2003 BUDGET ADDRESS

Presented to the House of Assembly

By Dr. the Hon. Ralph Gonsalves

Prime Minister and Minister of Finance

On Monday December 2, 2002

Mr Speaker, Honourable Members,

The framing of any national budget is a profoundly political and democratic exercise. To be sure, it rests upon economic and fiscal foundations but it is about people, bound together in a multiplicity of ties as a national community. So, while it is both necessary and desirable to map the domestic, regional and international economic contexts and to detail the fiscal condition of the Central Government for an efficacious grounding of the national budget itself, the heart of the budgetary process is about real flesh-and-blood persons, including their leaders, in national communion with one another.

After all, behind the dry statistics and economic categories are real people like you and I, the butcher, the baker, the farmer, the worker and the proverbial candlestick maker. For example, the economic categories, “salaries and wages”, are about workers; behind the economic concept of “profits” are entrepreneurs; the economic notion of “rent” is about landlords and tenants; and behind the category “taxes” is a democratic state which is manned at the highest policy-making levels by parliamentarians freely elected in periodic, competitive elections.

For too long, the essence of a national budget and the process of budget-making have been shrouded in a mystique which has blunted genuine popular involvement and which , in turn, has caused ordinary citizens and residents to see the budget and its making as alien to them, not belonging to them. In that context, a budget came across as an imposition by the state and manipulative politicians. In the past, people had little say in it; they thus felt no ownership of it; and, to the extent that they saw the numbers, for all they could care, they could have been written in upside-down Chinese. It was all so meaningless to them unless any of the impositions was a hurt or benefit to them immediately and directly. In any event, it was quickly forgotten.

In the past, only some politicians and public servants seemed to take the budget seriously. It is true that on the opening day of the Budget many esteemed, invited citizens and guests came to the Parliament. It is also true that in the days when there was only one radio station, many people particularly party political supporters, listened to the budget debate as a sort of substitute for an ancient gladiatorial contest between combatants. But the majority of our people felt uninvolved.

Public finances are indeed at the centre of the democratic process. Historians record that legislative assemblies emerged in Europe and the Americas in the era of modern democracy, in part, out of a quest to limit the power of the hereditary sovereign to impose taxes and determine the spending of revenues collected. There is hardly a more profound matter of practical governance which ought to agitate right-thinking persons, than the twin-issue of tax collection and the expenditure of revenues raised.

All these considerations conjoined to prompt the Unity Labour Party Government to embark on the most extensive and intensive process of consultation ever on the budget with the organised stakeholders and the public, at large. Last year, in the aftermath of the criminal events of September 11, the Government initiated and conducted a series of consultations with relevant stakeholders in its fashioning of a programme of fiscal stabilisation and a strategic path of economic recovery and renewal. This year, the Government has made an unprecedented quantum leap in democratic participation in the process of budget-making.

The evidence shows that the Government engaged itself in well-prepared, lengthy and meaningful consultations with the Chamber of Industry and Commerce, the commercial sector, the manufacturers, the tourism sector, the fisher folk, the trade unions in both the private and public sectors, the farmers, the NGO community generally, the bankers, the insurance providers, the credit unions, those involved in off-shore finance and telecommunications, contractors, and architects and managers in vital public enterprises.

When all that was done, I, as Prime Minister and Minister of Finance, personally took to the road with my Ministry's officials to engage the public directly in discussions on the proposed Estimates and Budget. This innovation led me to impressive public consultations, in town-hall style meetings live on radio, at Peace Memorial Hall in Kingstown, at Georgetown, Marriaqua, Union Island, Chateaubelair and Bequia. Hundreds of Vincentians turned out to these meetings and participated enthusiastically. The meetings lasted between 3 ¾ hours and 4 ¼ hours. At the first public consultation, the International Monetary Fund (IMF) team, who were here for the regular Article IV consultations, attended and witnessed popular democratic participation in action.

Many refreshing ideas and proposals which came out of these consultations have found their way into the Budget. These would be detailed later.

The preparations for the stakeholders and the more general public consultations ensured full and meaningful participation by all. First, these events were well-organised and attracted the relevant target groups. Secondly, the Government made available the data on its fiscal situation and the main macro-economic indicators. Indeed, these were regularly made available directly to stakeholders on a periodic basis and to the general public through the parliamentary process or the media at press conferences. Never in the history of St. Vincent and the Grenadines has so much economic data on its fiscal and macro-economic condition been published or disseminated to stakeholders and the general public as during the last twelve months. Even so, in this regard, as is in everything in life and production, we can do better, and we will.

The only significant group in the country which has not been involved actively in these consultations has been the Parliamentary Opposition and this is because they have adopted an ostrich-like stance of isolating themselves from main events and concentrating on side-shows. Unfortunately, they have profoundly misunderstood the entirely new and revolutionary matrices of public consultations and popular participation. I again invite them, in the spirit of "Together Now", to become actively involved in the structured mechanisms of consultation and popular participation with the Government and all the other important stakeholders in the economy and society. I say to them that this Government listens attentively to what the Opposition has to say.

Occasionally, when they make pronouncements of import, I discuss their suggestions or ideas with the public officials and my Cabinet colleagues. Sometimes they make sense, other times, no sense at all. Whenever meritorious suggestions are made, we embrace them, fine tune them, and turn them into efficacious public policy. This ULP Government is an inclusive one; its mode of operation is open, transparent and democratic, and it places a premium upon a participatory partnership with civil society and all the stakeholders. Its governance is not of the commandist kind which ruled the political roost in St. Vincent and the Grenadines for seventeen years from July 1984 to March 28, 2001. Commandist governance is not only out-moded and irrelevant to these changing times, in which the revolution in information technology and enhanced popular education have caused an erosion or dismantling of hitherto existing hierarchical structures; commandist governance is also contrary to accepted norms of good governance; and it is unworkable in today's St. Vincent and the Grenadines. Those who still cling to commandist notions of governance are fast becoming political dinosaurs.

A "Together Now", inclusive, participatory mode of governance does not at all mean an absence of legitimate authority. On the contrary, in these new circumstances, legitimate authority is bolstered and strengthened by its rationalist, people-centred and all-embracing ethos which delivers and implements public policy for good governance and the welfare of the people as a whole. The quest for a "Together Now" approach demands a higher quality of leadership than has been known in the years of commandist rule. The requisite leadership now must, among other things, assess realistically the people's possibilities and limitations, articulate clear policy directions as the basis for consensus-building, and draw out of the people - not only inspire that which is good and noble in them, even in circumstances where the people may not realise that they possess such goodness and nobility.

All this constitutes the vital political, sociological and democratic framework for the budget itself and the process of budget-making. It is all brand new, thoroughly exciting, and effectively developmental.

Over the past year the mechanisms of participation and accountability established by the ULP Government in its first few months in office have been working well. The National Economic and Social Development Council (NESDEC), a broad-based institution of civil society and public officials and which has ownership of the Government's poverty eradication programme, recently published the Government's, indeed the people's, <u>Interim Poverty Reduction Strategy</u>. This document contains the essential strategic path for poverty reduction in St. Vincent and the Grenadines.

The Tripartite Committee on the Economy (TCE), which consists of representatives of the Government, labour and business, and which has as its focus five critical issues – wages and salaries, prices, employment, investment and productivity – has been doing good work, but as always, better can be done.

The internal Monitoring Committee on Public Enterprises (MCPE) which consists of senior Cabinet personnel and senior technical/managerial persons from the National Commercial Bank (NCB) and chaired by the Prime Minister, has been doing excellent work in monitoring the performance of public enterprises and ensuring that they improve their performance. Notwithstanding this, some public enterprises are found wanting. So yet again, better can be done.

Co-ordinating all these exercises, and more, is the Cabinet Committee on the Economy (CCE) chaired by the Prime Minister and which meets at least once per month. The CCE monitors and reviews the on-going condition of Government's finances, the macro-economy, and the Public Sector Investment Programme (PSIP), and provides directions to ensure improved performances.

This architecture of decision-making, from popular participation to authoritative determination, makes a big difference for the better. It is all a marvel to the region and the international community. We must consolidate and advance this forward thrust. Accordingly in 2003, it is the Government's intention first to put on a sound juridical footing the participatory mechanisms, by way of appropriate legislation, so as to consolidate and advance their work. Secondly, the Government plans to introduce in Parliament a Freedom of Information Bill and an Integrity in Public Office Bill to bolster this democratic consolidation and advancement.

Thirdly, it is imperative that all the stakeholders – labour, business, civil society generally and Government – formulate a social contract detailing the principles of the partnership and the obligations of each stakeholder in this Social Contract. The Government sees this as a matter of urgency. We will be guided by our partnership experiences over the past twenty months, and the ample documentation which already exists including the Unity Labour Party's document published on July 31, 2000, and entitled Towards a Social Contract Between the Unity Labour Party and Civil Society in St. Vincent and the Grenadines.

I propose further that as part of this social contract, the stakeholders and the Government, ought to hammer out a "Fiscal Covenant" which should include the central elements of fiscal consolidation, raising the productivity of public expenditure, transparency, and the promotion of social equity. A take-off point for this particular discussion here can be the document entitled The Fiscal Covenant published in 1998 by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

All these initiatives combined with the process of Constitutional Reform which will commence in earnest in January 2003, and the scheduled introduction of Local Government in late 2003 will deliver a profoundly democratic governance unsurpassable anywhere in the Caribbean or elsewhere. In the process, this ULP Government will have spearheaded the completion of a national, historical reclamation commenced by our National Hero, The Right Excellent Joseph Chatoyer, and of the social democratic revolution ignited by George Augustus Mc Intosh and the working people in the 1930s. Freedom and democracy will be enlarged in ways unprecedented. Equally, the obligations of our leaders and our people must correspondingly grow. That is the vision of this Government; it, too, is the vision of the vast majority of our people.

The ULP Government, over the past twenty months of its existence and especially over the last year, has focussed on the following:

1. 1. Addressing the immediate concerns of the people such as job creation, education, poverty reduction, improvement in health and social services generally, law and order, the physical infrastructure, culture and sports, and good governance;

2. 2. Pursuing the path of economic growth, economic revival and economic restructuring in a balanced and sustainable manner;

3. 3. Implementing measures of fiscal stabilisation and fiscal consolidation;

4. 4. Emphasising its priorities, in practical terms, in the areas of education and poverty reduction in all its dimensions, including job creation;

5. 5. Embarking on an exercise of restructuring the governance of our country through unprecedented popular participation, transparency, open Government and accountability, through the politics of "Together Now", through the initiation of the process of constitutional reform and the planned re-institution of Local Government, and through the practice of political hygiene and an avoidance of official corruption;

6. 6. Engaging the rest of the Caribbean, particularly the OECS, in the deepening of regional integration and the further enoblement of our Caribbean civilisation at home and in the diaspora; and

7. 7. Fashioning a progressive foreign policy which is lodged within the framework of the principles of the Charter of the United Nations, our legitimate international obligations, our internationalist solidarity with friendly nations, and our enlightened self-interest.

The ULP Government has made remarkable progress on each of these items upon which we have been focussing. But it has not been an easy task. First, the ULP Government was bequeathed a terrible inheritance on practically all fronts by the former administration. This is a matter which I have addressed before and which no doubt would be fully ventilated again in this week or more of continuing debate. Secondly, the domestic economy was already slowing down and the condition was made even more difficult by adverse international economic circumstances, including a global economic recession and the fall-out from trade liberalisation.

Thirdly, the elements of nature have not been as kind to us as we would have wished: last year this country experienced four months of drought which ravaged our farmers' agricultural production, especially bananas; and in September 2002, tropical Storm Lili took four young lives, for whom we still grieve, and caused damage and loss amounting to some $45 million. Fourthly, international terrorism manifested itself on a frightening scale on September 11, 2001, in the U.S.A. (and subsequently there and in other parts of the world.) Fifthly, international political uncertainty, arising from the war in Afghanistan, the Arab-Israeli conflict, the continuing stand-off between Iraq and the United States of America and other theatres of international confrontation, has adversely affected private investment, tourism and economic activity.

Yet throughout all these difficulties and travails, this micro-nation of 110,000 persons occupying a small geographic space of 150 square miles has been able, among other things, to deepen its freedom and democracy; strengthen law and order; improve the people's standard of living including the net creation of some 1,500 jobs; bolster education, health and social services generally; correct historic wrongs; renew the people's spirit of oneness and solidarity; pay our bills, and register economic growth in 2001 and 2002. But, as always, much more remains to be done.

DOMESTIC ECONOMY IN 2001 AND 2002

The economy of St. Vincent and the Grenadines grew in 2001 by 0.2 percent and in 2002 it is estimated to grow by at least 1.3 percent. Although this growth is marginal, St. Vincent and the Grenadines is the only country in the Windward Islands, which recorded economic growth in 2001. The other countries sustained negative economic growth ranging from minus 4.0 percent to minus 5.4 percent. This year, 2002, St. Vincent and the Grenadines is one of two or three countries in the OECS which will register economic growth, and the forecast for 2003 is economic growth of approximately 3.0 percent.

The Agriculture sector, which traditionally has significantly impacted economic growth and development declined by 7.1 percent in 2001 compared with a growth of 6.6 percent in 2000, and its contribution to GDP declined to 11.2 percent from 12.5 percent in 2000. The performance in agriculture was primarily due to poor weather conditions that affected output of the principal export, bananas, and unfavourable exchange rate movements which impacted negatively on earnings.

Using the Hotels and Restaurants sub-sector as a proxy, value added in the Tourism sector declined in 2001 by 3 percent. This performance resulted from a 3 percent fall in stay-over visitors and a 28 percent decline in excursionists, as the country suffered negatively from the events of September 11, 2001. Notwithstanding this, gross earnings from tourism increased by 8.5 percent to $217.2m, reflecting the 21.2 percent increase in the yachting sub-sector. For the period January to September, 2002, total visitors declined by 3.5 percent, consistent with the regional and international trend, as the visitors exercised caution in international travel. Despite this decline in overall visitors, the category of stay-over visitors showed a commendable increase of 7.2 percent relative to the same period in 2001. Indeed, there is already a reversal of this declining trend, and during the month of September 2002 there were increases in every single sub-category of tourism, led by a 32.2 percent increase in yachting and 22.4 percent rise in stay-over visitors.

The Manufacturing sector experienced a marginal decline relative to 2001. Notwithstanding this decline output of flour increased by 18 percent.

In 2001, the deficit on the Current Account of the Balance of Payments (BOP) widened from 8.4 percent to 15 percent of GDP. This worsening position was largely on account of an expansion in merchandise imports, and the decline in exports, as both output and earnings of bananas declined, coupled with a decrease in merchandise exports. The increase in merchandise imports was as a direct result of increased public and private sector activities in the Construction Sector which grew by 7.4 percent.

During the first half of 2002, the deficit on the BOP amounted to $8.8m compared with a deficit of $11 million in the corresponding period of 2001. This improvement in the overall balance so far for 2002 is partially attributed to lower net outflows on the merchanise trade account as imports declined by 6.3 percent.

At the end of December 2001, the rate of inflation as measured by the change in the Consumer Price Index was negative 1 percent, compared with a rate of 1.4 percent in 2000. The data show declines for Food and Beverage (0.6 percent), Fuel and Light (0. percent), Furnishings and Domestic Applicants (1.4 percent) and Miscellaneous groups (3.4 percent).

Broad money supply (M2) expanded in 2001 by 3.1 percent, compared with growth of 9.5 percent over the previous year. This expansion in the money supply largely reflected increased savings deposits (2.7 percent) and time deposits (4.4 percent).

During 2001, Domestic Credit contracted by 1.5 percent, compared with a 15.8 percent increase in the previous year as net indebtedness of Central Government to the banking sector decreased by 29.2 percent. This decrease in net credit reflects the receipt in external loan monies towards the end of the year which were deposited in the banking system. The liquidity position of the commercial banks showed modest improvements, largely on account of this decline in domestic credit.

The main highlight of the fiscal performance for 2001 is the increase in the performance of the Government's investment portfolio. This resulted in capital expenditure of $48.2 million, an increase of 37.2 percent over 2000 when capital expenditure was $35.1 million. This increase was the major contributor to the 7.1 percent growth in value added in the Construction Sector in 2001. As a result of this expenditure, the overall balance of Central Government's fiscal position was $15.4 million (1.6 percent of GDP) compared with $3.9 million or 0.1 percent of GDP in 2000.
For the period January to September 2002, capital expenditure amounted to $39.2 million. Given this rate of implementation, and when all relevant entries are recorded, we expect that at the end of this year, capital expenditure would exceed $80 million.

Developments in the global economy and more particularly those in North America and Western European economies continue to dampen the prospects for growth in the Eastern Caribbean Countries. As a result, regional output contracted by 2.5 percent in the first half of 2002, although prospects for growth in the second half were positive. Regional output contracted by 2.5 percent in the first half of 2002 but some growth was anticipated for the second half of the year.

Economic activity in the OECS sub-region contracted as a whole in the first six (6) months of 2002 as evidenced by the relatively weak performance of the tourism industry and declines in the Agriculture, Manufacturing, and Construction Sectors. Despite this downturn in the OECS countries as a whole, St. Vincent and the Grenadines experienced a 0.4 percent increase in real output. This performance, though modest, was influenced by expansion in Agriculture, and also in the Wholesale and Retail Trade and Construction Sectors. Only two other OECS countries recorded growth in the first half of 2002.

EDUCATION

The central plank of the development agenda of this Government is education. Last year my Government promised to give renewed focus and direction to the educational system in St. Vincent and the Grenadines. We have begun the process and will continue to do so until we have succeeded in fashioning a system geared towards the development of basic skills, entrepreneurship, citizenship, critical thinking, talent and social responsibility.

We live in a technologically dynamic world in which changes in the labour market require changes in the education system. That is why we have placed so much emphasis on the computerization of schools programme. This Government has accelerated the rate of implementation of this project and so far forty-one (41) out of 71 schools have been computerized, thirty (30) since the ULP took office. In the 2003 Estimates, we have made a further provision of $4.5 million to continue the programme. Our aim is to have every single school in this country computerized. Additionally, two (2) Learning Resource Centres (LRCs) at Colonarie and South Rivers have been built, both equipped with computer facilities. In the 2003 Estimates, provision has been made for four (4) more LRCs, one each in North Leeward, North Windward, West Kingstown and Southern Grenadines at a cost of $2.2 million. Further, the National Institute of Technology has been launched.

At the primary level, we will continue to upgrade and expand the facilities to ensure that every single child of primary age in this country has access to a solid primary education. At the same time, we will continue to review the curriculum and train our teachers so that the quality of the education matches the physical condition of our schools. Accordingly, we have made provision in 2003 for the upgrade of the physical conditions of several of our schools. This is in addition to the comprehensive and unprecedented school repair programmes which the Government undertook in 2001. Further, we have also made provision for the expansion of the Lodge Village Primary School, and we will commence construction of the Peruvian Vale All-Aged School in this coming year 2003. Progress on the implementation of this project has been slower than anticipated, but we have had to ensure that the facility to be built adequately addresses the needs of the community that it will serve.

In the 2003 Estimates, a provision of $2.1 million has been made under the Basic Education Project I and II for the construction and furnishing of schools in Barrouallie, Bequia, Edinboro and Calliaqua.

This Government is convinced that the development of St. Vincent and the Grenadines must take place with a higher level of its population attending secondary education. That is why we have embarked on a programme to ensure that all of our children transfer seamlessly from primary to secondary education. In collaboration with the donor community, we have commenced negotiations for both replacement and new secondary schools under the CDB Basic Education Project Phase II and the 9th EDF under the new Cotonou Agreement with the European Union (EU). Similar negotiations have started with the World Bank. While all these negotiations are on-going, this Government will from 2003 and for each of the next three years allocate $1.5m to provide five hundred (500) additional secondary places in each of these years. So while the discussions on the Common Entrance Examinations continue, this Government will put tangible measures in place to guarantee a secondary education to every child in this country and in so doing relegate these discussions to an academic debate.

At the post secondary school level, we have made more places available at the Community College by the construction of four (4) additional classrooms to house one addition hundred (100) students. Similarly, two new classrooms have also been provided at the Technical College. This is in addition to the programme for the additional classrooms and cafeteria at the Community College, and the expansion to the Technical College under the EU financed National Indicative Programme (NIP) and the Stabex Technical Vocational Project. The designs on the further additional classrooms at the Community College, will be completed by the second quarter of 2003, and construction work should commence in the last quarter of the year. Tenders for the expansion of the Technical College are completed and a contract should be awarded and construction scheduled to commence in 2003. Furthermore, five (5) multipurpose centres will be refurbished commencing in 2003 and the programmes at these centres expanded under a well-defined curriculum for the programmes offered at Levels I and II.

At the Community College, work has already commenced physically on the construction of a state-of-the-art- Learning Resource Centre. This LRC is being constructed at a cost of $6 million and is scheduled to be completed by April 2004.

To complement this programme, we have also focussed on the teacher training both at the Community College and the Technical College to ensure that we have in place well-trained and professional staff to deliver the programme. The run-down condition of the equipment at the College is also of concern to this Government. We are not satisfied that this should continue and during 2003, we will commence a programme to replace antiquated and/or malfunctioning equipment and provisions are also made in these Estimates.

The programme for the integration of post-secondary institution is ongoing and we expect it to be completed by September 2003.

This Government believes that the future of this country lies in the extent of training and educational opportunities available to the population. Consequently, we will continue to explore aggressively, ways to provide post-secondary and university training for our young people. In this regard, the National Student Loan Programme is a critical component of the Government's education programme, aimed at reducing poverty and aiding national development.

This year, the Student Loan Programme received its largest allocation of financial resources ever since its inception. The Caribbean Development Bank provided $9.5 million for new students to commence University studies during the 2002/2003 academic year. Also, a number of initiatives were introduced during the current academic year to improve the quality of the programme.

One of the most important initiatives in university education was the decision by the Government to allocate 20 percent ($1.9 million) of the funds provided by the Caribbean Development Bank, for loans to persons considered to be economically disadvantaged. Vincentian students from poor families who are otherwise unable to meet the security requirements of the financial institutions can now apply to the Government to provide the necessary security to enable them to obtain a Student Loan. Persons who benefit under this programme will be bonded to serve in St. Vincent and the Grenadines.

The maximum loan amount per student has also been increased this year from $80,000 to $120,000. This increase has become necessary as a result of the increasing cost of university programmes and the need to provide more financial support to students.

The Government, this year, has included Law among the priority areas of study and has recommended the flexible use of the priority listing for the purpose of the Student Loan Programme to allow for other courses of importance to social and economic development to be considered by the National Student Loan Advisory Committee. This is in keeping with the policy of poverty reduction and economic development through access to education.

The Programme has had the strong support of the financial institutions. Several of them have come on board since the inception, and we fully expect that more institutions would make similar contributions during the course of this year.

A total of two hundred and seventy (270) applications were submitted during the period January 2002 to November 13th, 2003, this being the largest number of applications submitted in any one year. Two hundred and thirty-eight (238) applications were recommended by the National Student Loan Advisory Committee and to date sixty (60) applications were approved by the financial institutions. The importance of this programme is underscored by the data which show that in 1998 and 1999 $1.8 million and $2.6 million respectively in loans were recommended. In 2000, the value of those recommendations increased to $4.1 million. In 2001, the value of applications recommended more than doubled to $8.8 million and in 2002, this has increased further to $12.5 million.

Apart from the Student Loan Programme, this Government has actively pursued the financing to support scholarship programmes. This year we successfully negotiated and signed an Agreement valued at $2.7m with the EU to finance a scholarship programme at both the undergraduate and post-graduate levels. As a result, we awarded thirty (30) under-graduate scholarships this year. We were able to do so because we focussed to a large extent on those students who had already completed year one of their studies and needed only two more years. The post-graduate component of the programme will come on stream during 2003.

In addition, we continue to access the Cuban Scholarship programme, and this year 13 students received awards. Further, this Government, from its own resources has assisted 183 students in attending University by providing financial assistance at varying levels.

Overall, the Ministry of Education, Youth and Sports has been allocated $77.6m out of the total budget of $459.9m. When one adds other allocations of a similar nature under other Ministries such as the National Library, the National Stadium, the LRCs, university education, training through the public service and the like, the total figure jumps to in excess of $92m or 20 percent of the total budget.

SOCIAL DEVELOPMENT AND POVERTY ALLEVIATION

One of the core policies of this ULP Government, as clearly articulated in its Manifesto is to launch a war on poverty, illiteracy, inadequate housing, disease, poor health and an unhealthy environment. Since taking office this Government has been very intentional and focussed in its approach to poverty reduction. We have not taken issue with the findings of the 1996 CDB financed study on poverty assessment in St. Vincent and the Grenadines. In fact, we declare that a poverty level of 37.5 percent is unacceptably high and we have set about to achieve one of the millennium goals by at least halving the level of poverty in our country by 2015.

This Government has therefore continued to place significant emphasis on the fostering of linkages between economic growth and social development while adopting a unified approach to the development process. We have realized that past Governments were over-dependent on the trickle-down effects of economic growth and, as a result, too little direct targeted action to raise the income and productivity of the poor. We are therefore cognizant of the need to reverse this trend and to take the urgent and necessary steps to empower communities and civil society as a whole. To this end, we have formed a partnership with the people of St. Vincent and the Grenadines in the pursuit of a common interest, that of social justice. It is thus the intention of this Government to work towards the further institutionalisation of social planning as a means of fulfilling our pledge to this partnership.

This is part of the reason for the establishment of the National Economic and Social Development Council (NESDEC). A central remit of this body since its inauguration, is the production of a poverty reduction strategy for St. Vincent and the Grenadines. This strategy which is now complete, is intended as a blueprint for developing policies and programmes to address major elements of poverty in the short, medium and long term. The strategy which has been used as one of the bases by the Department for International Development of the United Kingdom Government to forgive in excess of £2 million in debt owed to it by this country. In addition to its work on the Poverty Reduction Strategy, the NESDEC has become a vital part of the policy framework by providing substantial insight into the policy formulation of the Government. Furthermore, through the institutionalisation of this body, Government has maximized its efforts to create a more participatory policy environment.

Another of our strategic interventions in our war against poverty is the ongoing drive to turn dead capital into live capital. Philosophically this Government believes that poor people are not of themselves the problem; indeed, they are part of the solution. The analysis has supported this premise, for investigation reveals that many of our poor people do have considerable assets available to them. The difficulty is that they do not have title to those resources. This Government has therefore set about a process of giving poor people title to the lands and thereby turning hitherto dead capital into live capital. Title to property can then be used as instruments for obtaining credit to establish small businesses, educate children and for home improvement, to name a few.

In addition, I have already outlined the measures taken by this Government to ensure that children of the poor in this country have access to education. To complement those measures, during the August vacation this year, we mounted a Children Against Poverty (CAP) Programme in five communities, namely Sandy Bay, Sion Hill, Calliaqua, Chateaubelair and Barrouallie. Our analysis of the problem indicates that not only have children of poor families been found to be at risk educationally, but if their parents are underachievers themselves, there is a greater risk that these households will remain below the poverty line. So this was a pilot, a very successful one, which involved the parents. We intend to expand this programme during 2003. Our children, particularly the poor must have an opportunity to expand their skills and prepare for a new school year.

While providing the strategic framework to address poverty in our country, this Government has taken several steps to alleviate the hardships of our people and to put them in a better position to look after themselves. In this regard, we have broadened the scope of social services, fully cognizant of the need to carry out targeted strategic interventions in order to protect those who are unable to look after themselves while at the same time creating an enabling environment that would assist in the rehabilitation process. For the first nine (9) months of the current financial year $6.3 million have been paid in public assistance alone. For 2003 we have budgeted $8.3 million to meet social welfare payments.

Today, the elderly poor who are over 65 years of age and are on public assistance are better off than when the ULP came to office. The ULP Government has taken off the $10 monthly water metre charge for these elderly folks, has taken off the basic electricity charge of $2.65 per month and has increased their public assistance by a further $10 monthly. Thus, these elderly poor on public assistance are $22.65 per month better-off than when the ULP was elected.

This Government recognises that a crucial component to economic growth and poverty reduction is job creation. Since coming to Government we have created over 1500 jobs. We have also set up the Youth Empowerment Service (YES), which has had tremendous success particularly in its apprenticeship efforts. The YES programme costs $1.7 million annually.

In addition, we have one thousand, four hundred (1,400) persons including nearly three hundred (300) banana farmers benefiting from the Non-Contributory Pension Programme. Next year a further two hundred and eighty (280) persons, including fifty (50) banana farmers will be added. Other relief and beneficial interventions were made in the areas of health and low-income housing. In addition, this Government continues to deliver on the promises made to the Vincentian people upon entry to office. The site for the Crisis Centre has been identified and a sum of $0.7 million has been budgeted for the purchase of the building early in the new year. Also, two (2) Day Care Centres for the elderly, one at Black Point and one at Cane Grove, will commence during the upcoming year. Further, some $400,000 is earmarked in the 2003 Estimates for the commencement of a $2.7m project for improving the Lewis Punnett Home.

The Basic Needs Trust Fund continues to serve the poor directly, particularly in the rural communities. This Caribbean Development Bank sponsored programme in this year is adding a human development dimension of skills training to its infrastructural approach of improving roads, schools, clinics and water supplies.

AGRICULTURE

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Performance in 2001/2002

Although Agriculture's contribution to GDP has been declining in recent years, it is still the most important productive sector in terms of its contribution to employment and the fight against poverty, particularly in the rural areas.

Government's major focus for agricultural development over the medium term will be to further strengthen the diversification thrust around, not away from, bananas. To achieve this, the Government will pursue a number of objectives critical to enabling the sector to become more competitive and to increase output, productivity and efficiency. In addition, the new thrust will be to ensure the optimal and sustainable use of the country's arable land, forestry and marine resources. The diversification programmes over the medium term will address issues relating to the following areas:-

- ♦ Building a quality agricultural labour force;
- ♦ Providing financing for initiatives in the Public and Private Sectors;
- ♦ Infrastructural development, including the expansion of the National Irrigation System;
- ♦ Incentives for farmers and other private sector entities;
- ♦ Institutional development and strengthening;
- ♦ Development of informational support systems;
- ♦ Implementation of an arrowroot rehabilitation programme;
- ♦ Facilitation of improved facilities for shipping;
- ♦ Enhancement of pest and disease control measures;
- ♦ Construction of feeder roads; and the
- ♦ Establishment of new markets.

The total budget allocation for the Ministry of Agriculture, Lands and Fisheries for 2003 amounts to $26.9 million.

During 2001, the agricultural sector suffered from a devastating drought which affected the country during the first half of the year. Consequently, the agricultural sector recorded a decline of 7.2 percent in 2001 and its share of GDP fell to 11.2 percent from 12.5 percent in 2000.

For the first half of the current year there has been a considerable recovery in agricultural production with banana production amounting to 28,977 tonnes as compared with production of 23,598 tonnes in the corresponding period of 2001. There has been an increase in the production of dasheens with the value of dasheen exports increasing from $1.9 million in the first six months of 2001 to $2.1 million in the corresponding period of 2002.

Bananas

A combination of factors contributed to the turnaround including favourable weather conditions and the impact of the restructuring of the banana industry. These restructuring initiatives received a boost in the earlier part of this year when a decision was taken to completely reorganise the finances of the Banana Growers' Association. One component of this restructuring, is the assumption of some $18.4 million of the Association's debt. The Central

Government also acquired the Banana Action Committee's (BAC's) Input Trading operations and the grower's receivables.

The Banana Action Committee (BAC) was required to change its operational policy of subsidizing the price to growers and to move its operations to the unused space at the WIBDECO Shed. This means that the BAC Building in Kingstown is now available for rent as a source of income. The reception and loading operators at the Kingstown Port which was previously operated by WIBDECO was taken over by the workers, through the Commercial Technical and Allied Workers Union (CTAWU), and certain aspects of the extension services previously provided by the BAC were transferred to the Central Government at no cost to the BAC.

The execution of the strategy, to further deepen the diversification process, will involve the targeting of some key sub-sectors and the development of programmes and initiatives to address the sector specific issues and problems.

Tropical Storm Lili inflicted considerable damage to the country's infrastructure and agriculture sector, with the banana industry being the worse affected. The sub-sector at the time was at its peak in terms of production. Preliminary projections show that 40 percent of the total crops were either damaged of destroyed. As a result production and earnings for the last quarter of 2002 were revised downwards by 35 percent.

As a result of the damage suffered from the storm WINCROP's compensation payments are in excess of $2.4m. This speedy response should encourage a quick rehabilitation of damaged plantations.

This Government acted swiftly in coming up with a package of assistance for the affected banana and commercial plantain farmers. The package includes a labour grant of $400 per acre for replanting and of $240 per acre for rehabilitation. The first instalment of the grant has already been paid. I am encouraged by the response of the farmers to this offer of assistance and barring any new disaster, we expect a full recovery by the second half of 2003. A credit facility of up to $950 per acre for purchase of inputs through an appropriate financial institution was also made available. Poultry farmers who suffered damage from the Storm are also being given assistance in the form of a grant. In addition, we have requested the commercial banks and credit unions to provide a full or partial moratorium on payments on loans due by affected farmers over the next nine (9) months. This package of assistance was discussed, amended and fully endorsed by the farmers in the consultations that I mentioned in my opening remarks and I wish to state how pleased I was at the very high level discussions that came out of this consultation with the farmers.

Measures aimed at further improving the quality of the bananas and providing good agricultural practices will be given top priority in 2003. These are clearly stated in the European Good Agriculture Practices (EUREPGAP) Certification Programme. This specifies that in order to maintain sales of St Vincent's bananas to the UK supermarkets, the fruits must be grown in accordance with EUREPGAP standards, using methods that respect the welfare of the workers and the environment. Initially, the target group will focus on a core number of farmers who can meet the EUREPGAP compliance deadline date set by the UK supermarkets for June 2003. This group will expand to include all active banana producers in SVG estimated at 2500 farm families. To provide institutional strengthening of this programme, the BGA will create an EUREPGAP product management unit to establish and oversee the certification programme.

In 2003, the Government of St Vincent and the Grenadines in conjunction with the EU will provide $2.1 million to aid in the continuation of the National Irrigation Programme to provide irrigation to the Richmond and Cane Grove areas and expand the project in Tourama, and Grand Sable. This will increase the acreage under irrigation by 600 acres to 1700 acres. In addition, a gravity fed system will replace the intake system at Colonarie. To ensure that the irrigation is sustainable, we will move towards the establishment of a National Irrigation Commission. In this regard, during 2003, legislation will be brought to this Honourable House to accord legislative status to the Commission. Furthermore, we will in 2003 commission a Water Resource Study financed by the EU to determine the availability of water for future irrigation programmes.

Arrowroot

After many years of planning and procrastination, St. Vincent and the Grenadines now has a five-year strategic action plan for the Arrowroot Industry. Implementation of the plan started in April of this year with the establishment of a Project Management Unit in the Ministry of Agriculture, Lands and Fisheries. The strategic plan is geared at resuscitating and developing the industry to produce commercially, cost and quality competitive products by adopting scientific and technological approaches to production and management and by building strategic alliances with the private sector.

Anticipated expenditure on this project is at $15.7 million over the next five years of which $2.4 million will be spent in 2003. The main deliverables for 2003 are:-

1. 1. The relocation and renovation of the pulverizing plant from Kingstown to Orange Hill.
2. 2. Relocation of the Head Office to Orange Hill
3. 3. Renovation and improvements to the Owia factory.
4. 4. An increase in the acreage under production from the present 150 acres to 450 acres during the year.
5. 5. Expansion of mechanised cultivation and harvesting.
6. 6. Application of various multiplication techniques including tissue culture to propagate new arrowroot varieties.
7. 7. Registration of the "Genuine St. Vincent Arrowroot Starch" brand.

Over the five year period, the project aims to increase the acreage under arrowroot to 1,500 acres, to raise average yield of Rhizomes from 13,000 lbs per acre to over 25,000 lbs per acre and to increase starch conversion from the present rate of 11.6 percent to 18 percent.

Other crops

In terms of fruit production, the tissue culture programme was expanded in 2002. A total of 120,000 tissue culture pineapple plants were produced of which 95,000 were planted. Target fruits for 2003 will include bananas and dasheens. The laboratory facility will be expanded in 2003 at an estimated cost of $100,000. This programme is being implemented with technical assistance from the Republic of China through its Agricultural Technical Mission. Since the inception of this programme, there has been useful assistance provided to us and I must thank the Republic of China for its generosity.

In the past the agriculture industry has had to place a tremendous amount of resources to eradicate pest and diseases such as the pink mealy bug and the mango seed weevil that threatened production yields. Most recently, the confirmation that a tropical fruit fly known as the *Anastrepha Obliqua* exists in Bequia has posed yet another challenge to the productivity of the industry. The Ministry of Agriculture has launched a technical war on this most recent discovery to ensure its complete eradication.

With increasing competition and lower prices on the regional and extra-regional markets for primary agricultural commodities, greater emphasis will be placed in 2003 on product transformation. To this end, a pack-house and vacuum packing plant for root crops is being planned for establishment within the first quarter of 2003. This demand-driven project will add value to root crops.

Government has already contributed over $200,000 to complement the Food and Agricultural Organisation's (FAO) allocation of $640,000 for agriculture. This money is to be used specifically to construct a modern cassava factory at Orange Hill. This factory which will be EUREGAP and HACCP compliant, is expected to be in operation by July, 2003.

With respect to value added in other crops, the Ministry of Agriculture is working closely with a private sector company to facilitate the setting-up of a coconut water bottling plant using the FAO's patented technology. The Ministry of Agriculture, in collaboration with the Ministry of Science and Technology will also be looking at expansion in fruit processing with technical assistance from Cuba. All the small processors will be targeted and organised into groups. They will be given specific technical and other assistance to produce for specific markets and the St. Vincent Marketing Corporation will coordinate the marketing.

Livestock

In 2003, the programme of breeding and selection of small ruminants and pigs will continue at three multiplication centres and pedigree animals will be made available for sale to farmers. The programme for rabbit production and distribution will be expanded as a component of the Poverty Alleviation Programme and emphasis will be placed on the surveillance for Brucellosis, Leptospirosis and testing for Tuberculosis.

The livestock sub-sector's contribution to GDP remains below 1.0 percent. This limited contribution, in part, is evidenced from the fact that approximately $11 to $14 million is spent annually on import of meat and meat products, mainly chicken parts and other offal. To address the problem of chicken imports, the Government has allocated some $260,000 for the construction of a modern hatchery and breeding farm. These facilities will be developed in collaboration with the Chinese Technical Mission, and will provide day-old chicks to farmers for broiler production.

Fisheries

The overall policy of the Fisheries Sector is to promote the sustainable use of the country's maritime resources and to develop a viable money-making industry. This will contribute to the enhancement of national food supply, reduce unemployment and poverty alleviation and increase foreign exchange earnings. Emphasis will be placed on the development of the onshore infrastructure, which should meet the EU standards.

In 2002, strenuous efforts were made to meet the stringent import quality requirements specified by EU standards for general hygiene, procedures for fish handling and proper storage of fish and fishery products to satisfy international export standards. These include a fisheries development project at an estimated cost of $13.6 million. This project will include the upgrading of the facilities at the New Kingstown Fish Market and the fishing facilities in Bequia and Union Island. The Fisheries Division and Public Works personnel have visited these plants and have met with officials in Martinique to ensure that measures to be implemented are the prerequisites in keeping with the arrangements of the European Union.

During 2003, a lot more effort will be made to address concerns of management of the fishing industry. In this regard provision has been made in the Estimates for the recruitment of a Fisheries Management Consultant to assist the Ministry in upgrading its management practices.

The Fisheries Unit has given priority to the formation and strengthening of linkages with fisher folk organisations to promote and encourage development. This is crucial in eliminating fisherfolk's strong individualism and weak management capabilities. To this end, one cooperative has been established and is operating the Barrouallie Fisheries Centre. The mobilisation of personnel to operate the Chateaubeliar and Calliaqua centres has already commenced.

TOURISM

Some of Government's well-articulated goals are to reduce poverty, create wealth and create jobs. The tourism industry has the potential to assist Government in realising these goals. The prospects for growth in this vital sector are enormous especially when one considers that the sector is underdeveloped when compared with most of the neighbouring islands of the OECS and wider Caribbean. It is therefore up to us to "fully exploit the potential of tourism while maintaining the country's environmental integrity"[1[1]].

The sector underwent some challenging events in 2001, which spilled over into 2002, but which it has been able to surmount. While the impact on the sector of September, 11th 2001, was not as catastrophic as originally feared, this and other factors did combine to cause the sector to record a 0.8 percent decline in visitor arrivals in 2001. Notwithstanding the decline in visitor arrivals, estimated tourist expenditure expanded by 8.5 percent in 2001 or $217.2 million from $205.5 million in 2000.

Over the short to medium term, the tourism sector would be guided by the implementation of the Tourism Strategic Development Plan, which was approved by Cabinet earlier this year. The main focus of the plan is to make the sector much more competitive and flexible to minimise the effects of external and internal shocks. In this regard, the following, among other things, would be undertaken in the short to medium term:

- ▪ Accelerate the public awareness campaign on tourism in the print and electronic media as well as through cultural expressions. The objective of which is to sensitise Vincentians and residents about tourism, the needs and expectations of the visitor and their role in the successful development of the industry.

- ▪ Increase promotional activities within the region - Barbados, Trinidad, St. Lucia and Grenada- to capitalise on this relatively unexploited market. This is seen as important in light of the uncertainty surrounding world security and which will impact on international travel, as persons become reluctant to travel. As a demonstration of Government's commitment to destination promotion, the budget for Tourism Promotion Programme has been increased by 54.6 percent over 2002 from $3.2 million to $4.9 million which includes a $2.4 million capital project for an intensified promotion project.

- ▪ Improve the data collection and analysis capabilities of the Ministry of Tourism and Culture. This will allow the Ministry to respond more effectively to market signals in a timely manner.

- ▪ Improve the security of visitors through the deployment of the tourist police, and the regular Constabulary, in critical areas of high tourist concentrations such as anchorages.

- ▪ Enact legislation regarding the Industry Standards, which would introduce among other things a licensing system for all tourism operators.

- ▪ Improve and further develop a number of recreational sites such as the Botanical Gardens, Fort Charlotte and the Buccament Nature Trail.

The Tourism sector while potentially viable, does require a great injection of capital to make it the cutting-edge industry it needs to be, if it is to survive and aid in the whole development process. This means that while Government is willing and able to channel funds in further developing the sector, the other players in the sector must do their part. For example, Hoteliers and other tourism providers ought to refresh their products on an on-going basis.
It must be reiterated here that while all can and will be done to minimise the impact of economic shocks to the sector, there are some, which no matter what mitigating measures we put in place will still adversely affect us. In 2003 and in the medium term, world peace as we know it will no doubt be tested. While the outlook for travel appears to be relatively positive, the possibility of war continues to loom and this could cause the sector to perform below expectation.

St. Vincent and the Grenadines will be promoted as a tourism destination on network television in the USA. CBS Television Network in October produced a documentary on St. Vincent and the Grenadines to be aired in its prime time programme "Great Ports of the World", in major United States cities. St. Vincent and the Grenadines is the only Caribbean country to be included in this programme.

St. Vincent and the Grenadines is on big screen television in Times Square, New York. This is a programme which was negotiated with ABC Television. This campaign was launched during the Thanksgiving weekend in New York and has a two-week duration.

Disney Studios is in the country to film a major motion picture. Over three hundred persons will be in the country during a five to six month period to produce the movie. A conservative estimate of the expenditure on wages, transportation services, accommodation and meals, communication services, etc. is US$6 million.

St. Vincent and the Grenadines is being promoted very successfully as a destination for conferences and meetings. Over the last few months a number of international and regional meetings have been held here. These have had a profound effect on our promotional efforts in St. Vincent and the Grenadines. Major conferences held include the Commonwealth Law Ministers Meeting, Cariforum/European Commission Meeting, Heads of State of CARICOM, and the Meeting of the OECS Commercial Banks. In this month, the CTO Chapter Presidents Meeting will be held in St. Vincent and the Grenadines. Accordingly, I welcome the initiatives of one enterprising local entrepreneur who has approached me concerning the construction of a modern conference facility by the private sector.

The Tourism Office in Toronto has been reopened and a new Sales Representative will take up duties in London in the next few weeks.

A regional marketing campaign was launched in Trinidad and Tobago in May 2002. The programme is ongoing through regular advertisements in the print and electronic media in that country, as well as the airing of a promotional documentary on international flights of BWIA.

Earlier this year the Carenage Bay Resort closed its doors for an eighteen month period and is scheduled to re-open at the beginning of the winter tourist season 2003/2004. The resort was the major employer on Canouan employing over 600 persons. Close to 300 persons have been laid off. This closure has created a void in the island. But the Government in quick response placed a one-year moratorium on the interest on mortgages at the National Commercial Bank for local residents directly affected. Also the Canouan Resort Development in conjunction with the Government invited Disney Cruise Lines to recruit employees from amongst the unemployed pool of well-trained persons in the hospitality industry, who were unabsorbed elsewhere in the economy. Other employment outlets have been, for the most part, found.

The Government, recognizing the potential of Canouan as a major tourist destination contracted world-renowned Landscapers to develop an all-Island Sustainable Master Land Use Plan for Canouan. In June of this year the first consultation with the people of Canouan was held to incorporate their input into the Land Use Plan. The Government has received the final draft document for perusal and comments for presentation to the people of Canouan and by extension St. Vincent and the Grenadines. The Government has allocated $1.5 million in the 2003 Estimates towards implementation of this Master Land Use Plan.

The beginning of November this year also marked the opening of the Moorings base in Canouan. "The Moorings" is a premier yacht charter organisation that has offered sailing vacations in the most exotic locations throughout the world for over 33 years. During the course of this month nine (9) boats will be based in Canouan and this is projected to increase to twenty-five (25) during the first year of operations. The Moorings operation is expected to create additional employment on Canouan.

In addition, immediate action has begun in addressing the chaotic situation in anchorages throughout the country. The St. Vincent and the Grenadines Port Authority has been mandated to devise a system to address this situation. A Moorings Committee has been established and has begun its work in this respect.

In order to build human resource capacity in the tourism sector, several training workshops have been held as part of an ongoing programme of training. The beneficiaries include:- Tour Guides, Immigration Officers, Customs Officers, Taxi Drivers, The Media, Teachers and Tour Operators.

New investment opportunities for hotel construction at Mt. Wynne-Peter's Hope and Union Island are being explored with overseas investors. Meanwhile, concessions have been granted in 2002 to several Vincentians for the construction of guest houses and or small hotels.

The hub facility in St. Lucia's Hewanorra International Airport has been established and is now functional. Initial discussions have already taken place with the Barbadian authorities for a similar facility at the Grantley Adams International Airport, to accommodate Vincentian Customs and Immigration officials.

The Government of St. Vincent and the Grenadines recently signed a new Agreement with the Mustique company to replace the existing one which was scheduled to expire in December 2004. This new Agreement, will commence in January 2003, and is for 17 years, is intended to facilitate new investment and to maintain Mustique as an international resort of the highest quality.

Several provisions have been included in the new agreement which will be of mutual benefit to both the Mustique company and St. Vincent and the Grenadines. In particular, the Consolidated Fund will benefit from increased annual fees, from $250,000 to $1,250,000 and the increase in the tax on home rental from 5 percent to 7 percent of gross rental income.

Manufacturing and Industry

The process of transforming the economy of St. Vincent and the Grenadines (SVG), and indeed OECS-member states, requires that the major export sectors be made internationally competitive. Given the rigidities of size and cost structures, it is highly unlikely that exports from the St.

Vincent and the Grenadines will be able to compete on the basis of price in the global market. The strategic focus of St. Vincent and the Grenadines, therefore, in this regard, is to concentrate on non-price elements such as increasing productivity, promoting the unique characteristics of the products, and targeting specific market niches while containing import costs and maintaining high levels of production and marketing efficiencies.
The private sector has to be directly involved in this exercise of boosting productivity and enhancing competitiveness. Generally, however, the small to medium size of the typical manufacturing enterprise in St. Vincent and the Grenadines and the relatively low level of exports, limit the capacity of the enterprises to invest in more efficient technologies, train employees and finance export development initiatives.

So both the Government and the private sector are required to explore different and innovative avenues for reducing and controlling the costs of critical inputs, encouraging investment in new and more efficient technologies, and enhancing the quality and range of skills at the enterprise level. The meeting in October 2002 between the OECS Governments and the regional private sector was directed towards fashioning appropriate modalities for the way forward on this very issue.

Last week when the OECS Prime Ministers and the Prime Minister of Barbados met the President of the World Bank in St. Kitts, I was accorded the responsibility to address the gathering on ways in which the World Bank can assist OECS countries, Governments and private sector in this drive to enhance competitiveness of the productive sectors. At that meeting, I put forward the following three suggestions through which the World Bank could assist with programmes for designing and implementing strategies for:

1. Development of a more rational pricing and regulatory regime for energy and air transport, these being critical inputs for both the tourism and agriculture sectors;

2. Improving the supportive infrastructure for tourism and agriculture in particular, to encourage investment and promote greater efficiencies;

3. Developing and enhancing capacity and skills at the enterprise level.

The World Bank has agreed to assist in facilitating all this. Additionally, the companion entity, the International Finance Corporation (IFC), particularly through its Small and Medium Enterprises (SME) Department, has pledged to be much more active in the OECS in mobilising investment and providing technical assistance to local entrepreneurs. Above all, the President of the World Bank has given his commitment to cause a thorough assessment to be done in the first half of 2003 for the establishment of the Centre of Excellence for the Information Technology (IT) industry in the OECS to propel a take-off of the IT industry. All these matters, and more, will be the subject of another meeting between the President of the World Bank and the OECS/Barbados Prime Ministers in mid June 2003.

This is a scheduled meeting of great promise and import, which may yet give our manufacturing and IT sectors a much-needed boost. To complement these efforts we will continue our policy of creating the enabling environment and regulatory framework aimed at maximizing output, increasing the level of exports and creating employment. In particular, we will continue our efforts to promote the growth and development of small manufacturing and agro-based enterprises. In recent years, we have witnessed the poor performance and stagnation of this sector. In 2001, manufacturing contributed 6.1 percent to real GDP with growth in output contracting by 1.8 percent. While this was an improvement on the 9.4 percent decline realised in 2000, we are endeavouring not only to halt the slide but reverse the downward trend evident over the last ten years or so.

We are concerned that the integration (both horizontally and vertically) of manufacturing with other sectors of the economy has not been more fully realised. Consequently, we will address this issue as well as others which are affecting the development of the sector as a whole.

We have adopted what is essentially a two-pronged approach which will focus on developing the Small and Medium Enterprise (SME) sector, and on modernising the manufacturing sector as a whole through the provision of the necessary infrastructure to attract investors. The National Commercial Bank, the Development Bank, the Small Enterprises Development Unit (SEDU) and the Development Corporation (DEVCO) are playing major roles in this regard.

In the SME sector the focus will continue to be on improving business and entrepreneurial skills and on increasing access to credit. Already through the micro- enterprise financing facility at the National Commercial Bank which has been operational for just over one year, about 20 percent of the 100 loans have been to small manufacturers. In 2003 an additional 200 entrepreneurs are expected to be trained as part of the prerequisite for loan eligibility.

However, having addressed training, financing, and competitiveness it is important that we begin to tackle the critical issues of research, development and quality. In 2003 we will begin to lay the groundwork by establishing a product development and processing facility on the premises of the old Agrolab. This facility is expected to become operational by the end of 2004. This initiative aims to improve the processing and manufacturing facilities in the country in an effort to stimulate output and investment in agro-processing. The facility will be equipped to conduct research leading to the development of new products as well as improving existing ones. Small manufacturers will be provided with skills in good manufacturing practices and exposed to Hazard Analysis of Critical Control Points (HACCP) standards and procedures that will allow them to attain export standards. Through this intervention, a wider range of high quality Vincentian products, capable of competing internationally, is expected to be produced.

On the issue of the modernisation of the manufacturing sector, plans are already in train for the establishment of two modern business parks, one in Diamond and the other in Campden Park. The project will see the construction of factory shells at both locations in addition to the refurbishment of existing buildings at Campden Park. Activities at Diamond are expected to be mainly in the manufacturing of information communication technology products and the establishment of incubator programs for the small business sector. At the Campden Park industrial estate the focus will be on general manufacturing. Overall a total of 85,000 square feet of space will be provided and construction is expected to commence in late 2003.

The Arnos Vale Call centre has so far not been a financial success. A number of managerial and technical problems have plagued it. The Government is on the verge of concluding a contractual agreement with an oversees private sector entity which ought to ensure its financial viability.
Despite the difficulties with the Call Centre, the Government was correct in its decision to become fully involved in it. First, at the time, there was no real, immediate alternative; and the State cannot be put in a situation of retreat in innovative areas of economic activity. Secondly, the Call Centre has employed and trained young Vincentians in new technologies. Thirdly, this State-owned Call Centre has paved the way for the other privately owned Call Centres to be established, particularly in its successful struggle with Cable and Wireless to provide telecommunications services at much more reasonable rates than originally offered.

Because of the managerial and technical difficulties at the Arnos Vale Call Centre, the one for Georgetown was put on hold. I am anxious to have this proposed rural centre find practical expression as it is feasible so to do.

In late 2002, a privately operated Call Centre opened its doors at Ottley Hall with some 125 persons employed. Some of those were employees who were trained for employment at the Arnos Vale Call Centre. More Call Centre operators have been making positive enquiries to set up in St. Vincent and the Grenadines. This area of economic activity remains one with much potential for job creation.

FINANCIAL SECTOR

The development of a sound financial system and well-functioning prudential supervisory arrangements are important determinants of real growth in any economy. This is why Government has adopted a policy of modernisation and development of the Financial Sector in St. Vincent and the Grenadines. Government aims to promote the development of money and capital markets, reform the interest rate regime, reform the prudential regulations and supervisory systems for financial intermediaries, ensure the recapitalization and restructuring of weak financial institutions, institute measures to strengthen competition among banks, and initiate legislative reform of the financial laws and regulations. In carrying out this reform programme, Government has been working closely with the Eastern Caribbean Central Bank, other Regional Institutions and other OECS Governments.

The new Insurance Bill was introduced in the House of Assembly earlier this year and was forwarded to a select committee of the House for discussions with representatives of the Insurance industry and members of the public, prior to the recent prorogation of the House. It is on Parliament's "Order Paper" again. This Bill seeks to modernise the statute for the regulation of insurance business transacted within St. Vincent and the Grenadines as well as private pension fund plans.

In the upcoming financial year, Government intends to introduce amendments of the Banking Act which are intended to modernise it and bring the supervision of commercial banks in line with the new international standards.

Government is also committed to the development of an integrated regulatory framework based on the need for a more effective and efficient supervision of the financial system. As part of this regional initiative, the Government will establish a Regulatory Unit in the Ministry of Finance and Planning with responsibility for insurance companies, the Building and Loan Association, money transfer services and non-bank financial institutions. It is expected that the credit unions will be added in the not-too-distant future.

The proposal to regulate money transfer services is a new one and arises from the fact that these businesses are cash intensive in nature and are therefore vulnerable to money laundering. Recent global events have dictated that money transfer businesses can no longer be allowed to operate in an unregulated environment. Indeed the Financial Action Task Force (FATF) has identified money transfer businesses as not only a conduit for money laundering but also for terrorist financing. The absence of the necessary regulatory regime is therefore likely to result in jurisdictions being listed as Non-Cooperative Countries and Territories (NCCT).

Modernisation and development of the Financial Sector require an interest rate policy that is consistent with this objective. One of the frequently cited impediments to financial sector development in member countries of the Eastern Caribbean Central Bank, is the regulated minimum interest rate on savings deposits. In July of this year the Monetary Council of the ECCB agreed to a reduction in the regulated minimum rate of interest on savings deposits by all commercial banks from four percent to three percent. This decision was taken with the objective of obtaining a comparable or greater reduction in lending rates, in order to stimulate credit demand and economic activity.

Available data show that the reduction in the regulated minimum savings rate has resulted in a corresponding reduction in lending rates in most banks. This was particularly evident in the foreign banks.

I am happy to report that after several delays the Regional Government Securities Market (RGSM) was recently launched in St. Kitts and is now in operation. The Government of St. Vincent and the Grenadines will fully participate in this market by listing its existing issues of Development Bonds and managing new Treasury Bill Issues on the market.

The RGSM provides another vehicle through which governments in the Sub-region can influence the level of interest rate. It should result in savings for the Governments, as the interest cost on Government securities issued in a liquid securities market should be lower than the cost of existing bank financing. The success of the RGSM requires the full support of member Governments and the general public of the sub-region.

The blurring of boundaries resulting from globalisation has increased the competitive challenges faced by commercial banks operating throughout the world. Mergers and acquisitions appear to be the strategy being pursued to improve efficiency in light of this competition. The merger of the Caribbean operations of CIBC Caribbean Limited and Barclays Bank PLC to form First Caribbean International Bank Limited must be seen in this context.

National Commercial Bank

The general move towards consolidating banks has highlighted the need for some kind of a merger or amalgamation of the indigenous banks in the OECS. In this regard the Governments of the OECS are currently examining the feasibility of a merger of the various indigenous banks, which it is envisaged will have a certain beneficial impact on the financial sector.

In order to prepare the National Commercial Bank for participation in this proposed merger, the Government has taken a strategic decision to restructure the National Commercial Bank (NCB). The first aspect of this restructuring plan is the creation of a holding company called National Holdings Limited into which will be vested the Government's shareholding in the Bank. National Holdings will also own other subsidiaries including a property management company called National Properties Limited.

National Properties will own the investment properties of the National Commercial Bank and other national assets such as the Cobblestone Inn property, the industrial estates now owned by the Development Corporation (DEVCO), the assets of Union Island Resort Limited and the Mount Wynne/Peters' Hope Estates. Competent and professional management will be engaged in order to ensure that the country receives maximum benefits from its ownership of these national assets.

Other aspects of the restructuring plan for the National Commercial Bank include –

(a) (a) strengthening of the Internal Audit functions of the Bank in order to ensure that the best systems of internal controls and practices are in place;

(b) (b) strengthening of the Bank's management capacity, including an intensification of a training programme for members of staff; and

(c) (c) a purge of the Bank's loan portfolio to transfer the bad loans made over the years to the Special Purpose Vehicle.

Development Bank

The St. Vincent and the Grenadines Development Bank commenced lending operations in April of 2001 and since then has recorded steady growth in the size of its loan portfolio. Its primary focus continues to be the provision of loan financing to the productive sectors of the economy including industry, tourism, agriculture and small businesses, as well as for education and housing.

To date 151 loans have been committed to a total value of $4.7 million. Of these loans 54 percent were for agriculture, with education and small business comprising 13.9 percent each and 11.9 percent for housing. In the upcoming year, Government proposes to transfer a substantial portion of the "100 Percent Mortgage for Public Servants" portfolio at the National Commercial Bank to the Development Bank. This will increase the size of the Bank's loan portfolio and make the Bank more viable.

In an effort to maintain sound lending practices, the Bank continues to place considerable emphasis on issues of loan quality and project supervision. As such, attention is paid to following sound credit and risk criteria and to undertake continuous assessment and evaluation of its portfolio. Indeed, the previous evaluation of the Bank's portfolio reveals that a significant portion of the old loans transferred from the Development Corporation are non-performing and for the most part are deemed non-recoverable.

Accordingly, the Government has taken a decision to establish a Special Purpose Vehicle (SPV) to deal specifically with these old loans and other problem loans in the domestic financial system. Using this SPV the Bank will now be able to divest itself of these non-performing assets which will significantly improve its balance sheet and make it easier for the Bank to access the local and regional capital markets.

It has been estimated that the loan portfolio required for the operation to ensure viability, is well in excess of $20,000,000. In the interest of ensuring that the requisite levels of funding are procured, to support this loan portfolio, the Bank has initiated negotiations with the Caribbean Development Bank (CDB), the National Insurance Scheme (NIS) and other institutions for the provision of funds for on-lending. It is expected that this optimum loan size will be attained by the year 2005.

One other policy position which the Bank has recently adopted relates to loan size. The Board of Directors has recently examined the financial viability of processing and administering micro-loans. The findings show that individual loans of less than $20,000 are financially burdensome to the Bank's operation. Consequently, it is intended to have this minimum threshold for Bank lending adopted as a matter of policy.

The Bank will, however, have to collaborate closely with the National Development Foundation and other stakeholder institutions such as the farmers' cooperatives and credit unions to ensure that micro-credit facilities continue to reach the Small and Micro Enterprises Sector. This is absolutely essential. In this regard, the Bank will give consideration to the extension of lines of credit to these institutions for the making of sub-loans to their respective constituents.

International Financial Services Sector

This Government's efforts at removing St. Vincent and the Grenadines from the list of Non-Cooperative Countries or Territories (NCCT) by the Financial Action Task Force (FATF) are expected to bear fruit in 2003. This is a critical pre-requisite in securing the future of the International Financial Services Sector. The reforms which commenced last year, and which are ongoing should result in the removal of this country from the list, as well as in establishing the mechanism to prevent a return to the practices which got us on the blacklist before the ULP assumed office.

Part of this reform process has been the transfer of the responsibility for marketing and promotion of the sector away from the Offshore Finance Authority. Accordingly, this responsibility has now been transferred to the Marketing Unit in the Ministry of Tourism and Culture. The Marketing Manager will begin to better market the sector in early 2003, by seeking to capitalize on the great progress we have made in meeting a properly vetted and well-regulated international finance sector. It is anticipated that this move will generate certain synergies which will benefit both the Offshore Finance and the Tourism Sectors.

We will continue to offer a range of financial products, but greater effort will be placed on attracting licences for international insurance, as well as mutual funds. International banks of the old kind, that is, what is known as “shell banks” will not be encouraged; instead, offshore banking licences will only be granted to institutions meeting the new standards. Further, existing offshore banks must comply with the duty to maintain a physical presence, as well as with anti-money laundering, safety and soundness requirements. IBCs and trusts will continue to be the main stay of the sector.

The large number of IBC and trust cancellations that has been recorded in the Government Gazette is no reflection of a flight of business out of St. Vincent and the Grenadines, but simply part of a housekeeping plan to keep the Register updated. Many of these entities have not been in operation for years, but no steps were taken to remove them from the Register. Updating of the Register will ensure that the number of entities listed is truly reflective of the number of active businesses registered with us.

The strengthening of the regulatory and supervisory capacity will continue throughout the upcoming year. For the first time in the history of the offshore sector in this country, on-site inspections of banks and trust companies commenced in the latter half of 2002. This is the result of the targeted training of staff as well as the product of strategic alliances with the Eastern Caribbean Central Bank (ECCB), and the Caribbean Regional Technical Assistance Centre (CARTAC).

In February 2002, St. Vincent and the Grenadines was removed from the OECD list of Non-Cooperative Countries and Territories in relation to transparency and the sharing of tax information. We recently took part in an OECD Global Forum on Accounts standards. We have moved from being labelled a non-cooperative country to being a ‘participating partner’ in the setting of international standards, alongside our OECD and Non-OECD counterparts. As a participating partner we have influenced the setting of standards that will affect the integrity and the viability of the international finance sector. We have contributed to influencing the OECD to move away from its treatment of international finance centres as pariahs, to its current position of accepting offshore or international finance centres as an integral part of the world economy.

While the number of new registrations of offshore entities has decreased in St. Vincent and the Grenadines and in most offshore jurisdictions, the value-added that is being attained from the existing entities has significantly increased. Figures show that for the first nine (9) months of 2002 new registrations of IBCs and Trusts amounted to 954, compared with 1,468 for the corresponding period in 2001. Renewals on the other hand increased to 5,884 IBCs and Trusts as compared with 5,095 for the corresponding period in 2001. More services are being offered to the existing entities. It is partly for this reason that the offshore finance sector, has continued to earn significant revenue for St. Vincent and the Grenadines. As the offshore banks are required to establish a ‘physical presence’ in the country, this results in more direct investment in St. Vincent and the Grenadines.

Financial Intelligence Unit

As promised in my last Budget Address, the Government of St. Vincent and the Grenadines has established the Financial Intelligence Unit (FIU) as the main vehicle in its fight against money laundering and other financial crimes. The FIU is now the national centralized agency for the collection, analysis and dissemination of information on suspicious activities. The Unit is presently comprised of a Director, a Consultant, an Attorney-at-Law, a Public Accountant, three Customs Officers and a number of Police Officers and support staff. All Police Officers attached to the FIU are now accredited financial investigators.

The FIU has been reviewing and analysing suspicious activity reports from financial institutions and relevant businesses. So far the value of property restrained as a result of the initiative of the FIU is approximately $2,000,000. Further, the FIU has facilitated the forfeiture of monies into the Confiscated Fund and the sum of $49,128.00 is presently deposited into the Confiscated Assets Fund as a result of forfeiture following a successful conviction. Essentially the Unit will be guided by the overarching objective of putting the crooks out of business by draining their resources.

The FIU has so far been performing its function in an efficient manner and has the respect of a number of local, regional and international agencies. Indeed, a consultant from the Caribbean Anti-Money Laundering Programme having spent four weeks in St. Vincent and the Grenadines stated that "…..I am of the opinion that if St. Vincent and the Grenadines Financial Intelligence Unit continues to drive forward with its current momentum, then the result of any subsequent inspection of its working practices and systems should be favourable."

In 2003 the FIU will focus on the development of further strategies and mechanisms, based on practical experiences gained since inception, to more effectively combat money laundering, financial and other crimes in St. Vincent and the Grenadines. The Unit will ensure that the threats posed to the financial, economic and political systems by money laundering and financial crimes do not materialize. The financial institutions and businesses in St. Vincent and the Grenadines have a major role to play in this fight and in ensuring that the country's financial sector is seen as a sound and clean place for investments.

The National Anti-Money Laundering Committee will also continue on its drive to sensitize the relevant persons of the duty to meet anti-money laundering requirements. The Committee will continue to arrange in-house seminars with financial institutions, as well as to host open seminars. The Committee will continue to work closely with the Caribbean Anti-Money Laundering Programme (CALP) in this exercise.

National Insurance Scheme

The recommended increases in pension and other benefits coming out from the 5th Actuarial Review of the National Insurance Scheme, have been successfully implemented during 2002. From July of this year the following were implemented:-

(i) (i) Increase in pensions awarded prior to January 1, 2002 by three percent for every year or part thereof.
(ii) (ii) An increase in the Non-Contributory Assistance Aged Pension (NAAP) from $20 per week to $25 per week.
(iii) (iii) An increase in the Maternity Grant from $400 to $500, the Funeral Grant from $3,000 to $3,600 and the Funeral Grant for dependants by 20 percent.
(iv) (iv) An increase in the minimum pension from $50 to $55 and in the minimum pension for survivors by 10 percent.

Further, nearly three hundred (300) elderly and poor banana farmers were added to the list of persons in receipt of the Non-Contributory Assistance Aged Pension.

The only outstanding modification which was recommended, is the increase in the limit on insurable earnings from $750 per week or $3,250 per month to $870 per week or $3,770 per month. This adjustment will become effective from January 01, 2003. Accordingly, workers who are earning more than $750 per week or $3,250 per month will be required to increase their monthly contribution to the Organisation. The increase in employee contribution will not exceed $3.25 per week or $13 per month.

The NIS continues to record notable improvements in its operations and to its programme. This is evidenced in the increased payments to beneficiaries from $9.4 million in 2000 to $10.6 million in 2001 an increase of 12.8 percent. The NIS continues to support several social programmes most notably the 100 percent Mortgage Programme for Public Servants in which $10 million have already been invested, the Low Income Housing Programme and the Student Loan Scheme. Vincentians overseas are being targeted to become voluntary contributors to the NIS.

Work will commence during 2003 on construction of the headquarters building of the NIS on the site previously owned by the Arrowroot Industry Association. A contract for architectural services on this building has been awarded to a local firm and final designs are now being completed. Tenders will be invited for the construction phase of the project in the first quarter of the new year and construction works should start by July of 2003.

Notwithstanding these expenditures, the NIS continues to be financially and actuarially sound. The latest audited financial statements show that as at December 31, 2001 total assets in the NIS amounted to $240.7 million which represents a 10.1% increase over the 2000 figure of $218.7 million. Net income during 2001, amounted to $21.3 million which is 13.9 percent higher than the $18.7 million earned in 2000. The work programme of the NIS has been designed in such a way as to allow the Organisation to maintain its financial position while at the same time improving its delivery of services to all pensioners and to assist with social and economic development.

HEALTH

The Government of St. Vincent and the Grenadines recognizes that the success of its development agenda depends to a large extent on the health and well being of the population.

Consequently, the necessary resources will be provided to ensure that a good quality health service is available to the population. The onus must not rest only with the State but each individual must bear much more responsibility for the attainment of a healthy body and mind.

During the past year the health sector was able to make strides in improving the necessary infrastructure geared towards ensuring that the population remains healthy. In the area of primary health care the tenets of equity and accessibility were largely met. We have maintained 100% immunization for the under five age group. This is important, recognising that a number of parents could not afford to buy the vaccines needed to protect the nation's children. To further improve access to health care, we have commenced construction on the Biabou and Greiggs Health Clinics. The Biabou Clinic is virtually completed and should be occupied early in the new year while the Greiggs Clinic is scheduled to be completed during 2003. Furthermore, we have commenced negotiations with the EU for a project to rehabilitate all remaining health facilities including the School of Nursing during the second half of 2003.

Notwithstanding the many gains we have made in the area of health, this sector continues to face many challenges. Among these are the absence of medical staff in major specialties at the Milton Cato Memorial Hospital (MCMH) and the loss of our experienced and trained nurses to foreign lands. In response to these circumstances, there are provisions in the 2003 Estimates for twenty-one (21) new student nurse positions so we can increase the intake at the School of Nursing. The medical staff at the Milton Cato Memorial Hospital has been strengthened by the inclusion of an additional Medical Consultant and one (1) Senior Registrar.

Government has recently conducted a diagnostic review of the MCMH in order to identify ways of strengthening the management and operations of the institution. A committee comprising both public and non-public officials has been appointed to study the implications/recommendations coming out of the review and to advise on the best option and report to Cabinet before the end of 2003. As a result of these initiatives, Vincentians can look forward to improved services at the Milton Cato Memorial Hospital.

Secondary health care, too, has received added attention. During the year, we have retained the services of a pathologist, an urologist and a radiologist. The services of the Pathologist will go a long way in aiding in criminal investigation as well as reducing the costs of having these analyses done overseas. In addition to the pathologist, the long awaited forensic unit was established at the Milton Cato Memorial Hospital and is now operational. Also, the final phase of the MCMH redevelopment programme aimed at upgrading the administration wing, was restarted in the latter half of 2002 and is projected to be completed in the first half of 2003.

In the area of mental health, Government is cognisant of the fact that this is an area of health which is least understood by "a mentally stable" society. Investigations have revealed that an uncomfortably high proportion of the youth population in the Mental Health Centre is there because of drug abuse. In light of this worrying and potentially dangerous trend, we can no longer delay in deriving suitable responses to address those already there and prevent others from going there. In this regard, a massive anti-drug campaign will be undertaken in the short to medium term where civil society and Government would work "together now" to reverse this ominous trend. It is anticipated that civil society organisations such as the church will take up their rightful role as an active partner in attaining and maintaining a wholesome society. This campaign will be largely guided by the Mental Health Strategic Plan 2003-2007 which is currently being finalised for implementation beginning in 2003.

The overall financing of health is a critical question which has to be sensibly answered. The demands on the health-delivery system are increasing and the cost of its provision is rising sharply. In the 2003 Estimates, $41.7 million are allocated to the Ministry of Health and the Environment, some $5 million more than was actually spent in 2001. In 2003, $14.6 million are estimated for recurrent spending at the Milton Cato Memorial Hospital, some $3 million more that the actual expenditure in 2001.

In this context, the on-going discussions on the possible introduction of a National Health Insurance programme are of great significance.

HIV/AIDS

HIV/AIDS continues to pose a threat to the health and well being of the population, in this regard "Government is committed in its resolve to combat the disease and to offer support to persons living with HIV/AIDS".[2[2]] The facts accompanying this disease are quite worrisome and must be addressed if society as we know it, is to survive for the generations to come.

In the last budget address, HIV/AIDS was highlighted as posing the most serious threat to the health and well being of our nation. The point must be brought home again until the message is received and changes in behaviour lead to a decline in the number of deaths resulting from the disease. It will be an uphill battle, but it is one that we can win, as the power lies within our hands to stop it in its deadly tracks. It bears repeating that HIV/AIDS is no respecter of persons.

According to recent data, approximately 550 persons have been tested positive for HIV in this country. The adverse implications of this for the development of St. Vincent and the Grenadines can hardly be overemphasized. To address the concerns, this Government has developed a National Strategic Plan for HIV/AIDS which was launched in December 2001. This plan includes among other things:

- ▪ The design and implementation of after-care, support and treatment programmes for people living with HIV/AIDS and their families.
- ▪ The development and implementation of HIV prevention and control programmes with priority given to youths and high risk/vulnerable groups.
- ▪ The upgrading of surveillance systems.

The ultimate goal of the strategic plan is therefore to reduce the incidence of HIV/AIDS, while improving the quality of life of people and their families living with the disease. To assist in achieving these goals, the recently established AIDS Prevention and Control Unit was further augmented by the recruitment of persons to fill critical posts including, a Director, a Psychologist and two (2) counsellors. Apart from strengthening the human capacity of the Unit, Government was able to purchase a specialised machine for diagnostic testing and monitoring purposes. Roughly a quarter million dollars in recurrent spending and $800,000 in capital spending have been allocated in the 2003 Estimates to fight HIV/AIDS directly.

Further, Government along with other OECS member states is currently holding discussions with a US-based Foundation to provide universal access to cheaper chronic antiretroviral treatment for affected persons. In addition, a complementary facility to develop vital infrastructure, such as counselling and training, is currently being finalised. A committee was set up to fine-tune the project and is headed the Minister of Health and the Environment. There is, too, the World Bank Project for the battle regionally against HIV/AIDS which we are seeking to access.

As part of its inclusive approach to governance, Government will offer assistance to non-Governmental organisations such as the “Bread of Life” which provide support to persons with the disease, as well as to their families. Special mention must be made of the RBTT Young Leaders programme for highlighting HIV/AIDS and the use of the programme to appeal to our youth population, in 2002.

The massive anti HIV/AIDS campaign will continue in 2003 and beyond and citizens are advised to heed the message. It must be reiterated here that this fight cannot and will never be won by the Government alone and all citizens must join forces if this disease is to be beaten.

I must encourage society and persons who have already contracted HIV/AIDS to treat this disease as you would most illnesses. Persons diagnosed with the disease and their families have been stigmatised and have been shunned by society. These persons still have a contribution to make and the rest of society must allow them to do so.

CWSA: WATER AND SOLID WASTE

In order to continue to provide quality services and to meet the demands of over 23,300 consumers of water, the Central Water and Sewerage Authority (CWSA) has embarked on some major activities, with the Windward Water Project as the centrepiece. Construction work on the Windward Water Project which is estimated to cost over $23 million will commence during the first half of the upcoming year. So far a Project Manager has been appointed and tenders have been invited for the supply of pipes and fittings.

Efforts will also be made to undertake the necessary studies for the finalization of designs for the Grenadines Water Supply Project. The inadequate water supply situation in the Grenadines has been a major concern of this Government and we intend to bring some measure of relief to the citizens in this part of the State, as soon as is feasible.

Other important ongoing activities in the water sector include the delivery of water to the people of Park Hill, the Meter Replacement Programme which aims to replace more than 10,000 outdated meters, and the programme of securing all catchment areas and the prevention of farming in the water catchment areas.

In the area of Solid Waste Management, significant improvements have taken place over the last year or so, including garbage collection from households throughout St. Vincent. There is still much work to be done, but I would like to commend the management and staff of the Solid Waste Management Division and the Sanitation Workers in the Ministry of Health and the Environment for their untiring efforts to keep this country clean.

The improvements have permeated every village in the State and I am particularly happy to observe the progress made in Solid Waste Management in the Grenadine Islands of Bequia, Canouan and Union Island. St. Vincent and the Grenadines is certainly now the cleaner place to be, thanks to CWSA and the ULP administration.

Preparatory work on the Belle Isle Hill Land Fill has commenced. All the environmental studies have been done, the evaluation of tenders is completed and an award of tender for construction is soon to be made. Construction work should commence in January of 2003.

YOUTH, SPORTS & CULTURE

It is the policy of this government to invest in programmes that harness the energies and creativity of our young people, and in so doing to facilitate their complete integration into the national development process. We have strengthened our commitment to improving the life chances and opportunities opened to the youths of St.Vincent and the Grenadines, by promoting the general welfare of our youth and increasing provisions in the areas of education, training, sports, culture and employment.

This Honourable House is I am sure aware, that approximately one-third of our population falls between ages fifteen and thirty. We recognize the vast potential of the youths to propel the development process. This ULP Government is acutely aware of the need for institutional reform and capacity building within the Youth Department if it is to play the pivotal role for which it was established and meet the challenges ahead. Consequently, the National Youth Policy will be revised and re-submitted to Cabinet and the Youth Affairs Department will be restructured in 2003.

Further, a new National Youth Commission has been appointed and preparations to launch a Youth Foundation are well on the way. Government continues to strengthen youth groups and other youth organizations throughout St.Vincent and the Grenadines as a means of addressing critical issues affecting young people. In addition, we have developed a number of programmes aimed at preparing young people to face the challenges of modern society. One such programme is the Youth Empowerment Service (YES), of which I have already spoken.
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In the upcoming year, even greater attention will also been paid to the sporting and cultural dimensions of development. Throughout the year, focussed efforts have been made to expand, deepen and renew the cultural stock of our society. The integration of sports and arts into the formal school curriculum has been progressing successfully. Culture and sports are integral to national development and the 2003 Budget recognises this in practical terms.

For the fiscal year 2002, the Central Government through the National Sports Council, funded the construction and upgrading of sports facilities throughout St.Vincent and the Grenadines to the sum of $2.1m. In addition, plans for the construction of the National Stadium are well advanced. I anticipate that by July 2003, physical construction of this facility at the Stadium site at Diamond will commence.

TRANSPORT AND COMMUNICATIONS

Telecommunications

In the 2002 Budget address the ULP Government reported on the agreement that was signed to govern the liberalization of the Telecommunications sector in the sub-region. I am pleased to report that the phased liberalization of the sector which begun in April 2001 has progressed apace. Three licences - two for mobile and one for fixed telephones operations in St. Vincent and the Grenadines - have been granted to Digicel and AT&T, and Kelcom respectively.

We are now at a critical point in the liberalisation process. Our success in this phase will depend on the speed with which the new entrants will be able to negotiate commercially reasonable interconnection agreements with the dominant provider, Cable & Wireless. We recognise that these negotiations represent the final weapon in Cable & Wireless' armour to exercise its monopoly power. As such these negotiations tend to be prolonged, but the evidence has shown that the incumbent provider stands to benefit from such agreements. It is in this context that the Government of St. Vincent and the Grenadines expressed its desire to have all new entrants fully operational by December 2002. It is our fervent hope that the regional telecommunications regulator, ECTEL, and the local National Telecommunications Regulatory Commission (NTRC) will apply the relevant provisions of the law to ensure that the development of the region is not unnecessarily retarded. In this matter, there must be no 'sacred cows' seeking refuge in an era long past.

The liberalisation of the Telecommunications sector represents a new era and an evolving process, one which requires a great deal of adaptation on the part of all stakeholders. As such we are all expected to keep abreast of the legislative and technological changes which accompany the establishment of a new market structure.

Government is forever cognizant of the need to improve the efficiency and effectiveness of its operations. In 2003, the Government of St. Vincent and the Grenadines will establish a management information system. This is the infrastructure upon which the mechanism to link all Government departments through an intranet system will be built. This system will act as an information highway providing bandwidth for communications to take place electronically and providing the capacity to develop and maintain a much needed Government website. This initiative will not only increase the access to and sharing of information across the entire public service, thereby augmenting the efficiency and transparency of functions of the public service; but importantly, it will significantly reduce the Government's telecommunication costs and provide an improved interface between the general public and the Government.

Air Transport

The issue of air transport continues to be a critical one for us in this country. A lot of the circumstances, physical and otherwise which impinge on our efforts to resolve this issue are quite peculiar to us in St. Vincent and the Grenadines. These circumstances place us in an unfavourable position compared to practically all of our Caribbean neighbours and act as hindrances to our development and the integration of the sub-region. These circumstances have also shaped our policy with respect to airport development and air services to and from St. Vincent and the Grenadines.

Last year we moved speedily to enhance our investment in the regional airline LIAT, set up a hub arrangement in St. Lucia, and acquired resources from the Kuwait Fund for Arab Economic Development of approximately US$8 million to undertake extensive rehabilitation work at the ET Joshua Airport. In addition, discussions are at an advanced stage in setting up a hub arrangement in Barbados.

Funds are also earmarked in the Estimates for the rehabilitation of the Union Island Airport, and plans are in train for the extension and development of the Canouan Airport. All these initiatives combined are designed to enhance air access markedly to St. Vincent and the Grenadines.

While we have moved with alacrity in addressing the aforementioned issues, several developments have taken place in the aviation industry, which impacted adversely on the sustainability, reliability and adequacy of air services in our part of the world. These developments have manifested themselves in unfair competitive practices by some carriers, scheduling overlap, over-supply of capacity on some routes and critical shortages on other routes. The lack of commercial alliances to improve operational efficiencies and the inability of some of the carriers operating in the region to amalgamate to achieve the critical mass necessary, have all contributed to what can be described as unacceptable air-services.

This Government had very early expressed its desire to the CARICOM Secretariat to have this matter of the rationalization of the Air Transport Services in the region placed on its agenda. Unfortunately, the issue had not received the attention it deserves. It is in this context that I have sought the collaboration of other regional Governments to confront the impediments and to set a policy framework aimed at enforcing the provisions of the CARICOM Multi-Lateral Air services Agreement, and to foster a greater degree of co-operation among the airlines operating in the region.

At a meeting of Prime Ministers and Ministers with responsibility for Air Transportation in the Caribbean held here in St. Vincent and the Grenadines on the 2nd November, 2002, I reminded my colleagues of the importance of air transportation to the development of regional economies and the need to keep its development in Caribbean hands. I also highlighted the unsustainablilty of the current situation and the threat posed to the continuity of LIAT – an airline owned by nationals of the region and in which regional Governments owned shares. Out of this meeting, regional Heads agreed that shareholders raise $11.0 million. The Government of St. Vincent and the Grenadines committed itself to guarantee 10.1% of this amount. In addition, a regional Airline Policy is being devised, and a financial plan is to be submitted by LIAT.

Our commitment to, and investment in, LIAT have already borne fruit. As part of its fleet replacement programme, LIAT took our peculiar circumstances into consideration and stuck to its fleet of Dash 8 aircraft as against a more lucrative deal with ATR 42s. In addition, the naming of an aircraft after this noble country as part of its corporate livery programme is due recognition of our support.

HOUSING

Since assuming office, this Government has taken several fiscal and institutional initiatives with regard to the improvement of the housing stock and the provision of homes for the people of this country. One limb of its housing policy concerns its low income housing programme. We have now laid the groundwork in this regard, and are ready to commence the programme early in the New Year. The persons who will benefit from this programme have an opportunity to assess for themselves the quality of the homes that will be available to them since we will be constructing five model houses on sites at Diamond, Green Hill, Peters' Hope, Tourama and Petit Bordel. These five areas along with Orange Hill, Owia and Fancy have been identified for the construction of the first 200 houses which would be erected in 2003. In the 2003 Estimates, the sum of $10 million has been allocated for the construction of this first batch of low-income homes.

The administrative arrangements for the low income Housing Programme are being put in place, and will be finalised by January of 2003. The Minister of Housing will provide further details later in this Budget debate.

ENERGY

As we approach the end of 2002 the people of Mayreau are also approaching the end of their isolation from the convenience of a public electricity supply. Installation of the generators and control equipment is nearing completion. The lines have already been built and testing will very shortly begin. With the advent of the New Year the people of Mayreau will be brought on a level with their fellow citizens in the enjoyment of this essential service. The project will be completed at just under four million dollars. Government is content to make this investment towards the upliftment of the people of Mayreau and to further enhance the prospects for rapid tourism development in the Southern Grenadines generally. We urge all who live on Mayreau and all who have economic interests there to make the best use of the new opportunities that the electricity infrastructure will bring.

Regarding access to electricity, the last remaining areas of concern are the squatter settlements. Their situation will be relieved and electricity will be installed as we regularize the settlements one by one and sell the lands to the occupants. Provision is made in Government's rural electrification budget for this purpose.
Arrangements have also been made for VINLEC to install up to 400 new street lamps during 2003 to further improve the quality of public lighting throughout the country.

Reliability of the electricity supply remains a matter of acute concern to the Government. Following the load shedding which we experienced on mainland St. Vincent during August, VINLEC has already committed $7m to purchasing two new generators to immediately abate the problem. The first unit of 1.5 Megawatt capacity was commissioned on 6th October 2002 at the Cane Hall plant. The second unit of 3.5MW capacity will begin testing before Christmas and will be fully commissioned by year end. I have been assured of uninterrupted electricity supply.

Early in January 2003 a Project Manager will be engaged and work will begin in earnest on developing the Lowmans Bay power plant project which will become operational by late 2004 with two 4.8 Megawatt diesel generators installed. The decision was taken to begin at Lowmans Bay with two generators instead of one to allow for the faster retirement of the old units at Cane Hall and to secure a higher level of reliability at the earliest possible date. It is recognised that additional reliability is bought at a higher cost, but we are of the view that load shedding would be costlier still in its disruption of our social and economic welfare.

Lowmans Bay is expected to become the center of electricity production on mainland St. Vincent over the next 30 years. In addition to the power plant and supporting workshops, laboratories and the like, the project will include the construction of access roads, a marine terminal for receiving fuels and a fuel storage facility which would be capable of expansion to satisfy all national needs. The project will be built to the best modern specifications at a cost of $44 million excluding the associated transmission line development work which will require another $10 million.

VINLEC is expected to raise the funds for Lowmans Bay and for its other capital investments – totalling altogether $112m over the next 5 years – on the strength of its own balance sheet, by borrowing from multilateral agencies and on the open markets. Where necessary, Government will provide guarantees required by the lenders.

The costs and reliability of fuel supplies are also receiving active attention from VINLEC. Following the passage Act No. 38 of 2002 which took effect in October 2002 the documentation has now been prepared for signature to allow St. Vincent and the Grenadines to access a full range of petroleum products at attractive prices from the Bolivarian Republic of Venezuela through the Caracas Energy Agreement, beginning early in the New Year. Based on the arrangements now under discussion VINLEC expects to make a saving of at least $1.5m each year on its fuel bills. These savings will be passed directly to electricity users at an average 2¢ per unit reduction in their fuel surcharge. Motorists and other consumers at the pump will also benefit from this Caracas Accord as it is Government’s intention to share any savings from lower cost for imported fuel with the consumers

Action is also being taken to increase the amount of fuel storage available to improve the reliability of fuel supplies to St. Vincent and the Grenadines so as to improve the country’s margin of safety against shortages of fuel. VINLEC has already commissioned the installation during 2003 of 140,000 gallons of diesel storage capacity at Cane Hall. The tanks will be supplied by underground pipeline from Shell and Texaco’s depots at Arnos Vale and will serve to minimise the chances of any disruption in our fuel supplies due to storms or other offshore events outside of our control.

DISASTER MITIGATION AND MANAGEMENT

St. Vincent and the Grenadines is vulnerable to several hazards and it is with this in mind that my Government will ensure that disaster mitigation and management is accorded high priority on the development agenda. While preparedness and response will continue to be emphasized we will increase our focus on risk reduction and mitigation. In this way we can expend fewer resources on rehabilitation and reconstruction, and reduce vulnerability to disasters thereby mitigating the extent of loss of property and lives.
As recently as September this year, the passage of tropical storm “Lili” served to highlight our vulnerability to hurricanes. The storm inflicted significant damage on the housing infrastructure, on the banana industry, and resulted in the loss of lives. This ULP Government is working to strengthen the national capacity for disaster mitigation and management. It is our intention to ensure that every Vincentian becomes prepared to face and respond to disasters and to recover from the impact in the shortest possible time.

We are in the process of implementing the Emergency Recovery and Disaster Management Project. The primary objective of this project is to strengthen this country's resilience, preparedness and ability to respond to natural disasters. Strategically, the project would improve disaster planning and management, sensitise communities and increase investment in mitigation and prevention measures.

This year we have moved to strengthen the institutional framework. For the first time in our history a bonafide National Emergency Management Office has been established to coordinate disaster management in St. Vincent and the Grenadines. We have also seen the creation of the National Hazard Mitigation Council which is mandated to provide technical advice on mitigation matters. We are also moving to address more fundamental issues relative to standards and guidelines not only for buildings, but for land use as well. To this end, planning standards and guidelines have been revised while, in consultation with stakeholders in the construction industry, building codes have been drafted and should take effect by the end of 2003.

By July 2003 the Emergency Operations Centre will be permanently housed at its newly refurbished and equipped location. Priority mitigation and prevention measures to protect vital infrastructure before a disaster strikes will be implemented with emphasis on flood and coastal protection, and other physical mitigation works. Emergency shelters are also receiving our attention. Many of these shelters are currently not hurricane resistant and are inadequately equipped for effective functioning during an emergency. These shelters will be retrofitted to improve the safety of the population during and after the impact of a disaster, especially those in vulnerable areas.

In the capital Estimates for 2003, $4.5 million are allocated to be spent on the St. Vincent and the Grenadines Emergency Recovery and Disaster Mitigation project, financed largely by the World Bank.

We will also address the inadequacies of the early warning systems which are crucial during an impending disaster. Some institutional strengthening will take place at the Meteorological Office at the ET Joshua Airport while we will endeavour to widen the national radio coverage, as at present no single radio station provides such coverage. This is critical, as we want to get the right message out to every person in St. Vincent and the Grenadines before, during and after a disaster.

The ULP Government operates on a principle of inclusion and so we intend to increase the level of community involvement in the process. We are endeavouring to create a culture of risk management and mitigation especially as many populated areas are vulnerable to hazards including but not limited to landslides, floods, sea surges and volcanic effects. We want to ensure that our people are better placed to assist in the process and so we intend to step up the public awareness and education campaign, but in addition to sensitization, emphasis will be placed on training. District Disaster Committees exist, but have not functioned effectively as they are not well trained, have weak mobilization capacity and are not properly equipped to deal effectively with emergency situations. The National Emergency Management Office in collaboration with the NGOs/CBOs community will revitalize and strengthen district structures to assist with disaster preparedness, mitigation and response.

Some constituencies are already involved in a community profiling exercise, designed to identify the vulnerable areas within their communities. This programme started in Spring Village earlier this year and will involve all constituencies. Communities will also be engaged in a flood hazard and mitigation mapping project which is being piloted in Marriaqua. I urge all citizens to become involved.

PUBLIC FINANCES

The fiscal position of the Central Government, for the year ended December 31, 2001 weakened relative to 2000. The Current Account surplus which amounted to $13.5 million, was 33.1 percent below the level of current savings recorded in 2000. The overall fiscal deficit increased to $14.9 million in 2001 compared with $3.9 million in 2000, due mainly to a 37.3 percent increase in capital expenditure.

This deterioration in the fiscal situation was concentrated in the last quarter of the year when current revenue declined by twenty percent (20%) compared with the last quarter of 2000. The events of 9/11 are the obvious cause of this decline, which shows that the Government was justified in the measures it took in response to 9/11.

Preliminary data for the first nine months of the current year show a marked turn around in fiscal performance, with a current account surplus of $12.1 million compared with a surplus of $1.4 million for the corresponding period in 2001. Capital expenditure for the first nine months of 2002 amounted to $39.2 million representing an increase of 148.1 percent over the $15.8 million spent in the corresponding period of 2001. This figure for capital expenditure represents what has been journalized so far but the real figure is actually higher. As a result of this increase in capital expenditure, the overall deficit for January to September, 2002 amounted to $25.5 million.

In order to ensure the achievement of Government's goals of employment generation and poverty alleviation it is essential that the Government adopts measures to bolster revenue and savings. It is these savings which will be used to finance the Public Sector Investment Programme either in whole or as counterpart funds and it is through public sector investments that economic and social development is promoted.

Given St. Vincent and the Grenadines' high ratio of current expenditure to GDP, efforts will have to be stepped up to curtail current expenditure and to make public expenditure more efficient. In particular, the Government's expenditure on wages and salaries is much higher than international norms. While we recognize that because of the small size of the country and the plural nature of the State, expenditure will be higher than normal, we have to be cognizant of the need to control current expenditure. In this regard, I would once more like to commend the labour unions for the unprecedented support of the wage freeze for the year 2002. This measure has gone a long way in helping to restore some level of fiscal stability.

In light of the improved fiscal situation, the Government has agreed with the Unions to pay a non-cumulative salary increase of 4.25 percent of annual salary, for those persons who have worked for the entire year in 2002. This increase will be made in the form of a half month, one-off salary bonus to be paid this December free of all taxes. This in effect removes the salary freeze. The bonus will also be paid to pensioners and daily paid workers based on their earnings for 2002. The total cost to the Treasury will amount to approximately $6 million. The Government has also agreed with the Unions to commence negotiations on a new remuneration package during 2003, to take effect from January of 2004.

In the upcoming year, Government will be conducting a comprehensive review of public expenditure, with technical assistance from the World Bank, aimed at rationalizing and increasing the efficiency of public spending. Additionally, Government is in the process of further elaborating a fiscal stabilization programme for St. Vincent and the Grenadines with technical assistance from the ECCB and CARTAC. The programme will document the policies and measures which are to be taken in order to promote the objectives of economic and social growth and development.

PUBLIC DEBTS

Estimates provided by the Ministry of Finance and Planning show that as at September 30, 2002, the Public Debt amounted to $718.0 million which is approximately 75 percent of GDP. This is comprised of domestic debt of $296.5 million and external debt of $448.5 million. Overall Public Debt is projected to rise by 8 percentage points of GDP over the next three years and to decline steadily thereafter, reflecting the large projects to be financed by VINLEC and the Central Government, in the next three to four years. The cost of meeting interest and amortization costs for 2003 is estimated at $60.23 million, which is 18.6 percent of estimated recurrent revenue.

These two indicators show that our debt level is in the upper range of the sustainable zone. Accordingly, every effort will be made to control the level of public sector debt. One of the strategies for debt management is to actively pursue options for debt forgiveness and debt restructuring. In this regard the recent decision by the Government of the United Kingdom to forgive some £2.2 million due by St. Vincent and the Grenadines is a welcome one.

Government is also at an advanced stage of negotiations with the Italian State agency, SACE, for a restructuring of the Ottley Hall debt of $156.3 million which accounts for 21.7 percent of the overall Public Debt and 34.8 percent of the External Debt. Repayment of the loan itself was scheduled to commence in December 2003, in thirty (30) semi-annual payments over the period of fifteen (15) years at an interest rate of LIBOR plus 0.5 percent. This means that at existing market rate Government would be required to pay over $8 million a year from 2004 onwards, if the debt is not restructured. Clearly, this would place an enormous burden on the Government finances and hinder our ability to finance worthwhile projects in the Public Sector Investment Programme.

Arising from these negotiations, the Government received a proposal from SACE in October of this year, for a complete restructuring of the loan, which includes a recommendation for repayment of the "Rescheduled Loan" of $106.7 million over a period of thirty six years at a highly concessionary rate of between 1 and 2 percent per annum. The proposal now has to go to SACE's Board of Directors for final approval. Meanwhile, the moratorium, which the ULP administration negotiated on this debt, will continue until a final settlement on the debt restructuring is concluded.

A Commission of Inquiry into the Ottley Hall Project will be soon appointed with powers of investigation, inquiry, and discovery conferred on it under the Commission of Inquiry Act as amended. This will give forensic investigators and the Commission ample opportunity to collate and review all documentation, and to interview all relevant persons before actual hearings commence. A retired judge will chair this Commission. He has proven capability and expertise. Two forensic investigators will assist him, one a retiree of the Fraud Squad of Scotland Yard, and the other, a retiree from the FBI. The appointment of this Commission, which will be formally done in January 2003, serves to reiterate this Government's commitment to achieving a resolution to the Ottley Hall Project. Overall, the ULP Government fully intends to sort out the Ottley Hall debacle, reorganise the facility and make it viable.

CONSTITUTIONAL REFORM AND RE-INTRODUCTION OF LOCAL GOVERNMENT

In its quest to further deepen democracy, strengthen fundamental rights and freedoms, bolster institutional mechanisms and enhance the quality of the various branches of Government, and to advance the delivery of Government services, the ULP Government has initiated a process of constitutional reform.

Accordingly, this Honourable House has already debated fully the necessity and desirability of constitutional reform, has advanced a number of suggestions for constitutional changes, and has established, unanimously, a mechanism for the pursuance of constitutional reform. An all-party Select Committee of Parliament hammered out, to a successful conclusion, the wide and all-embracing Terms of Reference for the Constitutional Reform Commission and determined the composition of the Commission. Parliament unanimously adopted its Select Committee's recommendations regarding the Constitutional Reform Commission and its composition. These have been widely published.

This broad-based Commission is a twenty-five member body. It consists of political party representatives, civil society's leaders, and other persons including from the diaspora. Interestingly, of the twenty-five members, only five are appointed by the Governor General upon the advice of the Prime Minister, without the requirement of consulting anyone. Thus, most members of the Commission are not from the ruling party. Members of the House of Assembly are not eligible for appointment to the Commission, and the Commission reports to the Parliament, not the Executive. In the Estimates for 2003 a provision of $500,000 is earmarked to facilitate the work of the Constitutional Reform Commission.

Already, two distinguished persons have been appointed as Chairman and Deputy Chairman of the Commission. The other members will be appointed before the end of December 2002. The Commission's work will begin in earnest in early January 2003.

It is the intention of the ULP Government that civic society be deeply involved in the process of constitutional reform. Our party's position on this was made crystal clear formally on July 31st, 2000, when it published its document entitled *Constitutional Reform: A Discussion*. In that document, the ULP sketched its ideas on constitutional reform.

The ULP Government has already obtained $100,000 from the Organisation of American States (OAS) to assist in the building of civil society's capacity to address constitutional reform effectively. In this regard, the Government has already ordered 10,000 copies of the existing constitution for distribution to the public. Clearly we cannot make suggestions for constitutional changes unless we know and understand the existing constitution. The OAS is further providing US$125,000 next year to help the process along.

The Constitutional Reform Commission has a two-year period within which to consult with the people of St. Vincent and the Grenadines, at home and abroad, and to report to Parliament. Thereafter, there will be further debate in this House and in the nation-at-large leading to the presentation of an appropriate Bill in this Honourable House and followed, at least 90 days afterwards, by a popular referendum, by secret ballot. A two-third majority is required in that referendum.

The 1979 Independence Constitution has served us reasonably well but our experiences over the past 23 years show that constitutional reform is both necessary and desirable. It is a once-in-a-life-time opportunity to be engaged in a process of reconfiguring our nation's constitutional governance. It is a cause vital to our progress. Over the next three or so years, St Vincent and the Grenadines will be turned into a veritable university of dialogue and reflections on the politics, governance, and constitution of this wonderful nation.

Shortly following the commencement of the work of the Constitutional Reform Commission, the Government will establish the requisite mechanisms which are preparatory to the re-introduction of effective, democratic local Government. Parliament has already passed the relevant motion on Local Government and the broad path upon which this exercise should proceed. Further announcements on this exercise will be made in the new year. I anticipate that before the end of 2003 at least an interim local Government structure would be fashioned for implementation. We must decentralise Government. In this framework, the special position of the Grenadines necessarily looms large.

RESOURCE REQUIREMENTS

The 2002 Budget provides for a total expenditure of four hundred and fifty nine point nine million dollars ($459.9m) which is 9.8 percent more than the Approved Estimates for 2002. This total is comprised of recurrent expenditure of three hundred and twenty three point six million dollars ($323.6m) and capital expenditure of one hundred and thirty six point three million dollars ($136.3m).

The recurrent expenditure budget (including amortization and contributions to the sinking fund) is 4.4% higher than the approved estimates for 2002 and is comprised as follows:

	Approved Estimates 2003 $m	**Approved Estimates 2002 $m**	**Change %**
Wages and Salaries	149.45	145.23	2.9
Retiring Benefits	17.20	15.63	10.3

Other Transfers	33.49	32.54	2.9
Interest Payments	29.85	26.34	13.3
Goods and Services	63.12	61.54	2.6
Total	**293.11**	**281.28**	
Add: Amortization	30.38	28.46	6.7
	323.49	**309.74**	**4.4**

The Capital Budget is perhaps the most important aspect of Government's development plans for the country. In order for us to ensure that projects in the Capital Budget are implemented in a timely and efficient manner, the institutional framework must be further enhanced. In this regard we have taken a number of measures which have already began to bear fruit. These include a monthly review of the PSIP by the Cabinet Committee on the Economy and the ongoing diagnostic review of the procedures and arrangements for management of the PSIP.

In 2001, total capital expenditure by the Central Government amounted to $48.2 million which was 37.3 percent higher than the $35.1 million in 2000. As at September this year capital expenditure amounted to $39.2 million which is more than doubled the $15.8 million for the corresponding period in 2001. Capital expenditure by the Central Government is projected to reach $80 million by year end for an implementation rate of 73 percent. This compares with implementation rates of 36.4 percent and 25.5 percent for 2001 and 2000 respectively.

In 2003 we intend to bring the Planning Units in the major Ministries namely the Ministries of Education, Health and the Environment and Agriculture under the Planning Division of the Ministry of Finance and Planning. This Integrated Planning structure will enhance the cohesion of our national plans for social and economic development.

The Capital Budget by Sector is comprised as follows:-

	$m	**% of total**
Transport (including Housing)	43.48	31.9
Administration	23.27	17.1
Education	20.49	15.0
Agriculture	16.43	12.0
Community Services	10.85	8.0
Health	9.10	6.7
Others	12.76	9.4
Total	**136.38**	**100.00**

The Transport Sector has once more been given the largest share of the Capital Budget.

Financing the Capital Budget

Of the $136.38 million required to finance the 2003 Public Sector Investment Programme, $73.69 million (54%) will come from external loans and grants, while the remaining 46% will be sourced locally. The major sources of external grants, which are expected to total $38.89 million are the European Union ($19.71 million) the Caribbean Development Bank ($3.42 million) and the Republic of China ($9.31 million).

External loans will be sourced from the Caribbean Development Bank ($7.55 million), the World Bank/IDA ($5.74 million), Kuwait ($3.0 million), France ($1.0 million), Libya ($2.0 million) and the Republic of China ($3.0 million). Additionally, Government intends to raise a loan of $20 million on the regional capital markets, for which a bill is currently before this Honourable House.

Honourable Members will note the quite significant proportion of the Public Sector Investment Programme (PSIP) which has to be financed from domestic sources. This is a reflection of the difficult international environment and of the type of projects included in the PSIP which, though desirable, may not attract external donors. For example, the Prison Project is critical for St. Vincent and the Grenadines, but no external donor is prepared to provide any financial assistance for its construction.

To raise the required local funds, Government proposes to obtain a loan of $20 million on the domestic market. Government will also utilize deposits held in the banking system, representing the unutilized proceeds from previous bonds and loans issues.

Total new borrowings by the Central Government during the upcoming year is estimated at approximately $60 million. On the other hand amortization and contributions to Sinking Fund are estimated at $30.4 million which give an expected net increase in the Central Government's Debt of approximately $30.0 million. This level of debt is within the prudential limits established in our Medium Term Economic Strategy.

The overall budget is summarized as follows:-

	$m
Current Revenue	323.63
Current Expenditure	293.11
Current Account Balance	30.52
Capital Grant	34.79
Other Capital Receipts	18.81
Funds available for PSIP	84.12
Less: Capital Expenditure	136.38
Overall Deficit	52.26
Financed by	
External Loans	38.90
Local Loans	26.21
Development Bonds	17.53
Less: Amortization	(30.38)
	52.26

FISCAL MEASURES

We in this ULP Government recognize that the tax burden in this country is already high. This is mainly as a result of a narrow tax base and certain administrative weaknesses in critical areas of the system. In this regard, it is Government's policy to undertake tax reform measures aimed at broadening the tax base and improving the overall buoyancy of the tax system. In addition, several initiatives to strengthen the administrative apparatus of the main revenue-earning departments will also be implemented.

In the area of tax reform, work will continue in 2003 on the review of the property tax system. The object of this review is to simplify the base of the tax and to improve its administration through institutional strengthening. The contract for this consultancy has already been awarded and work will commence before the end of this year. There is widespread recognition throughout this country that Government needs to reduce its dependence on revenue from international trade and move towards a consumption or transactions based tax. This is one of the findings coming out of the various budget consultations held across the country. To this end, the VAT Study will also commence early in 2003. It is anticipated that the introduction of such a tax will lead to a broadening of the tax base and allow us to remove a number of the existing, but smaller transactions taxes for example, the Hotel Turnover Tax and the Insurance Premium Tax among others.

In the 2003 fiscal year, a Tax Policy Unit will be established within the Ministry of Finance and Planning to enhance the formulation and analysis of tax policy. Technical assistance is being provided by CARTAC to address a number of tax administration issues at the Inland Revenue Department. Among the major initiatives are measures to streamline and computerize the cashiering function; expand the application of SIGTAS - the existing tax information and management system- and improve the audit function. At the Customs and Excise Department, the amendments to the Customs (Control and Management) Act passed in this Honourable House recently, will go a long way in ensuring that the Customs is empowered to take the necessary action to safeguard the public revenue.

In addition, we will continue to work with the Tax Commission established by the Monetary Council of the Eastern Caribbean Central Bank. The Tax Commissioners are mandated to examine the revenue system across the Currency Union and make recommendations on new approaches to taxation and tax administration, giving due regard to developments in international trade, changes in the structures of the economies and the growth in e-commerce.

I now turn to the fiscal measures which my Government will introduce in the 2003 fiscal year. Throughout this budget address, I have outlined the various policies and programmes of this Government which are geared to stimulate production, create jobs and reduce the level of poverty in the country. The measures that I am about to propose are designed to facilitate the achievement of these objectives, whilst at the same time ensuring that the public finances remain reasonably strong, as we attempt to gradually bring user fees and charges in line with the cost of providing the various public services.

Taxes on Income

In my last budget address, in an attempt to stimulate activity in the Manufacturing and Tourism sectors the company tax rate was reduced from 40 percent to 30 percent and 35 percent respectively. In an effort to further stimulate activity in these productive sectors, I propose to further reduce the company tax rate on income accruing from a hotel from 35 percent to 30 percent with effect from income year 2003.

Over the years the Construction Sector has been an important contributor to economic activity in St. Vincent and the Grenadines. In recognition of this fact, several initiatives are currently in place to assist the sector. One of the ways in which Government currently provides this support is by exempting the income accruing to a housing developer from the sale of residential units valued at one hundred thousand dollars ($100,000) or less. In order to provide an additional boost to the sector, I propose to increase this limit from $100,000 to $300,000. This means that a housing developer will not be required to pay taxes on any income earned from the sale or rental of houses valued at $300,000 or less. The revenue loss is not expected to be too significant. However, the measure should serve as an incentive for new investments in the housing sector.

As part of Government's continuing effort to reduce the tax burden on workers, I propose to amend the Income Tax Act to increase the standard deduction from twelve thousand dollars ($12,000) to thirteen thousand dollars ($13,000) effective income year 2003. This measure will result in a revenue loss of approximately $2.2 million.

Cruise Ship Service Charge

Over the years the performance of this aspect of our tourism, though there has been some improvement in the numbers, has not accelerated at the pace experienced by some of our neighbours. One of the principal reasons for this is the current structure of our charges relative to those in the rest of the region. In this regard, I propose to introduce a new fee structure that will allow for volume discounts per cruise line based on a minimum stay of six (6) hours.

The details of the new fees are as follows:

No. of passengers per year	**Applied Rate per passenger**
8,000 and below	$15.00
8,001 to 20,000	$12.00
20,001 to 40,000	$ 9.50
40,000 to 60,000	$ 8.00

In the above fee structure, the environmental levy has been reduced from $5.00 to $4.00 per head. The proposed fees are designed to bring us in line with what currently obtains in the rest of the OECS and as a result improve the competitiveness of our cruise industry.

Taxes on International Trade

The existing vehicle surcharge on vehicles over four years old which are imported into the country applies to passenger vehicles only. A number of persons have been importing transport type vehicles and converting them to passenger type vehicles, thus avoiding the tax.

Accordingly, I propose to widen coverage of the vehicle surcharge to include motor vehicles for the transport of goods, covered under tariff Head 87.04 and 87.05, at a rate of $3,000 per vehicle. The revenue yield from this measure is estimated at $250,000 per annum.

The imposition of the excise tax on locally produced and CARICOM rum, brandy, vodka, whiskey and gin creates a distortion, in that non-CARICOM spirits are not subjected to this tax. Government has received a number of complaints from local and CARICOM producers about this state of affairs. Accordingly, I propose to remove the excise duty on brandy, vodka, whisky and gin. This tax will be replaced by an increase in the Consumption Tax on these items by an amount of $12 per liquid gallon, the equivalent of the excise duty, which has been removed. Excise duty will continue to be charged on all rums and the consumption tax on this commodity has been increased marginally from $6.75 to $7.00 per liquid gallon. The estimated revenue yield from this measure is $200,000.

Other Measures

We propose to amend the Town and Country Planning (Fees) Regulations to increase the Planning Application Fees, which were last increased in 1996.

Finally, by way of fiscal measures, Warehouse Rent and the cost of inspecting containers on private premises are also to be increased to ensure that a greater level of cost recovery measures is achieved in the provision of these services. The revenue yield from these is estimated at $50,000.

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CONCLUSION

Mr. Speaker, the record amply shows that the ULP administration has done very well in its management of the economy of St. Vincent and the Grenadines since March 28, 2001, even with “the bad hand” which we inherited and in the difficult external circumstances. It must never be forgotten that in the last 1 ½ years or so, the world economy has experienced its worst global show-down in nearly 30 years. Yet, this small country, St. Vincent and the Grenadines has been able to hold its own.

In the year 2002, the economy of St. Vincent and the Grenadines has grown albeit modestly, and has done better than our immediate neighbours. The fiscal situation of the government has improved to the extent of an estimated surplus on the current account of some $30 million for 2002. The actual capital expenditure for 2002 is estimated to be around $80 million or an implementation rate in excess of 70 per cent, far better than in recent years. Jobs have been created; and the inflation rate is very, very low. Targeted strategic interventions, designed to improve the lives of the people, have been made. This, and more, have been accomplished in a political context where in practical and legal terms, this country has been experiencing a freedom and democracy greater than ever before in the history of this country.

In its “Concluding Mission Statement” consequent upon its recent regular Article IV Consultation to St. Vincent and the Grenadines between October 22nd and November 2nd 2002, the International Monetary Fund (IMF) mission had this to say.

> “The Government of St. Vincent and the Grenadines is to be commended for achievements in its first eighteen months against a difficult regional and global environment. These include consecutive growth in 2001 and 2002; improvements in overall public sector savings through better enterprise performance, reduced tax exemptions, and improved tax collections. These achievements were underpinned by the monitoring of public sector enterprise performance on a quarterly basis; regular consultation with civil society on economic matters; and progress in restructuring the banana industry.”

Compared to the rest of the OECS Countries, the IMF emphasized that the performance of St. Vincent and the Grenadines “is remarkable.”

To be sure, there are still difficulties, serious challenges and uncertainties but the ULP Government has been facing them with clarity, good sense, commitment, energy, focus and accomplishment. That is the unvarnished, truthful assessment.

Mr. Speaker, in the budget for the year 2003, this ULP Government has put more money in the hands of the people of St. Vincent and the Grenadines. First, the salary and wage bonus for employees and pensioners on the central government's payroll amounts to $6 million. Secondly, the tax break for tax-payers which lifts the tax threshold from $12,000 to $13,000 per year costs the Treasury $2.2 million. Thirdly, corporation taxes for manufacturers and hoteliers which amounted to 40 percent, at the top rate, when the ULP came to office, will, from the tax year January 1st, 2003, be 30 percent – a drop of 25 percent in two budgets. Fourthly, housing developers have been accorded handsome tax relief. Here and there elsewhere in the budget, one finds very small upward adjustments in administrative taxes. So, overall this budget is better than a "Tax Free Budget." It is a "Tax Giveaway Budget." The ULP government has put more money back into the hands of the people. I say: spend it, save it, invest it, but use it wisely for yourself and your country.

Mr. Speaker, there have been even more dollars for the people than has been indicated above. Let us list a few:

1. 1. The banana farmers, through WINCROP, direct grants from the Government, very favourable credit facilities and other assistance have a post-Lili package in the order of $5 million. The plantain farmers and poultry growers have also been assisted.

2. 2. The road workers are currently benefiting from the ULP Government's special Christmas work programme. This year, as Minister of Finance, I have already released $1.5 million for special road works, over seven times more than the NDP government ever spent in this regard. This is over and above the regular road works programme. All told, over $4 million is currently being spent on special and regular road works. Thousands of people are currently employed on the roads.

3. 3. The Public Sector Investment Programme has picked up extra speed in this last quarter of 2002 providing employment for large numbers of persons.

4. 4. Hundreds of recipients of barrels from overseas are saving much money, to be spent elsewhere, because of the government's duty-free concessions on barrels.

5. 5. The ULP government's successful courting of Disney Studios, the makers of the film Pirates of the Caribbean, has resulted so far in over US$2 million being spent locally on wages, meals, accommodation and services of one kind or another.

This budget has had something positive for everybody including public servants, teachers, nurses, doctors, policemen/women, farmers, fisherfolk, students, young people, the disabled, the sick, the elderly, pensioners, workers, manufacturers, hoteliers, and legitimate investors of all sorts. This year again, there will be "the Reach Out and Touch" Programme for the elderly and the shut-ins.

The employees at the National Commercial Bank will be celebrating this Christmas too. As of January 2003, their pension scheme becomes operational and would be fully vested over a five-year period. For some 25 years the National Commercial Bank employees have been without a pension scheme. It is the ULP government which has put this issue firmly on the agenda, caused the matter to be carefully studied, and had it negotiated with the employees' union. And it is the ULP Government which has directed the NCB Board of Directors towards the implementation of the Pension Scheme. Last week, the negotiations were concluded with the Union. I have been advised that it will cost the Bank some $2.5 million over five years. It is a generous pension scheme which funds past service of the current employees. From January 2003, the scheme becomes contributory.

Every single area in the delivery of public service and the building of the physical infrastructure has been advanced as a consequence of the budget. The holders of Ministerial portfolios will provide further details of this. Never before in the history of St. Vincent and the Grenadines has so much progress been made on so many fronts in so short a time.

A lot of what is in the budget has come directly from the stakeholders and the people themselves in the consultations. Listeners will recognize their specific ideas which have been given public policy form in this budget. I feel sure that the organised stakeholders will be satisfied; so too, I am certain, will be the 108 persons who made specific policy suggestions, of a national kind, at the six public consultations. These include: Oscar Allen's excellent proposal for building capacity and enhancing skills among agricultural workers; Lucille Cozier's ideas for soft skills training and continuing education in the public service; Aron Glynn and Johnny Ollivierre's contributions about moorings in the Grenadines; Christopher George's suggestions on adult education and the fishing industry; Anthony Stewart's wide ranging prescriptions on education and the development of Union Island. Father Andrew Roache's views on tourism in the Southern Grenadines; P. John's proposals on public sector reform and enhanced productivity in the teaching and public services; Hugh Stewart's emphasis on feeder roads; and Andrew Liverpool's call for civil society's involvement and support on a range of developmental matters. In the budget, too, are many specific constituency proposals advanced by citizens at these consultations. Others will be addressed in the ensuing budget years. Constituency representatives will no doubt speak to them in this budget debate and subsequently.

I announce, too, as part of the on-going process of consultation that each Minister will go on the road from January 2003 in at least three public consultations relating to his or her port-folios to inform the people, and to be questioned, about the relevant proposals contained in the budget.

The focus of this budget, and Government's policies, has been fiscal consolidation, economic reconstruction, deepening good governance and strengthening regional unity. Over the past twenty months, the ULP administration has stabilised the country's fiscal condition; now we must consolidate. Fiscal consolidation has to be at the forefront of the agenda. So, too, must be the reconstruction and transformation of the economy. This budget has provided stimuli to the economy, but its reconstruction and transformation cannot be effected without major institutional and production alterations. Initiatives on these abound in the budget.

The fiscal consolidation and economic reconstruction are being implemented at a juncture when the processes and effects of globalisation and trade liberalisation afford a small, open economy like St. Vincent and the Grenadines very little economic space and very little time. Relatively strong European economies have had nearly fifty years to make their adjustments; weaker Caribbean economies, including St. Vincent and the Grenadines are having no more than seven or so years. All this makes the imperative of an economic union of the OECS and the full flowering of the Caribbean Single Market and Economy (CSME) all the more urgent and compelling. In the OECS, we must create a single financial and economic space within three or four years not only to ensure survival but to promote many-sided development.

We must understand that the World Trade Organisation (WTO) and the Free Trade Area Agreement of the Americas (FTAA) and the post-Cotonou negotiations with the European Union are not waiting on us. These movements in international trade beckon us in the OECS and CARICOM to deepen regional integration and to be more competitive. Although our national responses are critical, more and more, our strategic focus has to be in a regional framework utilising a range of instruments: monetary, fiscal, trade, investment, income and productivity, social, environmental and external economic relations.

None of the economic options or strategic directions can be efficaciously implemented outside of a context of deepening and reconfiguring good governance. Indeed, deepening good governance is not only a political and democratic question, it is an economic issue of the first order.

These economic policy objectives and instruments are to fashion achievable goals and objectives within our people’s own interests. So, the general objective is a sustainable strategy for economic development. The specific goals are sustained economic growth of five per cent per annum; at least halving unemployment and poverty in another ten or so years; attaining a high level of all-round human development; and transforming St. Vincent and the Grenadines into a modern, sophisticated country with universal standards but lodged within the particularity of further ennobling our Caribbean civilisation and all which that entails.

Mr. Speaker, I call on this Honourable House and this magnificent nation of St. Vincent and the Grenadines to embrace these path- breaking ideas and focussed vision. The acceptance of these ideas and vision must not be theoretical or rhetorical; it must be real; and daily manifestations must be evident in life and production. This means, among other things, that each and every one of us must avoid laziness, criminality and vagabondry like the plague; we must educate ourselves; emphasise our individual and social obligations in addition to raising the flag of our rights and entitlements; we must lift our standards, and live civilly and good-neighbourly with one another.

The stubborn minority in our midst who for one reason or another would wish to undermine all this or conduct themselves contrary to these clear-sighted and praiseworthy “Together Now” initiatives should be given little or no space to derail the rest of us from this focussed national enterprise. We should strive to get them aboard without yielding one inch to their counter-productive activities.

Mr. Speaker, no one owes us a living. Ignoble ease will get us nowhere. A hard working, focussed and productive people, in communion with a thoughtful, creative and sound leadership, will triumph. That is the positive message I leave with you. That is the hope we must embrace; that is the faith we must demonstrate; that is the love we must show; that is what we must use to craft the justice which we crave.

Thank You

APPENDIX I

Proposed Vehicle Surcharge (Vehicle over 4 years old)

Heading	Description of Goods	Proposed Amount
87.04	**Motor vehicles for the transport of goods.**	
8704.10	Dumpers designed for off-highway use	$3,000
8704.20	Other, with compression-ignition internal combustion piston engine (diesel or semi-diesel):	$3,000
8704.219	Other	$3,000
8704.229	Other	$3,000
8704.239	Other	$3,000
8704.30	Other, with spark-ignition internal combustion piston engine:	$3,000
8704.319	Other	$3,000
8704.329	Other	$3,000
8704.90	Other	$3,000
87.05	**Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for lorries, fire fighting vehicles, concrete-mixer lorries, road sweeper loories, spraying lorries, mobile workshops, mobile radiological units.)**	
8705.10	Crane lorries	$3,000
8705.20	Mobile drilling derricks	$3,000
8705.40	Concrete-mixer lorries	$3,000
8705.90	Other	$3,000

APPENDIX II

Proposed Increase in Consumption Tax on Spirits

Heading	Description of Goods		
22.08	**Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liquers and other spiritous beverages.**	**Current Consumption Tax Rates**	**Proposed Consumption Tax Rates**
2208.201	Brandy, in bottles of a strength not exceeding 46% vol	$12.00 lg.	$24.00 lg.
2208.209	Other	$12.00 lg.	$24.00 lg.
2208.301	Whiskies in bottles of strength not exceeding 46% vol	$12.00 lg.	$24.00 lg.
2208.309	Other	$12.00 lg.	$24.00 lg.
2208.401	Run in bottles of a strength not exceeding 46% vol	$6.25 lg.	$7.00 lg.
2208.501	Other	$6.25 lg.	$7.00 lg.
2208.509	Gin in bottles of a strength not exceeding 46% vol	$15.00 lg	$27.00 lg
2208.60	Vodka	$15.00 lg	$27.00 lg

APENDIX III

PROPOSED REVISION OF PLANNING APPLICATION FEES

BUILDING WORKS New, additions and alterations which affect the external appearance of the building.

CATEGORIES	LAND/BUILDING USE	EXISTING FEES	PROPOSED FEES
Category A	**Residential Single Family**		
A1	Total Floor area under 600 sq. ft.	$ 5.00	$ 10.00
A2	Total floor area between 601-1200 sq. ft.	$ 20.00	$ 50.00
A3	Total floor area 1201 – 2500 sq. ft.	$ 40.00	$ 75.00
A4	Total floor area 2501 – 5000 sq. ft.	$100.00	$200.00
A5	Over 5000	Nil	$300.00
Category B	**Multiple Family – Residential**		
B1	Under 2000 sq. ft.	$ 50.00	$100.00
B2	2001 – 5000 sq. ft.	$100.00	$200.00
B3	Over 5000 sq. ft.	$200.00	$300.00
Category C	**Lodgings, Boarding Homes EXCLUDING Hotels, etc.**	$100.00	$150.00
Category D	**Hotels/Guest Houses**		
D1	5 Rooms Hotels	$100.00	$150.00
D2	6 Rooms – 10 Rooms	$150.00	$200.00
D3	11 Rooms – 20 Rooms	$250.00	$300.00
D4	Over 21 rooms	$400.00	$500.00
Category E	**Kingstown Central Business District - Commercial or Mixed Commercial Uses including: Retail Goods; Retail Service; Wholesale; Financial; Industry; Office; Professional**		
E1	Under 1000 sq. ft.	$100.00	$150.00
E2	1001 – 4000	$200.00	$300.00
E3	4001 – 10,000	$300.00	$400.00
E4	Over 10,000	$500.00	$600.00
Category F	**Commercial – Outside of Kingstown Central Business District – Commercial; Mixed Commercial Uses including Retail Goods; Retail Service; Wholesale; Financial; Industry;**		

Office; Professional

F1	Under 1000 sq. ft.	$ 50.00	$ 75.00
F2	1001 – 4000 sq. ft.	$100.00	$150.00
F3	4001 – 10,000	$150.00	$200.00
F7	Over 10,000	$250.00	$300.00

Category G **Institutional**

G1	Churches	$ 50.00	$ 60.00
G2	Community Centres	$ 50.00	$ 60.00
G7	Other Community Facilities	$ 50.00	$ 60.00

Category H **Rural and Bad Neighbour Development**

H1	Agriculture Farm Buildings	$ 20.00	$ 30.00
H2	Mechanic Workshop/Garages	$150.00	$250.00
H3	Petrol Stations	$250.00	$350.00
H4	Cottage Industries	$ 20.00	$ 30.00
H5	Entertainment Halls	$250.00	$350.00

NB. **Application for extension to buildings**

Fees would only be charged for the proposed extensions, in accordance with the rates per the above categories.

Category I **Demolition, Mining and Engineering Work**

I1	Jetties/Groynes	$100.00	$200.00
I2	Marina	$500.00	$750.00
I3	Quarrying Activities	$100.00	$300.00
I4	Demolition of Single Family House	$ 10.00	$ 20.00
I5	Other Demolition	$ 50.00	
I6	Removal of Existing House	$ 5.00	$ 10.00
I7	Retaining Walls/fences		$ 20.00

Category J **Change of Use**

Change of use of land to non-agricultural uses outside the Kingstown Central Business District together with existing buildings thereon including relevant alterations, additions and other works.

J1	Under 4,000 sq. ft. of land	$20.00	$50.00
J2	4,001 – 10,000 of sq. ft of land	$50.00	$60.00
J3	10,001 – 40,000 sq. ft. of land	$75.00	$100.00

J4	Over 40,000 sq. ft. of land	$100.00	$150.00
	Change of use of land/building in the Kingstown Central Business District		
	1. 1. Land under 5,000 sq. ft. with no building	$ 5.00	$ 20.00
	2. 2. Land over 5,000 sq. ft. With no building	$ 75.00	$100.00
	3. 3. Land with building with Total floor area to be charged		
	Less than 1000 sq. ft.	$ 50.00	$ 75.00
	1000 – 3000 sq. ft.	$100.00	$120.00
	3001 – 10,000 sq. ft.	$150.00	$200.00
	Over 10,000 sq. ft.	$200.00	$250.00

Category K **LAND SUB-DIVISION**

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a. a. **Residential**

Where the area of land to be cut off or subdivided is for residential purposes

Does not exceed 0.5 acre	$100.00	$150.00
Is over 0.5 acre but less that 5 acres	$200.00	$250.00
5 – 10 acres	$300.00	$400.00
Over 10 acres	$400.00	$500.00

b. b. **Agriculture**

Where the area of land to be cut off or subdivided is to be retained for agriculture use.

Does not exceed 2 acres	$ 10.00	$ 20.00
Is over 2 acres but less than 10 acres	$ 20.00	$ 40.00
Is over 10 acres	$ 50.00	$100.00

c. c. **Other**

Where the area of land to be cut off and subdivided for non-residential and non-agricultural uses

Does not exceed 0.5 acres	$100.00	$150.00
Is over 0.5 acres but less than 5 acres	$200.00	$250.00

Is 5 acres but less than 10 acres	$350.00	$400.00
Over 10 acres	$500.00	$750.00

ADDITIONAL CATEGORIES

Category L **Advertisements**

L1	Charitable, Religious and Community Based Purposes	-	$ 10.00
L2	Sole Proprietor Business	-	$ 50.00
L3	Companies	-	$150.00

Category M **Telecommunication Facilities**

M1	Sole Antennae	-	$ 50.00
M2	Signal Bases	-	$150.00

APPENDIX IV

EXAMINATION OF CONTAINER ON PRIVATE PREMISES

		Existing	Proposed
(a)	for a 10ft container	$ 50.00	$ 60.00
(b)	for a 20ft container	$ 80.00	$100.00
(c)	for a 40ft container	$100.00	$125.00

APPENDIX V

QUEEN'S WAREHOUSE SCHEDULE OF CHARGES

Particulars	Unit	Current		Proposed	
		1st mth	2nd month and each month	1st mth	2nd month and each month
1. Barrels, Buckets, Drums, Firkins, Kegs, Pipes, Puncheons, and other similar packages					
a. Packages containing liquids	Per liquid gallon or part thereof	.70	1.10	.85	1.30
b. Packages containing other articles	Per 100lb gross or part thereof	2.00	4.00	2.40	4.80
2. Bags containing grain or other articles	Per 100lb gross or part thereof	2.00	4.00	2.40	4.80
3. Building and construction metal - N.E.S	Per 100lb gross or part thereof	2.00	4.00	2.40	4.80
4. Demijohns and jars	Each	1.60	2.60	1.90	3.10
5. Metal, unpacked including metal sheets, tubes, pipes, etc.	Per 100lbs gross or part thereof	2.00	4.00	2.60	4.80
6. Tierces	Per 100lb	4.00	5.30	4.80	6.35
7. All other articles and packages not enumerated	Per cubic feet	1.60	2.70	1.90	3.25