

BUDGET ADDRESS 2006
Delivered in the House of Assembly
on Monday 23rd January, 2006
By Prime Minister and Minister of Finance
Dr. The Honourable Ralph Gonsalves

INTRODUCTION

Mr. Speaker, Honourable Members

On December 7, 2005, the people of St. Vincent and the Grenadines overwhelmingly re-elected the Unity Labour Party (ULP) to govern our magnificent country for another five-year term. The ULP secured a whopping 56 per cent of the valid votes cast and won 12 of the 15 seats. This landslide electoral victory was a massive endorsement of the ULP administration's policies, programmes and performance. It is, too, a mandate for the ULP to consolidate, to refine, to deepen, and to extend its excellent work, policy framework and programmatic platform, as articulated in its *Manifesto 2005, Better By Far!* and *the ULP Youth Manifesto 2005.* A copy of each of these Manifestos was tendered as documents of this Honourable House during the recent debate on the 2006 Estimates.

Mr. Speaker, it is unfortunate that the overall losers in the recently-concluded general elections unfairly maligned the sound reputation of our country and the good name of honest public officials and political leaders by falsely alleging that they — the overall losers — were in possession of “overwhelming evidence” of electoral fraud and electoral irregularities on a scale so large as to vitiate the verdict of the electorate. They falsely alleged that there was somehow a conspiracy of monumental proportions, involving election officials and the top brass of the Unity Labour Party, to steal the elections. They further alleged, falsely too, that the elections were in fact stolen and that they had the so-called “overwhelming evidence” to prove it all in the High Court by way of election petitions. It is now history that no election petitions have been filed and the overall losers, the opposition New Democratic Party (NDP), have since admitted that they do not possess a sufficiency of evidence to support their post-elections hysteria or to ground any election petition. Up to now, no one in the Opposition has had the basic decency to apologise to the people of this country for the damage caused to our country's reputation by the wild allegations of “electoral fraud”. There has been no apology, too, made to those persons against whom defamatory statements were made. Not even the sober and conclusive judgment of the independent observers from CARICOM and the Organisation of American States (OAS) that the elections were indeed free and fair and were reflective of the people's will, occasioned the Opposition to pause. Indeed, the Opposition threw caution to the wind and critiqued the

independent observers themselves. Subsequently, the locally-based National Monitoring and Consultative Mechanism (NMCM), issued their “Report on the Elections” and came to the same summary conclusion as that of the observer missions from CARICOM and the OAS. Perhaps the National Monitoring and Consultative Mechanism (NMCM), too, will be critiqued in this regard by those who are yet to come to terms with their defeat.

Mr. Speaker, no right-thinking person can reasonably accept this avalanche of falsehoods about the general elections from the Opposition. It is wholly irresponsible, and unpatriotic, to tarnish the solid reputation of one’s country without a sound basis. It is shameful and unlawful, too, to defame honest persons in the conduct of their official duties. As Prime Minister, I take the false allegations most seriously. I assure this Honourable House, Mr. Speaker, that it has not heard the last from me on the most irresponsible conduct and utterances of the Opposition.

Mr. Speaker, each of us in this Honourable House, and indeed in St. Vincent and the Grenadines, has his or her own role to play in the governance of our country in the interest of our people’s humanisation, particularly in these very challenging times. Each of us is called upon not only to do things right but to do the right things and to do them well to the best of our individual and collective capacities. Each of us must make each day count for the better and to make each day count more than the day before!

Mr. Speaker, Honourable Members, since our nation’s formal embrace of constitutional independence on October 27, 1979, four successive Ministers of Finance have delivered, in the aggregate, 26 Budget Addresses. This is the 27th. Sir James Mitchell made 15 of these Budget Speeches; Robert Milton Cato of Blessed Memory crafted 4; the Honourable Arnhim Eustace had 3 Budget Presentations. This is my fifth. Each of us has had to grapple with challenges, both similar and different. The challenges, however, are becoming more and more onerous. But still, I am satisfied that we will meet them successfully.

Mr. Speaker, in each of my preceding Budget Addresses I embarked on a sensible quest for continuity and change, for adaptation and reform, for consolidation and innovation, for refinement and creativity, in the context of the available resources. All this has been accomplished through a sober reflection of the real world, and a focused determination to push to the outermost limits the full extent of our nation’s possibilities, in our people’s interests. This again is the kernel of the budgetary journey for the year 2006. It essentially reflects our government’s philosophical disposition, born of a studied experience of life, living and production, which rejects the debilitating gospel of learned helplessness. The challenges which we face ought not to overwhelm us. Indeed, our approach is to analyse carefully, plan creatively, and implement wisely, all in a spirit of optimism fashioned through the prism

of our Caribbean civilisation and our nation's condition. This ULP government is not in love with problems; we are in love with their solutions.

This certainty of our nation's capacity to meet successfully our extant challenges arises fundamentally from our bedrock conviction that our nation will endure and prosper because it is founded on the belief in the supremacy of God and the freedom and dignity of man. This belief begets, gives birth to, the desire that our society be so ordered as to express the people's recognition of the principles of democracy, free institutions, social justice and equality before the law. Moreover, the realisation of the maintenance of human dignity, which we proclaim as being intrinsic to economic advancement, presupposes, among other things, the safeguarding of our people's rights of privacy, family life, property, and the fostering of the pursuit of just economic rewards for labour. This 2006 Budget reflects these beliefs, rights, principles and ideals. A Budget necessarily is about finance, economics and economic development but it cannot be divorced from real flesh-and-blood people with their bundle of values, in life, living, and production in a particular landscape and seascape, at a particular time, in the global political economy. A Budget, thus, is not an economic abstraction; it is a lived and living reality. To be sure, it is a set of financial house-keeping figures and resource allocations for developmental projects for a specified financial year but it is also a lived work-in-progress for the nation's overall advancement.

Mr. Speaker, Honourable Members, I reiterate that the challenges which we face at this juncture are awesome but they must not frighten us; we have it in us as a nation, and in conjunction with others, our friends and allies, to meet these challenges successfully. Among these challenges are the following:

1. The general fall-out from globalisation, trade liberalisation, and the revolution in information technology.
2. The on-going threat to our banana market in the United Kingdom on account of the new market regime and the changing market conditions.
3. The rising price of oil and other energy products internationally to unprecedented levels.
4. The inadequacy of air access and the absence of an international airport.
5. The imminent implementation of the CARICOM Single Market Phase of the CSME.
6. The increasing frequency, scope and intensity of natural disasters especially hurricanes, tropical storms, floods, landslides, and raging seas.
7. The unacceptably high levels of illiteracy, poverty and unemployment and the potential socio-economic time-bomb called HIV/AIDS.
8. The increasing level of violent crime and lawlessness, especially among young males.

Mr. Speaker, Honourable Members, policy vehicles exist which can be, and are being, fashioned to address each of the central challenges individually and as a composite whole. Further, it is not beyond us to implement the necessary and desirable public policies in an effective way so as to push our nation further along its developmental path.

Vital to our meeting the extant and prospective challenges successfully, are the central elements of our economic approach and the major features of our fiscal stance. Among the central elements of our economic approach, which focus on sustainable growth and social justice, are the following:

1. The maintenance of the macro-economic fundamentals of a stable currency, low inflation, fiscal prudence, enhanced competitiveness, and increased productivity.
2. The placement of social equity at the centre of the considerations in the fashioning of economic policy.
3. The close collaboration, and inter-relationships, between the private, cooperative and state economic sectors in driving the economy forward with real growth.
4. The consummation of the “single market” elements of the CARICOM Single Market and Economy (CSME), the laying of the basis for the “single economy”, and the acceleration of the push towards an economic union in the Organisation of Eastern Caribbean States (OECS).

In this second term, we will continue to twin our broad economic approach with a fiscal policy of stimulus and prudence. Accordingly, we have undertaken to pursue the following fiscal goals, among others:

1. Implement a Public Sector Investment Programme to provide, among other things, a further fiscal stimulus to the economy. In the process, we strive to implement currently, an annual capital programme of at least EC\$140 million, financed in a manner not to lead to unsustainability.
2. Provide an appropriate balance between the conflicting objectives of injecting a fiscal stimulus and maintaining a sustainable debt path.
3. Strive to contain recurrent expenditure over the budget cycle so as to accrue a surplus on the current account of at least 3 per cent of Gross Domestic Product (GDP).

4. Rationalise the tax system in order to reduce the level of taxation on individuals and companies, and to introduce a modern Value-Added Tax (VAT).

In summary, therefore, that is our government's fiscal stance. In our 2005 Budget our economic approach focussed on policies to facilitate further private sector development, especially for small and medium-size enterprises. This year, the focus on private sector development will intensify.

On the implementation agenda for private sector development, in 2006 are the following, among other things:

1. The creation of a Coordinating Inter-Ministerial Committee on Private Sector Development chaired by the Office of the Minister of Finance and Economic Planning.
2. The further strengthening, institutionally, of the Centre for Enterprise Development (CED) to better serve micro, small, and medium size enterprises.
3. The elaboration, and start up, of the EC\$20 million private sector development programme, financed by the European Union.
4. The rebranding, further strengthening and expansion of the state-owned National Investment Promotion Incorporated as St. Vincent and the Grenadines Invest.
5. The articulation of the comprehensive National Export Strategy fashioned through NIPI.
6. The upgrading of the physical facilities and the laboratory of the state-owned Bureau of Standards.
7. The commencement of, or preparation for, construction of several tourism related projects. These include:
 - a. The Buccama Tourism Development project;
 - b. The multi-million dollar hotel complex at Mt. Wynne – Peter's Hope;
 - c. A small hotel and marina at St. Hillaire, Bequia;
 - d. The tourism facility at Rabacca, funded by the state-owned National Properties;

- e. The Golf Villas and Estate Villas in the northern part of Canouan;
 - f. A top-class Marina and Apartment Complex at the southern-end of Canouan;
 - g. Hotel development on Union Island.
8. The quest to partner with private sector entities in the ownership and management of recently-constructed agro-processing facilities, including the Vacuum Packaging Plant at Lauders.
 9. The establishment of a Centre of Excellence through the state-owned National Institute of Technology.
 10. The setting up of the National Productivity Centre to facilitate increased productivity.
 11. The establishment of the Worker Institute for Research and Education to lift worker education, all-round, including an engendering of better attitudes to work and production.
 12. The likely consummation of an agreement with an overseas investor for the operation of another off-shore Medical School on mainland St. Vincent.
 13. The setting up of a Commercial Unit in the Ministry of Culture to better market and develop entertainers and cultural workers as viable entrepreneurs.
 14. The close collaboration between the state-owned National Fisheries Company and the private sector in the further development of the fishing industry.
 15. A determined effort to secure cheaper energy for business and productive enterprises and to elaborate for practical implementation a National Energy Conservation Programme.
 16. The further practical involvement of the private sector, the labour unions and NGOs in the governance apparatuses of the country through such bodies as NESDEC and the Tripartite Committee on the Economy (TCE).

All of these efforts are additional to the host of measures already in existence to assist the private sector, including fiscal incentives and a lessening tax burden. Special programmes are already in place to help micro-and-small

enterprises including the Micro Enterprises Loan Programme through the state-owned National Commercial Bank.

Clearly, too, an improvement in the efficiency and effectiveness of the public sector will facilitate further private sector development. Too often government services are delivered in a dilatory manner; sometimes, too, they are overly expensive and time-consuming. A simplification of government procedures, including those at Customs, and less bureaucratic tardiness, will assist greatly. We must make a more determined effort to be business-like and business-friendly in the State administration.

As a people we must all appreciate that business activity creates wealth. Wealth creation, twinned with appropriate social policies, is a fundamental poverty reduction activity. The people of St. Vincent and the Grenadines must not be afraid to be competitive and create wealth; you can make money without it becoming your God; you can retain your soul and be a successful business person; and we must not be reluctant to get into business and produce. We need more entrepreneurs. Take risks in order to get ahead. Indeed, we all need to work smarter, harder, and more productively for ourselves, our families, and our nation. In this regard, our proposed programme for “Youths on the Block” will not focus only on vital training, job creation, and social support systems but also on turning “youths on the block” into practical entrepreneurs in the various sectors of the economy. Let us therefore make 2006 an excellent year for enhanced competitiveness, wealth creation, job creation, and poverty reduction amidst fiscal consolidation and deepening regional integration.

DOMESTIC ECONOMY

I will now give an overview of the performance of the St. Vincent and the Grenadines economy in 2004. During 2004, the economy of St. Vincent and the Grenadines registered real growth of 5.4 percent compared with 3.4 percent growth in 2003. Given the continued pressures of globalisation and trade liberalisation, particularly the ongoing threat to our banana industry, in a war led by powerful conglomerates and influential international lobbyists, the fact that we have been able to achieve and maintain growth is striking indeed. All sectors of our economy, with the exception of Agriculture, realised growth.

The growth in 2004, was fuelled by robust performance in the construction sector which expanded by 14.7 percent; a 5.5 per cent increase in tourism; a 9.8 per cent increase in the Wholesale and Retail sector; a 7.8 percent rise in transport; and a marginal increase in manufacturing.

Regarding the construction sector (which registered the largest increase), activity reflected the rigorous implementation of the public sector investment programme. Private sector construction activity, too, showed strong

performance in 2004. Consistent with the growth in construction, “Mining and Quarrying” (7.1%) and “Electricity and Water” (14.8 %) sectors were buoyant in 2004.

In the tourism sector, the real growth rate rebounded from three years of negative growth, as a result of the more aggressive marketing employed by the Ministry of Tourism.

In the Manufacturing Sector, higher levels of output in rice and beverage production were offset by a contraction in the output of flour. The performance of the micro, small and medium business sub-sector continued to be encouraging.

The strong growth in the Transport Sector (7.8%) could be linked to the growth in the Construction sector as well as the 12.4 percent rise in the passenger movement in and out of St. Vincent and the Grenadines, during 2004.

Output in agriculture contracted by 5.2 percent, notwithstanding a 5.7 percent increase in banana production. Other crops did not perform as well, declining by 11.1% over 2003.

In the central Government’s fiscal operation, the surplus of \$36.4m, (3.2% of GDP) on the current account, was slightly below the \$42.1m (3.5% of GDP), which was realised in 2003. Capital expenditure of \$87.0m was higher than the \$82.0 figure for 2003. The combined transactions on the current and capital accounts resulted an overall deficit of \$30.5m.

An evaluation of the banking system as at December 2004, reveals that total monetary liabilities (M2) increased by 12.4 percent to \$812.3 million, compared with the corresponding period in 2003, in which M2 stood at \$722.4 million. The strong growth in M2 reflected a 10 per cent increase in narrow money (M1), and a 13.8 per cent increase in quasi-money over the period.

During 2004, domestic credit expanded by 9.1 per cent to \$554.3 million, driven mainly by private sector credit which increased to \$638.6 million as the central government reduced its net credit position with the banking system.

For 2005, all of the data are not yet available, however, preliminary indications are the economy registered growth of 4.5% for 2005, largely on account of continued robustness in the construction sector and growth in the tourism sector, especially the stay-over visitors category. In 2005, the preliminary figures show, too, a current account surplus on the central government’s fiscal accounts, although this is less than 2004. Capital spending in 2005 shows an increase over 2004.

AGRICULTURE, FORESTRY AND FISHERIES

Agriculture has traditionally been a significant contributor to the economic development of St. Vincent and the Grenadines. It has provided income, employment, and an improved way of life for many Vincentians. Although the sector's contribution to GDP has been declining in recent years, it continues to play a pivotal role in the economic life of the people of this country. The main agriculture crop continues to be bananas notwithstanding the challenges it encounters.

Bananas

In 2004, 27,812 tonnes of bananas were exported to Europe and regional markets, earning EC\$35.0 million. This is an increase of 4.2 percent in volume and 9.3 percent in value over 2003.

Preliminary figures for 2005, indicate that banana exports declined by 20.2 percent with output of 19,385 tonnes compared with 2004. Export earnings from bananas declined by 28.3%. Production has been hampered by a fall out of active farmers (from 2,099 in 2004 to 1,700 in 2005), untimely application of inputs due to some uncertainties in the industry, intense dry spells, landslides and wind damages.

The greatest challenge faced by the industry is perhaps the new regime, including its administration, which came into effect in Europe from January of this year, and which I have explained to the public on several occasions, including in this Honourable House. While we are assured that we will continue to sell bananas for 2006, the longer-term banana market in Europe remains riddled with awesome difficulties.

As part of our response to these challenges, we will continue our lobbying efforts internationally, particularly in Europe, while at the same time, intensifying our drive to restructure the local industry. This restructuring will involve a more prominent role for a wider range of stakeholders including WIBDECO and the Fair Trade Organisation. In addition, we are working in conjunction with WIBDECO to formulate a plan for the marketing of an assortment of non-banana products in the United Kingdom.

In support of the banana industry, the Government of St. Vincent and the Grenadines continues to subsidize the cost of inputs, at an annual cost exceeding \$1.5m. This subsidy has to date, been financed from the profits realized from sugar sales. Recently, the cost of sugar has been increasing, and at the same time the costs of fertilizers have also risen, effectively eroding the sugar profits. If this trend continues, the Government will have to consider the extent of its subsidies.

Arrowroot

The Arrowroot Industry Improvement Project has encountered a number of challenges which has affected adversely, the output of starch. As such, the Arrowroot Industry Improvement Project has had mixed results. To date we have refurbished and upgraded the Owia factory to produce better quality starch; renovated and improved the Milling and Pulverizing Plant; and we have removed the Head Office from Kingstown to renovated premises in the arrowroot belt. Government is taking steps to iron out the difficulties and to build on the successes that have been achieved so far. The industry has managed to increase the acreage under cultivation. However, harvesting has been hindered by a shortage of labour.

Further revitalization of the industry will continue in 2006, in accordance with the strategic action plan.

Agriculture Generally

During 2006, we will step up the diversification efforts around bananas, through the Agricultural Diversification Unit and other agencies. Specifically, we will build capacity further among farmers, farm workers, and young, prospective farmers through the delivery of training in the soon-to-be established Agricultural Training Institute and itinerant courses.

We will also operationalise the “Land Bank” to target young, prospective farmers and other interested farmers to access land for farming. The newly created Ministry of Rural Transformation will work very closely with the Ministry of Agriculture in this and other transformation initiatives in the rural areas.

Fisheries

In order to meet the requisites of the global market place, we are well advanced in our quest for the creation of a commercially viable fishing industry, among other things, in St. Vincent and the Grenadines. The fishing industry is contributing significantly to the enhancement of national food supply, reduction of unemployment, poverty alleviation and increased foreign exchange earnings.

During the past year, major strides have been made in the enhancement of the marketing infrastructure, physically and institutionally, to meet international standards for fish quality. The construction phase of the project for the remodelling of the Kingstown Fish Market, which commenced in February 2004, was completed on schedule in February 2005. The upgrading of Bequia Fisheries Centre has been successfully completed in June 2005. This centre is of a similar standard to the Kingstown Fish Market and boasts facilities for

processing and packaging of fish, lobster and conch. In 2006, the Fisheries Centre at Union Island will be upgraded at an approximate cost of EC\$1.8 million. This Government is in no doubt, whatsoever, that these facilities will play a pivotal role in the resumption and enhancement of the trade in fish with Martinique. The private sector and the State-owned National Fisheries Company are partnering in the management of the Bequia Fisheries Centre and will hopefully provide a model for the main facility at Kingstown and at Union Island.

The Japanese Government has committed to the construction of new Fisheries facilities at Owia. Early in 2006, a team will be sent from Japan to do detailed designs for these new Fisheries facilities. It is expected that construction will commence in late 2006 or early 2007, at an approximate cost of US\$7 million. Consultations were held with stakeholders from the communities of Sandy Bay, Owia and Fancy on the proposed construction of the facility. During these consultations, participants welcomed the project and were able to make valuable suggestions for its designs.

TOURISM

Tourism has emerged as the lead sector in the government's overall policy of economic diversification. Tourism currently contributes significantly to job creation, foreign exchange earnings, and economic linkages; and its potential as the economic star is enormous.

St. Vincent and the Grenadines is well placed to take advantage of emerging market segments. But to do so, it must transform its tourism from the normally traditional "sun, sea, and sand" model to a more all-embracing destination model. Essential in this process of transformation are the following: -

1. The strengthening of the management and focussed marketing of the destination, including environmental management;
2. The raising of the capacity of the industry to deliver quality services particularly through training, standard setting, certification, and product development;
3. The reform of investment promotion strategies so as to address in a more focussed way not merely the usual tax incentives but also investment tax credits;
4. The fostering of economic linkages between tourism and other economic sectors;

5. The increase in the allocation of public expenditures on tourism and physical infrastructural facilities which directly, or at first remove, connect with tourism;
6. The addressing of trade-related constraints to tourism emanating from both intra-regional travel and those in major markets such as the European Union, United States of America and Canada; and
7. The embracing of coordination, regionally, on the development of the tourism industry.

All the stakeholders in the tourism industry in St. Vincent and the Grenadines are required to make a concerted effort to work together better than ever to develop further the industry within the context of these seven elemental propositions. To this end, a National Tourism Authority Bill is to be enacted this year to provide for the creation of an appropriate institutional framework to drive tourism development. Additionally, a refashioned Tourism Standards Bill will be enacted so as to establish the framework for implementing and certifying a practically-drawn list of service providers in the industry.

Mr Speaker, during 2006, the existing National Strategic Tourism Plan will be reviewed in conjunction with the refined elaboration of the draft National Tourism Policy and the Marine Tourism Policy. The National Tourism Authority will get its policy and programmatic impetus from this review.

Tourism in St. Vincent and the Grenadines has several sectoral planks, namely, stay-over, cruise, excursion, and yachting tourism. Stay-over visitors come to the destination for a variety of reasons and therefore the product offering must be diverse, of the highest quality, and competitive. Each segment of the tourism business is important but some are more so than others. For example, in St. Vincent and the Grenadines, stay-over visitors and yachting tourism yield the greatest economic benefits to our country. It is a sobering statistic to note that in the OECS as a whole cruise tourism accounts for 64 percent of the arrivals but only 6 percent of the tourism receipts. Sobering, too, are the data from the World Tourism Organization (WTO) which show that the OECS, including St. Vincent and the Grenadines, has under performed in tourism both within the Caribbean and world-wide over the period 1990 to 2002. It is true that in more recent years there has been a comparative rebound of tourism in the OECS, including St. Vincent and the Grenadines, but the broad underlying trends demand a structural reversal, in the context of the innovative framework which my government has been fashioning since 2001 and which requires accelerated implementation. Clearly, the “sun, sea and sand” product is approaching the maturation and saturation stage for the product life cycle. Changes are, accordingly, necessary and desirable in this regard.

In St. Vincent and the Grenadines, tourism is dominated by the small hotel sub-sector. To be sure, the Raffles Resort on Canouan is in its own special category; and so, too, is the Mustique experience which is an international destination of uniqueness and the highest quality. But, all that being said, stay-over tourism in St. Vincent and the Grenadines is, by and large, a small hotel activity. And this small hotel sub-sector has its own opportunities for development and its peculiar challenges, both of which are fully appreciated by the policy-makers and those who implement public policy. Accordingly, in 2006, in addition to the existing incentives and initiatives for the small hotel sub-sector, an especial and further inter-facing between the Ministry of Tourism and this sub-sector will be fashioned under an integrated Small Tourism Enterprises Programme (STEP) which goes beyond a similarly-named initiative of the Organization of American States (OAS) for enhancement of the competitiveness and performance of the small hotel sub-sector.

Mr. Speaker, the Tourism Sector is allocated \$11.8 million or 3 percent of the current expenditure for 2006. Approximately 50 percent of this figure has been budgeted for advertising and promotions. These are increased numbers over the preceding years. And when the budget for the state-owned National Investment Promotions Incorporated (NIPI), which is shown as a subvention in the Estimates, is added to the tourism promotion vote, the total funds provided for promotions and marketing in 2006 amounts to \$7.1 or 2 percent of the total current expenditure.

On the capital side of the 2006 Budget, there is a direct allocation of over \$1.5 million to Tourism, mainly towards the National Tourism Authority, the National Parks Authority, and the Union Island Tourism Project. But far more than this sum is being put toward the tourism-related projects in the area of physical infrastructure, for example airport and air access development. Thus, the construction of the international airport at Argyle will cost almost \$500 million over a 5-6 year period; the construction of the Jet Airport at Canouan, will cost over US\$15 million over an 18 month period; the rehabilitation and extension of the E.T.Joshua airport is slated to cost approximately EC\$30 million over a 14-month period; and the financing effort of St. Vincent and the Grenadines towards LIAT over the past 4 and a half years has amounted to almost EC\$20 million.

As I indicated earlier in this address, major tourism expansion projects in the hotel industry are on the cards in 2006 in Canouan, Mt Wynne-Peter's Hope, St.Hilaire (Bequia), Buccama, Rabacca, and Union Island. When these are completed, within this five-year term, some earlier than others, the hotel plant would have grown significantly in size and quality. Meanwhile, very pleasingly, small hoteliers continue to invest. Clearly, World Cup Cricket in 2007, and its impact beyond, provides excellent opportunities for our tourism sector.

As tourism grows in importance, so, too, must our country's institutional capacity to address the many-sided nature of tourism development. Among the principal state or state-owned institutions in this regard are:

- The Ministry of tourism, Youth and Sports;
- The Ministry of Agriculture, Forestry and Fisheries;
- The Ministry of Grenadines Affairs;
- The Ministry of Culture;
- The Ministry of Finance;
- The Ministry of Education;
- The Ministry of Health and the Environment;
- The National Tourism Authority;
- The National Parks Authority;
- The National Investment Promotion Investment Incorporated;
- The National Properties Limited;
- The International Airport Development Company; and
- The Tobago Cays Marine Park.

As regards the management, regulation and development of the Tobago Cays, I want to go on record of thanking the St. Vincent and the Grenadines Chamber of Industry and Commerce for their helpful ideas. In 2006, the government will implement fully its management and development plan for the Tobago Cays in consultation with the relevant stakeholders, as promised in the 2005 Election Manifesto of the Unity Labour Party.

Mr. Speaker, visitor arrivals to St. Vincent and the Grenadines in 2004 stood at 261,469. This represents an increase of an encouraging 8.3 per cent over 2003. Available information indicates that the upward trend, particularly in the most important stay-over visitors' category, is expected to continue to the end of 2005. Indeed, up to the end of May 2005, the stay-over arrivals increased by 19.4 per cent even though overall arrivals fell. In 2006, an excellent tourism year is forecast.

I feel sure that the Ministry of Tourism working in conjunction with all the other relevant Ministries, State Agencies and Stakeholders will work assiduously to ensure a bumper tourism year. Such coordination, particularly with the Ministry of National Security, especially in the area of the potentially lucrative yachting sector, is absolutely vital. Accordingly, an Inter-Ministerial Committee on Tourism, chaired by the Minister of tourism will, in 2006, be established for on-going functioning. The Result Indicators in the Estimates and the pledges in the 2005 Manifesto of the ULP contain other policy and programmatic elements to be pursued.

EDUCATION

The on-going Education Revolution, launched in 2001, continues apace. It has so far, touched the lives of all Vincentians positively, in one way or another. And there is much more to be done. In this second term the ULP Administration is mandated, among other things, to consolidate, deepen and extend this Education Revolution. The underlying principles of this Education Revolution are simple yet profound: No child must be left behind; every child will get a fair chance, an equal opportunity, consistent with his or her skills and efforts; a mind is a terrible thing to waste; you can never be too old to learn; education is to cultivate a critical mind, to acquire skills, to imbibe or learn universal core values and those of our Caribbean Civilisation and its Vincentian particularity; education is the surest and safest way out of poverty; education is for living and production; education is the responsibility of all the major stakeholders: the parents, the teachers, the students or learners, the community, and the government.

So far, the Education Revolution has impacted positively upon all its sectors: Early childhood, primary, secondary, post-secondary, tertiary, nursing, teaching, adult, special, literacy, technical and vocational education. This magnificent record is well-known and will undoubtedly be yet again detailed in this Budget Debate by the Minister of Education and others.

The strategic Education Sector Plan, a living document which is necessarily updated periodically, sets out the 'line of march'. This has been codified summarily in the ULP Manifesto of 2005 for the period 2006 to 2011. This agenda for the on-going Education Revolution over the next five years includes the following 25 items:

- The commencement in 2006 of the construction of six schools: Secondary schools at Union Island, Peter's Hope/Barrouallie, and West St. George; and Primary schools at Bequia, Edinboro, and Fair Hall.
- The achievement of quality universal early childhood education for children between the ages of 3 and 5 years.
- The advancement of special education to the top ranks in the Caribbean, in quantity and quality.
- The ensuring of enhanced access to, and quality of, technical and vocational education, including the offer of associate degrees in this subject area.
- The expansion of access to quality university education and strengthening the basis for the achievement by 2025, at the latest, of one university graduate per household in St. Vincent and the Grenadines, on an average.

- The enhancement, markedly, of access to “distance education”, including, regionally, the Caribbean Knowledge Learning Network (CKLN).
- The completion of the process of building at least one Learning Resource Centre in every electoral constituency and the commencement of a second round of building LRCs.
- The building of a modern National Library and Lecture Theatre (Performing Centre).
- The elaboration and implementation of a comprehensive programme of remedial education and counselling, at primary and secondary schools.
- The installation of 2,400 Max Computers in 80 centres – 30 Max Computers to each centre – for remedial work, adult literacy/education, and educational training at all levels in various subject areas.
- The full flowering of the Adult Literacy Crusade into a continuing Adult Education Crusade.
- The improvement dramatically of the performance in schools in Maths, English Language, the Sciences, and Information Technology.
- The beefing up of the delivery of the service of the Book Loan Scheme.
- The further strengthening of security at all educational institutions.
- The reform of the management structure at the Ministry of Education so as to better deliver educational services.
- The provision of more national incentives for students and teachers who achieve certain benchmarks of success.
- The involvement of the Teachers’ Union and the PTAs in a structured manner in the educational system.
- The improvement in the conditions and terms of employment of teachers.
- The emphasizing further of structured assistance to economically disadvantaged students.
- The streamlining and improvement of schools transportation, sufficient for the job at hand.
- The devising of an appropriate and comprehensive state-directed insurance system for students and teachers.
- The making of the Integrated Community College into an institution of the highest quality with enhanced access for each of the divisions within it.
- The building of a modern facility to house the Ministry of Education.

- The on-going review of the curricula at all educational levels for appropriateness and relevance.
- The full integration of sports, culture, and the arts into the educational system.

In the 2006 Budget, the Educational Revolution is again the centre-stage. In the recurrent Budget, 39 new positions have been added to boost capacity in several functional areas of the educational sector including positions at the science laboratories in four rural secondary schools, more teachers at four of the recently – opened secondary schools, and 17 additional posts in the teaching, library and administrative functions at various divisions of the Community College. All told, a whopping 18 per cent of the Recurrent Budget or over \$65 million.

Additionally, on the capital side of the Budget, \$27.5 million or 16.6 per cent of the Capital Budget is allocated in 2006 to Education. In all, therefore over \$90 million of the total budget of \$580.9 million is to be spent on Education this year. We must therefore spend it wisely and productively.

This year, 2006, hefty sums have been allocated to the following, among other capital projects:

- Education Support Project
(Early Childhood, Literacy and Special Needs) :\$5.3m
- Computerisation of Schools :\$2.7m
- Adult Literacy Crusade :\$1.0m
- STATVET Educational Improvement :\$0.7m
- OECS Education Development Project
(to construct West St. George Secondary School and to rehabilitate four others) \$2.0m
- Expansion of Secondary Schools :\$1.5m
- Book Loan Scheme \$1.5m
- Basic Education II
(towards construction of a secondary school at Barrouallie and primary schools at Bequia, Edinboro and Fairhall) \$5.5m
- European Union Support Project :\$3.0m
(for design and construction of the Union Island Secondary School, Science Education, Mentoring of students, and Training of Principals).

There are four education issues upon which I want to comment: The first, parental responsibility for children’s education; the second, enhanced productivity and quality in the teaching service; the third, students’ performance; and fourthly, the performance of the Ministry of Education.

Mr. Speaker, most parents recognize that it is their responsibility primarily to educate their children. These parents structure their spending carefully so as to equip their children for school to the best of their ability and capacity. These parents, too, take an active and all-round interest in their children's education. These parents attend PTA activities; they check on their children's performance; they guide their children properly; and they see the teachers as partners, not as antagonistic interlopers, in their children's education.

But sadly, there too many parents – albeit a minority – who ignore or abandon their basic responsibility for their children's education. These irresponsible parents wash their hands of any responsibility to provide anything or anything much to their children's education. They are often, nevertheless, to be the most quarrelsome and antagonistic towards teachers and the officials at the Ministry of Education. Too many of these parents do nothing but gripe and complain. And too many of them want Government to do everything, including making the most basic provisions, for their children.

I do appreciate that some parents are very poor and they need state assistance. Indeed, children of poor families do get assistance. But I am not speaking about parents who live in poverty. I am talking about parents who can do much better but are plain irresponsible. In any event, poverty may restrain parents on matters relating to adequate financial provision for their children but poverty has never stopped good and sensible parents from being interested in practical ways in their children's education. We must carry out a campaign to make those parents who can do better, in fact do better. And those who are not in a position to do better, to help them do better.

Secondly, most teachers are conscientious and disciplined but there is a minority who need to lift their all-round quality level. In this regard, we must note that a teacher teaches both a subject area and himself or herself. The quality enhancement of teaching is an urgent matter which the teachers, their Union, and the Ministry of Education must continue to address for practical improvement.

Thirdly, students must get the message that it is necessary and desirable for them to “lift their game”, so to speak. This matter cannot be left to chance. The results must be improved and in the critical areas for the staffing of the modern economy, in SVG and overseas. This must be a focused aim or target of all the relevant stakeholders, including the students themselves.

And finally, the Ministry of Education and some of its officials. Too often, small, irritating administrative matters are left to fester for too long with unintended results. Official insensitivity to some of the seemingly insignificant problems of teachers, students, and parents sometimes mar or spoil the prospects for productive partnerships. I realize that this matter is more than ever a two-way street and that the officials are often under tremendous pressure in a ministry

which is perhaps among the most difficult to manage. Undoubtedly, the Ministry's top officials are among the best in the region and they have done a most remarkable job. And we do, sincerely, owe them a tremendous debt of gratitude. Still, like all of us, they must take a fresh guard in this period of the consolidation, deepening and extension of the Education Revolution.

In addition to getting the large things right we must fix, too, the small irritating ones. This surely calls for, among other things, a further restructuring, streamlining, and modernization of the Ministry itself. That, too, is on the agenda. The Ministry's officials are rightly pushing it.

HEALTH AND THE ENVIRONMENT

With respect to the health of this nation, the vision of this administration is to have a healthy population living in environmentally sound communities, empowered with a holistic knowledge of health, developmental and environmental issues. This vision embodies the principles of equity, affordability, quality and cultural acceptance, and it assumes even greater prominence at this time in our development when the health sector worldwide and we here in St. Vincent and the Grenadines, are faced with many challenges including the increasing demand for greater access to secondary health care.

The greatest challenges to our health care system are related to diabetes and hypertension, HIV/AIDS, criminal violence, drug abuse, and personal disregard for health.

Mr. Speaker, the results from our primary health care programme have been excellent, especially in the areas of immunization against childhood diseases; school health care; maternal and child health care, including family planning; and more recently the 'Vision Now' programme through which nationals of St. Vincent and the Grenadines are screened for basic eye diseases. This programme is conducted in collaboration with the Government of the Republic of Cuba and persons deemed to require surgery are treated in Cuba free of cost to the patients or our government. To date, over 8,000 Vincentians have been screened and already more than 600 persons have undergone eye surgery.

In our second term, we will continue to build and improve upon these initiatives, in public health care and in primary and secondary health services, including dental services.

To support the delivery of these services, we have embarked on a comprehensive programme of rehabilitation of the health care facilities. Some of these include: the Health Centre at Retreat which was rebuilt and operationalised at just under \$0.5m. Five other Health Centres at Layou, Belair, Mespo, Georgetown and Barrouallie are being retrofitted to make them disaster resistant through the World Bank Disaster Management project, and

the Richland Park Nurse's Quarters and Health Centre has been renovated. In addition, Lowmans Windward and Collins Health Centres, and Nurses and Doctors Quarters will be constructed. While all of these are crucial, the major addition to health care facilities during this year will be the General Medical Diagnostic Centre at the Georgetown Hospital, which will be built with the generous fraternal assistance of the Government of Cuba.

When constructed, this facility will be equipped with x-ray, ultra sound, laboratory, surgical and dialysis facilities. Government is also committed to an affordable National Health Insurance Service, finalised through the National Insurance Services. Work on this project will recommence once the hospital governance issues at the Milton Cato Memorial Hospital are finalised.

A major initiative remains that of the government and the Rotary concerning the possible construction of a State-of-the-art Children's Hospital to be located at the current site of the Windsor Primary School. This is envisaged to be a facility to serve the OECS. Matters here are moving slowly.

With regard to HIV/AIDS, the goal of the Government of St. Vincent and the Grenadines is to:

- (1) To decrease the fatality rate of persons living with HIV/AIDS;
and
- (2) To reduce the incidence of AIDS.

Our work in regard to HIV/AIDS has been facilitated through the HIV/AIDS Prevention and Control Programme, financed mainly through a loan from the World Bank and costing \$27 million. Together with the Minister of Health and the Environment, I Co-Chair the National AIDS Council, reflecting the priority given to the matter at the highest political levels.

Specifically, plans are well underway to construct a home for the National HIV/AIDS secretariat and to prepare the infrastructure to support the Voluntary Counselling and Testing programme. In addition, the HIV/AIDS programme has several sub programmes, which are realizing moderate to high levels of success.

These include: the Care and Treatment Programme. The care and support subprogramme now embraces a total of 144 clients. Through this programme persons with HIV/AIDS receive medication free of costs.

The Mother to Child Transmission Programme, has had tremendous success; and so, too, have been the Voluntary and Testing Programme, and the Prevention and Control Programme.

In the 2006 fiscal year, approximately 12 percent or \$44.8 million of the current expenditure budget has been allocated to the health sector. This represents a 2 per cent increase over the approved budget for 2005. Additionally, 4.6 per cent or \$7.7 million of the capital budget is to be spent this year on health and the environment.

SPORTS INFRASTRUCTURE

The Government seeks to improve the sporting infrastructure to compete for regional and international sporting events and to provide the best facilities for the development of our athletes. In this regard preparatory work on the National Stadium continues and upgrade of the Arnos Vale Sporting Complex has commenced.

St. Vincent and the Grenadines has been chosen as one of the Warm-up Venues for the ICC/Cricket World Cup 2007 and as such has undertaken to redevelop the Arnos Vale Sporting Complex. The planning process for this project has two major objectives. First, to meet the requirement of the CWC 07 Host Agreement and second to make improvements to the facility for use as a long term legacy for the nation and in doing so assure that St. Vincent will be considered for further international matches.

The first phase of the Arnos Vale Sport Complex Re-development Programme started in August 2005. It entails dismantling of the four aluminium bleachers and the relocation of the concrete bleachers to that area; and the demolition of the tall stand and perimeter wall on the eastern side of the complex.

Other on-going works relate to the diversion of the river on the eastern side to make way for the construction of a double decker stand and construction of a sea wall and perimeter fence.

In 2006, the following additional works will be undertaken; construction of a new players pavilion; construction of a double decker pavilion to seat 5,000 persons; regrassing of the outfield and the construction of a modern media centre. As a warm up venue, St. Vincent and the Grenadines will be required to provide media facilities for radio broadcasting and the print media, VIP accommodation, two training sites with international level grounds, and training nets. We are also obligated to meet all of CWC07 security requirements for the venues and players. We have provided an amount of \$20 million in the 2006 Estimates for this project.

The 2006 Budget has allocated substantial sums to “Sports Infrastructure.” In addition to the \$20 million for the Arnos Vale Cricket Facility, \$5 million is budgeted to be spent on the Stadium which is estimated to cost \$45 million. Community playing fields/hardcourts have been allocated \$0.7m this year.

DISASTER MANAGEMENT

This Government has accorded high priority to disaster management. The Emergency Recovery and Disaster Management Project has been one of the main vehicles through which we have implemented activities to address our preparedness for disasters in accordance with the St. Vincent and the Grenadines Strategic Plan for Disaster Management. This specific project is jointly funded by the World Bank and the Government of St. Vincent and the Grenadines in the amount of EC\$18.4 million and will come to an end during the first half of 2006. Its main achievements include the Emergency Operations Centre (EOC) and the on-going construction of the Layou Coastal Protection project. It was under this project, too, that we conducted work on the Integrated Coastal Zone Management and the Flood Risk Assessment Studies valued at EC\$1.7 million, which are now completed.

As we bolster the capacity of the NEMO, we shall be striving to improve our mitigation efforts. In this regard, we shall be implementing the Building Codes which would ensure that homeowners adhere to regulations which would not only make homes more resistant to hurricanes but also to earthquakes thus minimising economic losses and possible loss of life. In addition to the Building Codes, the finalisation of the Physical Development Plan which will speak to local area and regional plans, will bolster the state's efforts to effect changes which will ultimately minimise the impact of natural hazards on the development of our country.

JUSTICE, LAW AND ORDER

On the foundation issue of the delivery of quality justice, my government holds the basic policy positions:

1. Quality justice is required to be delivered to all in the most accessible ways at the swiftest possible speed and at the most economical cost in the most impartial manner, without fear or favour.
2. The Magistracy, the Family Court, the High court of Justice, and the Court of Appeal must be properly staffed.
3. The modernisation of the Judiciary, including the appropriate application of information technology, and training of judicial and administrative personnel are both necessary and desirable to deliver quality justice.
4. Appropriate monitoring and supervisory mechanisms for judges, magistrates and lawyers ought to be in place and functioning, so as to ensure the maintenance of the highest standards of conduct.

5. The regionalisation of the Magistracy is a goal worth pursuing.
6. The poor, especially, must benefit from the delivery of quality justice.

My government will continue to pursue determinedly these basic policies in the delivery of justice. More particularly in 2006, we will:

- Implement fully the Possessory Titles Act and commence the process of putting in place a modern system of land titling and registration. Indeed, applications are already being made under the Possessory Titles Act.
- Enact a Legal Profession Bill so as to properly regulate, monitor and foster further development of the legal profession.
- Commence the process of reforming the criminal law and procedure in part to redress certain advantages which persons who are charged criminally possess, without compromising a person's fundamental human rights.
- Work with the Office of the Chief Justice to put the machinery in place for speedier criminal trials in the High Court; and
- Commence the process for the design of modern High Court and Registry facilities at an acquired property at Richmond Hill for construction start-up in 2007.

The maintenance of law and order is essential for civilised living and socio-economic development. This is a many-sided issue which touches on a wide range of public policies and their outcomes. Central to all this is the quest to have serious crimes reduced to a minimum and to ensure that our country is safe and secure. To this end, my government will continue to be tough on crime and the causes of crimes. Criminals will continue to get no space from the law enforcement authorities.

A requisite on the front-line against crime is a strong, modern, well-trained Police Force. It is now well-established that my government has made remarkable strides over the past four and a half years towards building such a Police Force. All this is evident from the marked improvement in the physical facilities and amenities of the Police Force; the better equipping of the Fire Brigade and the Coast Guard; the enhanced opportunities for training; the commencement of the process of reform of the Police Force by way of the Report of the Durrant Commission; the building of a sound relationship with the Police Welfare Association; the increasing of salaries and allowances and the provision of bonuses for policemen and women; the close collaboration within the Regional Security System (RSS) and with traditional allies in the fight

against transnational crime and drug trafficking; instituting the Machine Readable Caricom Passports of St. Vincent and the Grenadines with special security features; and providing the Police Force with young talented leadership.

These efforts at strengthening the Police Force have taken place, too, in the context of the elaboration of a 14-point Strategy on Crime Prevention and its adoption in Parliament in February 2003. A vital supportive institution has been the Permanent National Commission on Crime Prevention (NCCP), established in 2004.

In 2006, my government will intensify and extend these efforts so as to ensure that national security remains a matter of the very highest priority. In 2005, we budgeted on the recurrent side to spend \$24.2 million on the Police, the Fire Service and the Coast Guard Service. This year, 2006, the budgeted figure is a hefty \$25.0 million. In 2006, too, in the Capital Budget, National Security has been allocated a commendable \$11.6m or 7 per cent of the total capital budget.

In 2006, the following Police Stations will be addressed for rehabilitation or construction.

- Questelles Police Station: The final designs have been completed; the construction is to commence soon;
- Calliaqua Police Station: To commence design and possible reconstruction;
- Old Montrose Police Station: For renovation;
- Sandy Bay Police Station: For continued renovation;
- Union Island Police Station: For designs;
- Georgetown Police Station: For design; construction to commence late 2006;
- Spring Village Police Station: For designs and preliminary consultations.

Since 2001, my government has built the most aesthetically-attractive, modern and comfortable Police Station in St. Vincent and the Grenadines at Canouan at a cost of nearly \$2m. The Owia and Rose Hall Police Stations were rebuilt, and the Biabou Station, currently being built, and is nearing completion, at an estimated cost of approximately \$2m; and the Questelles Police station has been designed and is awaiting a start-up of construction. Never before in the history of St. Vincent and the Grenadines has so much been done on Police Stations; never before has so much been done for the Police Force. My government met all the stations in a run-down condition. We are swiftly addressing each of the 27 stations in turn.

In 2005, my government delivered 16 new vehicles to the Police Force; more will be purchased this year. So, too, furniture and other equipment, including five stand-by generators for police stations in 2006. The Forensic Laboratory will be set up, equipped, and staffed this year.

Mr. Speaker, on target, too, is the plan to strengthen the institutional capacity of the Police Force through a phased implementation of most of the recommendations of the Durrant Commission, and the passage of a modern Police Act and attendant Regulations. In this process, my government intends to elaborate a Cadet Force Expansion and Reorganization Programme.

It is envisaged, too, that by October 1st, an Immigration Department, independent of the Police Force, will be established. For this, and other reasons, the Immigration (Restriction) Act will be amended.

Added to this will be a review of the St. Vincent and the Grenadines Citizenship Act passed on July 4th, 1984. New circumstances have arisen which necessitate amendments to this Act in the case of persons who seek to acquire, or have acquired, citizenship by naturalisation and as regards persons who seek to obtain citizenship through marriages of convenience. The law of this country regarding the acquisition of citizenship and its administration have, in many respects, been far too lax. Urgent corrective measures are needed. I should point out, however, that under the existing citizenship Act (Chapter 80), the Minister responsible for matters relating to citizenship may, by order, deprive someone, who had acquired citizenship by registration or naturalisation, of that citizenship if he, the Minister, is satisfied that the registration or Certificate of naturalisation was obtained by fraud, false representation, or the concealment of any material particulars. Before such an order is made by the Minister, the aggrieved person, having been notified of the proposed order, may request that the Minister refer the case to a committee appointed by the Minister for the purpose of inquiry and report.

Mr. Speaker, very important matters of national security connect with this issue. Further, I have been advised that in the past, not the near past, some persons who have acquired citizenship did so on a basis which offends the existing Citizenship Act. As the Minister responsible for matters relating to citizenship, I shall be causing a thorough internal inquiry to be done in respect of all these cases which raise appropriate suspicion. If there has been a ring which has facilitated bogus applications and a consequential grant of citizenship, it will be broken. Anyone who is currently engaged in such activity I warn them to desist immediately. Our country's citizenship is a most serious matter.

Mr. Speaker, one of the real deterrents to the commission of a crime is the realization by the intended perpetrator of the crime that, more than likely, he or she would be caught by the police. Thus, it is of the greatest importance

that the Police Force and residents of a country cooperate fully in the exercise of detecting and apprehending criminals. This is all the more important in serious criminal issues. In the five year period, 2000 to 2005, there have been 117 murders, 25 of which are listed as unsolved. Clearly, this is wholly unacceptable; so, too, is a similar number for the five years preceding the year 2000. Accordingly, I have requested that the Commissioner of Police urgently advise what additional measures are required by the Police Force to assist them in slashing the rate of unsolved murders. My government is determined to do all that is practicable to arrest this situation.

There is a related matter which troubles me deeply. Dozens of persons over the past 10 years have been found guilty of murder yet no one has suffered the death penalty which is on the law books. The slow nature of the judicial system, the legal machinations of some defence lawyers, the procedures and rules laid down by the Privy Council, and the decision of the Eastern Caribbean Court of Appeal (confirmed by the Privy Council) that a mandatory sentence of death for murder is unconstitutional, have all made it well-nigh impossible to carry out the death penalty for murder. Citizens have it in their hands to correct this situation when the new constitution comes up for adoption at a referendum sometime late 2007.

Mr. Speaker, it is true that most of the CARICOM member states have a far more serious problem of crime than we have in St. Vincent and the Grenadines. It is also true that although violent crimes are on the rise, other crimes are declining, at least according to the official statistics. But it is wholly unacceptable for a small country like St. Vincent and the Grenadines with a population of 110,000 persons to have so many homicides committed annually. Let all of us make a very special effort to reduce the incidence of crimes generally, and of violent crimes especially.

An external dimension to this crime problem has to be met head-on. Criminal gangs are uniting across the region and further a field. One important tool in crime detection is the scientific, timely gathering and analysis of intelligence in St. Vincent and the Grenadines and in conjunction with the other countries. This is an area in which the Police Force requires more legislative, technical and organisational support. I intend to engage the general public, including the Parliamentary Opposition, in consultation on this specific matter.

The external dimension relates, too, to the issue of the so-called "deportees". The statistics for 2005 show that 37 Vincentians were deported from overseas, because of committed criminal offences, not immigration offences. Most of these were deported from the United States of America and Canada. Many of these deportees committed very serious criminal offences. Clearly, they constitute a challenge for the law-enforcement authorities. We must grapple with this issue scientifically and keep a track on the criminal deportees.

Mr. Speaker, the cultivation and trafficking in marijuana and the trafficking in cocaine remain difficult challenges. The enhancement of our Coast Guard Service, the stepping up of intelligence-gathering, enhanced cooperation through the RSS, and more robust policing are contributing to placing many of the traffickers on the defensive. Still, the war is yet to be won by the law-enforcement agencies. We must continue to wage it aggressively on all fronts. This demands a national effort, and we must rise to that demand.

Meanwhile, construction of the Modern Correctional Facility continues. A further \$4.0 million will be spent on it this year. Phase One of this Facility will be completed this year. Phases Two and Three will commence.

Caribbean Single Market and Economy (CSME)

The CSME is an arrangement for closer integration of the regional economies which is intended to create a single economic space so as to enhance the productivity, competitiveness, and efficiency of CARICOM member states. This arrangement offers our producers and service providers an opportunity to reposition their productive potential and improve their efficiency and competitiveness. This year is the year of the Single Market phase; the Single Economy stage is for 2008.

While opportunities arise, the CSME poses some serious challenges, particularly to the smaller economies of CARICOM given their inherent supply and demand constraints. Accordingly, although the Government of St. Vincent and the Grenadines is in agreement with the broad principles and objectives of the CSME, we recognize the need for our policy-makers and economic agents alike to gain a clearer understanding of the issues and their implications.

The Government of St. Vincent and the Grenadines together with the other OECS member countries delayed signing on to the CSME, pending a resolution of the modalities for the operations of the special regime dealing with disadvantaged countries, regions and sectors. In particular, we were not quite satisfied with the arrangements made for establishing the Regional Development Fund. We are now satisfied that the outstanding issues are being resolved. Thus, the Government of St. Vincent and the Grenadines is ready to sign the Declaration of Intent to be CSME-ready by March 31st, 2006, provided the OECS member-states are of a like mind.

To facilitate this, we are required to make minor amendments to some existing legislation in order to make them fully CSME compliant. Accordingly, we propose to amend the Tourist Duty Free Shopping Act to remove the restriction placed on Caricom nationals from operating duty-free shops in St. Vincent and the Grenadines.

We will also amend the Yacht Licence Act to remove the exemption granted to Vincentians in respect of the head tax payable by yacht passengers. The exemption for children under twelve years of age and crew will continue to apply. The Bottle Deposit Levy Act will be amended to remove the discrimination against non-OECS producers. The levy will also be extended to cover fruit juices and water sold in bottles and cans.

ENERGY

Developments in the Energy Sector during 2005 were dominated by the large increases in the international oil prices. The benchmark Brent Crude skyrocketed to approximately \$68.00 per barrel towards the end of August 2005; the highest price ever. Indeed, oil prices have more than doubled since 2001. Although prices have since abated, they still remain at historically high levels.

As a consequence of the high oil prices, consumers in St. Vincent and the Grenadines have had to dig deeper into their pockets to pay for electricity and fuel, even though the basic electricity rates have not changed. In November 2005, the fuel surcharge stood at 35.1 cents per unit (KWh) a record high as compared with 11.4 cents at the end of 2001. Between 2000 and 2004 the fuel surcharge ranged from 13.6 cents to 19.3 cents. In 2005, Vinlec's fuel bill amounted to \$39 million as compared with a fuel bill of \$16.5 million in 2000. This is a staggering increase and it is incumbent on all Vincentians to use energy wisely. Government is in the process of formulating a National Energy Conservation Programme in order to encourage consumers to conserve energy and use electricity wisely. Elements of this programme will include the grant of tax credits for persons investing in energy conservation and renewable energy technologies, and lowering consumption tax on associated equipment and materials including energy saving bulbs. The programme will also include guidelines for the use of electricity in all public buildings. There is significant room for improvement in this area.

Mindful of the adverse social and economic impact of high energy cost, government has taken a number of measures to lighten the burden. First, we have signed the Petrocaribe Agreement with the Government of Venezuela, which makes fuel imports slightly cheaper, but more importantly will provide major benefits in the financing arrangement. The grant element in this arrangement would amount to approximately one-third of the credit. For 2006, we have estimated this grant element at \$4 million which we have included in the Revenue Estimates. When the PetroCaribe arrangements are fully established we would be sharing this increasing benefit with the consumer by offsetting a portion of the fuel price at the pump and in the fuel surcharge.

Secondly, after increasing fuel prices at the pump in August 2004 and January 2005, we have since maintained the price, notwithstanding the large increases

in the cost of the fuel. St. Vincent and the Grenadines has the lowest price in the OECS for gasoline and diesel. The price for gasoline ranges from \$8.0 per gallon in St. Vincent and the Grenadines to \$11.9 per gallon in Antigua, while the price for diesel ranges from \$7.25 per gallon in St. Vincent to \$11.00 per gallon in St. Kitts. The cost of this subsidy amounted to over \$6 million in 2005. The Government is clearly unable to continue with such a high subsidy. Accordingly, I wish to announce that with effect from January 25, 2006, the prices of petroleum products will be increased as follows:

| | Maximum Wholesale Price (per gallon) | Maximum Retail Price (per gallon) |
|----------|---|--|
| Gasoline | 8.90 | 9.50 |
| Diesel | 8.74 | 9.25 |
| Kerosene | 7.74 | 8.37 |

As is customary, we will keep these prices under constant review and will make necessary adjustments as the market situation allows.

Thirdly, we are improving the efficiency of electricity production including greater use of our hydro capability. During 2004, Vinlec experienced one of its highest ever production from its hydro stations amounting to over 22,000 mega watt hours. This was due to higher than usual rainfall during the year and the work of Vinlec's staff in ensuring high levels of plant availability.

During 2006, Vinlec will conduct a study to explore the feasibility of increasing the output from the existing hydro plants and the establishment of additional ones.

Construction of the new Lowmans Bay Plant would give further impetus to our goal of improving efficiency through the use of more modern fuel efficient generators and the retirement of less efficient units at Cane Hall. The new plant is expected to be in commercial operation during the last quarter of 2006.

Finally, we are taking steps to address the inequities in the formula for computation of the Demand Charge which has long been a problem for many commercial and industrial consumers. During 2006 Vinlec will conduct a Cost of Service Study that will among other things, look at the current cost structure of the company in providing the electricity services as well as the tariff structure. Through this study, the Demand Charge will be thoroughly investigated in order to derive a more equitable formula for imposing the charge.

LPG – COOKING GAS

Approximately 20,000 households in St. Vincent and the Grenadines consume liquefied Petroleum Gas (LPG) or cooking gas. It is a basic commodity and is subsidized in some Caribbean countries and not in others. In St. Vincent and the Grenadines, up to very recently (December) Texaco has been the sole supplier of LPG. It sells to St. Vincent Motors Company Limited, a locally-owned entity, and to Simpson Oil Limited (SOL), a Barbadian-owned company which purchased the original distribution operations of Shell Oil Company.

In early 2005, Texaco indicated to government that it intends to raise the price of bottled LPG for all the cylinders: 20lbs, 25lbs and 100lbs. The government opposed this proposal and by mid-year imposed price controls on the commodity when it appeared that Texaco was adamant about a price increase. Texaco continued to complain about both the price and the price control.

On November 7th, 2005, Texaco informed its distributors in St. Vincent and the Grenadines, by letter, that unless the government increased the price of LPG or removed the price control within one week, that is, by November 14th, notice was being given that supplies of LPG would be cut off by December 7th, 2005. I became aware of this letter on November 16th, 2005, and immediately made arrangements to meet with Texaco's officials out of Miami and, at the same time, to accelerate the receipt of LPG from Venezuela under the PetroCaribe Agreement. In November 2005, I held an amicable meeting with Texaco's officials and obtained an agreement to maintain the status quo until mid-January 2006 for further discussion on all the relevant issues. Meanwhile, on December 6th, 2005, St. Vincent and the Grenadines received its first shipment of LPG, 7,000 cylinders of 22.2 lbs each, from Venezuela under PetroCaribe. In January 2006, a second shipment of a similar volume and type also arrived.

On January 17th, 2006, Texaco's officials and government officials met to consider the pricing and other issues. There was no conclusion at that meeting. Another follow-up meeting will take place in the first week of February 2006.

Likewise, my government has held two discussions with SOL and with St. Vincent Motors. We are anxious for them, or other private sector entities, to continue in the business of distributing LPG. We also want Texaco to continue as a competitor to PetroCaribe. My government's goal is to secure the supply of LPG on the most beneficial terms to the consumers and the Government of St. Vincent and the Grenadines. This is not an ideological or political issue. It is simply a practical matter in which our country's interests are paramount.

TELECOMMUNICATIONS

In 2005, the National Telecommunications Regulatory Commission (NTRC) in conjunction with the Eastern Caribbean Telecommunications Authority (ECTEL) continued to strengthen the regulatory mechanism and to facilitate the further liberalisation of the telecommunications sector. This involved: -

- Monitoring of the implementation of the Price Cap Regime;
Completion of the Retail Tariff Regulations;
- Completion of the licence templates for AM and FM Radio, and cable television; and
- Dispute Resolution Regulations.

With respect to the aforementioned pieces of legislation, public consultations were held to sensitise the population and to obtain their suggestions for improving the legislation. There is, however, scope for greater participation in these consultations on the part of civil society and consumer groups.

As I announced last year, the Price Cap Plan included a regime of price reductions in Fixed-to-Fixed line calls and Fixed line to mobile calls. Effective November 2005, the second phase of price reductions came into effect and the rates are now as follows:-

Fixed to Fixed lines

| | | |
|---------|---|-----------------------------|
| Day | - | Seven Cents (7¢) per minute |
| Night | - | Four Cents (4¢) per minute |
| Weekend | - | Four Cents (4¢) per minute |

Fixed to Mobile

| | | |
|---------|---|------------------------------------|
| Day | - | Seventy-One Cents (71¢) per minute |
| Night | - | Sixty-Nine Cents (69¢) per minute |
| Weekend | - | Sixty-Nine Cents (69¢) per minute |

In addition, the free minutes on Fixed-to-Fixed line calling on night and weekends for residential customers, have been increased from sixty (60) minutes to eighty (80) minutes.

The work which commenced in 2005 on the review of the Telecommunications Act will continue in 2006 alongside the development of the following regulations:-

- Quality of Service;
- Universal Service Fund Management;
- Interconnection; and
- Submarine Cable Systems

Work will also commence on the drafting of a pro-competition code which will provide the framework for the determination of anti-competition behaviour by service providers.

During 2005, the Government issued Kelcom International a submarine cable license for landing submarine cables in St. Vincent and Grenadines. This has the potential of significantly reducing the cost of bandwidth and improves the Internet density throughout the country. The Government recognises however, that this is a major undertaking and the provider will need to acquire licenses in other territories or forge alliances with other licenced companies. Given the importance of this matter to the further diversification of our economy, the government will spare no effort in providing whatever support is necessary.

In 2006, Government plans to intensify development in Information and Communication Technology (ICT). The aim is to make the ICT environment more conducive to national development, improve the adequacy of the telecommunications infrastructure, and ensure that the population is capable of interacting with the services provided. This process has several components including the EU-funded Bursaries Project and the Public Sector Intranet Expansion Project.

The EU-funded Bursaries Project was designed to enhance the ICT related skills and productivity of the Vincentian human capital. The project would provide bursaries for qualified Vincentians to pay for ICT training at locally accredited institutions of choice, thereby increasing their marketability and ability to function within a technological dynamic world. The aforementioned liberalization process is expected to benefit from this enhancement in human capacity. This project will be launched during the first quarter of 2006.

Government envisages the extension of its communication backbone through the Public Sector Intranet project. The Public Sector Intranet is a core component to the delivery of e-government services. It fosters a transformation from the traditional modus operandi to an electronic one where government's business is conducted in an efficient and timely manner. The next phase of the intranet extension involves incorporating the E.T Joshua Airport as well as the Campden Park Container Port. Discussions are currently taking place relative to the connectivity of schools, clinics and other government institutions in the rural areas.

INTERNATIONAL FINANCIAL SERVICES SECTOR

The focus of the International Financial Services Authority (IFSA) during 2005 was to improve and maintain a positive profile of SVG as an international financial destination and to ensure that the industry is well regulated. The objective is to strike a balance between facilitating business and mitigating the potential risks associated with such business activity.

Income from the sector amounted to \$3.3 million during 2005 as compared with \$2.9 million collected in 2004. This improved performance was mainly on account of a 32 percent increase in the registration of International Business Companies (IBC's) during 2005.

During 2006, IFSA aims to continue the expansion of the International Financial Services Sector particularly with regard to the lower risk entities. Strategic partnerships will be forged with other regulators and agencies. The international financial services sector in St. Vincent and the Grenadines has growth potential. The government will work assiduously to realizing this potential.

National Insurance Services

During 2005, the NIS concluded its sixth Actuarial Review which was conducted in accordance with the ILO guidelines for executing social security scheme actuarial valuation. The actuary concluded that the scheme is currently in a sound actuarial and financial condition and has enough reserves as at the end of 2004 to pay expenses for the next 12 years, based on the current expense level.

The Actuary however cautioned that whilst the scheme has a significant amount of money in reserves, \$244 million at the end of 2004, the number of pensioners is rapidly increasing. Therefore, the NIS needs to be ever more cognizant of its investment strategy and cash flow needs. To ensure the continued financial soundness of the scheme, the NIS will have to increase the current contribution rate and consider other elements of pension reform in the short-to-medium term. Currently St. Vincent and the Grenadines has the second lowest contribution rate of the national insurance or social security entities in the Caribbean.

In order to ensure that the NIS continues to be of relevance to its members, the Actuary recommended increases in pensions and other benefits, and also an increase in the contribution ceilings from January 2006. These increases were implemented in July of 2005.

As part of its 2006 work programme, the NIS will address the issue of coverage to ensure that the equity and justice principles that underlie social security

programmes are dealt with. Emphasis will be placed on compliance and collection strategies, targeting the formal and informal sectors and voluntary contributors. Strict adherence will continue to be placed on best practices in corporate governance in order to safeguard the fund. NIS will also hold discussions with employers, workers organizations and other stakeholders on a timetable for the proposed increase in contribution rate which was recommended by the actuary.

I am also to report that work on the NIS Headquarters Building continues. The revised construction cost is now \$13.0 million, slightly higher than the original estimates of \$12.5 million. Some \$5.89 million have already been spent. The project is expected to be completed by October this year.

Public Debt

Preliminary figures indicate that the public debt amounted to \$985.9 million (85.2% of GDP) as at December 31, 2005. This represents an increase of \$101.8 million (11.5%) over the December 2004 debt. This increase which is due mainly to disbursement on the new loans for the:- Lowmans Bay Power Plant; the Special Road Programme and the \$30 million bond issue managed by Caribbean Money Market Brokers (CMMB).

Consistent with this increase in debt there has been a large increase in debt servicing cost which amounted to \$74.8 million in 2005 as compared to \$60.5 million in 2004, an increase of 23.5%. The fact that debt servicing now consumes approximately 22% of current revenue is of some concern to us. Accordingly, we have taken the decision to maintain the capital programme within the limit of our capacity to borrow while at the same time balancing our need to develop infrastructure critical to the continued advancement of St. Vincent and the Grenadines. This approach is part and parcel of the government's Debt Management Strategy.

Airport Development and Air Transport

Mr. Speaker, on August 8 2005, I delivered a comprehensive speech on my Government's position on the construction of an international airport at Argyle. At the time, more "doubting Thomas", drunk on the debilitating beverage of cynicism, scepticism, knee-jerk oppositionism or learned helplessness, screamed that it was all an "election gimmick." But as always, the proof of the pudding is in the eating.

Since August 2005, my government through the state-owned International Airport Development Company (IADC) has been pursuing its strategic plan to the letter, for the construction of the international airport at Argyle by 2011 or thereabouts.

The following are among some of the principal activities undertaken so far in this process: -

1. The IADC has obtained an initial loan of \$20 million from the National Insurance Services (NIS), of which a first draw-down of \$10 million has been made, to go towards the purchase of the properties at the Argyle site.
2. Large parcels of state-owned lands have been transferred to the IADC for sale so as to raise additional monies for land purchases at Argyle.
3. Other sources of finance have been identified to supplement monies from the NIS loan and the land sales to pay for the Argyle properties.
4. National Properties, another state-owned company, has been designated as the agent of IADC for the purpose of selling its lands. This exercise is already underway.
5. The IADC has selected a British firm, Brown and Company, to do the valuation of the properties at Argyle. This firm has already commenced the collection of data for its assignment. It is scheduled to be fully on the ground for the valuation exercise before the end of this month. The company is expected to submit its final report to the IADC in early March 2006.
6. The IADC has already purchased a few properties at the Argyle site, principally, two houses from the St. Vincent Building and Loan Association and five-apartment and eight bedroom building, located near to the Church at Argyle. One of the two houses from the Building and Loan Association houses a laboratory for geo-technical work; the other accommodates the Cuban-Venezuelan team of experts who are on the ground in St. Vincent and the Grenadines. The Apartment Complex will be used to accommodate more technical persons and highly- skilled workers of the Cuba-Venezuela crew. These buildings will in time, be demolished to make way for the airport's construction. Meanwhile, we make them useful.
7. The issue of the relocation of the Argyle residents is being urgently addressed. Several parcels of land have been identified for possible relocation. Indeed, currently, Her Majesty's Prisons are cleaning 15 acres of land at Harmony Hall for housing development for the Argyle residents.
8. The Cuban-Venezuelan team is at work on the design of the airport. On January 25th, 2006 a conceptual design of the international airport will be available for our consideration and approval. The

design team would visit for about one week to present this concept and answer initial questions on it. The design will go through several stages until the final design is concluded by September 2006.

9. Sites at Argyle have been identified by the Cuban-Venezuelan engineers to check their suitability for drilling in pursuance of the geo-technical work on the soils and rocks. A Drill Rig, for the bore holes, is expected to be in St. Vincent and the Grenadines during this week. Meanwhile the topographic surveys are being done. Within the next four weeks, the bathometric survey of the areas where the runway will extend into the sea, is to be done.
10. The meteorological work will commence shortly. The meteorological equipment is presently being sourced by Venezuela. When this equipment arrives, two Vincentian counterparts will join a two-man metrological team from Cuba and Venezuela to conduct the relevant wind studies.
11. The Argyle property-owners are being kept informed as to the relevant matters regarding the airport construction, the valuation of their properties, and the relocation of the residents. I personally attended one consultation with them, live on radio. I have been advised that the officials of the IADC have been in contact with them.

The Argyle International Airport is not the only feature of airport development in St. Vincent and the Grenadines, though it is the most important. Airport development is also slated for imminent commencement at Canouan and at E.T. Joshua, Arnos Vale.

The project to construct the Jet Airport at Canouan is well-advanced. The government has already borrowed US\$15 million for this project. The final designs are nearing completion and the tendering process for construction will start shortly. The construction time is estimated to be some 14 months. This is a vital capital project for tourism in Canouan and the Southern Grenadines.

The rehabilitation and extension of the E.T. Joshua Airport are being done at a cost of US\$10 million, some 80 percent of which has been borrowed from the Kuwaiti Fund for Arab Economic Development. The main components of this project are: the resurfacing of the runway, the extension of the apron, sea defense works, the construction of a new terminal building and ancillary works. The new terminal building is being designed for easy conversion as a shopping mall when the transfer of airport activity is made to Argyle after 2011 or thereabouts. We simply cannot afford to keep the E.T. Joshua Airport in its current condition.

At each of the airports in St. Vincent and the Grenadines, every effort will be made to improve markedly their management and operations. There are too many complaints about the condition of basic facilities at these airports.

My government continues its sterling efforts to keep LIAT in the skies and to ensure that effective commutation remains for inter-island air traffic. LIAT's restructuring process continues and progress has been made in transforming it from a "legacy carrier" to a "low-cost carrier." Challenges do remain but Antigua-Barbuda, Barbados and St. Vincent and the Grenadines continue to support LIAT in its efforts to complete its conversion into a sustainable entity. LIAT is of strategic importance to these member countries.

In this context, these three (3) major shareholder governments are currently considering a further equity investment of US\$10 m in LIAT to enable the airline to complete the first phase of its transformation programme.

The business plan for the period 2006-2008 places major emphasis on the following issues: -

- i. Revenue enhancement;
- ii. Customer Service Improvement;
- iii. Cost Reduction;
- iv. Completion of its corporate re-branding;
- v. Staff Development and culture change; and
- vi. Review of the communication strategy with a focus on the major stakeholders including the public-at-large.

Phase II of the transformation plan will focus on the completion of the fleet renewal programme and the related activities of route rationalization and aircraft acquisition options.

Road Infrastructure

During the year 2005, Government continued to strive to meet its objective to expand, rehabilitate, upgrade and maintain the road network so as to provide driver comfort, and safe access to and within population centres and agricultural lands.

Over 50% of our road network received varying levels of maintenance work. During the year, the majority of the road network has however outlived its design life and as such, maintenance costs are extremely high.

During the year 2005 the Government continued work on the rehabilitation of the Windward Highway between Fancy and Kingstown. The road section between Georgetown and Diamonds Gap (North Union) was completed in

October 2005. Construction work on the section between Diamonds Gap and Diamond commenced in October and will continue during the year 2006.

The construction work for the Windward highway from Langley Park to Orange Hill has been contracted and work has commenced on this section. This section includes the river crossings at Miss Jane River and Rabacca.

Design work for the other sections of the Windward highway was undertaken during the year 2005 and tenders were invited and received for Fancy to Rabacca and Diamond to Kingstown. The tenders are presently being evaluated and work is anticipated to commence in the second quarter of this year.

The government embarked on a Priority Road Programme in 2004 and continued this programme in the year 2005. To date over 5 miles of roads have received varying levels of rehabilitation. The PWD will in 2006 continue this programme to ensure driver comfort and safety, and a sum of \$10 million has been provided in this year's Estimates.

The Government of St. Vincent and the Grenadines has also embarked on a Cross Country Road linking the North Windward community with the North Leeward community. This work is being carried out in three phases comprising:

- Phase 1** The existing Inland Road on the Leeward end - Troumaca to Rosehall
- Phase 2** The existing Inland Road on the Windward end – Byrea to Ferguson
- Phase 3** The link road - Rosehall to Ferguson

The existing Inland Road on the Leeward end has been rehabilitated in 2005 up to Rosehall. Design for the Windward Inland Road has been completed and contract proposal submitted and negotiated. Construction work on this section is anticipated in the first quarter of 2006.

We have entered into a contract for the design of the central or link road. During 2006, the consultant anticipates to have the route identified and will commence the detail designs for the roadway.

The Environmental Impact Assessment (EIA) will be carried out once the route is selected and approved, and mitigative measures will be put in place to address any, or all negative impact.

Resource Requirements

The total cost of the 2006 budget, which is \$580.93 million, is one percent lower than the 2005 approved budget. This modest decline is attributed to a twenty percent reduction in the Capital Expenditure Budget. The planned expenditure for 2006 is made of recurrent expenditure of \$361.0 million, amortization and sinking fund contribution of \$54.5 million and capital spending of \$165.5 million. The 2006 Budget is financed by Current Revenue of \$363.7 million and Capital Receipts totalling \$217.3 million. During the debate on the Estimates that took place here on Monday 17th January 2006, I provided a detailed analysis of the Government's plans for this fiscal year.

The Recurrent Budget for 2006 is summarized as follows:

| Items of Expenditure | Approved Estimates 2006 | Approved Estimates 2005 | % Change |
|-----------------------------|--|--|---------------------|
| | \$m | \$m | |
| Wages and Salaries | 177.8 | 167.2 | 6.3 |
| Retirement Benefits and NIS | 24.2 | 20.4 | 18.6 |
| Other Transfers | 40.8 | 35.4 | 15.2 |
| Interest Payments | 42.7 | 39.6 | 7.9 |
| Goods and Services | 75.4 | 70.8 | 6.5 |
| Sub-total | 361.0 | 333.4 | 8.3 |
| <i>Add:</i> | | | |
| Loan Amortisation | 42.7 | 34.1 | 25.4 |
| Sinking Fund Contributions | 11.8 | 11.8 | (0.3) |
| TOTAL | 415.5 | 379.3 | 9.6 |

The 2006 capital development programme is aimed at achieving the following objectives:

- (i) to stimulate growth in the main economic sectors of Agriculture, Tourism, Transport and Construction;
- (ii) To provide the physical infrastructure critical to the modernization and development of St. Vincent and the Grenadines;
- (iii) To stimulate private sector activity by providing the supporting infrastructure to facilitate investment and business growth; and
- (iv) To improve the quality of life of the citizenry by strategically investing in the areas of poverty reduction, health, education, security and community services;

The distribution of the 2006 Capital Estimates by economic sector is as follows:

| Sector | 2006 | % share |
|----------------------------|---------------|----------------|
| | \$m | |
| Education | 27.5 | 16.6 |
| Transport | 42.3 | 25.6 |
| Community Services | 8.5 | 5.2 |
| Agriculture | 7.1 | 4.3 |
| Health and the Environment | 7.7 | 4.6 |
| Tourism | 1.9 | 1.2 |
| Security | 11.6 | 7.0 |
| Other Economic | 41.8 | 25.3 |
| Other | 16.87 | 10.2 |
| TOTAL | 165.46 | 100.0 |

Two sectors, Transport and Other Economic, account for over fifty percent of the planned capital investments in 2006. These sectors include projects such as the Canouan Airport Extension, Union Island Airport Rehabilitation, the E.T. Joshua Airport Improvement Project, The Priority Roads Repair Project, the Windward Highway Rehabilitation and the Private Sector Development Project. All of these projects are geared to providing a platform for the expansion of private sector activity.

Capital Budget Financing

The financing for the 2006 capital budget is expected to come primarily from domestic sources. Just over fifty-five percent, or \$119.13 million is expected to be mobilized locally. While the remaining \$98.1 million or forty-five percent will be sourced from external sources.

Of the \$119.1 million to be raised locally, \$4.0 million will accrue from the sale of crown lands and other government assets, \$59.0 million from local financial institutions and the remaining \$55.3 million from "Other Sources."

It is expected that Government will go to external financial markets to raise loans in the sum \$60.8 million in 2006 for the purposes of funding the capital programme. This means that just about fifty-five percent of the 2006 development budget will be financed through loans, both domestic and external. The Caribbean Development Bank and the World Bank will provide

approximately \$14.8 million, whilst other external entities are projected to provide \$46.0 million in loan financing. These new borrowings net of amortization will result in a \$65.3 million increase in the public debt.

Official development assistance from friendly Governments and multilateral agencies continues to be an important source of financing for our investment programme. Approximately \$37.3 million or 17.2 percent of the financing requirement is projected to come from this source. The Government of the Republic of China on Taiwan, which has been one of the largest bilateral donors over the years, will contribute a total of \$15.7 million to the capital programme, while approximately \$1.0 million will be received from the Government of Japan.

The European Union and the Caribbean Development Bank will also be very important contributors of official development assistance to the Government of St. Vincent and the Grenadines in 2006. The EU is expected to provide \$18.2 million in Grants to finance major capital projects in the areas of Information Technology, Private Sector Development, and Road Rehabilitation.

The details of the sources of finance for the capital budget are as follows:

| Source of Funds | 2006 m | % Share |
|--------------------------|-------------------|--------------------|
| Domestic Receipts | 119.1 | 54.8 |
| Loans | 59.0 | 27.1 |
| Other Capital Receipts | 60.1 | 27.7 |
| External Receipts | 98.1 | 45.2 |
| Grants | 37.3 | 17.2 |
| Loans | 60.8 | 28.0 |
| TOTAL | 217.26 | 100.0 |

The 2006 Budget yields a modest current account surplus of \$2.7 million and an overall deficit of \$65.36 million. The summary of the 2006 budget is as follows:

| Item | \$m |
|------------------------------------|----------------------|
| Current Revenue | 363.7 |
| Less: Current Expenditure | 361.0 |
| Current Account Surplus | 2.7 |
| <i>Add: Grants</i> | 37.3 |
| <i>Other Capital Receipts</i> | 60.1 |
| Funds available for Capital Budget | 108.9 |
| <i>Less: Capital Expenditure</i> | 165.5 |
| Overall Deficit | <u>(65.4)</u> |
| Financed By: | <u>65.4</u> |
| External Loans | 60.8 |
| Local Loans | 59.0 |
| <i>Less: Amortisation</i> | <i>(54.5)</i> |

Fiscal Measures

I have already mentioned the proposed adjustment in the prices for petroleum products which are intended to reduce the subsidy paid by government. I have also announced some minor changes to the Tourist Duty Free Shopping and the Bottle Deposit Levy Acts which are required to satisfy our obligations to the CSME.

For 2006, the major focus here will be on preparatory work for the introduction of a modern VAT and Excise Tax System from January 2007, and improvements in the tax administration at both the Customs and Excise and the Inland Revenue Departments. We will also rationalize the system of granting duty free concessions to various sectors and groups in order to control the revenue losses from these concessions.

As part of the tax reform process for the introduction of the VAT we propose to eliminate a number of taxes from January 2007 including Consumption Tax, International Telecom Surcharge and Stamp Duty on receipts. These will be replaced by the VAT along with excise taxes on alcohol, tobacco, petroleum and

other specified products. Under the VAT system the effective tax rate for most goods will be reduced, the tax base will be broadened to include most services and neither goods nor services will be taxed twice. The VAT System requires all businesses to improve their level of record keeping and to generate an effective paper trail for administration purposes. Accordingly, the VAT legislation will include strict bookkeeping requirements.

Whilst VAT has been proven to be an effective system for removing distortions and inefficiencies in the economic system, it does create some social issues. For this reason, the VAT proposals include policies for alleviating the impact on disadvantaged social groups, for example the non- application of VAT on basic foods and exempting hospital and medical services as well as education services.

In order to facilitate public debate on this important topic we have prepared a white paper entitled "Proposals for Value Added Taxes" which will soon be available to the general public. The public awareness and education campaigns for the introduction of the VAT will begin in February. We look forward to the full participation of each and every Vincentian.

The Government of St. Vincent and the Grenadines grants a wide range of tax concessions under the Conditional Duty Exemption provision of the Common External Tariff. These concessions cover almost every sector of the economy. The revenue loss in terms of revenue foregone has been increasing and is estimated at \$4.5m in 2005.

For 2006, we propose to reduce this cost by lowering the level of concessions granted to fifty percent (50%) of the import duties and consumption tax payable to the following categories: -

- Vehicles for tour operators;
- Building materials for first installation or extension of Industrial enterprises as approved by Cabinet;
- Machinery and Equipment for use in approved industries including construction;
- Items for purposes connected with tourism;
- Materials and equipment for churches and religious organizations.

Charitable organizations will continue to receive 100% duty exemption on all materials and supplies for distribution. Senior public servants, to, will continue to receive the 75% exemption of their motor vehicles in accordance with the existing terms and conditions of their employment.

CONCLUSION:

Mr. Speaker, as I conclude, I reiterate that the theme of this Budget Presentation focuses on enhanced competitiveness, economic growth, job creation, poverty reduction, fiscal stability, and regional integration.

A central focus is the further advancing of private sector development. Three essential strategic features ought to be highlighted: -

1. The formulation of a long-term vision that positions St. Vincent and the Grenadines and the proposed OECS Economic Union in the global economy. This demands an emphasis on the tourism sector, offshore professional education, health and wellness services, financial services, information technology services, and entertainment-related services for export.
2. The programmatic reorientation of the extant development model towards greater openness, innovation, entrepreneurial initiative competition, performance, and a more level playing field in the domestic and sub-regional economy; and
3. The creation, as a matter of urgency, of new and additional capacity in the labour force and the private sector to take advantage of emerging opportunities in the global market place; and in the public sector to coordinate and support the process of deeper regional integration. The quest for additional capacity in the labour force is directly connected to the Education Revolution and its appropriate outcomes.
4. The lifting of competitiveness includes: increased labour and management productivity; an appropriate application of modern science and technology, including information technology; a more efficient state administration; the sourcing of cheaper raw materials for production imports; the availability of cheaper energy; an optimal and adequately maintained road network; a quality and competitive sea and air transportation system, including, at least, adequate seaport and airport facilities; and a well regulated water taxi service.

Mr. Speaker, the wealth creation activities of the private, cooperative, and state economic sectors are the hubs around which job creation and poverty reduction revolve. In the first term of the UPL government it is estimated that some 7,000 additional jobs, net, were created. Unemployment is falling; employment is rising. All this has been achieved through our economic approach of sustainable development and social justice, our counter-cyclical fiscal stance, our targeted strategic interventions, the unleashing of the creative entrepreneurial spirit of our people, and good governance.

In this our second term in office, we offer more accelerated employment because we have laid a solid foundation for take off. Economic growth has been strong and achieved without the debilitating peaks and troughs. In 2006, we forecast real growth of at least 4.5 percent. Incomes are rising. More people are at work than before. It is the government's target to create at least 1,500 jobs in each year of this second term.

Similarly, the ULP administration has done magnificent work on its many-sided efforts to reduce poverty. Our record is detailed in a 74-page publication entitled *Four Years of Progress: Poverty Reduction in St. Vincent and the Grenadines, April 2001 to April 2005*. Poverty reduction, and its twin, education, continues to be the top priorities of my government. Every high area of public policy of the ULP administration is connected to poverty reduction; and the specially-targeted interventions to reduce poverty will be strengthened and consolidated.

Mr. Speaker, over the last 4½ years or so, poverty levels have fallen markedly from the 37 percent level of the population in 2000 to much less today. In 2006, a Poverty Assessment Report will be done to evaluate precisely the extent of the decline in poverty levels in St. Vincent and the Grenadines.

In this second term in office, my government will continue to implement the *Interim Poverty Reduction Strategy* and extend its scope in the many-sided War Against Poverty. Never before in St. Vincent and the Grenadines has there been such a focused approach to poverty reduction. This year, too, and beyond, the Social Investment Fund will be a critical vehicle in this war!

The implementation of public policies in the areas of economic growth, fiscal consolidation, education, job-creation, health, housing, national security, the provision of utility services (especially water, electricity and sanitation services), groups at risk (children, the elderly, and single-parent families), national security, physical infrastructure, lands, informal human settlements, and regional/international linkages, will be the vehicles to reduce poverty further.

In this Budget Speech I have not addressed all the issues identified in the preceding paragraph. The Ministers responsible for these, and other areas of government will do so. More specifically, Ministers who have been assigned some new portfolios such as National Mobilisation, Non-Governmental Organizations (NGO) Relations, Urban Development, Rural Transformation, and Informal Human Settlements will additionally unfold policies and plans which touch and concern poverty reduction and sustainable socio-economic development.

Mr. Speaker, economic progress and wealth creation depend very much, too, on the extent of social capital which resides in the society. In a fascinating book *The Great Depression: Human Nature and the Reconstruction of Social Order*, the American social scientist, Francis Fukuyama, avers that social capital is “ a set of informal values or norms shared among members of a group that permits

cooperation among them. If members of the group come to expect that others will behave reliably and honestly, then they will come to trust one another. Trust is like a lubricant that makes the running of any group or organization more efficient.”

That which is true for the family, group or organization is also true, in this regard, for the nation as a whole. This social capital develops in non-governmental organizations, churches, trade unions and businesses. But fundamentally, the social capital emerges and is built through the primary socializing instrument of the family. A strong and stable family structure and enduring social institutions have been known, historically, to underpin successful business enterprises and wealth-creating societies. These are conditions which the State undoubtedly helps to mould but no government can truly legislate such things into being. They are part of a social process; they are outgrowths of a civilization, our Caribbean civilisation.

This stock of social capital which, among other things, respects authority and cultivates civility and trust, cannot be ephemeral, artificial, imitative, abstract, or designed as window-dressing. It is knowledge, a set of instinctive responses in thought and action, an existential consciousness of our peculiar space and geography, and the historically-fashioned impulses for the ennoblement of our lives which constitute echoes in our bones and noises in our blood. These are the core attributes which we possess and upon which we must organize and build our culture of appropriate resistance and creative advancement in the global political economy. An uplifting culture, and its core social virtues, has the power to make a better economic society for us. That is why a coarseness of conversation in the media undermines social cohesion and economic progress. It has been known, too, to be very bad politics.

Mr. Speaker, as always, good governance underpins economic growth and sustainability. My government’s outstanding record in this regard has been internationally recognized. Four central pillars of our good governance policy will continue to be implemented, namely: Deepening political democracy; modernizing and reforming government; moving resolutely against official corruption whenever it raises its head; and being tough on crime and the causes of crime.

Among other things, these policies in 2006 would be manifested in: the continuation of the processes of constitutional and local government reform; internationally-acclaimed best practices of governance; the continuation of the Ottley Hall Commission; the finalisation of the Fiscal Covenant; the affirmation, in practice, of the policy of no political victimization; the enhanced participation by civil society in governance; and the setting up of an independent broadcasting authority, similar to what exists in other liberal democratic societies, to monitor and uphold certain minimum broadcasting standards.

Mr. Speaker, this Budget again shows that my government keeps its word. We promised that there would be no new taxes and there are none. We promised, a 4.5 percent salary increase for the teachers, the civil servants, the nurses, and the policemen and women in 2006 and we have delivered. We promised the civil servants increases in allowances and we have delivered to the extent of 20 percent increases, on an average. We promised huge percentage wage increases for “the forgotten workers” in the schools, clinics, cemeteries, and other non-unionized part-time workers, and we are delivering in the first month of 2006. We have kept our word; we can be trusted.

Similarly, when we promised before the general elections on December 7th that the annual cascade of bonuses for all central government employees and recipients of public assistance would come again for Christmas 2005, the bonuses came and the “doubting Thomases” were again proven wrong. This working people’s government manned by the ULP delivered, too, Christmas work of \$3.3 million. The so-called “Christmas goodies” in all, cost the Treasury in excess of \$10 million. Still, our fiscal outturn for 2005, showed a surplus on the current account of \$11.3 million, according to the preliminary figures.

Even amidst the most difficult and challenging times, this government provides hope for our people – a hope grounded in reality and a justified optimism. This government, too, seeks always to draw out of the people that which is good and noble in them. So, I exhort you: let us do better than last year; let us work harder and smarter; let us have less crime, especially less violent crimes; let us make each day count for the better and to make each day count for more than the day before.

This government has put down its markers with realism, optimism, hopefulness, and trusting in our people’s capacity to lift themselves higher than ever before. Our critics provide no credible solutions. Invariably they wallow in pessimism and learned helplessness. I accept fully the position of Leon Eisenberg, the distinguished author of the famous essay, “The Human Nature of Human Nature”, when he wrote that: “Pessimism about man serves to maintain the status quo. It is a luxury for the affluent, a sop to the guilt of the politically inactive, a comfort to those who continue to enjoy the amenities of privilege.” It is in the nature of our critics that when they see the illuminating light at the end of the tunnel, they say it is the light of a coming train. Basically, I have no time to waste on people who perpetually look both ways before crossing a one-way street. Given the recent electoral verdict of the people, they too share my view.

Mr. Speaker, the Honorable Minister of Foreign Affairs will no doubt delineate in this Budget Debate the contours of our nation’s foreign policy, its immense achievements over the past 4½ years, and its trajectory as we go forward. Let me state, however, that our foreign policy is at once principled and pragmatic. We are

guided solely by our nation's interest. Our friends and allies overseas have been good to us; and we thank them.

So, too, have been that part of our nation which is in the Diaspora, scattered in foreign lands. They are making an immense contribution to our nation's development in many diverse ways. It is part of my government's mission to integrate more fully our nation at home with that section in the Diaspora.

Mr. Speaker, during 2006, I shall be leading, especially within the public sector, a campaign to be called "*Get the Small Things Right.*" Up and down this country, for decades, the small, and even boring but important things, are left undone for too long. It is high time that we all make a determined effort to "Get the Small Things Right." Some spring immediately to mind: The waste of State resources such as materials of one kind or another; abuse of the telephones; indifference to saving electricity costs; lack of civility to the public; uncleanliness at some offices and state-owned buildings; a broken door or louvers left unrepaired; a pot hole in Kingstown unpatched for weeks; the deliberate playing of offensive radio programmes at government workplaces; and so on and so forth. Each citizen has his or her own gripe or complaint about public employees' indifferences in "Getting the Small Things Right." Let us together address this matter sensibly.

I am sure, too, that in the private sector there are similar problems. Complaints abound about some mini-bus operators, about clerks in stores, about riders without helmets, about some citizens' disregard of the environment, and so on. Again, let us move on them together. Where we require appropriate laws, let us enact them as in the case of helmets for motor-cycle riders.

Mr. Speaker, as I conclude, I say unhesitatingly that this is a Budget for the people, a Budget for the Nation as a whole. It has been carefully crafted to develop our nation further. I commend it to this Honourable House as realistic and visionary, immediately practical and developmental. Let us get on now with the job at hand.