensions as a result of their contributions over the years, the government recognises that these people would be among the most vulnerable, in an environment of continuously rising prices, due to factors beyond the control of the Government or indeed the retail sector of Dominica. Such persons, who currently receive between \$200 and \$600 a month, shall, effective 1st October 2014 receive, what I would like in this cyber age to refer to as a \$25 a month top-up from the Government.

I appeal to all those receiving more than \$600 a hold strain a little longer, as the Government would hope to be in a position to also adjust the pensions of this category in an upward direction in the near future.

Rebate on corporate tax for businesses taking on new employees

Madam Speaker, in fiscal year 2013/14, Government launched the National Employment Programme (NEP), aimed at providing unemployed people with the opportunity for mentorship, internship and apprenticeship. After the first six months, an assessment was undertaken of those who were given job placements under the NEP and the assessments have been very positive for the majority. We are advised also that the businesses where these interns are placed have also benefitted from the additional human resource capacity which was provided. The programme will continue in fiscal year 2014/15 but Government wishes to support those businesses which are willing to convert these interns and apprentices into full time employees and have them engaged in sustainable employment.

In that regard, Government proposes to offer a rebate to businesses who engage new hires during the period 1st August 2014 to 31st July 2015 in the first instance. For a business to qualify for a rebate, the new hires must be engaged in new jobs; not replacement, acting or temporary jobs. The rebate will be equivalent to 2% of the gross salary paid to a new hire. The maximum rebate per hire per twelve month period is set at \$600. The maximum rebate per employer is set at \$6,000 per twelve month period. The benefit will be applied to the filing for the corresponding tax year. For example, a company providing new permanent jobs in the period August to December 2014 will be able to make use of this benefit when it files taxes for 2014, once the criteria is met. Companies will have to inform the Inland Revenue Division when new people are hired.

The corporate income tax rebate will be given to all companies who are up to date with their filing and in good standing with the Inland Revenue Division. It will not apply to businesses with tax holidays, as no tax is due from businesses with tax holidays. A company with no chargeable income would have no tax payable and so no rebate is possible. A new company which has been granted fiscal incentives on the condition that they employ a given number of people would not qualify under this proposal unless they employ more people than the incentives license would have covered.

The rebate will be computed on the tax payable after deducting any exemptions. For example, if the tax due for corporate income tax is \$5,000 and the business has a rebate valued at \$1,000, that business will be required to pay only \$4,000. Since this initiative is new, we propose to discuss it further with the private sector so that the sector can avail itself of the benefits.

This measure will be reviewed before July 2015 to determine if the desired outcomes are achieved.

Madam Speaker, when we speak of sustainable jobs, we speak about real opportunities; not pie in the sky promises but real and tangible opportunities that will benefit both the newly employed as well as the private sector.

Reduction in Corporate Income Tax (CIT) Rate by 5%

Among the requests of the private sector is the reduction in the rate of corporate tax. Corporate tax rate is set at 30% and is charged on profits.

Government has considered this request within the context that companies have indicated interest in reinvesting profits back into these businesses. Government is supportive of the efforts at increasing economic activity in the country and therefore has considered the request for reducing the rates of corporate income tax which companies have indicated will be ploughed back into investment. To that end, Government has decided to reduce the rate of corporate income tax from 30 percent to 25 percent over a two year period. In the first year the adjustment will be 2 percent with the 3 percent being applied in the subsequent year.

This measure will come into effect for income year 2015.

The estimated revenue loss for the full implementation of this policy is \$3.6 million.

Increase in mortgage interest allowance

Madam Speaker, our policy to improve the housing stock in Dominica is well known. Generally, the policy has been implemented in a way that the beneficiary receives the benefit directly. For example, we provided loans at interest rates lower than the going market rate to certain categories of low to middle income earners and caused the effective mortgage interest rate to drop. We sold land to squatters at \$1.00 per square foot and reduced the price per square foot to an amount below the market value in other developments. We provided direct assistance to the disadvantaged people who would not otherwise be able to repair their homes. We have heard the request for removal of import duty on building materials but our experience is that, that benefit does not always reach the intended recipients. In fact, very often it is only when the beneficiary does the importation himself that he gets the full benefit. Furthermore, many of the inputs for construction originate from the region and as such no import duties are applied.

Therefore Madam Speaker, as another component of the housing revolution we propose to increase the mortgage interest allowance from \$15,000 to \$25,000 per annum. By our estimate, this policy will directly impact a significant number of people who currently pay mortgage interest in excess of \$15,000 per year. Importantly, we hope that it will serve as an encouragement for more people to construct houses as well as to be in a position to do repairs and other works that will improve the overall housing stock.

Madam Speaker, assuming a mortgage interest rate of 7.5% and a repayment period of 20 years, the mortgage would have to be at least \$337,000 to have interest payments exceed \$25,000. This means that the majority of mortgage holders new and existing would benefit from this policy.

This policy comes into effect 1st January 2015.

Increase in non-taxable Income allowance

Madam Speaker, many people have indicated that the major challenge they experience is reduced purchasing power as prices of goods and services increase. We considered reducing the import duty on some products but you may recall that in 2009 we sought to address this matter by removing the import duty on an extensive list of items. Time does not permit me to read that list but simply to say that most basic items are already exempt from import duty. Therefore Madam Speaker, Government believes that the best way to bring direct relief to citizens is through a reduction in personal income tax, giving each employee more money in his pocket.

In that regard Madam Speaker, effective 1st January 2015, the non-taxable allowance will be increased from \$20,000 per annum to \$25,000 per annum. As a result of this policy anyone earning \$25,000 and less per annum or \$2,083 or less per month will not pay personal income tax. This equates to an additional 1508 people who will no longer pay income tax.

For those who will continue to pay tax, this measure also results in an overall reduction in the tax paid. For example, a person earning \$2,500 per month is now paying \$125.00 per month in income tax. With the increase in the non-taxable personal allowance, the tax to be paid is estimated at \$62.50. A person earning \$3,500 per month is now paying \$291.67 per month and will pay \$212.50 per month with the change. A person earning \$6,000 per month is now paying \$933.33 per month and will pay \$812.50 per month with the change. A person earning \$10,000 per month is now paying \$2,333.33 per month and will pay \$2,187.50 per month with the change.

Using the examples indicated above, for the public officer who earns \$2,500 per month, the value of the benefit from this measure equates to the value of a 3.0 percent salary increase. For the officer who earns \$6,000 per month, the value of the benefit equates to the value of a 2.0 percent salary increase.

Madam Speaker, one can well appreciate the compounded nature of these measures. A taxpayer who benefits from this relief along with the mortgage interest will pay much less tax.

Overall, this change will cost the State \$5.3 million. While this measure is largely intended to help families meet their needs, we believe that if it results in greater satisfaction and productivity, the cost to the State will be less in real terms than the amount I have just quoted. I therefore ask all employees in both the private and public sector to make this measure worthwhile.

Madam Speaker, the package I have just presented, does not mean that the State has no need of the revenue which is being given up. On the contrary, the State is interested in collecting all the revenue that is due to it so that it can adequately provide the goods and services to the citizens – in fact Madam Speaker, I remind those who owe the State to meet their obligations.

Since 2008 most countries have sought to provide some form of fiscal or economic stimulus. In Dominica, the focus has been on accelerating the implementation of the capital programme financed largely by grants. The package I have just outlined goes one step further and is intended to facilitate more private sector investment and increased productivity.

Conclusion

Madam Speaker, this Government is working; we are working for the people of Dominica. The physical development in roads and other infrastructure is plain for all to see. Our people have benefitted from the jobs that have been created. The better roads make communication more pleasurable, faster and economical. The sea and river defences give comfort and a greater sense of safety to those who live in these areas. The new schools and college create a better environment for learning and imparting skill necessary for expansion of our economy. Indicators of human improvement such as the increased number of trained people are positive. This budget continues the tradition of this Government of putting forward projects that will lift the face of the country, raise production, secure social safety nets and provide employment. With the package of measures that I have delivered, it goes one step further by providing direct relief to individuals and families and the large and small private sector firms.

People centred development is espoused by Government as is articulated in the GSPS; ensuring that the environment is right for growth and for creating employment, all built on a foundation of strong fiscal management.

I have no doubt Madam Speaker, that this budget will impact positively on everyone in our country and every household and every community in Dominica.

As I close, Madam Speaker, I recognise the assistance and partnerships we have built with our bilateral and multilateral friends and express on behalf of the Government and people of Dominica our deepest gratitude.

I also wish to remind all of us that Dominica is ours to build. We must all join this working Government in building this country. There is a role for all of us. I trust that with God's guidance we can all continue to make Dominica a better place.

May God bless all of us and bless our country.

Thank You Madam Speaker.