



**SECURING OUR FUTURE: INVESTING IN HEALTH CARE, YOUTH AND  
SECURITY**

**BUDGET ADDRESS 2004-2005**

**BY**

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## **INTRODUCTION**

### **THE LAPSE OF AGES CHANGES ALL THINGS**

Mr. Speaker, Lord Byron once reminded us that the “lapse of ages changes all things.” Although change does not necessarily guarantee for us progress of our community, society or nation, one thing is certain, progress implacably requires change. Change can either be a challenge or a threat. The extent to which it is either depends on our response. If we prove ourselves capable of understanding the laws of change and respond to it with truth and beneficence as our beacon of light we can accomplish wonders. Ignorance of the laws of change, however, can result in periods of unreasoned enthusiasm on the one hand and great depression on the other.

Our task as a Government is to react not with ignorance but with great wisdom, knowledge and understanding as we seek to provide leadership to navigate the rising and falling tides of affairs. This, therefore, requires that as a Government, we act wisely when it dawns the time for action. For us, the time for action has dawned and there can be no repose. Time has opened for us a window of change, challenge and opportunity, which if we fail to exploit, will never reopen to us. This Government, being acutely aware that history and destiny are products of choice, not chance, has accepted the challenge of re-creating our world, society and nation.

Unfortunately, Mr. Speaker, too many fail to grasp this profound but simple adage that “the only thing that does not change is that everything changes”.

Mr. Speaker, for this year’s Budget we have chosen the theme “Securing Our Future: Investing in Health Care, Youth and Security.” The measures proposed in this year’s Estimates are intended to safeguard the gains we have made over the years and to provide additional security for our nation’s future. Specifically, we seek to provide opportunities and assistance for our Youth as a vulnerable and important sector of our population. We acknowledge that upgrading our health care system is a necessity, and we intend to make strategic interventions to facilitate the transformation and modernization of this sector. Moreover, we recognize that as our society becomes more open and our criminals more sophisticated, we must respond with even more measures to safeguard the lives and property of our residents and visitors. This year’s Budget will allow us to address some of the critical security issues, which left unresolved, will severely constrain our economic, social and cultural development.

## **TRIPOD OF TRADE CHALLENGES**

### **THE SINGLE MARKET AND ECONOMY: WHAT DOES IT MEAN FOR SAINT LUCIANS?**

Over the last year, the people of Saint Lucia have heard a great deal about the Caribbean Single Market and Economy – the CSME - to be established by CARICOM – the Caribbean Community, by January 2005. When the CSME is established, it will be one of the most significant developments in Caribbean regional integration in recent years, as it will have a major impact on regional economies and regional economic development. Not only will it spur economic growth in the region as a whole, but the CSME will bring opportunities and benefits to the people of Saint Lucia. It will also bring unparalleled competition in goods, services, manufacturing and trade. It is important, therefore, for our people to try to understand it and prepare for its coming early next year.

As the name suggests, the Single Market and Economy will lock all our economies together and turn them into one economy for the region. The CSME will remove all restrictions and barriers to trade and economic activity between member states for nationals of the region. It is the fact of this larger unified economic space that will make a positive difference to our economic growth. When the CSME comes to life, Saint Lucians will have to stop thinking of economic opportunities in terms of Saint Lucia alone, and will have to see the entire CARICOM region as a common economic space to be exploited.

The CSME will allow for the free movement of goods within the community. Goods produced in the CARICOM region will not be subject to import duties, tariff and quantitative restrictions in any member state, so that our producers and manufacturers will now be able to sell their products more easily in the regional market. Greater penetration of the regional market by Saint Lucian entrepreneurs will lead to greater economic activity here at home.

The CSME will allow for the free movement of capital. Our people will now have the right to move capital from one member state of the community to another, from Saint Lucia to another member state and vice versa, to invest in any member state, to buy shares in companies in any member state without having to obtain permission to do so or having to be subject to restrictive requirements. A wider capital market will now be available for our businessmen and business places to raise funds for investment.

There will be free movement of services – our nationals will now have the right to acquire land, and other property in any CARICOM member state without the restrictions that currently exist, such as alien landholding licences.

The CSME will provide for free movement of people across the region. This has already involved the removal of work permits across the region for University graduates and Media Workers. It will be extended to musicians, sportspersons, artists, other skilled service providers, businessmen, self-employed persons, thereby allowing such persons to

be employed in any member state of the CARICOM community. There will be procedures to recognize degrees and certificates. The free movement of persons will, of course, be facilitated by a common travel document that will do away with the current hassles that many CARICOM nationals now encounter when travelling through the region. Complementing the free movement of persons and workers is a social security agreement that allows for the transfer of social security benefits from one CARICOM country to another.

Under the CSME, we cannot discriminate in favour of our local businessmen. We have to treat our businessmen and companies the same way that we treat CARICOM businessmen and companies. So, for example, we cannot compel CARICOM companies to obtain a trade licence to do business in Saint Lucia if we do not require Saint Lucian businesses to obtain a trade licence. Likewise, we cannot exempt locally produced or manufactured goods from consumption taxes and charge or levy consumption taxes on CARICOM goods. All domestic and CARICOM products must be treated identically. While these arrangements will present a challenge to our local entrepreneurs to be competitive, opportunities will also abound, as there will be a wider economy in which they may trade.

In terms of Saint Lucia's readiness for participation in the CSME, there are approximately forty pieces of discriminatory legislation. They will have to be repealed or amended, and administrative measures will have to be put in place for Saint Lucia to be part of the CSME. Saint Lucia has already started to take action on these. A Task Force on the CSME has been established by the Cabinet of Ministers under my Chairmanship to finalise the process of Saint Lucia's participation in the CSME, and that Task Force has already begun its work.

Over the course of the year, the Task Force will be accelerating its programme, and this House will be required to consider and deal with legislation necessary to make Saint Lucia CSME-compliant by 2005. Public education programmes will also be undertaken to ensure that our people fully comprehend the CSME and what it will mean for us.

The CARICOM Single Market and Economy will open up a new vista of opportunity, a new frontier for our people, and we must not be afraid of it. It will be challenging, but it is a challenge we must confront. If we want to compete in today's global market, we must prove ourselves in the regional arena and form regional partnerships and alliances for the international stage. The CSME is the platform for this. We must go boldly forward and seize the advantages that it can bring us.

## **END OF PREFERENTIAL REGIME FOR BANANAS**

A more serious challenge awaits us as the preferential regime on bananas comes to an end in 2006.

Mr. Speaker, as far back as 1987, during the negotiations on the Lomé IV Convention, the Governments of the Windward Islands and banana industry leaders were alerted to

the fact that the European countries would be establishing a Single Market in 1992, which would have serious implications for the marketing of bananas in Europe. While it is not my intention to dwell on the past, imagine how much hardship and anguish we could have saved our farmers had we started the modernization of our industry back then. We could have installed irrigation when our bananas were still green gold and our rivers flowed with water; we could have established drainage on all farms to ensure that during the rainy season, our banana plants would not remain waterlogged and prone to disease. We could have built Inland Reception and Distribution Centres (IRDCs) to improve on the post-harvest quality of our fruit and save our farmers the long wait at the ports; we could have educated our farmers on the workings of the UK market and taught them that quality had to be our number one priority. We could have started to differentiate our fruit from the competition by establishing our own fair trade or ethical trade label. Sadly, we did nothing, and we pretended that it would be all right on the morning of the European Union Single Market.

Lomé IV was signed in 1989, and maintained the protocol that allowed bananas from Africa, the Caribbean and Pacific (ACP) preferential access to the European Union market. In July 1993, the new banana import regime continued the access to the European Union market for ACP bananas, but it also increased the access of Latin American 'Dollar' bananas into that market.

We are all very familiar with the trans-Atlantic trade war between the European Union and the United States and Ecuador over bananas that led to punitive tariffs being applied by the United States to European Union products. When that dispute was settled, a new regime was put in place, which used a combination of quotas and tariffs to protect the ACP countries. The ACP producers were provided with a global quota, known as the C Quota, which allowed them to export 750,000 tonnes of bananas to the European Union. Unfortunately, however, 100,000 tonnes of licenses were taken away from the ACP and placed in what is called the A/B quota, and this quota is used to import Latin American or so-called Dollar bananas. So, in effect, Saint Lucia and the other ACP producers lost the ability to export 100,000 tonnes of bananas, and suffered the double blow of an additional 100,000 tonnes of bananas entering the UK market and competing with Windward Islands bananas.

This, however, was not the end of the struggle to secure access for Saint Lucia's bananas in the United Kingdom. This year, the European Union will welcome Cyprus, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, and Slovakia as new members. While this is not expected to cause any increased demand for bananas, it will increase the size of the market affected by any change in policy by 15 percent. Moreover, any increased allocation to cater for these new members will have the effect of creating an avenue for the entry of more Latin American bananas into the United Kingdom. We need to ensure, therefore, that the imminent increase in size of the EU does not have the immediate effect of causing an over-supply of bananas in the UK market, resulting in a further drop in prices.

Sadly, Mr. Speaker, this is only the tip of the iceberg approaching our banana industry. In 2006, the current trading regime will be replaced by what is widely expected to be a tariff-only system. This means that the current global quota for ACP bananas will give way to a tariff placed on all bananas entering the European Union from non-ACP sources, with ACP bananas being allowed to enter at zero duty, or what we commonly refer to as duty-free, until 2008. The key question now is the level at which the new tariff will be placed, and whether this will continue to provide protection to ACP bananas. Numerous studies are currently taking place, which are examining the effects of tariffs ranging from €75 per tonne to €300 per tonne on market access of both ACP and Latin American fruit. The concern for those who will be involved in the negotiations will be to avoid any regime that may contravene WTO regulations and cause another costly dispute between the affected parties, while seeking, as much as possible not to place any of the current producers at a disadvantage.

Mr. Speaker, unlike the approach taken in 1987, we are not going to sit idly and hope for the best. We have already undertaken a modernization of our industry to provide it with the infrastructure necessary to survive and compete. Together with the banana companies and WIBDECO, we intend to intensify the farmer education programme to prepare our farmers for the changes that will take place in two years time. Most importantly, we will collaborate with the other Windward Island Governments to put in place a high level diplomat, with knowledge of the banana industry and the intricacies of trade diplomacy, to handle the important negotiations that will take place in Brussels. We believe that there is a future for the banana industry in the Windward Islands, especially if we continue to cultivate and strengthen our relationship with the UK supermarkets. There is much that we need to do and our Government is committed to doing what is necessary, but we cannot afford to keep going over the same old problems like Leaf Spot, poor quality and inconsistent production. Whether we succeed depends as much on our resolve, seriousness and commitment as it does on the successful resolution of trade negotiations.

## **THE FTAA: NEW PROSPECTS AND CHALLENGES**

As if the end of the banana preferential regime was not enough, we have to contend with the proposed Free Trade Area of the Americas, commonly known as the FTAA, now looming on the horizon.

Mr. Speaker, in 1994 Heads of State and Government of the Americas committed to advancing the prosperity, democratic values and institutions, and security of the hemisphere. The key to prosperity was deemed to be trade without barriers, subsidies, and unfair practices and with an increasing stream of productive investment. Removing any impediments to market access for goods and services among the countries was expected to foster economic growth. The Heads therefore agreed to “construct the Free Trade Area of the Americas (FTAA)” in which barriers to trade and investment would be progressively eliminated and negotiations completed for an agreement by January of 2005.



Mr. Speaker, since formal negotiations commenced in 2002, the process has been bedeviled by a lack of consensus on how to tackle the negotiating disciplines. In fact Mr. Speaker, there has been a virtual impasse forcing a review of the process in Miami last November 20<sup>th</sup>. A compromise has been agreed to, which, while remaining committed to the original objectives and principles, allows for some flexibility in the character of a possible Trade Accord to be reached.

The re-defined vision, which seeks to accommodate the needs, sensitivities and ambitions of all FTAA countries introduces a two-tiered structure which will allow for:

- (1) A common and balanced set of rights and obligations that will be applicable to all participating countries; and
- (2) Countries which so choose, to agree to additional obligations and benefits.

Saint Lucia continues to engage in these negotiations as part of the CARICOM group and has argued for an agreement which will enhance our economic development as a small disadvantaged economy. Our focus has been and will continue to be on an FTAA which is geared to our economic development, strengthening existing capacities and spurring new growth opportunities in the production of both goods and services. This will require structural reform and adjustment and a significant amount of development resources. The FTAA must therefore provide meaningful support for the adjustment process. That, Mr. Speaker, will necessitate:

- (1) Embracing and supporting the concept of a Regional Integration Fund or similar mechanism (proposed by CARICOM) to support the adjustment for smaller economies within an FTAA;
- (2) Developing a comprehensive package of practicable measures, providing special and differential treatment; special and differential treatment that will not be confined or restricted to longer adjustment periods and technical assistance;
- (3) Relieving Saint Lucia of the need to make commitments or take obligations at the same level as the more capable partners; and
- (4) According non-reciprocal arrangements in respect of tariff liberalization, as Saint Lucia is in fact highly dependent on its tariff revenues.

In short, we are looking for a balanced agreement that will allow us to survive.

Should the FTAA materialize, Mr. Speaker, opportunities will arise in the production and export of goods and services. In particular, there is some evidence to suggest comparative advantage in the highly service-oriented economies of the OECS, pointing to potential benefits which could accrue. However, to exploit these opportunities we will need to improve on our production efficiencies, in particular our level of international competitiveness. Whether we can tap these benefits will depend on the acceptance by the other countries that our islands constitute a group of small, vulnerable countries that cannot cope with open and untrammelled competition. Already, we are aware that the

FTAA will require the removal of import duties, thus requiring us to modify our regime of indirect taxation. Indeed, this is one of the many reasons why Saint Lucia and other OECS States have been advised to introduce the VAT.

## **THE ECONOMIC CONTEXT**

Mr. Speaker, we are compelled to plan our economic future against the background of these looming changes in the regional and international environment. These changes remind us that our economy is neither isolated nor insulated. Our economic performance is shaped not only by our decisions, but also by external pressures and factors.

As we turn to review our economic performance this past year, it is both necessary and unavoidable that we identify key elements in the performance of the regional and international economy.

## **INTERNATIONAL ECONOMIC DEVELOPMENTS**

Buoyed by continuing growth in advanced economies led by the United States, and robust growth in developing countries spearheaded by China, real growth in world output is estimated to have accelerated for the second successive year to 3.2 percent in 2003. While growth in advanced economies remained constant at 1.8 percent, developing countries and countries in transition both contributed accelerated growth of 5 percent.

Consumer prices exhibited contrasting movements among the three country groupings. Inflation edged up to 1.8 percent and 5.9 percent in advanced economies and developing countries respectively, while it fell to 9.7 percent in countries in transition. The volume of goods and services in global trade increased by 2.9 percent in 2003 as all country groupings recorded greater imports and exports.

Mr. Speaker, despite improvements in the world aggregate output, global investment and economic activity have been dampened by continuing instability in Iraq.

The upward creep in the price of crude oil has also impacted negatively on prospects for growth in the advanced economies. This increase in oil prices constrained the performance of the US manufacturing sector, and resulted in a reluctance to expand investment.

## **REGIONAL ECONOMIC DEVELOPMENTS**

Closer to home, all regional economies experienced growth in 2003, ranging from 0.2 percent in Guyana to 6.7 percent in Trinidad and Tobago. Amidst the continuing recovery from 9/11, increased tourism activity played the leading role in boosting performance in most destinations. However, the region had to contend with the effects of the declining output and terms of trade in its major agriculture products.

There were gains for the only oil exporter, Trinidad and Tobago, but other countries grappled with the need to cushion the impact of increased oil prices on their domestic economies. As a result, most countries experienced higher inflation, despite the fixed parity of most currencies to the US dollar and generally lower prices of major trading partners.

## **ECONOMIC PERFORMANCE IN THE OECS**

The OECS economies were driven by broad-based growth in tourism, construction and Government services. Preliminary estimates indicate that the economy of *Antigua and Barbuda* grew by 3.2 percent in 2003, after 2.1 percent growth the year before. Inflation remained low but the current account widened significantly.

Accelerated growth in *St. Kitts and Nevis* of 2 percent came at the cost of slightly higher inflation of 2.2 percent. There was the achievement of improved fiscal performance within the context of the Structural Adjustment Technical Assistance Programme (SATAP), which saw a \$123 million reduction in capital expenditure. However, there were concerns over burgeoning public debt, which reached 158 percent of GDP, the highest among ECCU countries.

Fuelled by expansionary fiscal policies, *St. Vincent and the Grenadines* registered growth of 1.7 percent. The effect of increased activity in tourism and telecommunications was retarded by a 32 percent reduction in banana exports to 22,558 tonnes, which reduced earnings by 20 percent.

Anchored by a 10 percent growth in stay-over arrivals and increased construction activity, *Grenada* recorded expanded GDP growth of 3 percent. However, at September 2003 inflation more than tripled to 2.6 percent. Unemployment is estimated to have risen to 12.2 percent while external debt rose markedly to 63 percent of GDP.

## **NON-ECCU ECONOMIES**

Similar trends may be noted in other CARICOM countries. The continuation of recovery of the *Barbados* economy that started in the third quarter of 2002, led to growth of 2.2 percent up to September 2003. A 5.9 percent increase in stay-over arrivals to 428,324 in October outweighed the negative effects of an 11.6 percent drop in sugar production. Amidst an improvement in Central Government's fiscal balance, inflation was contained at 1.1 percent.

In *Belize*, increased activity in tourism (mainly in cruise and stay-over arrivals) and agriculture led to output growth of 5.5 percent. In addition to increased shrimp production, banana production increased by 68 percent to 79,331 tonnes.

Notwithstanding a rebound in real output, real growth in *Guyana* slackened to 0.2 percent in 2003, as adverse weather led to a reduction in sugar production by 8.8 percent to 302,000 tonnes. As mining and quarrying contracted by 6.9 percent, high food prices pushed inflation to 5.9 percent.

In 2003, the economy of *Trinidad and Tobago* entered its tenth straight year of growth. The accelerated growth of 6.7 percent was the highest in the region and accompanied 4.2 percent inflation for the twelve months to April 2003. Buoyed by higher oil prices, which spurred increased investment in oil and natural gas exploration, net international reserves increased in September to US\$2,196 million equivalent to 6 months of imports of goods and services. Despite improved fiscal performance, the unemployment rate edged up to 10.2 percent in June 2003.

In the first nine months of 2003, the pace of economic activity in *Jamaica* doubled to 2.2 percent, mainly as a result of a 6.3 percent increase in stay-over tourists to 1.027 million. However, the economy remained challenged by slippages in the exchange rate, high interest rates, and a Debt to GDP ratio of 143.9. As a result, inflation (14.1 percent) increased to double-digits for the first time in 6 years.

In the smaller territories of the region, growth remained buoyant: in the *British Virgin Islands*, *Cayman Islands* (2 percent), and *Montserrat* (6 percent). Tourism and construction activity were chiefly responsible for output growth in all these countries

## **SUMMARY OF DOMESTIC DEVELOPMENTS 2003**

### **REVENUE PERFORMANCE**

Mr. Speaker I am happy to report that our Total Revenue received for the fiscal year exceeded \$500 million. In fact Mr. Speaker, \$523.8 million was received. The amount collected was 5.2 percent higher than last year. Current revenue increased by 9.8 percent over last year's receipts to \$484.9 million, and tax revenue, a component of current revenue, increased by 9.7 percent to \$444.5 million.

I wish now to share with you and Honourable members the tax revenue heads where growth was recorded. Taxes on income and profits increased to \$110.0 million, reflecting improved business performance and the success of the Tax Arrears Payment Plan. In fact Mr. Speaker, I must commend taxpayers for seizing the opportunity to settle their arrears with the Inland Revenue Department. I am sure that they are relieved that an opportunity was provided for them to make good their tax affairs with the Department and once again be counted as model taxpayers.

Taxes on goods and services increased by 4.0 percent to \$181.8 million. Total Consumption Tax Revenue increased by 7.4 percent to \$121 million, accounting for 66.6 percent of taxes on Goods and Services. Hotel Accommodation Tax also recorded an increase of 13.7 percent to \$22.2 million. Taxes on cellular phone calls tripled to \$4.8 million, with the establishment of two new mobile phone companies.

Taxes on International Trade and Transactions grew by 23.2 percent to \$148.9 million as a result of growth in imports. In fact, the amount collected represented 28.4 percent of total revenue and grants. Import duties accounted for 46.6 percent of taxes on international trade, recording an increase of 21 percent. Service Charge on imports grew by 30.3 percent to \$39.3 million, while Environmental Levy increased by 21.9 percent to \$11.7 million. Collections of Excise Taxes on imports increased by 15.4 percent to \$18.5 million. Travel Taxes also recorded increases as a result of increased arrivals, recording collections of \$4.9 million, double that collected for the previous year.

## **PACE OF ECONOMIC GROWTH**

After a contraction of 4.6 percent in 2001 and marginal growth of 0.43 percent in 2002, the pace of economic growth in Saint Lucia accelerated in 2003 to 3.71 percent. This growth marks a significant achievement, given the current prevailing world economic climate, characterized by slow or negative growth in the major industrial countries, persistent upheavals in the international financial system and the fall out from the war on terrorism.

Mr. Speaker, the main impetus for growth emanated from expansions in the tourism sector by 16.6 percent, growth in wholesale and retail trade by 7.8 percent, communications by 4.5 percent and transportation by 2.63 percent. In total Mr. Speaker, those areas of economic activity accounted for 75 percent of total value added. However, the overall positive economic performance was tempered by reductions in value added recorded for agriculture by 10.8 percent, manufacturing by 0.52 percent and construction by 1.21 percent.

The contribution of bananas and agriculture to GDP fell to 1.96 percent and 4.87 percent respectively, as did that of the manufacturing sector by 7.4 percent and construction by 9.78 percent.

Very quickly, Mr. Speaker, I shall examine performance in the various sectors.

## **REVIVAL IN TOURISM**

Mr. Speaker, as international concerns and expectations regarding the conclusion of major activities in the war in Iraq subsided, the level of international travel increased during 2003. Consequently, Saint Lucia registered a 4.1 percent increase in total visitor arrivals to 703,381. Despite competition from regional destinations, the island recorded a 9.3 percent increase in stay-over arrivals to an all-time high of 276,948, as additional visitors came from all of our three main source markets, namely: the United States which grew by 4.3 percent to 98,078, Europe which increased by a massive 17.6 percent to 90,193 and the Caribbean, which posted a growth of 6.23 percent to 70,543. Mr. Speaker, the average occupancy rates mirrored the growth in stay-over arrivals,

increasing from 56.1 percent in 2002 to 62.7 percent in 2003.

In the cruise sector, Saint Lucia was affected by the repositioning of itineraries away from the lower Eastern Caribbean to the northern territories in the aftermath of the war in Iraq and the growing concerns regarding personal safety. Accordingly, cruise arrivals increased only by 1.6 percent to 393,292, while the number of excursionists expanded to 12,817. A fall in the number of visiting yachts led to a 20 percent reduction in that category of visitors to 20,354.

The performance of the tourism sector is clear evidence that this Government's investment in the tourism sector along with its marketing and promotions are paying dividends. Despite the most challenging environment for investments and for operations, the tourism sector's contribution to overall GDP increased by 16.6 percent and stands as its most significant improvement in nine years.

## **UNEVEN PERFORMANCE IN AGRICULTURE**

Mr. Speaker, a confluence of factors impacted negatively on the agricultural sector, leading to an overall contraction of 10.8 percent for 2003.

Adverse weather conditions and the outbreak of leaf spot disease, particularly in the last quarter of the year, contributed to a 29.5 percent reduction in banana output to 33,971 tonnes. The annual banana output resulted from a near 27.6 percent reduction to 15,456 tonnes in the second half that followed a 31 percent reduction to 18,515 tonnes in the first half of the year. However, Mr. Speaker the pace of deceleration was quicker in the other two main Windward Island producers. Indeed, Saint Lucia's relative share of exports for the Windward Islands as a whole, increased from 41 to 49 percent with a gross output of 67,301 tonnes.

Market conditions were characterized by stiff price competition among the UK supermarket chains, which depressed prices, and in conjunction with the lower output, led to a 25.7 percent fall in banana revenue to \$43.6 million. Farmers' returns from the industry were further restrained despite the appreciation of the Pound Sterling. Gains were also offset by the increased transaction costs associated with the requirements of EUREP-GAP certification.

With regard to other non-traditional crops, available data indicate that an expansion of export demand led to an increase in output in 2003. While the volume of total production, which includes exports and purchases by supermarkets and hotels, increased by 5.5 percent to 5,703.5 tonnes, unfavourable prices caused a decline in the value of production by 1.8 percent to \$11.2 million. There were contrasting movements in the level of purchases by hotels and supermarkets, with the former increasing more than two-fold in line with increased tourism activity. On the other hand, purchases by supermarkets fell by

24.3 percent, as one of two major retail chains experienced financial problems. Exports expanded by 11.9 percent, but poor prices, especially for green bananas, led to a reduction in export revenue. There was a 13.7 percent reduction in fish landing from January to July 2003 to 1,028.9 tonnes, which was valued at \$11.4 million, while consumption of chicken increased by 2.2 percent to 1,994.2 tonnes and valued at \$6.9 million.

## **UNEVEN PRODUCTION AND EXPORT PERFORMANCE IN MANUFACTURING**

In 2003, Mr. Speaker, the value of manufacturing output is estimated to have declined by 1 percent to \$135.8 million, following growth of 3.7 percent in 2000. However, total exports of manufactured products increased by 15.8 percent to \$60.8 million and accounted for 45 percent of total production. Approximately 74 percent of the value of output came from three sub-sectors namely: food and beverages (45 percent), electrical products (14 percent) and paper and paperboard (15 percent). For the year in review, there were increases in the value of food and beverages, textiles, metal products, furniture and other chemicals, while decreases were recorded for plastics, electrical and paper products. It is important to note that paper products suffered as a direct result of regional competition and the sluggish performance of the banana industry. The value of output for food and beverages expanded for a third consecutive year and grew by 2.2 percent to \$61.4 million, as the beverage segment continued to benefit from strong demand in the domestic and OECS markets. It is also important to note that exports of food and beverages increased by almost 50 percent to \$36.8 million.

## **MIXED PERFORMANCE IN CONSTRUCTION**

Mr. Speaker, the challenges experienced with the Roads Development Programme in the last financial year led to a reduction in the level of construction activity by the public sector. In the review period, Central Government capital expenditure towards construction fell by almost 26 percent to \$64.3 million. Of Central Government's construction expenditure, 72.4 percent represented activity on economic infrastructure, such as roads, while the remainder went to social infrastructural projects for example, the completion of the Dame Pearlette Louisy School and the Ciceron Secondary School under the Basic Education Programme. In addition, new works and renovations continued on Police and Fire Stations and for upgrading health facilities at various locations.

Spending on economic infrastructure by Central Government increased by 12.7 percent to \$51.9 million, due mainly to expenditure on roads, which accounted for 83 percent of the total. Expenditure by the Central Government on social infrastructure fell to \$12.4 million, of which \$6.5 million was spent under the OECS Emergency & Disaster Management Project.

Indicators of private sector construction in 2003 suggest a resurgence in activity. In

2003, there was an increase of 25 percent in the number of applications for the commencement of new projects, which in turn led to an increase of 18 percent in the number of approvals by the Development Control Authority. There was also an increase in the level of imports of construction material by 1.9 percent to \$63 million for the second successive year.

However, the private sector continued to be cautious in its approach to investment. There was a 47 percent decline in credit disbursed to the construction sector by all financial institutions in the review period, to \$53.7 million. The level of financing for commercial construction fell from \$54.4 million in 2002 to \$6.9 million in 2003. Mr. Speaker, it should be noted that there is some lag time between the approval of applications and construction. In the light of the general Stamp Duty exemptions granted by this Government and announced in the 2003 Budget Address, we anticipate further growth in private construction this year.

## **DEVELOPMENTS IN THE FINANCIAL AND MONETARY SECTOR**

Mr. Speaker, developments in the financial and monetary sector for 2003 bore a direct correlation to the level of activity in the real economy. Liquidity, as measured by the loans to deposit ratio, improved by 10.07 percentage points from year-end 2002 to 81.88 at year end 2003, as the growth in deposits was accompanied by a reduction in the level of loans and advances.

In an effort to reduce the non-performing loans portfolio Mr. Speaker, banks remained cautious in their approach to new lending. As a result, the level of domestic credit fell by 7.6 percent to \$1,323.4 million. Of the components of domestic credit, financing to the private sector increased by 4.5 percent. A close analysis of credit by economic activity revealed that there were reductions in credit to all sectors except personal and tourism. Financing to the “personal category”, comprising mainly acquisition of property and durable consumer goods, accounted for the largest share of total credit (47 percent) and increased by 2.5 percent to \$76.84 million, partly as a result of reductions in mortgage lending rates. Favourable developments within tourism enabled it to attract 6.7 percent additional financing from the banking system to \$203.10 million.

Mr. Speaker, on the strength of increases in mainly saving and demand deposits, total deposit liabilities of the banking system increased to \$2,022.76 million or 78 percent of total domestic liabilities. The general increase in the level of thriftiness in the economy saw deposits by residents increase by almost 7 percent to \$1,871.45 million, while deposits by non-residents fell by 1.3 percent to \$145.31 million.

Broad money supply (M2), in the domestic economy increased by 7.7 percent to \$1,370.41 million, reflecting growth in the real sector. In addition, there were increases in both the narrow measure of the money supply (M1), due to increases in private sector demand deposits, and quasi-money, on the strength of increases in savings deposits



overall.

The impact of the growth in the tourism sector is evidenced by an improvement in the external performance, as the island's share of imputed reserves at the Central Bank advanced to \$282.63 million. This indicates that there was an overall increase in Saint Lucia's net international reserves over the period.

With regards to the rate of inflation, Mr. Speaker, as measured by the change in the twelve month moving average of the Consumer Price Index to December 2003, prices increased slightly, by only 1 percent. However, the food index, which is the most heavily weighted category, showed an increase of 2.1 percent.

## **FISCAL OPERATIONS AND DEBT**

Mr. Speaker, I have already indicated that our revenue performance improved, resulting in a 9.83 percent increase in current revenue. Current expenditure grew at a slower rate of 7.9 percent to \$474.5 million. Increases were recorded in the area of expenditure on goods and services, and in wages and salaries by 1.1 percent to \$235.1 million. Central government's outlay to service the national debt increased by 18.5 percent to \$55.2 million while current transfers decreased by 17.6 percent to \$56.3 million. Accordingly, Mr. Speaker, the current balance moved from a surplus of \$1.7 million in 2002/03 to \$10.4 million or 0.5 percent of GDP in 2003/04.

Mr. Speaker the achievement of a surplus on the current account, though small, in the context of harsh external circumstances and an expansionary fiscal stance is no mean accomplishment. Given that our commitments in the areas of interest payments and goods and services increased, the government has managed to reduce its outlay in other areas such as current transfers in an effort to ensure sustainability on the current account of central government.

Capital expenditure Mr. Speaker, fell by 2.1 percent in 2003/04 to \$146.9 million, as a result of slow implementation of capital projects, mainly related to delays in the relocation of infrastructure of utility companies. However, despite the slow implementation of the capital projects last year, it is expected that in the new fiscal year the rate of implementation will improve, given that the major hurdles have been overcome.

Consequent on those fiscal developments, Mr. Speaker, the disbursed outstanding debt of Central Government increased by 17.2 percent to \$968.2 million, while the total outstanding liabilities of the public sector, inclusive of debt guarantees stood at \$1,237.9 million or approximately 65 percent of GDP at the end of December 2003. However, Mr. Speaker, I wish to draw attention to the fact that in the fiscal year 2003/04, this Government took some deliberate steps to restructure significant portions of the public sector debt, with a view to reducing servicing costs and to ensure that there was sufficient liquidity in the domestic financial system to enable the private sector to participate in

Saint Lucia's development. Towards those efforts, Mr. Speaker, domestic debt fell by 21.7 percent to \$303 million.

## **CAUTIOUS GROWTH IN THE INTERNATIONAL FINANCIAL SERVICES SECTOR**

Mr. Speaker, the review of our domestic economic performance would be incomplete without mention of the International Financial Services Sector.

Growth in the sector has been steady but quite cautious. For the past fiscal year, 309 International Business Companies were registered, bringing the total to 1,154. Two Mutual Funds were registered and licensed, one a public fund and the other a private fund.

Eight International Insurance Companies were licensed for that fiscal year. Of the eight International Insurance Companies licensed, one is a captive of a parent insurance company based in the region. This insurance company is one of the most reputable insurance companies in the region and has written premiums in excess of US\$48 million. In total, fifteen international insurance companies have been licensed to date. Thirteen of these represent captive insurance entities which eliminate, to a great extent, the level of risk to our jurisdiction.

On the banking side, we have revoked the license of one International Bank, Bank Crozier International Limited, but issued three other licenses after conducting rigorous due diligences of the applicants. One of the licenses has been issued to a subsidiary of the East Caribbean Financial Holdings Co. Ltd. and the other to a subsidiary of a bank headquartered in Trinidad and Tobago. Indeed, this bank, using Saint Lucia as its base, recently raised US\$ 100 million in the U.S. market. The security notes were over-subscribed, demonstrating the reputation of our jurisdiction by international investors and the faith that they have placed in this country

The direct revenue generation to Saint Lucia from the International Financial Services Sector, comes in the form of licenses, application and registration fees.

In 2000, the fees collected by the sector were US\$95,781.01, which increased by 54.25 percent the following year (2001) bringing revenue collection to US\$147,743.65.

The year 2002 showed an even greater percentage increase of 93.14 percent, with revenue being at US\$285,348.07. However, notwithstanding that in 2003 there was a decrease in growth from the preceding year (2002) of 46.46 percent in dollar value, the year 2003 showed the highest revenue collection of US\$417,920.30.

The average growth rate of revenue collection over the four (4) year period is estimated at 64.61 percent.

Other than salaries and management fees paid to the registered agents and trustees, these companies also generated significant gross revenue. The total gross revenue earned from

the provision of services in 2000 was US\$78,573. In 2001, gross revenue increased significantly, to US\$397,833. There was also a greater number of service providers being licensed within the sector. In 2002, whilst the number of registered agents remained constant, there was a 50.4 percent increase in the net income, with the annual figure being US\$598,350. In 2003, the percentage increase of 9.47 was significantly lower than in previous years, given the 25 percent decrease in the number of registered agents and trustees. However, the gross revenue of \$654,991 was the highest in dollar amounts.

## **PROGRAMMES AND INITIATIVES 2004-2005**

Against the economic background just explained, I shall now turn to the major programmes and initiatives for this fiscal year.

## **WORLD CUP 2007, SAINT LUCIA PREPARES**

Mr. Speaker, I open this innings with the issue of World Cup Cricket. There is no doubt that the ICC Cricket World Cup in 2007 will be the biggest and greatest event ever to be held in the region. And if Saint Lucia should be chosen as a venue, it will be the most demanding and challenging endeavour ever to be undertaken.

No one should be worried that I use the word IF. There is no one more committed to Saint Lucia successfully bidding than I. But equally, no one has a greater responsibility to ensure that our best interest is protected than I. Therefore, at this point I cannot give an unconditional YES to Saint Lucia's hosting matches for a number of reasons.

At the regional level, the West Indies Cricket Board must offer a distribution of profits that is more favourable than the one they are proposing. If there are countries that are willing to give an unconditional "yes" under the present scenario, then I wish them well. But I have made the point before, and I will continue to ask for a better distribution of profits as part of the negotiating process. It is grossly unfair to ask Governments to provide millions of dollars to meet the requirements of the World Cup without adequate financial compensation. Meanwhile, the local cricket authorities and the West Indies Cricket Board, though not financing or guaranteeing any capital expenditure, will end up with millions of dollars profit.

Additionally, at the domestic level, hosting the Cricket World Cup brings with it serious and significant responsibilities. In order to improve accessibility to Beausejour Cricket Ground (BCG) and to conform to the standards required for World Cup Cricket, as specified by the International Cricket Council, it will be necessary to develop the access roads and utilities infrastructure to the grounds. We propose, therefore, to develop the Bella Rosa road connection to the grounds so as to create a well organized routing for vehicular access, with emphasis on a bus shuttle system.

While the BCG has already been approved by the International Cricket Council as a venue for One Day Internationals and for Test Cricket, the hosting of World Cup Cricket

demands that amenities at the Stadium be enhanced to provide for an additional 8,000 seats, temporary facilities for a large media and TV/Radio broadcast contingent, for VIP hospitality and other major World Cup organizational requirements.

We will also have to pay particular attention to issues of security, disaster preparedness, and the organization of a national volunteer programme.

The effect of all of these improvements will be to enhance Saint Lucia as a host country not just for International Cricket, but for other world class events and as a major tourism destination.

So, when we commit to hosting matches in Cricket World Cup 2007, I want to be able to assure the Saint Lucian public that we can meet all of our obligations, that we can raise the financing required without adversely affecting our country's fiscal rating, and very importantly, that we can recover the expenses to our satisfaction.

At this stage, Mr. Speaker, not much more can be said. As you know, the bidding process is a confidential exercise, and you do not want other competitors to know what you are proposing. But I am confident that the persons who are doing the preparatory work on our Bid are meticulous, exhaustive and comprehensive in their evaluation. I am aware that the Bid Committee is presently engaged in discussions to ensure that the best possible arrangement is put in place to maximize the cricketing experience and the return on our investment.

As Prime Minister, my vision of hosting a World Cup Group is one where our entire nation is mobilized to become a single hospitable home, with each Saint Lucian offering warm embraces of friendship to every visitor. The World Cup must be a national exercise. It must be the embodiment of every desire we have had for national togetherness. It must cut across party lines, community boundaries, and individual self-interest. I want to see the entire country, not only selected areas, demonstrate to the world our distinct Saint Lucian spirit and capacity. Everyone must benefit from the event. Therefore, the bid must show the many wonders and attractions of our island and how they can be enjoyed as complements to the intensity and excitement of the cricket matches. The planners must recognize that if there is to be a Saint Lucian flavor to the World Cup, then the experience of visitors must be taken beyond the boundary of the Castries River and the cricket field.

Cricket World Cup 2007 is as much about tourism as it is about sport. The eyes of an estimated 1.4 billion worldwide television audience will be focused on images of Saint Lucia for an extended period, while over 15,000 visitors will be expected to make Saint Lucia their temporary home in 2007.

The World Cup also presents us with an opportunity to raise our standards to world class in every aspect of our daily lives. Saint Lucia will be co-hosting the third largest sporting event in the world, and in much the same way that persons remember Korea and Japan as the venue where Brazil won an unprecedented fifth FIFA World Cup, Los Angeles as the

Olympic Venue where Carl Lewis won four Gold medals and Berlin for a similar feat by Jesse Owens almost five decades previously, we want them to remember Saint Lucia as one of the venues where the West Indies staged their third victorious World Cup campaign, and perhaps, who knows, the one where a Saint Lucian scores a century and wins the Man of the Match award.

But most importantly, we want to earn every penny we can from the World Cup. The opportunities for local businesses will be tremendous and we must prepare ourselves to capitalize on these. Not only to repay the monies we invested, but also to allow Saint Lucians a chance to reap rewards from such a lavish international event. I am sure that as soon as the decisions are made regarding the award of the venues, we will return to Parliament for a more definitive consideration of the issues involved.

### **SPECIAL WORLD CUP INCENTIVES FOR THE ACCOMMODATION SECTOR**

One of the more serious challenges that we will have to overcome to host World Cup matches is the availability of hotel rooms. We need to increase our hotel room capacity to 35 percent of the seating capacity of the Beausejour Cricket Ground, which is expected to grow to 21,000 by 2007. Therefore, we need to increase our hotel bed size from 4,500 to approximately 7,500.

The choices available are:

- Development of new hotels;
- Expansion of existing hotels and resorts;
- Development of condominiums; and
- Expansion of bed and breakfast and guest rooms

To meet the objective of 7,500 rooms by 2007, we must ensure that both large and small developers are given the opportunity for involvement in the proposed expansion. Therefore, I propose to introduce the following special package of incentives for new developments or expansions completed before 31<sup>st</sup> December 2006:

- Institutions that finance hotel construction will be exempted a percentage of the quantum of their investment for tax purposes.
- A relief on the normally sacrosanct Property Tax, Vendor's Tax and Alien Landholding License
- An increase in the Tax Holiday to twenty (20) years
- The fast-tracking of the permitting process from ground-breaking to construction
- An investment tax credit equivalent to a percentage of the initial capital expenditure

In view of the fact that these incentives will apply specifically for World Cup Cricket, Government will introduce special legislation to govern these concessions.

Government will also extend concessions to encourage the construction of new restaurants and the upgrading of existing facilities through a mechanism that will be announced later by the Ministry of Tourism.

## **REFORMS IN THE HEALTH SECTOR**

I have, on previous occasions indicated that Health Reform will be at the core of this year's budget.

## **INTRODUCTION OF UNIVERSAL HEALTH CARE**

Mr. Speaker, Honourable Members may recall that, last year, Her Excellency, the Governor General, in her Throne Speech, alerted us to the intention of the Government to undertake major reforms to the Health Sector.

Mr. Speaker, I am pleased to report that the Task Force set up to review the possibility of implementing National Health Insurance presented its report to the Cabinet in July 2003. The Cabinet of Ministers discussed the report with the Team in September 2003 and requested certain amendments to the report. Cabinet considered and approved the amended report in October 2003.

The Task Force has recommended that Government introduces a programme of UNIVERSAL HEALTH CARE. In other words, Mr. Speaker, once we have agreed on the financing of the UHC, every Saint Lucian, irrespective of financial standing, will be entitled, without further charge, to a basket of health services and care.

Mr. Speaker, there is the saying that A HEALTHY NATION IS A WEALTHY NATION. By extension A HEALTHY NATION HAS THE POTENTIAL TO BE A PRODUCTIVE NATION.

As a Government, we gave our commitment as far back as 1997 in our "Contract of Faith" to the improvement of the health of our people. This commitment has materialized Mr. Speaker, as we have negotiated with the Government of the People's Republic of China for the construction of a new psychiatric hospital and the European Union for the construction of a new general hospital. However, Mr. Speaker, these new institutions alone will not improve the quality of health care of our people.

The quality of health care of our people will improve when the entire health structure and health programmes are improved. It will improve when our primary health workers and health centers receive the much needed financial boost that they now lack. It will improve when we improve on our ability to collect and disseminate quality health data and information. It will improve when our health workers and institutions will be held accountable for their actions and the resources under their management. It will improve

when our people appreciate what we have and understand that quality health care comes at a cost. It will improve when, as a people, we decide that we want it to improve.

Mr. Speaker, the UNIVERSAL HEALTH CARE programme presented by the Task Force is all encompassing. Its main objectives are:

- (1) The provision of universal access to necessary health services namely: **General, Mental, Emergency, Diagnostic, Pharmaceutics and Overseas Care.**
- (2) The provision of a supplemental financing mechanism to augment the amount now spent in the health system.
- (3) The delivery of an improved quality of health care to the nation, through;
  - (a) the implementation of standards and the performance of regular health audits at the various service providers;
  - (b) the licensing and monitoring of medical practitioners and health institutions;
  - (c) the entering into contracts with all health providers for a particular quantity and quality of health service. This would enable the health financier to hold the service provider accountable (public or private).
- (4) The improvement in productivity, efficiency and economy in the health system, through joint purchasing of drugs and medical supplies (private sector and public sector).
- (5) The separation of the functions of health financier, health provider and health regulator. This would require a radical review of the role of the Ministry of Health from the current performer of all three functions to one where the Ministry would be the policy maker and regulator of health care in the Country. The health providers will be the hospitals, with strong, independent, accountable governance, the pharmacies and the providers of ancillary services, such as the laboratories. The financier will be the Ministry of Finance and the UHC.

Once we have agreed to establish the UHC, the system will:

- (1) Allow Saint Lucians to access the primary hospitals in the country, Victoria , St. Jude's, Tapion and Golden Hope and Turning Point;
- (2) Be administered as a separate unit under the National Insurance Corporation;
- (3) Require all Saint Lucians (children and adults) to register;
- (4) Penalize persons (providers and patients) who abuse the system;
- (5) Have implications for the private insurance product and discussion with the Insurance Industry on this programme should continue. It is envisaged

- that this programme should complement the services offered by the private insurance companies;
- (6) Allow for the negotiation of bulk fees for services with health institutions and Governments in neighbouring islands for a limited package of health services which cannot be provided on island;
  - (7) Allow for the upgrade of health legislation through the revision of all related legislation and the drafting of new legislation; and
  - (8) Complement the existing community health services now provided by the Ministry of Health.

Mr. Speaker, one would appreciate that although the report of the Task force was endorsed by the Cabinet of Ministers, the Cabinet has directed the UHC Steering Committee to continue and intensify the engagement of key stakeholders and the general public on the contents of the report and to seek their views. In particular, the Cabinet has mandated the UHC Steering Committee to discuss openly and frankly the financial implications of introducing the UHC. If the system of Universal Health Care is to deliver successfully the services which are envisaged, an amount of E.C. \$30 million will be required annually to finance it.

In addition, to facilitate the public discussion that must start in earnest, there is other work to be done. At present, there are no less than eight committees working to address issues such as:

- Registration
- Human resource training and development
- The basket of services and overseas care
- Standards and quality assurance
- Health information and management
- Legislation
- Public education and marketing
- Pharmacy and therapeutics

The UHC Steering Committee will work with the Ministry of Health on the issue of governance of Victoria Hospital and with the NIC on the structure of the UHC.

If the initiatives which I have outlined are to succeed, we must introduce a stronger business-like culture at the public service providers. This would mean, among other things, the statutorisation of Victoria Hospital. By extension, this would require extensive discussion with the nurses, doctors and other employees and their representatives to arrive at a mechanism that would deliver a “win-win” result for all.

Mr. Speaker, the Task Force estimated that it may cost EC\$5.2 million to set up the UHC. This should cover the costs of setting up the administrative functions, assessment and implementation of information systems, public communication and education, and recruitment and training of staff. However, we must remember that this figure is only an estimate, since we are moving into uncharted waters, but every effort will be made to contain our expenditure in this project.



Mr. Speaker, the Government has entered into dialogue with the NIC and we have obtained agreement in principle for a loan of EC\$5.2 million to meet the start up cost which will be repaid from the revenues of the UHC when it becomes operational. Mr. Speaker, this is similar to the approach taken 32 years ago when the Government gave the National Provident Fund (NPF), now the NIC, a loan of EC\$30,000 to set up operations. This loan was subsequently repaid to Government. Now 32 years later, the reverse is taking place.

One may recall, Mr. Speaker, that the former administration planned to introduce national health insurance and enacted a National Health Insurance Act in 1997. It was proposed that this cost be financed by a 3 percent salary deduction from persons working in the formal sector. It was, and still is this Government's view that it is unfair to burden wage earners with financing health insurance. The proposal did not address in any detail the level and quality of services that was expected to be offered. The Consulting Actuary at the time suggested that a 7 percent deduction from wages was necessary in order for the National Health Insurance to be sustainable. This meant that a financing gap equivalent to 4 percent of salary deduction was not identified. Moreover, an entirely new bureaucracy was in the process of being established to manage the programme. This Government has always felt that there was no need to re-invent the wheel and that health insurance was best managed by the NIC, since it was in the business of national insurance.

Mr. Speaker, I have no doubt that this UHC programme is one that the public will welcome. In fact, we have heard their call for change and for improvement in health care. The task before us is a huge one. As we break from the old culture into a new one, errors will be made. Patience and endurance will be tested, but we must make the necessary sacrifices, and there is no turning back on this one. For too long we have been talking around this programme, now it is time that we deliver on it.

Once the issue of financing is resolved, Government will ensure that its contribution will go into a special UHC account. This is important, Mr. Speaker, as the unavailability of funds on a timely basis to the hospitals has contributed in large measure to some of the operational problems and inadequate service provided. I wish to emphasize that appropriate mechanisms of accountability will be instituted to ensure that the public interest is fully protected.

Mr. Speaker, the Task Force recommended that a multi-disciplinary team be assigned the task of performing a socio-economic survey to assess the impact the financing of UHC would have on the Country. They have also recommended that a health audit be conducted on the three general hospitals to assess their current status and to make suggestions on what is required to get them ready for the programme. Moreover, they have indicated that the UHC can only be successful if health sector reform is implemented simultaneously with the programme.

The UHC Steering Committee is now in the process of engaging persons to conduct the socio-economic survey and the health audits.

As a Government, we have taken the first step with the appointment of Dr. Stephen King as the Chief Medical Officer. We believe that in him we have someone who has the knowledge, passion, and commitment to move the Ministry from within. He also has the respect of his colleagues and the nurses. We have taken the second step with the engagement of a team, headed by Sir Richie Haynes, to review the terms and conditions of employment of doctors and nurses. We will continue our efforts to make the changes required. I call on my colleagues on the opposite side to work with us to make this vital national initiative a reality.

I take this opportunity to thank the various persons who have served and continue to serve on the various committees for their invaluable time and effort. In particular, I wish to thank Ms. Emma Hippolyte, Director of the NIC, for her leadership, dedication, and absolute commitment to this process.

The journey is a long one, but one that is worthwhile and necessary for us as a people.

## **OUR STRATEGIC RESPONSE TO HIV/AIDS**

The next issue in health which we must confront is the scourge of HIV/AIDS.

HIV/AIDS, what is the situation? The most recent figures reveal 417 cases of confirmed HIV, 212 have developed AIDS and 198 have died of the disease. Of the total cases of HIV, 10 percent are children and the prevalence of the disease is almost 1 percent in the general population. These are the official statistics, but the Chief Medical Officer has advised that we may safely multiply each of those figures by four.

How are our people with HIV living? I asked the Ministry of Health to examine the living conditions and in particular, the situation as it affects children. This process has started and already the desperate situation is obvious. We are finding many homes with a single infected surviving parent, with three or four children having to care for this parent. The role of the child as a care-giver is complicated because of the meager income and the inability to attend school. Some of the children are also HIV positive. What is the future for persons, especially children, in these conditions? Isn't the ugly face of HIV obvious in the desperate cycle of poverty and disease in which these homes are doomed to remain, unless we act now?

Another side of this ugly face is the stripping of the human rights from persons living with HIV/AIDS. This denial of human rights is driven by our ignorance and our fear and it is given substance by our discrimination and stigmatization. The discrimination builds on our existing bias against minority groups, especially groups labeled or identified by or associated with sexual behaviour. The discrimination is allowed to develop because of our collective dishonesty and hypocrisy. However, throughout history, viruses and germs have only ever obeyed simple biological laws and capitalized on our process of denial and stigmatization to further spread themselves. The very discrimination that we practice prevents us from facing the truth. Consequently, we are unable to employ effective strategies to prevent the spread of disease and to implement proper care and support

programmes to mitigate the impact on those affected. In the case of HIV, although only a few may be infected, ultimately, all of us are affected.

It is with that understanding this Government has approved the first comprehensive Saint Lucia 5-year strategic HIV/AIDS response plan. This plan is ambitious and reaches far and wide. It is a truly multi-sectoral national response, involving every public agency and the private sector. The plan attempts to reach into every workplace, every community and every home. There are four main strategies.

Strategy number one focuses on advocacy and policy development.

This involves the development of national policy addressing all aspects of HIV/AIDS. It addresses the issue of political commitment, the issue of effective advocacy with groups and organizations and the important issue of the protection of the rights of persons living with HIV/AIDS, including legislative and constitutional reform.

The second element of our strategy seeks comprehensive care for all persons living with HIV/AIDS. This strategy includes the development of standardized quality health and psycho-social services for persons living with HIV; this includes access to specialized antiretroviral medication. It also includes home and community based care, providing much of the basic needs for persons and the families living with HIV. This strategy also addresses issues of stigma and discrimination through activities in communities, in workplaces and in the health care institutions.

The third element of our overall strategy is prevention. Elements contained in this strategy include prevention of HIV transmission from mother to child, wide community access to confidential voluntary testing and counseling services, and effective treatment of other sexually transmitted infections. We also intend to develop programmes to address youth, both in and out of school, and other vulnerable groups who would otherwise not have their needs addressed.

The fourth element seeks to strengthen national capacity to deliver an effective coordinated and multi-sectoral response to the epidemic. Contained in this strategy is the strengthening of our national surveillance systems especially the health information systems; improved capacity in monitoring the HIV/AIDS situation, analyzing and advising on effective responses and policy development. Another major component is the enhanced multisectoral coordinating mechanism and institutional arrangements to effectively implement this plan.

This plan will cost approximately EC\$20 million over the five year period. Government intends to meet this cost with the assistance of our international partners. The World Bank will be supporting with a financial package including 50 percent loan, 25 percent IDA credit and 25 percent grant. The Clinton Foundation will be providing considerable grant support from a variety of donors, including the global fund and DFID. UNFPA is providing grant support for our youth oriented strategies. There are other partners, including PAHO and the European Union, who will be supporting our initiatives. It is to

be noted that the capacity building and infrastructure development that will happen as part of the implementation of this plan will support the development of the rest of our health sector. Other initiatives being implemented under our Health Sector Reform including the Universal Health Care initiatives will also support our response to HIV/AIDS.

In the final analysis, I see our effective and comprehensive response to HIV/AIDS as an opportunity to further realize the vision of a caring society built on principles of equity and sustainable development for all.

So important is the fight against this looming epidemic that I have decided to chair the National AIDS Multisectoral Coordinating Council. I call on all Saint Lucians to commit to this national effort.

### **SUPPORT FOR HIV INFECTED CHILDREN**

Among those who are stricken with HIV, the most innocent, the most defenseless and the most vulnerable are our children. Their affliction was never their choice; they knew no fault; it was never their mistake, if indeed there was one.

Some have lost a parent or both parents. Some suffer discrimination from their peers. Many are from households that are immersed in poverty and distress.

I am advised Mr. Speaker, that there are forty one (41) children with HIV. Of that number, about twenty one (21) have developed full blown symptoms of AIDS.

I say, Mr. Speaker, that we should extend a helping hand. I therefore propose that we remove those HIV infected children who are in receipt of Public Assistance, normally cast at \$60 per person, and place all HIV infected children into a new category of Public Assistance. I further propose that each HIV infected child be given a special monthly allowance of \$250.00 towards their care and maintenance. Certain conditions will, however apply. In order to protect the privacy of these children, the funds will be directly managed by the Chief Medical Officer who must be given proof beyond doubt that the beneficiary is HIV-positive.

### **HIV AWARENESS IN THE WORK PLACE**

Mr. Speaker, I am aware that within the Public Service, there are some persons who are HIV positive. Given the current stigma associated with this disease, can you imagine the mental anguish that these individuals are going through? No doubt there is a great deal of pain as both the individual who has contracted the disease and colleagues try to come to terms with the disease. We are a responsible government, and so to address issues of stigma and discrimination in the work place, I have decided that our agencies within Government must find opportunities to discuss these issues so as to eradicate this bias. The Public Service must take the lead in this initiative. We must set the example for other employers.

Therefore, I have mandated every Ministry to develop a sensitization programme designed to achieve this objective. Consequently Mr. Speaker, I have allocated \$100,000 to be shared among Ministries to be used for building awareness programmes.

In order to measure and monitor the utilization of these funds, a separate expenditure head called HIV/AIDS Awareness has been set up in the Estimates to which the funds have been allocated. I urge all Permanent Secretaries and Heads of Departments to make judicious use of these funds. Similarly, I urge the business community to think also of their responsibilities in this area by specifically allocating funds towards establishing AIDS awareness programmes in their establishments.

## **INVESTMENT IN INTERNAL SECURITY**

From HIV/AIDS, I turn to another dimension of our collective security, protection from crime. For some time now the Prosecution Service in Saint Lucia has been handicapped by the absence of a properly developed and functional Forensic Science Service, capable of presenting sound forensic evidence to a Court. This handicap has resulted in cases being dismissed and, in some instances, justice being denied.

In recent times there has been a significant increase in unsolved murders and failed drug trafficking charges, which has led to a public outcry. A Forensic Scientist from Barbados was contracted to make monthly visits during which she performs drug testing and analysis and provides a courier service for transporting samples for DNA profiling in Barbados. This is not only costly to the Government of Saint Lucia but also a hindrance to the Police, when prompt action is required as their work has to be scheduled in a manner which facilitates the consultant's work program.

## **ESTABLISHMENT OF FORENSIC LABORATORY**

After careful review, Government has decided to undertake the establishment of a Forensic Laboratory, which will be involved in drug testing, chemical analysis, toxicology, trace evidence and latent print.

The establishment of the Forensic Unit on the island will:

- (1) greatly reduce the amount of foreign exchange paid out to acquire the service from outside;
- (2) better equip our police and prosecutors to perform their duties, thereby leading to the successful prosecution of perpetrators;
- (3) facilitate more successful prosecution of crime;
- (4) hopefully lead to a more satisfied public; and
- (5) improve our image for potential investors.

The ultimate objective is a full-fledged centre within which would be facilitated the amalgamation of forensic science, forensic pathology, fingerprinting and forensic photography as one service operating in one facility.

After reviewing various proposals advanced by the Ministry of Justice, Cabinet approved the establishment of a Forensic Science Unit at the former female prison at La Toc. Refurbishing plans are currently being completed so work can commence in May 2004. An amount of EC\$500,000 has been allocated. A further amount of EC\$500,000 has been allocated for the purchase of equipment and supplies. Efforts to furnish the facility are in an advanced stage.

The Government will ensure that within the next three years, Saint Lucia will possess a well equipped, well staffed and fully functional medium-level facility capable of responding to most of the needs of the police and prosecution as they struggle to combat crime.

I expect that for some time still, we will have to use overseas facilities for the highest level of DNA testing and some high-level ballistics work. The Ministry of Justice is currently seeking to establish a sound arrangement with suitable overseas facilities in respect of these higher level services.

Between the local capacity we are now developing and our overseas arrangements, I am confident that the public will soon see a marked improvement in this aspect of our crime-fighting apparatus.

## **TRAINING AND PROCUREMENT NEEDS**

Mr. Speaker, it is no secret that this Government inherited a Police Force, which was neglected for years, resulting in an ill-trained, poorly equipped Police Force, which operated in conditions of the squalor. Over the last five years, we have systematically embarked on the modernization of the Royal Saint Lucia Police Force. There has been the establishment of new police stations as well as major refurbishment of existing stations island-wide. We have also attempted to improve the police/population ratio to a more acceptable figure.

Mr. Speaker, allow me to recap, for the benefit of Honourable Members, the significant investments made in the police force by this government.

- (1) In the financial year 1998/1999, fifty (50) new Police Officers were recruited, costing an additional EC\$1.2 million. In that year also, over E.C. \$2 million was spent on modernizing the fleet of police vehicles.
- (2) Again, in the financial year 1999/2000 and 2000/2001 respectively, an additional one hundred (100) new recruits were trained and deployed, costing EC\$2.4 million.
- (3) Two new police stations have been constructed, three police stations have been refurbished and two more are to be constructed this year.

Coupled with these investments, additional training was provided, not only in the areas of crime fighting strategies and investigative methods, but also in leadership skills and sound financial management practices, thus enhancing the managerial ability and effectiveness of the Police Force. Notwithstanding the foregoing investment in internal

security services, public feelings of insecurity have worsened, even to the extent that communities are engaging in vigilante activity.

However, Mr. Speaker, the process does not stop here. As indicated in my New Year's address, I propose to finance the recruitment of an additional sixty (60) new police officers, of which twenty-eight (28) are replacements for officers who have either retired or left the Police Force. Mr. Speaker, allow me to briefly bring to your attention that the Saint Lucia Royal Police Force continues to lose members, as it too, faces the issue of trained officers pursuing careers in more developed countries. Of the remaining thirty-two recruits (32), twenty-one (21) will be trained and posted in the south of the island as part of the Special Services Unit (SSU). An amount of EC\$1.4 million has been budgeted in this financial year to meet this cost.

Of course, Mr. Speaker, one cannot pursue the modernization of the Police Force without making available the relevant tools for effective policing. I have, therefore, allocated an amount of EC\$800,000.00 in the Capital Estimates for the procurement of specialized equipment such as:

- (1) Less lethal weapons (stun guns etc.) to assist the police in apprehending criminals as well as less dangerous suspects.
- (2) Breathalysers for measuring the blood alcohol level in a driver whom the police suspect may be driving under the influence of alcohol. The Traffic Department has noted that a number of vehicular accidents may have resulted from drivers being under the influence of alcohol, and quite often, although suspicious of a driver, they were not suitably equipped to substantiate their suspicions.
- (3) Vehicles to increase the presence of the police on the streets and highways of Saint Lucia, in an effort to ensure effective policing. In this regard, additional police vehicles will be procured and supplied to the force, and the introduction of full time highway patrols, specifically on the Castries Gros-Islet Highway, Millennium Highway and specific "trouble spots" throughout the island will be of the highest priority.

Mr. Speaker, we will continue to allocate resources for additional training to the police so as to ensure the realization of the strategic objectives of the Police Force. We are also pursuing regional support initiatives with our neighbours in Martinique through the Office of the National Authorizing Officer with the hope of establishing training opportunities for the Police Force with our fellow French counterparts.

### **RE-INTRODUCTION OF DUTY FREE REGIME ON SECURITY EQUIPMENT**

Mr. Speaker, in the Budget Statement of 1998/99, I made the following statement:

“As part of our campaign to eradicate crime in this country, I propose to this House, the removal of duties and consumption tax on surveillance and

security equipment imported by companies over a period of one year for use in their businesses. This concession is to encourage the business community to install security equipment at their premises. It is time that our business community understands that they must invest in their own security. They cannot rely exclusively on the police force”.

In 2000, these concessions were renewed for a further year.

Unfortunately, many businesses failed to make use of these concessions. Those who purchased and maintained surveillance equipment have seen the value of their investment. Indeed, Mr. Speaker, thanks to this equipment, the Police have managed to solve some robberies at commercial houses.

At the behest of the Private Sector, I have decided to re-introduce these concessions for 2004-05. This time, however, I wish to urge Honourable Members to extend the concessions to households.

### **ESTABLISHMENT OF CRIMINAL DIVISION OF THE HIGH COURT**

Mr. Speaker, the war on crime must be fought everywhere – on the streets, on the highways, in places of amusement, in our communities, and yes, in our courts. Criminals must not be allowed to use the weaknesses of the Criminal Justice System to their advantage. We must fight them everywhere.

Last year, Her Excellency, the Governor General, announced the intention of the Government to end the system of periodic assizes and establish a Criminal Division of the High Court to provide for year-round hearing of criminal cases by the High Court.

The proposal has been embraced by the OECS Supreme Court, which has advised that the new Division be first established as a pilot project. Implementation of the Criminal Division will commence with a Presiding Judge and a core initial case management team of four persons to be appointed by the Judicial and Legal Services Commission.

The Government of Saint Lucia will meet the initial cost of financing the establishment of the Court.

However, Honourable Members are advised that once the Court becomes operational, it will compel other reforms. The system of prosecution will require reform and redefinition. A National Prosecution Service, under the jurisdiction of the Director of Public Prosecutions, may become necessary.



## **SUPPORT FOR OUR YOUTH**

Youth, it has been said, is the spring of life. It is an age of discovery and dreams. When we nurture the dreams of the youth, we not only pave the way to their bright future, but also the great future for this Nation and by extension, all of humanity. We are, therefore, developing the infrastructure, establishing mechanisms and encouraging persons to avail themselves of opportunities to make a positive contribution to national development. The policies and programmes contained in this Budget will bring the hopes of young persons within the reach of realisation.

## **SUPPORT FOR TERTIARY EDUCATION**

The first issue I propose to tackle is access to tertiary education.

Our esteemed Nobel Laureate, Sir Arthur Lewis, once advised that the “ENGINE OF DEVELOPMENT IS NOT TRADE BUT RATHER THE KNOWLEDGE AND SKILLS EMBODIED BY PRODUCTS”. This view was recently echoed by the Caribbean Development Bank (CDB) in its characteristic style: “While economic growth is fundamental to meeting developmental goals, globally it is being recognized that quantitative goals and targets should translate into progress towards development of human potential of all individuals within a society – the ultimate goal of all development strategies” (CDB).

The demand for funds by persons desirous of pursuing further studies remains high, as indicated by the numerous requests being received by the financial institutions. However, financial institutions have continuously pointed out the difficulty for the borrowers to access loans for that purpose because of the lack of security and the ability to meet the interest payments during the period of study.

Cognisant of this fact, the Government of Saint Lucia has decided to introduce a facility designed to improve access to tertiary education and to provide persons desirous of pursuing programmes of study with assistance in financing their education at the tertiary level.

In addition, all financial institutions demand that the individual pays the interest on loans during the duration of their study. This proves extremely difficult for persons, since many do not pursue gainful employment while engaged in full time study.

## **HUMAN RESOURCE DEVELOPMENT CREDIT FACILITY**

To tackle these problems, I propose to establish a Human Resource Development Credit Facility. This facility will consist of a loan from financial institutions and a grant from the Government of Saint Lucia. Grant support of 50 percent of the loan, up to a maximum of EC\$ 25,000 will be provided to persons desirous of pursuing tertiary education. Eligibility to access the grant funds will depend on the approval of the loans from a financial institution in support of training programmes identified by the Ministry of Education.

The grant component of The Human Resource Development Credit Facility will be used in the following ways:

- (1) To assist beneficiaries in meeting the payment of monthly loan interest payments to financial institutions over the life of the loan;
- (2) To assist beneficiaries in meeting the security requirements of financial institutions so as to enable them to access loans; and
- (3) To assist in direct support to loan beneficiaries to reduce their loan amount.

## **ELIGIBILITY CRITERIA**

Special eligibility criteria shall apply to the Loan and to the Grant Component. In respect of the Loan Component,

- (1) The rules of the Financial Institutions on the disbursement of loans (including collateral/security, repayment schedules etc.) shall apply;
- (2) The Borrower's application for a loan should include the following:
  - (a) evidence that the monthly global family income provides eligibility to access the Facility;
  - (b) An acceptance letter from an educational institution;
  - (c) evidence that the programme fits with the recommendation of the Technical Committee regarding the eligible sectors;

The Financial Institutions in the programme shall commit the entire amount of the loan with its own resources.

## **THE GRANT COMPONENT**

Eligibility to access the grant component depends on;

- (a) the approval of the loan from a financial institution;
- (b) a monthly family income below EC\$3,500.00; and
- (c) endorsement of the applicant's training request by the Ministry of Education.

## **LOAN REGIME FOR CUBAN SCHOLARSHIPS**

Over the years, the Government of Saint Lucia has been able to provide hundreds of scholarships to Saint Lucian nationals under the Cuba-Saint Lucia scholarship programme, thanks to the benevolence of the Government and People of Cuba. These scholarships, which form a vital component of the National Manpower Training Programme, have been awarded in areas such as Medicine, Dentistry, Engineering and Physical Education. The awards were originally intended for students who possess the academic credentials to obtain a university education but did not have the means to further their study. Many of the students who are currently recipients of the scholarships are from very humble backgrounds and the government's decision to provide the students with a stipend in addition to paying the airfare was well received.

Under the current arrangement, the Government provides scholarship holders with an annual stipend of US\$2000 and US\$1000, in the case of new entrants from the year 2000, plus one return ticket per year. This results in an annual expenditure of approximately EC\$2.0 million from the Consolidated Fund. However, whilst the Government of Saint Lucia will continue to source such scholarships on behalf of deserving persons, it can no longer afford to meet those costs and associated stipends and airfares. Government must also ensure that equity and fairness prevail in the treatment of all students. Accordingly, effective the academic year commencing September 2004, the funds advanced by Government will now be treated as a loan to be repaid on completion of the cycle of studies. Let me explain.

It must be noted that the amount those students will now be required to contribute to their education is relatively small when compared to the actual monetary value of the Cuban scholarships, which ranges from approximately EC\$150,000 to \$200,000. Government nevertheless recognizes that the curtailment of the subsidy may render it virtually impossible for many of the students to take advantage of the scholarship award in order to pursue a university education. It is also envisaged that such students will find it extremely difficult to access loans to supplement the scholarship proceeds without the necessary collateral, given their financial position and that of their families. Moreover, the period of study for the Cuban University degrees is on average longer than that of other regional institutions. Hence, commercial banks would, understandably, be very reluctant to lend to such students without adequate collateral security. In recognition of

these peculiar difficulties, Government will seek to establish a Loan Guarantee Scheme in collaboration with Commercial Banks on behalf of Cuban Scholarship awardees. Under this facility, a Loan Guarantee Fund will be established to enable scholarship holders to access loans from Commercial Banks in order to cover additional costs no longer met by Government, whilst each loan will be guaranteed by the Fund.

The Fund will only guarantee a maximum of US\$2600 per student on an annual basis for the period required to complete their studies. This amount represents the estimated cost of one return airfare plus living expenses not provided by the Government of Cuba. Any additional funds that the students require will be their responsibility, which means that they will have to put up the necessary collateral to secure additional funds in excess of US\$2600. In order for the Loan Guarantee Facility to remain viable, the total number of students having Cuban awards in any one year should not exceed 220 persons.

It must be noted that persons trained in Cuba upon successful completion of their degrees are absorbed into the private and public sectors in positions comparable to their colleagues who have graduated from other universities. A number of Cuban graduates have over the years moved on to successful professional careers as doctors, dentists and engineers, to name a few, and enjoy the same privileges as their fellow non-Cuban graduates. Suffice it to say that persons trained in Cuba upon graduation are in no worse off position with respect to their ability to service a student loan. Therefore, Cuban graduates with student loans under the proposed Loan Guarantee Facility should not be seen as being disadvantaged.

## **ESTABLISHMENT OF YOUTH APPRENTICESHIP PROGRAMME**

Over the past few years, economic activity in the service industries and, to a lesser extent, the manufacturing sector, have increased, thereby offering increased opportunities for employment and establishment of linkage industries. Despite the efforts by the Government of Saint Lucia to provide educational and training opportunities for unemployed youth from rural communities, joblessness continues to result in socio-economic problems, and an unwillingness to express creative and productive talents. Despite too, the existence of the National Skills Development Centre (NSDC), one still hears that more and more young people have become disenchanted with the perceived absence of training opportunities which will enable them to take advantage of employment opportunities.

While significant resources have been invested by our Government in training initiatives, the momentum must be maintained by complementing these initiatives with other innovative strategies for providing training opportunities for interested youth.

In order to reduce unemployment and strengthen job training, the Government, through the National Skills Development Centre, will implement a Youth Apprenticeship Programme, to be described by the acronym YAP for unemployed young persons interested in acquiring the skills and work experience necessary to increase their value to potential employers.

The Youth Apprenticeship Programme (YAP) will be designed to stimulate youth participation in the economy and provide them with an opportunity to make a meaningful contribution to their development. YAP will attempt to provide on-the-job training experience for two thousand five hundred (2500) young persons over a period of three years as follows:

1. Year One - 500 unemployed persons
2. Year Two - 1000 unemployed persons
3. Year Three - 1000 unemployed persons

Trainees will receive a monthly stipend of E.C. \$800 during the attachment period, in order to support their participation in the project. The partnering private sector company or businesses will be required to contribute up to four hundred (E.C. \$400) of this monthly stipend amount.

Preceding their participation in the YAP, apprentices will undergo training with the NSDC in a series of Productivity Enhancement Workshops. These workshops will enhance the soft and life skills of participants, thereby maximizing their productivity on the job and nurturing their ambitions for self-employment after participation.

The collaboration with private sector agencies will ensure that trainees are exposed to professional standards. Undoubtedly, these standards are best captured in the companies and organizations, which provide employment opportunities for skilled persons. For this reason, the NSDC will seek to partner with umbrella bodies such as the Saint Lucia Chamber of Commerce, the Saint Lucia Hotel and Tourism Association, the Saint Lucia Small Business Association and others, in the identification of training areas and strategies which will better facilitate the transition of unemployed persons into various sectors. Guidance from the sectors is critical if the sustainability of this project is to be ensured.

Mr. Speaker, the YAP also has a very important objective in helping us meet our delivery service standards for World Cup 2007. NSDC must ensure that those who are entering sectors of employment linked to hosting the World Cup are trained to meet the requirements of such a world class event. I hope that in turn, these apprentices will all agree that as part of the YAP, they will be available to serve as volunteers, if needed, for the World Cup.

## **INTRODUCTION OF EMPLOYMENT TAX CREDIT**

To further support this initiative, I propose to amend the Income Tax Act to provide a tax credit to employers who permanently retain apprentices who have completed apprenticeships with their firms. It is perceived that this tax credit will be for a period of three years, provided that the trainees remain in the employment of the company.

## **TAX REBATE FOR CONTRIBUTIONS TO CLUBS**

Mr. Speaker, our sportsmen and women continue to make significant strides in their respective sporting endeavours. Only recently Nadine George became the first West Indian woman to score a test century, while Verena Felicien consistently performs as Captain of the Saint Lucia women's cricket team and as an outstanding all-rounder on the West Indies team. Also our Davis Cup Team scored success in the American Zone Group IV competition in Costa Rica, by advancing to Group III along with Guatemala.

But Mr. Speaker despite these successes, our sportsmen and women continue to lament the lack of sponsorship to boost their quest for sporting supremacy. I think you will agree that if our sports persons are given the opportunity to excel, they will. But it takes years of training and money. Each year the Government, along with the National Lottery, provides funds to sporting organizations to assist their members in pursuing excellence. Honourable members are too familiar of the efforts that they personally have to make to ensure that sporting organizations maintain their competitive spirits.

What will make the difference Mr. Speaker is a heightened awareness by all that our sportsmen and women need to be given more financial support. In particular, there is the need for our corporate sponsors to be more forthcoming. Consequently Mr. Speaker, I wish to announce that the Income Tax Act will be amended to allow for an allowance equal to one hundred and fifty percent of the actual expenditure incurred in respect of contributions to recognized clubs on the promotion or sponsorship of sporting activities or events or sportsmen. The allowance will be restricted to actual expenditure of \$50,000 in any given financial year.

Mr. Speaker, I propose to include in the list of approved sporting activities, athletics, basketball, bodybuilding, bridge, amateur boxing, martial arts, cricket, cycling, darts, dominoes, football, rugby, golf, netball, squash, swimming, tennis, weightlifting, and such other activities or events as determined by the Minister with responsibility for Sports. The sporting organisations must be approved affiliates of national bodies recognized by the Department of Youth and Sports. No allowance will be granted for the sponsorship of Clubs established by corporate organisations.

## **YOUTH ENTERPRISE DEVELOPMENT FUND**

For a number of years this Government has articulated the need for greater social participation by youth of the society. We have also recognised that social participation without economic enfranchisement is a rather hollow ideal. Thus we approached the Commonwealth Youth Programme to secure a portfolio of resources to specifically target young people between the ages of eighteen to thirty years, allowing for interventions that would permit them to engage in viable economic ventures.

The Commonwealth Youth Programme has agreed to make available a sum of twenty thousand pounds sterling (£20,000) or approximately \$94,000.00 to launch a new Youth Enterprise Development Fund. This is a modest start, but once established we expect that

more resources will be directed to the Fund. The Belfund shall be used as the window through which we shall collaborate with the Commonwealth Youth Programme in managing this Enterprise Fund. We expect the Youth Enterprise Development Fund to have a number of positive effects on the communities throughout the island. For instance;

- There will be more opportunities for disadvantaged youth to create their own enterprises and acquire new skills. They will be so empowered as to be able to participate in more social, economic and political activities.
- As more young persons gain the experience of running successful enterprises, it will mean more young people becoming economic leaders in their communities.
- Young people will have greater access to knowledge as a result of acquiring information and communication technology (ICT).
- There will be a stronger partnership between Government, the private sector, NGOs and other organisations.
- There will be a strengthening of the support structures for youth development.

I want to use this opportunity to invite the private sector, NGOs and community organisations to join hands to forge a strong partnership with this Government to address issues of youth unemployment, job creation and economic growth. As already stated, the Government cannot do it all. Hence the private sector is encouraged to increase investment in the youth because by so doing, they will be investing in the sustainable future of this country.

## **INITIATIVES IN THE AGRICULTURAL SECTOR**

Mr. Speaker, earlier I explained to this Honourable House the additional changes that will take place with the advent of a new banana trading regime. While our Government has done much to re-engineer the banana industry to make it better able to respond to these changes, we have also worked assiduously to broaden the agricultural base of this country and to increase the range of economic opportunities available to our farmers and to persons in rural communities.

Fortunately, we have had the support of the European Union in our efforts to restructure our economy. Using funding instruments such as STABEX and the National Indicative Programme (NIP), Government has been able to intervene and provide financial support to ailing sectors and catalyze growth in new or fledgling industries. The advent of the European Union's Special Framework of Assistance (SFA) programme provided another mechanism through which Saint Lucia is able to source financial support for its economic development agenda.

In a previous Budget Address, I explained that the SFA programme would be administered through four strategic areas, namely Banana Commercialization, Agricultural Diversification, Social Recovery, and Private Sector Development. To date, we have managed to programme funds under the 1999, 2000, 2001 and 2002 allocations of the SFA.

Despite what some may have us to believe, the commitment of this Government to the agricultural sector is unparalleled and unmatched by any other administration. I have repeatedly stated the significant sums that we have spent on the banana industry over the past seven (7) years. However, what is not as widely publicized is the fact that the financial support to agricultural diversification constitutes the single largest allocation of the SFA funds. Under four SFA initiatives, we have allocated EC\$20.9 million to agricultural diversification. All of these funds are programmed for implementation before the close of June 2007.

However, with the allocation of such a large chunk of donor funds, spread out over four separate annual programmes, has come some very serious challenges. Difficulty is already being experienced with the implementation of SFA 1999, now in its 17<sup>th</sup> month, due largely to inadequate administrative arrangements for overseeing the efficient execution of the programme. Currently the programme is administered out of the office of the Chief Agricultural Planning Officer of the Ministry of Agriculture, who is the designated Project Coordinator.

However, effective supervision and facilitation in ensuring implementation of the multi-faceted SFA 1999 work programme by the various co-operants has been weak, given the other statutory work responsibilities of the office of the Chief Agricultural Planning Officer. Personnel of the Corporate Planning Division of the Ministry of Agriculture, Forestry and Fisheries – which exists as the monitoring and evaluation arm of that Ministry, and provides technical support to the slate of projects and initiatives undertaken by the Ministry - currently assist in the implementation of the SFA programmes. Unfortunately, this arrangement is not satisfactory, given the responsibilities of the Corporate Planning Division in planning, monitoring and evaluating the general work programme of the Ministry.

### **ESTABLISHMENT OF AGRICULTURAL DIVERSIFICATION AGENCY**

We need to remove all administrative hurdles that exist in the flow of those much-needed donor funds. Consequently, with the use of SFA funds, we will establish a dedicated Agricultural Diversification Agency (ADA), to facilitate execution of the agriculture diversification programme. This Unit will operate as an autonomous entity, much like the Banana Emergency Recovery Unit, BERU. However, it will continue to receive technical support from the Ministry of Agriculture, Forestry and Fisheries. This will guarantee the existence of a symbiotic relationship between the Unit and the Ministry of Agriculture, a factor that is critical to the long-term sustainability of management of the agricultural development programme, once EU funding has ended.

The ADA will be guided by a Steering Committee, comprising, among others, a representative of the Saint Lucia Hotels and Tourism Association (to facilitate linkages with the tourism sector), the financial services sector (to encourage the commitment of matching private funds), Farmer Organisations (to ensure that there is stakeholder



participation and input), and the Saint Lucia Chamber of Commerce (to stimulate private sector involvement). The National Authorising Officer (who is the Contracting Authority for this project), will serve as a link between the Unit and the EU Delegation in Barbados, and will facilitate the ADA's operation in accordance with the overall strategy, approach and methodology of the SFA instrument. The responsibility for the overall strategy and policy for agriculture development will, of course, remain with the Ministry of Agriculture.

## **GUARANTEE FOR WIBDECO**

The Windward Islands Banana Development and Exporting Company (WIBDECO) was formed in 1994, and took over the functions previously carried out by WINBAN. Mr. Speaker it is a curious fact that despite the important role that WIBDECO has played and continues to play in managing the banana industry in Saint Lucia and the other Windward Islands, most farmers and I daresay, the vast majority of Saint Lucians are completely oblivious of the corporate arrangements in which WIBDECO is involved.

WIBDECO is a joint venture between the Governments of the Windward Islands and the Banana Associations. The Governments of Saint Lucia, Dominica, St. Vincent and the Grenadines, and Grenada each own 12.5 percent of the shares in WIBDECO, giving them, together, a 50 percent shareholding in the company. The Saint Lucia Banana Corporation owns 20 percent of WIBDECO shares, with the St. Vincent Banana Growers Association owning 15.6 percent, the now defunct Dominica Banana Marketing Corporation 13.2 percent, and the Grenada Banana Cooperative Society 1.2 percent. With the exception of the SLBC, which earned title to its shares when the industry in Saint Lucia was commercialized, the shares held by the banana associations in the other islands ultimately belong to the respective Governments.

Windwards Bananas UK Ltd., a wholly owned subsidiary of WIBDECO (WI) Ltd., entered into a 50-50 joint venture with the Irish fruit company Fyffes Group Ltd. to purchase Geest Bananas Ltd., while WIBDECO WI Ltd., in a joint venture with Fyffes Plc., formed the holding company Geest Limited, which is based in Jersey. The WIBDECO/Fyffes joint venture, which was entered into in 1996, was intended to facilitate the vertical integration of the banana industry, allowing the Windward Islands to gain control of, and derive the benefits from, production, shipping, ripening and marketing.

To finance the acquisition of the Geest Banana business, the WIBDECO Group borrowed £20 million, in two £10 million loans, from the Allied Irish Bank (AIB). These loans were obtained via a guarantee from the four Windward Island governments and Fyffes. While on this subject, Mr. Speaker, I must inform this Honourable House that to this day, the guarantee provided by the former administration in 1996 for Saint Lucia's 36.43 percent share of this loan, which equates to £7.286 million, has never seen the light of Parliament.

Today, the balances on these loans are £2.5 million and £722,222.00, a total of £3.22 million. The final payments on these loans were due on 31<sup>st</sup> July 2003. Additionally, in January 2001, when WIBDECO took over the marketing and distribution of Windward Islands bananas from Geest Bananas, WIBDECO needed a working capital facility to bridge the five weeks lag between payment for the bananas and the receipt of sales proceeds. To accommodate WIBDECO, Fyffes provided a £4.0 million working capital loan, which WIBDECO had to repay in two years, at the rate of £2.0 million per year.

Unfortunately, the high rate of repayment of the Working Capital Loan and the decline in Windwards banana production have affected WIBDECO's ability to meet its debt obligations. This has resulted in the deferral of repayment on the AIB loans, and the withholding of several payments to Geest Bananas for freight. Therefore, although the Fyffes Working Capital Loan has been repaid, Geest Bananas is now owed £1.0 million.

After a long period of negotiation, WIBDECO has finalized a new loan with Citibank (Trinidad and Tobago) Ltd. to provide financing through the creation of Fixed Rate Secured Loan Notes in the aggregate principal amount of up to US\$10.0 million. Of these funds, £3.2 million will be used to repay the balance of the AIB loans, £1.0 million is earmarked to repay the balance of the Fyffes/Geest Working Capital Loan, and £0.3 million will be used for working capital.

The security required by Citibank for this loan is separate guarantees from the Governments of Saint Lucia, St. Vincent and the Grenadines, and Grenada. The Government of Dominica is not being asked to provide a guarantee, because of its weakened fiscal position. The Government of Dominica will, however, participate in the new Loss Sharing Agreement.

These guarantees will replace the existing guarantees to the Allied Irish Bank (AIB) in the amount of £20.0 million, which will be rescinded. Citibank has requested that the liabilities of each government be joint and several, as is the case with the AIB loan, in an apportioning that corresponds to the combined shares of the government and the local banana industry in WIBDECO. Parliament will be invited to guarantee the loan, once Government is satisfied that WIBDECO has sufficiently restructured its operations, particularly at the UK end, where we believe there are opportunities for further cost savings.

Several benefits are expected to accrue to the industry from this new loan, not the least of which will be greater financial independence of WIBDECO in the joint venture, which in turn will strengthen its position in the European Union market.

## **MORE INVESTMENT IN HOUSING**

Mr. Speaker, in my 2003 budget presentation, I announced the development of a new housing development, Choc Gardens. The sod turning ceremony was held a few weeks ago. This financial year, the Government plans to welcome two new housing developments, one in Monchy to be undertaken by the National Housing Corporation and

the other in Grande Riviere, Gros Islet, to be spearheaded by the National Insurance Corporation (N.I.C.)

### **THE MONCHY DEVELOPMENT**

The National Housing Corporation, NHC, is now awaiting final approval from the Development Control Authority to commence development of forty (40) acres of land at Monchy, under the Government's Shelter Development Programme financed by the Caribbean Development Bank. On completion, two hundred and four (204) lots will become available to Saint Lucians who qualify.

### **THE NIC DEVELOPMENT IN GRANDE RIVIERE**

The NIC owns 29.48 acres of land at Grande Riviere, Gros Islet which it intends to develop by the third quarter of this year. The sub-division makes provision for 114 high to low density residential lots, comprising 76 lots between 5,000 to 10,000 sq. ft and 38 lots over 10,000 sq. ft. It is envisioned that the development of the sub-division would entail a combination of pure land sales and land-and-house sales. A feasibility study, currently in train, will inform the final decision.

The NIC intends to develop the sub-division through its subsidiaries National Insurance Property Development & Management Company Ltd. (NIPRO) and the Saint Lucia Mortgage Finance Corporation (SMFC).

NIPRO sees this as a viable opportunity for investment. In so doing, it hopes to provide:-

- a) Reasonably affordable housing packages;
- b) Additional job opportunities in Saint Lucia; and
- c) Financial stimulus to the economy.

It is hoped that the proposed development will contain units that are not only affordable, but also functional and efficient.

Overall, Mr. Speaker, some eight hundred and ninety three (893) housing lots will become available to Saint Lucians between 2004 and 2005. Of these, eight hundred and thirteen (813) will be made available by the Public Sector and at least eighty by the Private Sector, as follows:

<b>DEVELOPMENT</b>	<b>AREA</b>	<b>DEVELOPER</b>	<b>No OF LOTS</b>
<b>PUBLIC SECTOR</b>			
La Toc	Castries	NHC	25
Monchy	Gros Islet	NHC	204
Choc Gardens	Choc	NHC	252
Cresslands	Soufriere	NHC	97
Black Bay	Vieux Fort	NHC	121
Grande Riviere	Gros Islet	NIC	114
<b>PRIVATE SECTOR</b>			
La Caye	La Caye	CLICO	80
<b>TOTAL</b>			<b>893</b>

## **RESUMPTION OF GEOTHERMAL EXPLORATION**

Mr. Speaker, persons may recall that in February 2003 when the Iraq situation seemed to be escalating, the National Economic Council was asked to assess the likely economic impact on Saint Lucia, and to recommend to Government, modalities for insulating the local economy. The National Economic Council recommended the rationalisation of our energy policy and encouraged alternative energy investments, so as to reduce our dependence on imported fuel.

Mr. Speaker, in July 2003, consistent with that recommendation, the Office of Private Sector Relations (OPSR) opened dialogue with an energy investment company to explore and develop Saint Lucia's geothermal resources.

These discussions have progressed to an advanced stage. As of March 2004, a Memorandum of Understanding had been drafted and approved by the Ministry of Physical Development and the Attorney General's Office.

The MOU between the Government of Saint Lucia and the geothermal exploration company (UNEC) anticipates an initial investment of US\$10 million by UNEC for initial exploration and development of the Geothermal Resource Area. This amount is to be deployed during the first 3 years of the project. The company has an initial 18-month period during which to mobilize. Should it fail to fulfill its contractual obligations under the MOU, all rights revert to the Government of Saint Lucia.

Thereafter, providing the resource is proven, investment in production capacity will follow. Initial plant capacity is envisioned at 7.5 Mega Watts. It is hoped that the

resultant geothermal power will be suitable for base-load application. This might represent 15 percent to 20 percent of the total annual production of electricity.

### **ECONOMIC IMPACT**

Should the resource prove viable, the major impact would be on electricity prices. Potential savings to the Saint Lucian economy are estimated at \$2.5 million per year for each one-cent reduction in the per-unit cost of electricity.

Royalty payments would also be earned by government, and the potential sale of the carbon credits could be applied to further reduce electricity prices to consumers.

There could also be significant savings to the country in terms of reduced oil imports, and possibly via reductions in other costs associated with the current diesel generation. It is also possible that further capital cost savings will accrue if future energy needs can be serviced by geothermal rather than non-renewable sources. These factors have positive indications for Saint Lucia's balance of Trade and the Balance of Payments.

### **ENVIRONMENTAL IMPACT**

A successful project could reduce total emissions by approximately 57 tons of carbon dioxide per year. This will also result in an estimated national emission reduction of 8 percent, well ahead of the Kyoto commitments.

There will be little or no adverse impact on the viability of the Sulphur Springs as a tourist attraction. The reservoir to be tapped for power is at least one mile below the surface.

The MOU referred to earlier, to be followed by a General Exploration Agreement (GEA), has since been considered and approved by Cabinet. It is due for signature this week.

### **PETROLEUM PRICES**

This is a good juncture, Mr. Speaker, to answer the question whether the price of fuel will be increased. Over the period 1998 to April 2004, the average world market price of oil more than doubled, from US\$15 per barrel to approximately US\$37 per barrel by mid April this year (2004). It is important to note here Mr. Speaker, that while oil prices have increased by 150 per cent over the past five years, the adjustments made have only increased domestic prices at the pump by 30 per cent, as government took the responsible policy decision to shield consumers from the full increase in prices. Consequently Mr. Speaker, this price regulatory mechanism has resulted in foregone revenue to central government totalling \$53.4 million over the five year period. Today, the price of gasoline and diesel charged to consumers in Saint Lucia is comparatively lower than the prices charged in Barbados, Dominica, Belize, The BVI, and Turks and Caicos.

Mr. Speaker, the rising price of oil on the world market is having a debilitating impact on small developing countries as they strive to meet their development goals. In the absence of any price regulatory regime, changes in the price of crude oil impacts on the final price of most goods and services produced within an economy. Given that the price of oil is subject to frequent variations on the international market, small countries find it difficult to adjust to such potentially inflationary market conditions. Mr. Speaker, mindful of this constraint, this Government introduced a mechanism aimed at protecting consumers from those significant price fluctuations.

However, Mr. Speaker it is unfortunate that some oil producing countries have benefited tremendously and taken advantage of the general increases in prices internationally and continue to make windfall gains, while the less fortunate ones have to bear the full burden of those increases.

Mr. Speaker, this government is not proposing any change in the retail price of fuel at this time and I emphasize, “at this time”. However Mr. Speaker, Government cannot continue indefinitely to forego revenue that is needed for development. It is our intention to monitor movements in the international oil price market with the possibility of reviewing the mechanism if the current trend is sustained. If the price of oil does not recede significantly, Government may have no choice but to increase the price of fuel.

## **PROSPECTS FOR REDUCING UNEMPLOYMENT**

Next to crime, the most pernicious social affliction facing our nation is unemployment. Unemployment not only denies those who are affected of their livelihood but also, their self-worth and dignity. We cannot, therefore, relent on our efforts to reduce, and eliminate it.

Unquestionably, unemployment rose sharply after the closure of major hotels following the dramatic events of September 11, 2001. But that was not the only reason. Unemployment was also fed by the rising tide of farmers who abandoned the banana industry. The contraction in the economy further worsened the situation. To combat the situation Government responded by:

- (1) Assigning priority to the reopening of the major hotels. Thankfully, the last hotel, the former Club Med, will reopen in December 2007 under new management;
- (2) Accelerating investment in Public Sector Construction;
- (3) Deepening investment in Tourism;
- (4) Pursuing investment in the Information Technology Sector;
- (5) Increasing opportunities for self employment by liberalising access to credit.

These policies, Mr. Speaker, have begun to bear fruit. Saint Lucians have gradually been returning to work, starting initially in the hotel industry.

In the Public Sector, Government's investment in road construction has paid rich dividends. At present, approximately four hundred and eighty four (484) persons are employed with Lagan Holdings. Some sixty four (64) items of equipment, ranging from tipper trucks to cranes have been hired from local contractors. It is estimated that Consolidated Contractors International (U.K.) - the contractor engaged in the construction of the roads in Dennery North, Babonneau, and Deglos - has employed roughly three hundred and twenty six (326) persons. This number includes direct employees, as well as sub-contractors and their employees.

Renovation of the former Club Med Hotel continues according to schedule, providing employment for at least two hundred (200) persons, a hundred and forty (140) of whom are directly engaged in the demolition and renovations, and sixty in ancillary services. Construction of the hotel at Cas-En-Bas continues. One hundred and twenty persons (120) are employed, fifty (50) directly and seventy (70) through contractors. Display Creations Ltd. has commenced operations at Union, and government expects that the number of employees will reach fifty (50) by the end of the year.

You will note, Mr. Speaker, that I have not, added to these numbers the persons who find occasional employment under STEP.

There is, Mr. Speaker, much reason to have hope in reducing even further our unemployment figures. This budget makes provision for five hundred young Saint Lucians to participate in the workforce under the Youth Apprenticeship Programme, YAP. Sometime in May or June of this year, renovation will commence at the former Ju-C factory building to house an IT company, Citel Caribbean Limited. Citel is expected to employ eighty to one hundred (100) Saint Lucians by year end, and over three hundred (300) by next year. This company will provide many of our secondary school graduates with an opportunity to work in the Information Technology Sector.

Of more immediate interest is the investment in the Tourism Sector, and its likely impact on employment. Within the next month, a sod turning ceremony will signal the expansion of Coco Kreole by one hundred rooms. Sixty persons will be employed during construction and at least ninety persons on completion. Next Tuesday, on April 27, a sod turning ceremony will be held to signal commencement of construction of Discovery at Marigot Bay. It is expected that in excess of two hundred persons will be employed on that site. On completion, two hundred persons will be permanently employed.

Construction of a new small hotel will commence at Marisule later this year. Sixty (60) persons will be employed directly in construction and one hundred and twenty (120) in hotel services.

Later during the year, we can look to the commencement of construction of the Praslin Bay Resort. The Government, is poised Mr. Speaker, to grant its first Casino Licence. Some three hundred (300) Saint Lucians are expected to gain employment at the Facility.

Government will continue to direct resources towards public sector investment. Towards the end of this fiscal year, construction will commence on two new secondary

schools, bringing the dream of universal secondary education closer to reality. The French-financed Tertiary Roads Programme will get underway in the next few weeks and employment is expected to peak at three hundred persons. SLASPA will commence construction of the Hewanorra perimeter road. Work should also begin on the drainage projects in Castries and Anse La Raye.

Our investments in the housing sector, to be undertaken this year by the NHC, NIC and CLICO Holdings, will provide a further boost to employment in construction.

In the scenario just outlined, I have not made any forecast in respect of the Private Sector, even though I anticipate that their cautious approach will eventually give way to more robust investment.

While some of our traditional businesses have undergone major re-structuring, a different but quiet revolution has been underway in the corporate world. The Government's policy of encouraging employment through small businesses is beginning to bear fruit. I am advised, Mr. Speaker that over 229 small businesses have been established and registered during the period April 01, 2003 to March 30, 2004. Some are solely owned and operated, while others employ small numbers of persons. It has been estimated that at least three hundred and forty three persons have secured employment as a direct result of this expansion.

Mr. Speaker, Saint Lucians are slowly getting back to work. In time, "things will be hard" only for those who wish it to remain hard.

## **ECONOMIC AND FISCAL STRATEGY UNDERPINNING THE 2004/05 BUDGET ESTIMATES**

I now come, finally, to explain the technical details regarding our fiscal strategy and the financing of the Budget.

Mr. Speaker, the total planned expenditure this financial year amounts to \$768.6 million; 10.8 percent lower than the previous fiscal year. This contraction in planned expenditure reverses the expansion of 10.3 percent in fiscal year 2003/04 and brings back total planned expenditure to just below the 2002/03 Approved level. This, Mr. Speaker, did not happen by fate, as in many countries that are forced to cut expenditures because they are simply unable to borrow from the financial markets, given their precarious debt situation. In our case, Mr. Speaker, there is a great demand for Government of Saint Lucia paper because the financiers are confident in this Government's fiscal policies and overall management of the economy. Mr. Speaker, this reduction in expenditure happened by design and reflects the government's skilful fiscal management strategy, which I shall explain shortly. This Government, Mr. Speaker, is a responsible Government and recognizes that sound public finances and stable macroeconomic conditions are important for stimulating growth.



In 2002, the economy of Saint Lucia experienced a severe contraction. For the benefit of Honourable Members and, may I say, in particular, others, who seek to deliberately mislead the general public on the performance of the economy under this Government's stewardship, I wish to remind you that Saint Lucia's economic performance in 2002 was by no means unique, as many other CARICOM countries, and indeed other countries in the world, experienced contractions in that year. We are all aware, Mr. Speaker, that this contraction happened as a result of the immediate slowdown in the world economy after 9/11. We continue to hear from our critics, Mr. Speaker, that this Government blames all economic problems on globalization and adverse external events like 9/11. The reality, Mr. Speaker, is that Saint Lucia is a small open economy and cannot be insulated from external shocks like 9/11. It is a fact, Mr. Speaker, that all countries are affected by global economic events – even the mighty United States.

In an effort to counteract this huge external shock, that is 9/11, this Government engaged in countercyclical fiscal policy in 2003/04, which cushioned the impact of the shock and accelerated the pace of economic recovery. The fruits of our countercyclical fiscal policy are reflected in our economic performance – a growth rate of 3.7 percent – Mr. Speaker – the second highest growth rate Saint Lucia has achieved since 1992. The highest since 1992, was achieved in 1999 under this Government, when the growth rate was 3.8%.

The Government's medium term objective of increasing the current account surplus back to 5 percent of GDP will be achieved as the economy moves into a new cycle of positive economic growth. This objective is to be pursued through a dual approach of slowing the rate of growth in expenditure and allowing tax revenues to grow in line with economic activity. This strategy, Mr. Speaker, will allow Government to increase investment and as a result, achieve higher levels of economic growth and employment in the future. I shall proceed to outline this approach in greater detail.

## **DECELERATION IN EXPENDITURE GROWTH**

Now that the economy is on its way recovery, the Government has decided to slow down expenditure, so as not to fall into the trap of what economists call “structural deficits”, that is to say, permanent deficits that eventually lead to a path of unsustainable debt and insolvency. Many countries have been led down that path but, we, Mr. Speaker shall resist that temptation and live within our means so that current and future generations can enjoy the fruits of our economic policies. The strategy to reduce the growth in expenditure is guided by two approaches, namely, decelerating the growth in recurrent expenditure and slowing down the rate of capital expansion, given the strong linkage between the two.

This Government will continue to slow down the rate of growth in recurrent expenditure, which has averaged around 7.5 percent over the last four years. This year, recurrent expenditure is forecast to grow by 6.7 percent over the Approved Estimates in 2003/04, but by slightly more than 4 percent over actual expenditure in that year.

Moreover, Mr. Speaker, we have entered a cycle in which many of our capital projects have either been completed or are at the stage of completion. As we move to a new cycle of projects, the pace of capital expenditure will slow down because expenditure on projects in their early stages (designs, drawings etc.) is much lower than in the implementation or construction stage. Capital expenditure is therefore expected to pick up in the next fiscal year, i.e. 2005/06, as the new cycle of projects enters into the implementation stage. In an effort to maximize the productivity of investment, it is also important for us to adopt a more strategic approach to investment.

In this new cycle of economic activity, this Government believes that tax revenue should be driven by the growth in economic activity, and improving the efficiency of tax collections. As a result, with the exception of a few fiscal proposals, expected to yield a modest amount of revenue, Honourable Members will be pleased to know that this Budget is largely a tax-free budget.

### **FINANCING THE 2004/05 BUDGET**

Permit me, Mr. Speaker, to present the financial summary of the Budget Estimates. As I indicated earlier, total Planned Expenditure amounts to \$768.6 million, 10.8 percent lower than in the previous fiscal year. This is broken up as follows:

- (1) The planned level of Recurrent Expenditure, exclusive of debt amortization, is \$508.1 million, representing 66.1 percent of total budgeted expenditure, and is 6.2 percent higher than in the previous fiscal year
- (2) Debt Amortisation is forecasted at \$38.9 million, representing 5.1 percent of total budgeted expenditure; and
- (3) The planned level of Capital Expenditure is \$221.6 million, representing 28.8 percent of total budgeted expenditure.

The total budgeted expenditure of \$768.6 million is to be financed from the following sources:

- 1) Recurrent Revenue of \$500.1 million
- 2) Capital Revenue of \$2.7 million
- 3) Grant funding of \$73.0 million
- 4) Bond funds of \$109.1 million, of which \$12.0 million represents a surplus from the previous fiscal year

- 5) Other loan funds of \$83.6 million, from the following sources:
- (a) The Caribbean Development Bank (CDB), \$67.0 million;
  - (b) Agence Francaise de Developpment (AFD) \$10.0 million; and
  - (c) The World Bank, \$6.6 million.

As indicated above, Recurrent Revenue is projected at \$500.1 million. While this is 4.8 percent higher than last year's Approved Estimates, I want Honourable Members to know that preliminary data show that we exceeded our Approved Estimates by 6.3 percent. In fact, as indicated earlier, our Revised Estimates show that we collected \$523.78 million in revenue. This is a major milestone to have surpassed \$500 million and is reflective of the recovery in the economy. Notwithstanding this performance, Mr. Speaker, this Government has remained extremely conservative in forecasting revenues, and therefore, has projected revenue below last year's revised total. Barring exogenous shocks, I am sure, Mr. Speaker, that we shall comfortably achieve and even surpass our revenue projection target as we did in 2003/04

Tax revenue is projected at \$437.4 million. This represents 87.5 percent of total recurrent revenue and an increase of 1.3 percentage points over last year's budgeted figure. The category of Taxes on International Trade and Transactions is forecasted at \$261.7 million or 59.8 percent of total tax revenue. The categories Taxes on Income and Profits and Taxes on Domestic Sales and Services, the two other significant contributors to tax revenue, are projected at \$108.6 million and \$61.1 million, accounting for 24.8 percent and 14.0 percent respectively of total tax revenue.

Non-tax revenue, which mainly comprises licence fees, user charges and fines, is estimated at \$62.7 million or about 12.5 percent of total recurrent revenue.

#### **ALLOCATION OF EXPENDITURE**

Permit me now, Mr. Speaker, to move onto a matter of great interest to Honourable Members - the proposed share of the pie or the allocation of the Budget among agencies. Honourable Members are advised to review the draft 2004/05 Estimates for the details of the Budget by Agency and Programmes.

The Economic Service Agencies shall receive \$420.4 million, or 54.7% percent of total budgeted expenditure. Of this amount, \$269.7 million is allocated to recurrent expenditure, of which \$106.6 million is allocated to debt servicing and \$32.0 million is allocated to retiring benefits. In keeping with the need to stimulate economic growth, \$150.8 million or 68.0 percent of total budgeted capital expenditure is allocated to the Economic Service Agencies.

Mr. Speaker, with your indulgence, I wish now to highlight some key areas of investment that will provide the foundation to consolidate the strong economic recovery of 2003. As in the previous year, the Ministry of Communications, Works, Transport and Public

Utilities shall receive the largest share of the capital budget – I have allocated \$59.3 million to that agency, of which \$48.0 million is allocated to Roads Infrastructure. The major beneficiaries of this allocation are the Roads Development Programme and the Tertiary Roads Programme, for which \$31.8 million and \$11.0 million have been respectively allocated.

Mr. Speaker, despite what the critics say, this Government continues to invest heavily in agriculture, including bananas. This year, I have allocated a sum of \$23.1 million to the Ministry of Agriculture, Forestry and Fisheries. A sum of \$13.5 million is allocated to bananas, of which \$8.0 million is for banana commercialization, \$5.0 million is for the Banana Emergency Recovery Unit or BERU as it is known, and \$0.5 million is for the procurement of refrigeration equipment. In order to give greater impetus to our drive in strengthening agricultural diversification, I have allocated \$7.1 million to the Agricultural Diversification Agency announced earlier in my presentation.

The tourism sector will receive \$21.6 million, of which \$20.5 million is for tourism marketing and promotion.

I confess, Mr. Speaker, that the Tourism Sector needs and deserves a higher allocation. I hope we can increase that allocation next year, once the economy fully recovers.

The Ministry of Physical Development, Environment and Housing shall receive \$30.3 million, the second largest share of the capital budget. A sum of \$9.3 million is allocated to the Water Sector Reform/Fifth Water Supply Project and \$7.6 million is allocated to the housing projects, which include the Shelter Development Programme, PROUD and the rationalisation of Bruceville, Vieux Fort.

Mr. Speaker, this Government recognizes that development must be balanced, and that a sound social infrastructure is a prerequisite for sustained growth and development. This year, I propose to allocate \$225.3 million or 29.4 percent of the total budget to the social service sector. Of this amount, \$185.8 million is allocated to recurrent expenditure and \$39.5 million is allocated to capital expenditure.

The Ministry of Education, Human Resource Development, Youth and Sports shall receive \$132.7 million or 58.9 percent of the amount allocated to social services, with \$17.2 million earmarked for capital expenditure. Mr. Speaker, this Government recognizes the importance of investment in our youth and of the need to provide marketable skills that meet the requirements of employees. The National Skills Development Project has been an important vehicle in helping Government achieve that objective. This year, I have allocated a sum of \$3.5 million to the National Skills Development Project, of which an amount of \$1.4 million is for a new project – The Youth Apprenticeship Programme, YAP, about which I spoke earlier.

In addition, I have allocated \$6.0 million for the rehabilitation of the school plant and \$2.3 million to the OECS Development Project.

An amount of \$69.4 million is allocated to the Ministry of Health, Human Services, Family Affairs and Gender Relations. The Minister of Health will be pleased to know that this represents an increase of 2.3 percent over last year's allocation. I have also allocated a sum of \$1.9 million for the New National Hospital to facilitate designs and preliminary works. A sum of \$5.1 million is allocated for capital expenditure in Primary Health Services, of which \$4.8 million is for refurbishment to Health Centres. Mr. Speaker in recognition of the impact of AIDS on the society and economy, a total sum of \$1.2 million is allocated to AIDS awareness, prevention and support. In this regard, Mr. Speaker, I wish to make special mention of a project which I mentioned earlier to help support children with HIV/AIDS, for which an allocation of \$240,000 has been made. In addition, UNFPA is contributing \$800,000 towards a project for HIV/AIDS Prevention Among Youth.

Mr. Speaker, I wish to place on record our appreciation to the National Insurance Corporation, which has made available to the people of Saint Lucia a grant of \$2.1 million as a twenty-fifth Independence anniversary gift for the Refurbishment of the Victoria Hospital. Victoria Hospital will continue to play an important part in providing health services, as the New National Hospital is scheduled to be completed in 2008.

The Ministry of Social Transformation, Culture and Local Government shall receive a sum of \$23.2 million, of which \$9.1 million is for capital expenditure. Mr. Speaker, I have been very pleased with the work of the Cultural Development Foundation and this year, I have allocated to the CDF a sum of \$1.5 million. In keeping with this Government's thrust of poverty alleviation and reduction, allocations of \$4.8 million and \$1.8 million are made to the Poverty Reduction Fund and the Basic Needs Trust Fund respectively.

The portfolios of the Attorney General's Chambers, the Ministry of Justice and the Ministry of Home Affairs and Internal Security, which together comprise the Justice Sector, will receive \$64.8 million or 8.4 percent of the total budget. Honourable Members are aware of the tremendous investment made by this Government in the Justice Sector in recent years. This includes the construction of the Bordelais Correctional Facility, and the Construction of Fire and Police Stations by NIPRO. I have already given details of the plans to establish a Forensic Unit and the financing of the recruitment of sixty (60) new police officers and the purchase of new equipment and vehicles.

The General Service Agencies shall receive an allocation of \$52.6 million, 53.2 percent higher than in the previous year. Mr. Speaker, this Government continues to place strong

emphasis on the development of the private sector. This year, I propose to allocate a sum of \$7.4 million for the Private Sector Development Programme, \$1.4 million more than last year. I also wish to allocate a sum of \$3.5 million for the Human Resource Credit Facility, which I announced earlier in my presentation.

In keeping with the success of the Low Income Housing Grant Facility and the Rural Small Business Credit Facility, I propose to allocate \$5.0 million to each project this year. These projects have been resounding successes. In just the space of nine months, three hundred and sixty five (365) persons benefited from the Government Rural Credit Facility. A total of \$5.01 million worth of grant funds was made available to beneficiaries. In turn, the participating Financial Institutions provided \$11.6 million worth of loans. Thus, a total of \$16.7 million was injected into the economy in just nine months of operations of the Rural Credit and Low Income Facility.

The Office of the Governor General and the Agencies of Parliament, namely, the Legislature, the Service Commissions, the Electoral and Audit Departments, shall receive an increase of 10.6 percent in allocation this year. I have allocated a sum of \$5.5 million dollars to these agencies.

## **PROPOSED REVENUE MEASURES**

Mr. Speaker, I would now like to turn to the modest revenue measures which we intend to implement.

### **ADJUSTMENT IN DEPARTURE TAX FOR CARICOM NATIONALS**

Generally, throughout our region Mr. Speaker, CARICOM countries subject nationals to lower departure taxes than non-nationals in relation to out-bound travel. Unlike most neighbouring countries, Saint Lucia charged CARICOM nationals the same rate as its nationals. Unfortunately, our nobility was not replicated by other countries. In these countries, there is no special rate for CARICOM nationals.

In this new financial year 2004-05, the Government will move towards some parity with the practices of the CARICOM member states with regard to the departure tax rate structure. This will involve an amendment to the Airport Service Charge Regulations of 1985 to increase the rate from \$35 to \$54 per person for CARICOM nationals.

The share distribution of Departure Tax revenue from CARICOM nationals will be similar to that of other non-nationals and will be apportioned accordingly:

Saint Lucia Air & Sea Ports Authority	\$27.00
Solid Waste Management Authority	\$ 3.92
Airline Companies	\$ 0.54
Central Government	\$ 22.54

## **INCREASE IN MARRIAGE FEES**

Mr. Speaker, earlier in this presentation I mentioned the phenomenal growth that has occurred in the tourism industry during 2003. Saint Lucia, Mr Speaker, is increasing in popularity as a honeymoon destination. Our beautiful island has been rated as the “*World’s Best Honeymoon Destination*” at the World Travel Awards for 2002 and 2003. Further, research has revealed that many couples visit Saint Lucia to get married and become so captivated by our island that they remain here for their honeymoon.

Mr. Speaker, despite our rating we have not been able as a tourist destination to collect any significant revenue in relation to the issuance of marriage licenses. Nonetheless, we continue to spend significant amounts on the marketing and promotion of Saint Lucia.

I therefore propose to amend the Stamp Duty Regulations No. 10 of 1994, to increase the stamp duty on marriage licenses. I propose Mr. Speaker to increase marriage license fees from EC\$102.50 to EC\$335 or USD 125. In addition, I propose to adjust the waiting period from two days to one day. This arrangement will be attractive for cruise visitors, who can arrange to get married in Saint Lucia on the day that they visit, and perhaps consider Saint Lucia as the destination of choice to return for their honeymoon. I also propose to amend the Stamp Duty regulations to charge a fee of EC\$540 or US\$200 for those desirous of receiving a marriage license in one day. In effect, there will be two fees, one fee for same day marriages and another for marriages where the parties are in residence for more than one day.

Mr. Speaker, we will also be introducing a new option for our visitors who wish to get married in Saint Lucia. Visitors will be able to apply for their marriage licenses via the internet. The facility will be offered on the Saint Lucia Tourist Board website, which will give prompt acknowledgement of the application. The application will then be reviewed, approved and made available to the visitor on arrival.

## **INCREASE IN BANK LICENCES**

Mr. Speaker, foremost among the problems that have a fiscal impact on small countries such as Saint Lucia, is the financing of global terrorism, money laundering and international financial regulation. Increasingly, the international community dictates that these problems are interrelated and should be tackled jointly, or we face devastating financial consequences for inaction. International organizations such as the Financial Action Task Force (FATF) and the Organization for Economic Cooperation and Development (OECD) have placed the financial system of our islands under intense scrutiny, especially as the international war on terrorism is waged. Caribbean governments are also being requested to amend various pieces of legislation to demonstrate their commitment to the fight against money laundering and the financing of terrorism. One such example is the implementation of the Money Laundering Prevention Act in 1999, and the further review and remodeling and passing of a revised version of that Act in 2003. These changes to our procedures and laws have come at significant cost to this government.

Mr. Speaker, a few years ago, this Government made a commitment to implementing legislation and taking the necessary action to maintain a sound financial system and a “clean” jurisdiction as an international financial center. The importance of maintaining the integrity of our financial system cannot be understated, given the movement towards economic diversification and the promotion of financial services as *one* of the sectors identified for growth. May I hasten to add, Mr. Speaker, that in so doing, attention will be placed on both the onshore and the offshore sectors. In fact, work has already commenced on capacity building and strengthening of the regulatory capacity within the Ministry of Finance to monitor developments within the entire financial sector.

Mr. Speaker, bank license fees were last reviewed in 1990 (over thirteen years ago). Since then, there have been significant changes within the financial system. During that time, the Government has had to review a number of pieces of legislation that provide the framework for the operation of financial institutions.

Over the period 1990 to 2003, we have also witnessed phenomenal growth in the gross assets of commercial banks. Commercial bank assets increased from EC\$878 million in 1990 to EC\$2316.2 million in 2003 (163.8 percent), while commercial bank credit increased by 168.2 percent to EC\$1659.8 million. Mr. Speaker, I propose that license fees for foreign commercial banks be increased to EC\$120,000 for main branches and EC\$12,000.00 for sub-branches. For indigenous commercial banks, the fees will be increased to EC\$80,000 for main branches and EC\$8,000 for sub-branches. The increased revenue, Mr. Speaker, will be used to support regulatory interventions in the financial sector.

## **REVIEW OF WORK PERMIT FEES**

Mr. Speaker, some six years ago, the Government effected certain charges to the Regulations governing work permit fees. Apparently, these changes have not had a salutary effect.

Currently, the records of the Ministry of Labour Relations, Public Service and Co-operatives indicate that some five hundred and ten (510) non-nationals have been issued with work permits. Of course, we are aware that there are others who are working illegally, without permits. Of the five hundred and ten (510) work permits, one hundred and eighty (180) have been issued to managers, thirty seven (37) to chefs, thirty five (35) to entertainers, eighteen (18) to supervisors, and twenty (20) to directors. Interestingly, the number of Work Permits granted for the job classification of “Manager” increased by 19.8 percent between 2001 and 2002, and by 14.64 percent between 2002 and 2003. This is an intriguing statistic, since a great number of Saint Lucian nationals have, over the last few years graduated from Universities with degrees in Management.

I propose, Mr. Speaker, to revisit these regulations. Two changes will be effected. Firstly, the Government will no longer charge a lower rate for Commonwealth Citizens. Commonwealth countries do not grant our nationals any special privilege in respect of



employment Citizens of Commonwealth countries will be treated in like manner with other non-CARICOM nationals. Secondly, and effective immediately, work permit fees will be increased from \$5000 to \$7500 annually. Work permit fees for CARICOM citizens will remain unchanged.

## **SIMPLIFICATION ON TAXES ON ALCOHOLIC BEVERAGES**

Mr. Speaker, the tax schedule for alcoholic beverages is highly differentiated, and in a manner that is not congruent with the variation in their alcohol content. These highly differentiated rates often cause increased consumption of the beverages that are taxed at the lower end of the scale, although these may have alcohol contents that make them equally or more damaging to the health of the consumers.

A new simplified rate structure, aimed more at efficiency and which will incorporate adjustments in both the import duties and the excise taxes on alcoholic beverages, will be introduced. It will be applied to both local production and imports from CARICOM and extra-regional sources.

The import duties on whiskey, brandy, gin, vodka, rum and tafia, liquors and cordials, beer and stout from CARICOM and extra regional markets will remain unchanged at their current rate of 45 percent. Mr. Speaker, the import duties on wines, vermouth and other beverages will remain unchanged at the current rate of 30 percent.

With regards to excise taxes, the levy on whiskey, brandy, gin, and vodka will be standardized at \$15.00 per litre, while rum and tafia will attract an excise tax of \$10.00 per litre. Under the new regime, Mr. Speaker, liquor and cordials, which are currently taxed at the rate of 15 percent per litre under the jurisdiction of the Consumption Tax Act, will attract a new rate of 20 percent.

In addition, Mr. Speaker, wines, vermouth, and other beverages, which are currently taxed at rates ranging from fixed dollar amounts to ad-valorem will be standardized at the following Excise Tax Rates:

1. Wines from \$5.00 per litre
2. Vermouth from 25 percent to \$5.00 per litre
3. Other beverages from 20 percent per litre to \$5.00 per litre

The aforementioned charges, Mr. Speaker, are all related to imported alcoholic beverages. With regards to locally produced rum, there are obviously no import duties. However, the excise taxes on local production will remain unchanged. So, for example, the prices of beer and stout remain the same.

This new regime, Mr. Speaker, will result in significant efficiency gains in the administration of the Excise Tax Act. The regime also creates a level playing field between imported beverages and locally produced beverages, as a preparatory step to

moving towards the Free Trade Area of the Americas (FTAA) and the CARICOM Single Market & Economy (CSME).

Mr. Speaker, while all these changes are aimed at improving the efficiency of taxes on alcoholic beverages, it is expected that there will be an increase in revenue to Government of \$4.03 million for the adjustments. This projected increase in revenue, Mr. Speaker, will no doubt assist the Government in defraying the increasing costs of alcohol- related medical responses.

### **CONSUMPTION TAX ADJUSTMENT ON CIGARETTES**

Mr. Speaker, as you know, the “Sin Taxes” go hand in hand. One cannot increase the taxes on alcohol and leave cigarettes untouched. This Government is concerned with the rising incidence of chronic and terminal medical issues associated with smoking. Consequently Mr. Speaker, Government feels the need to discourage activities that will impact negatively on the health of individuals.

In that regard, we will move to amend the First Schedule of the Consumption Tax Act No. 30 of 1968, to reflect a twenty percent increase in the Consumption Tax on Tobacco products as follows:

<i>Tobacco, Not Stemmed/Stripped</i>	:	<i>from 5% - 25%</i>
<i>Cigarettes containing Tobacco</i>	:	<i>from 50% - 70%</i>
<i>Other Cigars, Cheroots,</i>	:	<i>from 10% - 30%</i>
<i>Cigarillos and Cigarettes of Tobacco substitute</i>		

Mr. Speaker, I hope that many more will follow the example of my Minister for Education, Human Resource Development, Youth and Sports and give up their tobacco smoking habit. However, it is also necessary that the Ministry of Health intensifies its public education programme.

### **SECTORAL CAPITAL INITIATIVES**

Mr. Speaker I now wish to highlight a few of the capital initiatives that I propose to fund in this year’s Budget.

#### **DISASTER MANAGEMENT PROJECT – PHASE 2**

Following the successful completion of the OECS Emergency Recovery and Disaster Management Project, the Government of Saint Lucia proposes to embark on a second phase of the Project.

The main objectives of the programme are as follows:

- (1) To further reduce the vulnerability of our public infrastructure to natural disasters – such as hurricanes, floods, through the implementation of physical mitigation measures;
- (2) To further strengthen the institutional capacity of the various Ministries and Agencies dealing with disaster management, through the provision of adequate facilities, critical equipment, technical assistance and training.

The project consists of four main components:

- (1) Physical Prevention and Mitigation works – This activity will comprise mainly sea defense and coastal protection works in the Dennery village. A selected number of schools and health centres will also be retrofitted;
- (2) Strengthening Emergency Preparedness and Response – This comprises the construction of an Emergency Operations Centre and Central Warehouse, the designs for which have been completed and a site identified at Bisee;
- (3) Institutional Strengthening – This comprises mainly a study on the vulnerability of Government assets and the mitigation measures that Government will need to undertake to safeguard our assets;
- (4) Project Management – The already established Project Coordination Unit in the Ministry of Physical Development, Environment and Housing will continue to provide support to the agencies during implementation.

It is estimated that this project will cost \$23.5 million and will be implemented over a three year period. Financing will be provided by the World Bank, which will fund approximately 88 percent or \$20.7 million of the cost of the project, while the Government will contribute the balance of \$2.8 million over the duration of the project.

## **COMMISSIONING OF SURGICAL-INTENSIVE CARE SUITE**

Mr. Speaker during our Twenty-fifth Independence Anniversary celebrations, the National Insurance Corporation announced the commissioning of a Surgical-Intensive Care Suite as a gift to the people of Saint Lucia. The NIC is also celebrating its twenty-fifth Anniversary. So it is fitting that as we celebrate these milestones, that a statement be made of a significant contribution to our Health Services. Mr. Speaker, we continue to hear cries about the quality of our health facilities and we are heartened to have the opportunity to enhance the physical structures of our health institutions. This gift is fittingly from all Saint Lucians who contribute to the National Insurance, and thus should be a source of pride to us all.

The Surgical-Intensive Care Suite, when completed, will offer the following services:

- (1) Two fully equipped operating rooms;
- (2) A fully commissioned 6-bed Intensive/Cardiac Care Unit;
- (3) A 3-bed recovery room;

- (4) A new Central Sterilization Services Department;
- (5) Support diagnostic and treatment equipment for Laboratory, Radiology and Imaging services at the hospital;
- (6) Ventilatory support equipment for the Neonatal Intensive Care Unit

This project is expected to cost \$2.2 million, \$2.1 million of which represents the NIC's gift and \$0.1 million represents Government's contribution for minor civil works and the provision of furniture, furnishings and fitting. It is expected that on completion of the New National Hospital, the equipment will be transferred to this new facility.

I shift focus now to an important and pivotal issue related to public sector reform.

## **e-GOVERNMENT**

The United Nations, in its World Public Sector Report 2003, entitled E-Government at the Crossroads, rated Saint Lucia 59 out of 173 countries in its E-government Readiness Index. This composite index comprises (i) a web measure index, (ii) a telecommunications infrastructure index, and (iii) a human capital index. Mr. Speaker, the point has been made elsewhere before but it bears repeating, Saint Lucia scored highest in the Caribbean in E-Readiness, above Jamaica which was ranked 61, the Bahamas at 64, Trinidad and Tobago at 65, and Barbados at 76.

Our Government is cognizant of the critical role of Information and Communications Technology (ICT) in today's global economic environment and the tremendous potential of these new technologies. Consequently, we have embarked on several ICT implementation projects within the Public Service. Computer technology now plays an increasingly significant role at the operational levels of many government Ministries and Departments. More recently, several reform and restructuring initiatives at the organizational and sectoral levels have also been undertaken. In an effort to improve the level of integration of information systems/technology adoption and use, as well as to enhance the Reform and Process Change initiatives across the Public Service, a comprehensive Public Sector ICT and Electronic Government Project will be embarked upon. The E-Government project has five basic components:

- National ICT policy formulation and implementation;
- The establishment of the institutional framework for the management of ICT and Electronic Government;
- The implementation of legislative and regulatory provisions for the facilitation of Electronic Government and Electronic Commerce activities;
- The upgrade and optimization of the Government of Saint Lucia Information Technology resources (the Wide Area Computer Network, computer systems and Web sites) in conjunction with the necessary process redesign and reform measures; and
- The management of data, information and knowledge resources across the Public Service.

The project will result in the more effective and efficient use of ICT at all levels of the Public Service and will significantly enhance decision making, planning and monitoring activities. Clear guidelines for the adoption and utilization of ICT in the Public Service will be instituted, forming the basis for the development of Electronic Government initiatives within the context of a suitable institutional framework. A key objective will be the achievement of more efficient and timely interactions with the private sector and the general public, through the use of suitable, modern information and communications technologies.

A review of international best practice, for both developed and developing countries, indicates that the overall management and coordination of ICT in the Public Service and the implementation of electronic government initiatives is assigned to a Unit or Department, located within a Central Agency, charged with an overall policy and strategic mandate for the entire Public Service, as opposed to within a 'Line' Ministry or Agency.

Consequently, this initiative will be spearheaded by a Central Information Technology and Electronic Government Unit, located in the Office of the Prime Minister. This Unit will enable the coordinated, systematic and purposeful approach, towards the attainment of strategic and policy objectives, with respect to the adoption and utilization of Information and Communications Technologies in the Public Service. A total of \$3 million will be allocated to this project, \$500,000 of which will be disbursed during the coming financial year.

## **DENNERY WATER SUPPLY**

Mr. Speaker, it is well known that the Dennery area is noted for frequent shortages of water. This causes untold anguish to the residents as there is always uncertainty about the reliability of the water supply. A review of the water supply infrastructure revealed pipes which have passed their useful lives, unable to cope with the demands created by the increase in the number of persons who now live in the Dennery area.

Consequently, Mr. Speaker, we are seeking to fund the redevelopment of the water infrastructure. We have obtained \$1.8 million to fund this redevelopment. These funds are sourced from Budgetary Support funding provided by the European Union.

Mr. Speaker, I am sure that the residents of Dennery will be relieved as they learn that soon, their long years of suffering will be over.

## **SOUFRIERE SPORTING PAVILLION**

As I conclude, Mr. Speaker, I wish to assure the young people of Soufriere that they have not been forgotten. Approval has been given to completing the design of a Sports Pavilion. The design will be discussed and finalized with the community and funds will be made available in next year's budget for construction.

## **CONCLUSION**

Mr. Speaker, in this the twenty-fifth anniversary year of our birth as a nation, we stand at a watershed in our lives, surrounded as it were, by seemingly contradictory omens. In much the same way we are confronted by an environment as turbulent as the Atlantic Ocean, we have presented programmes and initiatives which should invigorate like the resourceful waters of the Caribbean Sea.

Those who are either too jaundiced, or one-sided, or whose sinews are flexed in the wrong direction may choose to focus on potential vulnerabilities and cause people to feel cynical, angry and frustrated. However, this Government believes Saint Lucians deserve better. They deserve more than a recital of problems. They deserve and are getting a government which is not only solving current problems, but through its programmes, is creating and refashioning a society in which all its citizens can confidently participate in the emerging global economy and society.

It was Albert Einstein who said that we cannot solve problems with the same level of thought that created them. Saint Lucia must not be mired in the dark corners of the past. Hence, we as a Government have chosen to secure the future by placing emphasis on health, youth, and security. We have also insisted on provisions to diversify our Agricultural Industry, and to increase the housing stock on the island.

Fellow citizens, this Budget Statement is a call for us to move forward with a strong and active faith in our resilience as a people, and to accept responsibility for our future and our country's development. It is the same collective faith of our forefathers who have always reminded us that we can only realize our potential by accepting the challenges. "Bètafé pa ka kléwé tout tan I pá volé."

I am therefore, honoured, Mr. Speaker, to move the second reading of the Appropriation Bill 2004/2005.