

## **2012 BUDGET SPEECH**

### **THEME: JOB CREATION, ECONOMIC GROWTH, FINANCIAL STABILISATION, FISCAL RE-BALANCING AND SOCIAL EQUITY AT A TIME OF CONTINUED GLOBAL ECONOMIC UNCERTAINTY**

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#### **INTRODUCTION**

Mr. Speaker, Honourable Members, this is my eleventh Budget Address as Minister of Finance. This Budget is being delivered at a time of continuing global economic crisis and uncertainty, regional economic slow-down or contraction, on-going stresses and failures in several critical regional financial institutions, enormous challenges in the fiscal condition of Caribbean governments, the fall-out of periodic natural disasters, and multiple economic and social difficulties on the domestic front.

In relation to St. Vincent and the Grenadines many of these factors flow from pre-existing structural vulnerabilities; others exacerbate the structural condition of this country as a small, resource-challenged, dependant, open economy wrapped up in multi-relationships with monopoly capital overseas.

This special period of extra-ordinary socio-economic challenges had its initial debilitating spark in the financial meltdown in the world's major economy, the United States of America, in September 2008. This event swiftly metamorphosed into an economic depression in the citadels of global capitalism, the worst such economic collapse world-wide since the Great Depression of 1929 to 1931. The recent history of global capitalism, which has brought the world economy to a near-ruinous condition, is characterised by six salient factors, namely: (i) the slowing down, broadly,

of the overall rate of economic growth; (ii) the increased proliferation, world-wide, of monopolistic (or oligopolistic) trans-national corporations; (iii) the financialisation of the capital accumulation process; (iv) an unevenness in the process of the internationalisation of production; (v) an increased level of immiseration of huge chunks of the populations in developed and developing countries alike; and (vi) the increase in global warming and deleterious climate change.

It is practically impossible for any individual nation-state by itself, however powerful, to control, regulate, determine, or wholly or largely mitigate the outcomes arising from the extant condition of a rampant global capitalism. This is particularly striking in North America and Europe. Thus the requirement, ever more, for enhanced cooperation among nation-states the world over to tackle effectively the current challenges, even while at the same time seeking to secure national advantage. This is all part of the perilous condition of our times, internationally, awash as it is with a host of cross-cutting contradictions and complexities.

The nature and character of global capitalism has brought all of this, and more, into our homes, schools and communities by way of radio, television, and the internet. For example, we note that the pronounced unevenness of the internationalisation of production has resulted in healthy economic growth rates in emerging economies such as Brazil, Russia, India and China, and the stagnation or decline in most of Europe and the USA. Similarly, we see that the financialisation of the capital accumulation process has led to credit bubbles, junk financial instruments, and a kind of casino capitalism unrelated to the real economy's production of goods and services. Likewise, we witness a combined and uneven process of socio-economic development and underdevelopment

which raises the query: How long can the world remain unevenly yoked without further disaster?

In the USA, economic recovery has been slow and haltering; its outlook uncertain and down-side risks are worsening. In any event, it has been a period of jobless growth with unemployment hovering around 9 percent, the highest unemployment rate for decades. Some 50 million Americans or roughly 16 percent of the USA's population are on food stamps, an unprecedented figure. Meanwhile, inequity in that country's population is sharper than ever.

In Europe, the economies of Greece, Ireland, Italy, Portugal, Spain, and the United Kingdom are in a crisis of immense proportion. Governments in Ireland, Greece, Portugal, the United Kingdom, Italy and Spain have fallen under the weight of their economic burdens, either being voted out of office or hounded out by street protests and the pressures of an international capital which itself had structurally determined and/or seduced the governments and citizens alike into excesses, and increased immiseration. Ironically, the huge domestic and international financial institutions have been bailed out and their principals cosseted with outrageous bonuses, while the people as a whole, the victims of casino capitalism, and its variants, have suffered increased unemployment, misery and a pronounced loss of hope. Thus we have noticed a popular response against this reality in the metropolises through the movements of 'Occupy Wall Street', 'Occupy London', 'Occupy Athens, Rome and Madrid'.

The International Monetary Fund (IMF), the advice of which contributed immensely to the international economic meltdown itself, has been now

compelled by the circumstances to face reality. In its publication World Economic Outlook: Slowing Growth, Rising Risks published in September 2011, the IMF thundered summarily:

*“The global economy is in a dangerous new phase. Global activity has weakened and become more uneven, confidence has fallen sharply recently, and downside risks are growing. Against a backdrop of unresolved structural fragilities, a barrage of shocks hit the international economy this year. Japan was struck by the devastating Great East Japan earthquake and tsunami, and unrest swelled in some oil-producing countries. At the same time, the handover from public to private demand in the US economy stalled, the euro area encountered major financial turbulence, global markets suffered a major sell-off of risky assets, and there are growing signs of spillovers to the real economy. The structural problems facing the crisis-hit advanced economies have proven even more intractable than expected, and the process of devising and implementing reforms even more complicated. The outlook for these economies is thus for a continuing, but weak and bumpy, expansion. Prospects for emerging market economies have become more uncertain again, although growth is expected to remain fairly robust, especially in economies that can counter the effect of weaker foreign demand with less policy tightening.*

*“World Economic Outlook (WEO) projections indicate that global growth will moderate to about 4 percent through 2012, from over 5 percent in 2010. Real GDP in the advanced*

*economies is projected to expand at an anemic pace of about 1 ½ percent in 2011 and 2 percent in 2012, helped by a gradual unwinding of the temporal forces that have held back activity during much of the second quarter of 2011. However, this assumes that European policymakers contain the crisis in the euro area periphery, that US policymakers strike a judicious balance between support for the economy and medium-term fiscal consolidation, and that volatility in global financial markets does not escalate.”*

For nearly four years the premier international financial institutions have scrambled to provide contradictory, often incomprehensible, advice on the way forward, hurtling between austerity and stimulus as the circumstances of the moment demanded. In the current global economic climate, ideological rigidities are to be avoided; failed policies ought not to be repeated; global capitalism has to be restructured and economic activity of financial institutions better regulated; and special and more favourable financial instruments ought to be devised by the international financial institutions for small-island, middle-income and vulnerable countries like St. Vincent and the Grenadines and others in the Caribbean. None of these considerations is yet to be put into global public policy.

Meanwhile, in CARICOM, only Guyana has escaped the full brunt of the international economic trauma. Indeed, its territorial size, its economic structure, and its primary commodity production of sugar, rice, timber, fish, shrimps, and gold, allowed it to have an enhanced productive niche in the context of the unevenness of the international crisis itself. Most of the other Caribbean economies, dominated by tourism and allied services,

have felt the full impact of the international down-turn. Turmoil in the region's source markets for tourism, remittances, and foreign direct investment such as North America and Europe precipitated economic decline in the small, structurally-dependant, open economies in CARICOM.

It was in this straightened international economic context that the regional conglomerate, CL Financial, through its flawed business model and greedy executives, collapsed. In its train came the demise of its subsidiaries, CLICO and the British American Insurance Company (BAICO) which has wrought havoc and misery for policy holders and has caused a weakening of the financial stability of countries such as Trinidad and Tobago, Barbados, and the member-countries of the Eastern Caribbean Currency Union (ECCU).

In the wake of all this, many regional governments have fallen, including those in Trinidad and Tobago, Belize, Suriname, British Virgin Islands, and St. Lucia; in Jamaica, a Prime Minister voluntarily threw in the towel, only to have his successor mauled at the polls three months later; and elsewhere several other governments are under immense pressure, some more than others.

In the member-countries of the ECCU, the aggregate exposure of liabilities from CLICO and BAICO amounts to almost EC \$2 billion. In St. Vincent and the Grenadines, the exposure is in excess of EC \$375 million or some 20 percent of this country's Gross Domestic Product (GDP). Individual policy-holders, companies, banks, credit unions, and the National Insurance Services have taken severe losses, thus far. I shall discuss later in this Address the progress towards a solution of this regional

insurance debacle in which the best scenario still involves some losses or a diminution of benefits for policy-holders.

Natural disasters have affected our country significantly over the past year. In the first half of 2010 drought conditions undermined the agricultural sector. In October 2010, Hurricane Tomas devastated 98 percent of St. Vincent and the Grenadines' banana cultivation, extensively damaged the nation's housing stock, battered our coastline and river defences, and damaged substantially roads and bridges. The Economic Commission for Latin America and the Caribbean (ECLAC) has estimated that the socio-economic loss from Tomas amounted to EC \$150 million.

Then in April 2011, in the midst of the so-called "Dry Season", torrential rains and landslides caused physical damage, of almost biblical proportions, to roads, bridges, rivers, and houses in a concentrated area in the north east of St. Vincent particularly in the Caratal and Basin Hole areas. The damage has been estimated in excess of EC \$100 million. Seventeen families are still in emergency shelters, arising from this natural disaster.

The multiple body blows to our nation's socio-economic condition occasioned by the external economic crisis, the regional insurance collapse, the natural disasters of drought, Hurricane Tomas and the 2011 April "freak storm", and the Black Sigatoka disease, have severely tested the resilience, creativity, discipline and productivity of our people and government. The exposures to insurance liabilities of more than EC \$375 million and the adverse impact of the twin natural disasters in excess of EC \$250 million, constitute in the aggregate, nearly one-third of St. Vincent

and the Grenadines' GDP of approximately EC \$ 2 billion. Through all this and more, our nation has survived, thrived and made immense progress in several areas. I shall detail some of this later in my speech.

Over the past three (3) years, 2009 to 2011, inclusive, the ECCU as a whole has experienced economic decline. The data from the Annual Economic and Financial Review, 2010, of the Eastern Caribbean Central Bank (ECCB) tell the tale of economic decline in its member-countries, measured in terms of the average economic growth rates for 2009 and 2010, as follows:-

Antigua and Barbuda: -7.75 percent; Dominica: -0.7 percent; Grenada: -4.8 percent; St. Kitts and Nevis: -4.3 percent; St. Lucia: +1.5 percent; St. Vincent and the Grenadines: -0.9 percent; Anguilla: -3.55 percent; Montserrat: -1.85 percent; and the ECCU as a whole: -3.55 percent.

Of the eight member-countries of the ECCU, only St. Lucia recorded economic growth for 2009 and 2010 at an average of a fairly flat 1.5 percent. Of the other seven, only Dominica performed better than St. Vincent and the Grenadines; indeed that situation is a virtual statistical tie of -0.7 and -0.9 percent respectively. St. Vincent and the Grenadines performed much better than the ECCU average of -3.55 percent which was skewed by above- average declines in Antigua and Barbuda, Grenada, and St. Kitts-Nevis.

In 2011, the Statistical Office of the Ministry of Finance and Planning in this country, in concert with the ECCB, is estimating a positive economic growth rate for St. Vincent and the Grenadines at 0.8 percent. Clearly, this is a relatively flat growth and is unable, by itself, to have propelled job

creation in 2011. This economic growth in 2011 has been fuelled by an 18.7 percent increase in tourism, 6.5 percent in manufacturing especially in the production of flour, and beer, and 1 percent growth in construction. Agriculture declined by about 15.2 percent, primarily due to the fall-out from Hurricane Tomas in October 2010, the April 2011 storm, and the Black Sigatoka disease. Non-banana agriculture also declined by 16.8 percent and the production of fish declined by 3 percent. The performance in other economic sectors also registered negative growth (transportation 1.1 percent, financial intermediation 2.1 percent).

Projected economic growth for 2012 has been assessed at a modest 1.8 percent with an acceleration of that rate in 2013 and over the medium term as the on-going policies of the government take effect to return economic growth to at least the pre-2008 level but in a more resilient, diversified and productive economy. The caveat to all this is the condition of the global economy and the extent of the impact of any natural disaster.

In 2008, in St. Vincent and the Grenadines, the nominal GDP at market prices was EC \$1.896 billion; in 2010, the comparable figure has been estimated at EC\$1.903 billion. Real GDP at basic prices has, however, moved from EC \$1.455 billion in 2008 to EC \$1.430 billion in 2010. In all the circumstances, it is a credit to our people and our government to have contained the worst effects of the swirling regional and global economic downturn.

Despite the difficulties in our government's fiscal condition, we have managed, with some success, to engage in a sensible fiscal consolidation based on the twin principles of prudence and enterprise. This has been

achieved through a mixture of initiatives and on-going actions grounded in public expenditure prioritization, enhanced efficiency, and controls; improved tax administration; the negotiation of sizeable grants and soft-loans; an avoidance of commercial borrowing; creative and effective debt management; a reduction of waste and public expenditure efficiencies; and streamlining the operations of State-owned enterprises.

This sensible management of the government's fiscal situation has not been easy nor has it been achieved without hiccups or some painful trade-offs. For example, declining revenues occasioned by the economic downturn and weaknesses in tax administration, have prompted the government to delay the implementation of certain capital projects. Again, the laudable priority quests, on the one hand, in providing alleviation to the most vulnerable persons, and in focusing on the enhancement of education and health, have necessarily occasioned trade-offs, on the other, in the provision of resources for investment in certain projects designed to facilitate medium-term growth and/or further socio-economic development. Thus, sticking to over-arching and desirable priorities inevitably involves curtailing expenditure in some other areas. The enduring queries always are: Which areas get what, and how! I feel sure that, broadly speaking, my government has been getting it right. Objective commentators locally, regionally, and internationally have concurred with this assertion.

In managing the fiscal situation at a time of economic contraction, declining revenues, and global economic turmoil and uncertainty, my government has found that the wage-and-salary restraint of the public sector employees to be patriotic, responsible, and helpful. My

government thanks them and calls for continued restraint in 2012 in these most challenging circumstances.

In the exercise of overall economic management and socio-economic change, the unvarnished reality of the nature and structure of our economy must always be the context for our strategy, plans and actions. We must always seek truth from the facts; and the real world provides validation for the truth. Abstractions, imaginings, mythical observations, and far-fetched musings must give way to scientific enquiry, fact-based analysis, explanations or theoretical postulates grounded in the real world, and sound prescriptions. All this demands a proper inventory of our country's resources, our people's possibilities and limitations, the space available for further economic advancement, and our nation's capacity to implement that which we have determined as necessary and desirable to be implemented.

Let us begin by acknowledging the following basic socio-economic facts about St. Vincent and the Grenadines:

1. It is a small resource-challenged, structurally-dependant, open economy, which is prone to natural disasters and ranks very high in the league tables of disaster-prone countries internationally. Each of those adjectival designations reflect profound economic constraints or limitations.
2. St. Vincent and the Grenadines has available agricultural land for cultivation of about 20,000 acres out of a total land acreage of over 100,000 acres.

3. It has an economically-active population of 50,000. The rest of the population are too old to work, too ill to work, too young to work, or are at school. At the same time, St. Vincent and the Grenadines' labour productivity is comparatively low by international standards.
4. St. Vincent and the Grenadines is hugely dependent on capital flows from overseas whether by way of foreign direct investment, grants or loans, and remittances.
5. St. Vincent and the Grenadines' domestic market or internal demand is quite limited and is thus dependent upon external source markets for trade in goods, tourism, and services generally. The internal demand, by itself, is unable to produce a sufficiency of surplus resources to drive economic, infrastructural or social development.
6. The diminution or virtual cessation of market preferences internationally for St. Vincent and the Grenadines' agricultural commodities, including bananas, has shackled the agricultural sector because of its lack of international competitiveness.
7. The absence of a well-developed tourism infrastructure, including the absence of an international airport thus far, restricts the full flowering of tourism.
8. The limitations of the private sector especially regarding its size, the unavailability of a sufficiency of competitively-priced credit facilities, the comparatively high cost of electricity, its lack of a

sufficient creativity and risk-taking, and public sector inefficiencies, contain optimal economic development.

9. Continuing inefficiencies in the public sector, despite much progress, limit both public and private sector economic activity.
10. St. Vincent and the Grenadines is a middle-income country, with a per capita GDP of EC \$19,323, geographically close to the USA, with highly-sophisticated and expensive consumer tastes, generally-speaking. This fact fuels a very high level of expenditure on imported goods and services and provides challenges to the sustainability of the country's external account, especially since there is not a corresponding level of the export of goods and services from St. Vincent and the Grenadines. Our flawed diet contributes significantly to chronic Non Communicable Diseases (NCDs), ill-health, and an unnecessarily large food import bill.
11. The historic, colonial economic structure of dependency, monocropism, uncompetitiveness, and an absence of a sufficiency of economic resilience is yet to be adequately reformed or altered, despite tremendous efforts since independence in 1979.

Since it is not possible, realistically, to increase the physical size of St. Vincent and the Grenadines, it is necessary and desirable that both the landscape and seascape be put to optimal use. So, too, its instruments of sovereignty and independence. Similarly, the nation's economically-active population must be properly trained, be healthy and be fully utilised and productive. Further, the nation's territory, its exclusive

economic zone, and its population must be enlarged, in terms of economic space, through the sale of our goods and services externally and to tourists and investors who come to our shores.

We must engage meaningfully, too, with our significant diaspora. Indeed, given the huge migration of our nationals, it is imperative that they be better educated and trained so as to enable them to enter at a higher and more financially-rewarding level in the chain of the international division of labour.

The social capital of our nation, at home and abroad, is vital to be utilised in our quest for socio-economic development, our governance, and civilised life and living.

Relevant policies arise inexorably from all these facts and circumstances including those touching and concerning agriculture, tourism, manufacturing, information technology, infrastructural development, health, education, sports and culture, economic competitiveness, energy, fiscal and financial stability, regional integration, foreign relations, and external trade. It must be recognised, too, that the proper utilisation of the instruments of sovereignty and independence are economic, as well as political, assets.

In all this we must eschew learned helplessness; embrace optimism; tap the well-springs of our resilience and social capital; work hard and smart; enhance our possibilities and strengths; reduce our limitations and weaknesses; build a viable consensus on the nation's priorities; avoid senseless bickering, vain posturings, and partisan bitterness; exhibit good neighbourliness and live peacefully; make our minds emancipated and

decolonised; extol independent thought and action; ensure good governance; and keep the faith with Almighty God on whom our nation, and everything, within it, is founded.

In these especially challenging times, I reiterate the visionary, philosophical, socio-cultural, strategic, policy and programmatic foundations on which my government has stood, in progress, since March 2001. Our vision is people-centred; our philosophy of social democracy, applied creatively to our Caribbean and Vincentian particularity, frames our broad outlook; the socio-cultural rubric of the further ennoblement of our Caribbean civilisation lifts our spirits and sensibilities as one people in solidarity with each other; our strategic economic umbrella focuses on the quest to build an all-embracing modern, competitive, post-colonial economy which is at once local, national, regional and global; our government's many-sided progressive policies touch every single facet of our society, economy and polity; and its programmatic details provide practical solutions to testing challenges so as to uplift the quality of the people's lives. An abundance of documentation in the public domain reflects all this.

In this Budget Address the overarching theme is captured in a bundle of critical elements, namely: Job Creation, Economic Growth, Financial Stabilisation, Fiscal Re-balancing, and Social Equity at a time of continued Global Economic Uncertainty.

In terms of its format, this Budget Address focuses on some major economic and social sectors and on other subject matters germane to the further advancement of this country's economy and society in 2012 and beyond. I shall avoid, as far as practicable, the presentation of

excessive data in the narrative. This ought to permit greater clarity to listeners and readers of this Address while at the same time providing enough relevant information for an informed discussion.

### **MAJOR PRODUCTIVE SECTORS: SOME PRELIMINARY COMMENTS**

Mr. Speaker, the major productive sectors in St. Vincent and the Grenadines are (1) Agriculture, Forestry and Fisheries; (2) Tourism and its ancillary services; (3) Manufacturing; (4) Financial Services (Banking, Insurance, International Financial Services); (5) Wholesale and Retail Trade; (6) Construction; (7) Transportation (land, sea and air); (8) Energy, Water and Telecommunications. Ministers will provide details of the performance of these sectors in 2011 and the detailed plans, programmes and on-going policies for 2012 and beyond. I shall make some overall comments regarding each of these sectors' contribution to the macro-economy and the major initiatives connected thereto.

First, some preliminary observations on a few salient issues in the principal areas of Agriculture, Manufacturing, Tourism, and Construction. Over the last forty years, St. Vincent and the Grenadines has been transformed from a goods-based to a service-based economy. Currently, some 70 percent of the economy is service-based. This fact clearly has profound implications for the type of training offered; transport infrastructure; the focus on healthy lifestyles; restaurant and supermarket outlets; electricity provision for air condition systems and computers in offices; the type of taxation, for example, VAT; government incentives; public administration; regional and international trade; migration (external and internal); and a range of other matters resident in our social and political economy.

As late as 1992, the last year of extensive market preferences for Windward Islands' banana-producers, St. Vincent and the Grenadines exported 78,000 tonnes of bananas with an export value of nearly EC \$120 million. The progressive diminution of market preferences to the point of their extinction now and the altered market condition for our bananas had, by 2001, left our banana industry reeling and badly battered. In 2009, the last year of full banana production unimpeded by drought, Hurricane Tomas, landslides, and Black Sigatoka, banana exports amounted to roughly 20,000 tons or one-quarter of the 1992 figure with an export value of about \$30 million. In the 1970s, agriculture accounted for over 20 percent of GDP; over the years this has declined by about one-half.

Before the rise of bananas as our dominant export industry in the mid-1950s, sugar cane and arrowroot were the major agricultural crops. The sugar industry was closed in 1961, revived in 1979, and finally shut down in 1985 amidst an official chorus of its lack of viability. Arrowroot starch for which there was, and still is, a modestly profitable market, fell by the wayside through a mixture of governmental neglect, the lure of the relative profitability of the emergent banana industry, and the unavailability of labour. By 2001, the arrowroot industry, for all practical purposes, was comatose. Despite the heroic efforts of my administration, including the investment of significant monies to revive the arrowroot industry, it has just barely survived, in any concentrated way as a minor crop in the north east of St. Vincent. The back-breaking task of digging arrowroot manually has few takers nowadays and no commercially viable form of extensive mechanized harvesting on the farmers' hill-side lands and undulating slopes has been found, despite much experimentation.

Mr. Speaker, consequent upon the final closure of the sugar industry and the sharp decline of the arrowroot industry by the mid-1980s, the former NDP administration sought to diversify agricultural production through a State-sponsored production of "Winter Vegetables". For a variety of reasons, including intense competition from places such as the Dominican Republic and Florida, unfortunately the project failed. Our nation is currently united, more or less, on a quest to diversify into the growing of cocoa, a crop with which we possess some historic familiarity.

Mr. Speaker, over the past ten years, the ULP administration has made most strenuous efforts to keep the banana industry afloat, but the non-preferential market regime and market condition in Britain have proved most challenging hurdles to surmount, on a large scale, successfully. My government has invested heavily in keeping the banana industry sufficiently viable for 850 or so certified growers. In 2001, upon assuming office we pumped \$20 million immediately in the industry, \$18 million of which was designed to bring the \$30 million debt of the Banana Growers' Association (BGA) under some semblance of control. We twice restructured the industry strategically to fit the challenging circumstances. On each occasion my government assumed hefty debts of the BGA in the aggregate of a further \$25 million.

On the most recent occasion, when the BGA was dissolved, my government established a Banana Unit in the Ministry of Agriculture to provide all the extension services, agronomic and disease-control functions hitherto provided by the BGA. This amounts to a subsidy to the industry for the 2012 fiscal year of some \$4 million of which \$3.44 million is to address the control of the dreaded Black Sigatoka disease. The Fair Trade Group, WINFARM, has the primary responsibility for the production

and internal marketing arrangements hitherto exercised by the BGA. Working with the other share-holder governments and farmers' representatives in the Windward Islands Banana Development Company (WIBDECO), my government has sought to restructure this marketing agency and make it more efficient and profitable in the altered circumstances, and responsive to farmers. WIBDECO has been rebranded as WINFRESH to market fresh agricultural produce, including bananas. WINFRESH has a mandate from its shareholders to be a strategic partner in agricultural diversification and agro-processing in the Windward Islands. It has been so acting, but much more needs to be done so as to enhance its responsiveness to farmers' concerns.

Further, Mr. Speaker, here in St. Vincent and the Grenadines, my government has provided over the recent years, support on an on-going basis for banana farmers with direct payments in the form of replanting and rehabilitation assistance (cash and fertiliser), four tranches of income support, subsequent to Hurricane Tomas, and the provision of fertiliser and other agricultural inputs at heavily-subsidised prices through the State-owned Inputs Warehouse Company and the central government.

Moreover, my government has retained important incentives for the farmers, devised originally by the former NDP administration, to permit, according to certain set criteria, a 75 percent duty-free concession for a designated-type farm vehicle and to grant complete relief to farmers from the payment of income taxes on their farm income.

Indeed, banana farmers have been assisted and facilitated so well by my government that non-banana farmers have been complaining publicly that its generosity to banana farmers far outweighs the government's

assistance given to the non-banana farmers themselves. While there may be some merit in this complaint, my government is resolved not only to maintain and expand the level of assistance given to banana farmers, but to ensure that a similar level of assistance is provided to non-banana farmers such as those engaged in the production of ground provisions, plantains, fruits and vegetables, poultry, livestock, including small ruminants. The 2012 Estimates provide a clear indication of this.

Despite the significant level of assistance and incentives granted to farmers by the government, immense challenges remain to lift a diversified agricultural sector. In this regard, among the more important constraints generally is the lack of availability of credit facilities on “softer” terms; praedial larceny; the unavailability of a sufficiency of labour which is adequately productive; the challenge of more reliable markets and the lack of a sufficient competitiveness in product quality and price; transportation difficulties by sea and air, regionally and internationally; the poor condition of a lot of our feeder roads; and poor farm management.

Each of these challenges or constraints has been, and is, receiving the government’s attention, and I know that most farmers are trying their best to uplift their production, quality, and competitiveness. There is, however, an intractable problem of which we must speak honestly, that is, the unavailability of a sufficiency of labour on the farms, which is adequately productive. Unless, together as stakeholders in agriculture, we find ways to at least significantly resolve this conundrum on a timely basis, farms which require more than minimal family labour are not likely to be productive and competitive for the market.

This issue of too few agricultural labourers at an adequate level of productivity, at the offered wage, in a rural economy with a relatively large pool of unemployed unskilled workers, is a hugely complex one. St. Vincent and the Grenadines is not alone with this problem in the Caribbean or in other developing countries. Small-scale agriculture which is labour intensive has a fundamental difficulty in attracting labour at the offered wage rate in an economy which is increasingly service-based, and which has a high rate of seasonable or intermittent employment of unskilled or semi-skilled labour by the service economy and the government. Then there are status issues which militate against agricultural field labour in societies which have only recently exited plantation agriculture and formal colonialism. Simply put, many persons, especially those in the age group between 20 and 35 years, bluntly refuse to do agricultural work. Most prefer to await on even part-time or seasonal intermittent work in the services sector or to be employed by government as watchmen, cleaners of buildings, on the road, on construction sites or in the myriad of other jobs for unskilled or semi-skilled workers provided by the State from time to time. Many of those who opt for agricultural labour, work very abbreviated hours.

On this bundle of issues, it serves no useful purpose to bemoan the subjective or objective factors which give rise to this "labour challenge". At the end of the day, a reasonably profitable farm will offer competitive wages; attitudes to farm labour must change; agricultural training for young persons and the availability of lands for them to work for themselves must be expanded; and the cultivation of crops with greater value and less labour intensity must be encouraged. Even so, this "labour" challenge will require practical attention on an on-going basis. I have deliberately not addressed the lure for some whose preference is for a

more rewarding, but high risk activity of cultivating marijuana. This, too, has to be continually tackled through a complex of ways, including a focussed programme of sustainable, alternative livelihoods and initiatives in the realm of national security.

Mr. Speaker, some of the challenges which have beset the manufacturing sector are of a different nature than agriculture, for example, high electricity costs, but many fundamental ones are similar, namely, the altered external market environment, and regional-international trading regimes.

The manufacturing sector was built up in the 1960s and 1970s through a programme of "industrialisation by invitation" which involved generous tax concessions; cheap labour; a highly protective market regime locally and regionally, and internationally for specified products; and government facilitation in the construction of factory shells. In this way, for example, the Campden Park Industrial Estate was built up by the Labour Party administration in the late 1960s, 1970s and early 1980s. Several foreign-owned light manufacturing enterprises such as those engaged in the production of children's wear, textiles generally, elementary electronics assembly, and sporting goods, employed significant numbers of persons, especially women. Unfortunately for St. Vincent and the Grenadines, more favourable trading regimes and production conditions arose elsewhere, including the North American Free Trade Area (NAFTA) between the USA, Canada, and Mexico. So, most of these "screw-driver" type industries closed their operations and transferred production to other countries. However, the companies producing flour, rice, animal feed, galvanise roofing materials, card-board boxes, beer, soft-drinks, and a few other products remained. It is interesting to note that these surviving

manufacturing enterprises are mainly regionally-owned, locally-owned or substantially locally-owned. Even so, these enterprises, by and large, have been able to survive only with continued fiscal incentives and a protected local and sub-regional market.

Since that earlier era of the push into light manufacturing, some other largely locally-owned manufacturing enterprises have emerged mainly in cottage-industry type agro-processing, furniture manufacturing, bottled water, roofing materials, baking and a few other products. The State's attempted revival of the production of arrowroot starch is a challenging work-in-progress. The private-public partnership in coconut water bottling is still riddled with unresolved technical production problems.

Mr. Speaker, the quest to push for job-creating opportunities in data processing and informatics generally, by both the private and public sector, has not been met with the level of success anticipated due to many difficulties including comparatively high electricity and telecommunications costs, the sharp competition from other countries internationally, and the recent down-turn in the American economy and a consequential huge decline in sustained demand for informatics services. Still, there is scope for improvement and a rebound as the upturn in the American market occurs.

Mr. Speaker, tourism has grown admirably since the late 1970s. The tourism developments in the Grenadines from the late 1980s and 1990s, including the initial Canouan Development Project, contributed significantly to the blossoming, but yet not quite full fruition of stay-over or hotel-based tourism. During this period, too, we witnessed the growth in locally owned small hotels and guest houses. This process of an expansion

of locally-owned tourism enterprises has continued unabated, gradually, over the past eleven or so years. So, too, the further construction and expansion of hotel plants by non-Vincenian owners in the Grenadines. On St. Vincent itself, the construction and operation of the first phase of the Harlequin Buccament Resorts, represents a major advance for tourism in St. Vincent and the Grenadines. It is the first time that a major resort, the largest hotel in St. Vincent and the Grenadines, was set up on St. Vincent itself. Without the prospect of an international airport, the establishment and further expansion of Buccament Resorts would not be a reality.

Tourism in St. Vincent and the Grenadines has the following major components in order of importance of local value added: Stay-over tourism; Yachting; Cruise; and Excursion (same-day tourism). Estimated visitor expenditure over the past seven years rose to an annual high of just over EC \$280 million in 2008. In 2010, the estimated visitor expenditure fell to \$235 million largely due to the down-turn in the economics of the main source markets (USA, Britain, Canada) and the rising cost of air travel, including ballooning regional air travel costs. In 2011, improvements have been recorded, but still the performance is yet to reach where it ought reasonably to be. The constraints to further tourism expansion are well-known, have been analysed, and the stakeholders, including the Government, have been taking corrective actions. But much remains to be done. I shall address some of these issues shortly.

Mr. Speaker, the traditional, conventional, economic perspective on the construction industry is that it is not a "trading" sector and not a plank upon which economic activity can be safely generated or sustained. In an economy such as St. Vincent and the Grenadines such a conventional perspective is misplaced for the following, among other, reasons:

Construction is substantially driven by external funding either through grants and loans or remittances from abroad; construction provides immediate stimulus for job creation and other economic linkages and activities; the construction industry generates considerable local value-added through the provision of local building materials, labour, and other locally-derived imports; and much scope exists for on-going construction activity both through private sector and the State.

It is for all these sensible reasons that the ECCU Eight-Point Growth and Stabilisation Strategy accorded the construction industry a pivotal place in the Action Plan for Growth in its member-countries, including St. Vincent and the Grenadines. Indeed, the recent historical data show that the construction industry is one of the main drivers of economic growth in St. Vincent and the Grenadines.

I turn to the performance of the main productive sectors in 2011 and the broad policy path forward for their enhanced growth and development.

### **AGRICULTURE, FORESTRY AND FISHERIES**

Mr. Speaker, Honourable Members, Hurricane Tomas in late October 2010 devastated the agricultural sector, particularly banana and plantain cultivation. In the north-east of St. Vincent, the April 2011 Floods and Landslides retarded the recovery in those crops, and others, in that geographic belt. So, by July 2011 when a modest recovery in the cultivation of bananas and plantains occurred in most of St. Vincent, the Black Sigatoka disease occasioned a terrible setback. As a consequence, the production and export of bananas and plantains fell

markedly in 2011. By April – May 2012 it is expected that a modest level of production in bananas will be achieved.

In 2011 non-banana agriculture took up some of the slack for many farmers, but production overall, was not at the level of 2009. The data for non-banana agriculture indicate a decline of 16.8 percent.

Mr. Speaker, my government has outlined public policies related to planned agricultural production, diversification, and food security as articulated in certain important documents prepared by the Ministry. The Estimates for 2011 reflect all this, both in the Result Indicators and the resource allocations.

In the case of bananas, the central focus in 2012 is to produce 20,000 tonnes of quality bananas, primarily for regional and extra-regional export. This is a challenging target which the Ministry of Agriculture, including the Banana Services Unit (BSU), the Inputs Warehouse Company, WINFARM, WINFRESH, the farmers, and farm-workers must work assiduously to achieve. From this modest base, we can seek consolidation and possible expansion. Each stakeholder group knows its responsibilities and obligations.

The 2012 Budget provides \$4.3 million for the Banana Services Unit of which \$3.1 million is for materials and supplies to be applied mainly to treating and controlling the Black Sigatoka disease. In the process the BSU is seeking to ensure GAP certification for 900 banana farmers exporting to the UK market. The five dedicated professionals in the Unit can rely, too, on support from other workers in the Unit and from personnel

in the Extension and Advisory Services of the Ministry, in which there are 24 professionals.

Mr. Speaker, for 2012, the Ministry of Agriculture, has set specific production targets for root crops, tree crops, and vegetables. These targets have been drawn up with the view of supplying markets for domestic consumption, tourism demand, and the export market, including a promising initiative under the Petro Caribe Agreement. The root crops being emphasised are dasheen, cassava, yams, ginger, eddoes, sweet potatoes, and tannias. The tree crops upon which the focus is being placed are mango, orange, pineapples, papaya, avocado, pitaya, grapefruit, coconut, passion fruit, and lime. The vegetables targeted for sustainable production are carrots, cabbage, tomatoes, lettuce, sweet peppers, cauliflower, broccoli, corn, pigeon peas, and lemon.

The intention of the Ministry of Agriculture is to increase production, and productivity, of vegetables, root crops, and tree crops not only generally, but to focus on 60 selected farms for a 20 percent increase. Technical and support services will be provided to 2,000 farmers and linkages with designated market entities will be facilitated for at least 90 quality farmers.

In this diversified agricultural endeavour, the Ministry plans to mobilise fully its institutional resources for plant protection and pest control, crop research, in vitro propagation through its Biotechnology Unit, and its agri-food development and quality assurance measures. The Ministry has partners in this venture, including CARDI, FAO, WINFRESH, VINCYFRESH, WINFARM, the Inputs Warehouse, Farmers' Associations for pineapples and watermelons, the Orange Hill Agro-Processing Laboratory, the

Taiwanese, and agro-processing enterprises, State-owned and private sector, in St. Vincent and the Grenadines. The Biotechnology Unit has an ambitious programme for in vitro propagation for bananas, orchids and ornamentals, dasheen, pineapple, cassava, sweet potato, yam, tannia, and cocoa.

Mr. Speaker, this Honourable House has already approved the Memorandum of Agreement between the Government of St. Vincent and the Grenadines and Amajaro Trading Company of the United Kingdom to revive cocoa cultivation as a major crop for export as “fine flavour” cocoa. Tremendous preparatory work is currently being done by all the stakeholders and cultivation is due to commence in July 2012 or thereabouts. The Budget for 2012 provides for \$150,000 to support cocoa production. Amajaro is mobilising its own and other resources to kick-start the cocoa growing project. This project, with farmers' support, can really take-off and add considerably to agricultural diversification. As much as 7,000 acres of land could be available for cocoa production, if it proves a successful venture. I urge farmers not to be side-tracked by abstract negativism. Farmers are rational economic beings who would go into cocoa growing if it makes economic sense to do so; farmers are practical people. My government thinks it does make practical, economic sense to grow cocoa and sell to Amajaro; accordingly, we encourage farmers to venture into cocoa cultivation in a sustainable, scientific way.

Meanwhile, the Arrowroot Industry Association (AIA) continues to manage the overall cultivation of arrowroot and the actual running of the Owia Arrowroot Factory. Cultivation stands currently in excess of 100 acres.

Additionally, Mr. Speaker, a programme is in place to facilitate the expansion of the production of cattle, pigs, sheep and goats, and poultry. The Animal Health and Production Unit has a staff of 21, predominantly highly-trained professionals, to push this programme. There is a recurrent allocation in the Budget for this Unit of \$1.9 million of which \$1.4 million is for salaries (\$0.95 million) and wages (\$0.42 million). I encourage the farmers in animal husbandry and poultry to embrace the opportunities available from local demand for meats and chicken.

Mr. Speaker, the recurrent budget for Agriculture (excluding Forestry, Fisheries and the Soufriere Monitoring Unit) is substantial: \$14.4 million. Agriculture (including the General Administration) employs 123 persons, mainly professionals over nine budgeted programmes. Additionally, dozens of workers are employed in the Agriculture Division of the Ministry of Agriculture, Rural Transformation, Forestry and Fisheries in the sum of \$2.951 million for 2012. There is a more than adequate body of professional, semi-professional, and other personnel to service properly the farmers and those engaged in animal husbandry and poultry.

I am heartened that the East Caribbean Group of Companies (ECGC) has drawn up plans for possible investment in poultry production. My government will support this venture without in anyway compromising the interests of existing poultry farmers and the consumer who has been purchasing imported poultry at competitive prices. Clearly, there is a synergy between ECGC, the producer of animal feeds, and its possible production of poultry. The farmer, of course, has a continuing interest in reasonably-priced animal feed of good, consistent quality.

It is the business of the Ministry of Agriculture, the Standards Bureau and ECGC to ensure the production of good quality animal feed at competitive prices.

The Minister of Agriculture, later in this debate, will address the twin issue of training for farmers, including the start-up of operations of the Agricultural Training Institute, and the "Land Bank" for existing and prospective farmers.

In the capital budget for 2012, sizeable resources have been allocated to Agriculture, Rural Transformation and Forestry, the main items of which are as follows: \$500,000 as a local contribution to post-Tomas agricultural rehabilitation; \$4.938 million under the BNTF-6 to implement small projects in rural communities; \$340,000 for forest protection and sustainable livelihood opportunities for forest-users; \$1.27 million to procure machinery and equipment for crop and livestock production and to provide training for farmers.

The fishing industry in St Vincent and the Grenadines although faced with formidable challenges continues to be vital to overall economic development, and has provided a reliable source of income to our fisher folk. While we have not yet resumed exports of fish to the major traditional markets of Martinique, Guadeloupe and Europe, efforts are on-stream to revitalise this industry.

In 2012, the Ministry will implement a programme to meet international quality standards for fish and fish products; develop and implement marketing and distribution systems; develop a framework to encourage

investments in aquaculture; and promote the management and conservation of the marine environment.

### Forestry

The activities of this sector were primarily focused on forest management, forest utilization, wildlife management, watershed management education and rehabilitation.

In 2012, the focal areas for this sector will be to rehabilitate the upper watersheds which were devastated by hurricane Tomas. The Ministry will also review and upgrade forest and wildlife legislation. The Ministry will develop an inclusive and participatory Forestry Policy for a three (3) year period. The forestry sector will engage in continued collaboration with communities and stakeholders to facilitate the development of viable livelihood opportunities utilizing sustainable forest production.

### **TOURISM**

Mr. Speaker, Tourism has performed better in 2011 from the standpoint of increased local value-added in the main sub-sectors, namely stay-over visitors and yachting. Between January – November 2011, the preliminary data indicate that stay-over visitors increased by 2.5 percent, as compared with the period January – November, 2010. It is noteworthy that while there were 20 percent declines in stay-overs at apartments and guest-houses, there was a 3.5 percent increase at hotels and a 23.21 percent rise at resorts and villas. This latter category is shown to provide the greatest local value-added contribution; thus, the enhanced GDP contribution for 2011.

Meanwhile, the yachting sector outperformed all tourism categories in 2011, compared to 2010 with a 7.2 percent increase in arrivals. Cruise ship and same-day visitor numbers were down by roughly the same level, 17 percent. The cruise ship data point to the fact that the larger ships are not opting for cruises in the Southern Caribbean; so, there is a lower average number of passengers per call in 2009 to 2011. Indeed, there were more ship calls in 2011 than there were in 2010.

A few days ago, the Royal Caribbean Cruise Line announced that its 2,000-passenger "Vision of the Seas" Cruise Ship will be offering cruises to St. Vincent and the Grenadines for the first time. This offering is part of new 11-night Southern Caribbean voyages out of Fort Lauderdale, Florida. These cruises will be for the 2012-2013 winter season.

Estimated visitor expenditure for 2010 was \$234.3 million, about the same level for the 2009 figure of \$236.3 million. Estimated visitor expenditure is expected to be higher in 2011 than for 2010, given the 18.7 percent increase in local value-added from tourism in 2011.

Mr. Speaker, the global recession, particularly in St. Vincent and the Grenadines' principal source markets has hit the tourism sector in our country and the Eastern Caribbean very hard. The relatively undeveloped tourism product in St. Vincent and the Grenadines, and the economic difficulties attendant upon air access to and from St. Vincent and the Grenadines have severely constrained stay-over tourism. Even so, esteemed market-place media outlets such as Travel and Leisure Magazine, CNN, and Matt Lauder's Today's Show have all placed St.

Vincent and the Grenadines as a top “hot spot” destination to look for, particularly with the coming of the international airport at Argyle.

Mr. Speaker, the Ministry of Tourism, including the St. Vincent and the Grenadines Tourism Authority (SVGTA), and the other stakeholders in the tourism industry, are well-seized of the major issues and challenges of St. Vincent and the Grenadines' tourism industry, including: Climate Change and natural disasters; crime and violence, including in the yachting sector; the pollution and destruction of parts of our marine environment; limited air access and the high cost of air travel; the inclusion of the Airline Passenger Tax (APT) in the cost of air travel from the United Kingdom/Europe, a major market for St. Vincent and the Grenadines and the Caribbean; lack of adequate marketing incentives/competitive rates such as accommodation packages, discounts, and specials; traditional source markets are now becoming direct competition; limited human resources; and negative attitudes to the tourism industry in some quarters locally; managerial and manpower weaknesses and limitations in tourism enterprises; indifferent quality of significant parts of the tourism product; inadequate marketing of the tourism destination and particular hotels/products.

My government has been working assiduously by itself, and in conjunction with other stakeholders, to address these critical issues and challenges with some success. The St. Vincent and the Grenadines Tourism Authority and the National Parks, Rivers and Beaches Authority have been instrumental in these respects. But this is an on-going battle for improvement all-round as reflected in the Result Indicators in the Estimates for 2012. The Minister of Tourism will, in his presentation in this Budget

Debate, provide details of the accomplishments and setbacks in 2011, and the Work Plan for 2012.

Mr. Speaker, the sum available for Tourism promotion for 2012 comes from the subvention to the St. Vincent and the Grenadines Tourism Authority of \$13 million. Additional investment and promotion resources are available from the \$1.65 million subvention to Invest SVG. Given budget constraints, the allocation to the Tourism Authority has been reduced by \$1 million, as compared with 2010. I am satisfied that with a creative use of the resources a “bigger bang for the buck” is achievable. Indeed, the Tourism Authority has already demonstrated that it has the capacity to do much more with much less. Many successful hotels, too, are engaged in their own marketing efforts.

The National Parks, Rivers and Beaches Authority has a subvention of \$1.487 million in 2012 to pursue its plans and mandates, including the management of tourism sites and the beaches. This is work which demands on-going focus; no let up.

Earlier in this address, I highlighted further plans for “Clean-Up Kingstown. This is an important venture for residents and visitors alike.

Mr. Speaker, the Ministry of Tourism has, understandably, set itself modest targets for 2012, given the market environment and other challenges. It is targeting for 2012, an increase in stay-over visitors of 3 percent; an increase in yachting arrivals of 5 percent; and 0.5 percent increase for same-day and cruise visitors.

In the capital budget for 2012, there are significant provisions for the Tourism sector, including: \$7.7 million for the Tourism and Private Sector Development Project to construct a Hospitality and Maritime Training Institute, which project in the aggregate is estimated to cost \$21.7 million, financed by the European Union and the Government of St. Vincent and the Grenadines, with a construction start-up date of May 2012 on a 44-month contract; \$930,000 for access roads to certain tourism sites, namely, Trinity Falls and the Vermont Nature Trail; \$540,000 to develop specific recreational sites; and \$250,000 to develop Tourism Heritage sites.

Mr. Speaker, there are, of course, other major capital investments directly allied to tourism, but which are not being implemented under the Ministry of Tourism. The chief of such project is the Argyle International Airport, but there are others such as those connected to other airports, air transport (LIAT), and national security, including the Coast Guard.

Continuing private sector investment in tourism for 2012 is evident throughout St. Vincent and the Grenadines, including a further major investment by the developers in Canouan; and significant investments on Bequia, Mayreau, Petit St. Vincent, Union Island, and at Buccament. Several local investors, having secured concessions under the relevant incentive legislation, have or are constructing guest houses and apartments. During the period January to July 2011, the Ministry of Tourism processed 52 Hotel Improvement Orders under the Hotel Aids Act.

Mr. Speaker, one final note on employment in the tourism sector. In 2010, the NIS data reveal that active employees in the hotel sector amounted to 2,748; the preliminary data on the same item indicate a slight increase of employees (133) to 2,881 in 2011, just under the level for 2007. Ancillary

tourism services, air-road-and-sea transportation, and wholesale-retail trade create jobs due to tourism.

## **INDUSTRY**

Mr. Speaker, five principal state agencies with leadership roles in the industry sector are the Ministry of Finance, the Ministry of Trade, the Ministry of Industry, the Centre for Enterprise Development (CED), and the St. Vincent and the Grenadines Bureau of Standards. The latter two state-enterprises are under the Ministry of Industry.

Manufacturing output in 2011 increased by 6.5 percent over 2010, largely because of modest-to-strong growth in output of beer, beverages generally, flour, and galvanised sheets which more than off-set declines in the production of animal feeds and packaging. This is a commendable performance despite the global economic recession and industry-specific challenges.

In 2011, eight manufacturing companies were granted fiscal incentives for the production of a range of commodities, including agro-processing, furniture, and building materials.

Mr. Speaker, in 2012, the Ministry of Industry will enhance its coordination with Invest SVG on the issues of investment promotion, the creative industries, and the incentive regimes for industry, tourism, and ICT. We are on the hunt for local, regional, and international investors in the industry sector.

The St. Vincent and the Grenadines Bureau of Standards has a 2012 Work Programme which emphasizes a conduct conformity assessment programme; the preparation and promotion of standardisation; and the provision of technical services to the private sector. The Bureau has a subvention of \$1.1 million in the 2012 Budget to carry out its work.

The CED in 2012 will interface with the private and State sectors in respect of the development of business services; industry cluster development; training, capacity building, institutional development, public relations and communications; the Business Incubator Programme; and assistance in capacity-building for fisher-cooperatives. CED has a subvention in the 2012 Budget of \$600,000.

Active manufacturing employers registered at the NIS in 2010 numbered 128, a decline of 15 from 2001. Active employees at the NIS in 2010 amounted to 2,148, just 90 employees below the 2001 figure. Thus, over the past 10 years employment in manufacturing has been more or less stable. Output has fluctuated, but it was on an upswing in 2011, compared to 2010.

VincyFresh Limited, an agro-processing joint venture between WINFRESH and the State-owned National Properties Limited is a promising enterprise which has come on stream to succeed the Lauders Agro-Processing Plant. VincyFresh is into producing a range of agro-based products and is linked strongly to the farming community. The Minister of Industry will provide more details in this regard.

## **POVERTY REDUCTION AND JOB CREATION**

Mr. Speaker, a central focus of my government's public policy revolves around poverty reduction and job creation. Our budget for 2012 continues to reflect this in several ways: First, the insistence on the maintenance of macro-economic stability including financial stability, fiscal consolidation and rebalancing, public debt sustainability, low inflation, economic competitiveness, enhanced public sector efficiency, the strengthening of law and order, and a judicious mix and balance of the private, cooperative and state sectors in driving economic activity. Without these macro-economic fundamentals, the necessary and desirable framework for poverty reduction and job creation would be absent.

Secondly, this budget goes for economic growth from which springs the stimulus for poverty alleviation and employment. Roughly 40 percent of the capital budget of EC \$184.9 million has been allocated to economic affairs from which, inevitably, flows jobs directly, and indirectly through the building of appropriate physical infrastructure which has a knock-on positive effect on economic growth. Additionally, the remaining 60 percent of the capital budget for 2012, the bulk of which is allocated to health, education and environmental protection, has a not dissimilar positive effect on jobs and enhanced economic activity as that aforementioned portion which is focussed on "economic affairs".

Indeed, the estimated capital spending for 2012 amounts to over 9 percent of Gross Domestic Product (GDP), a figure which exceeds the accepted norm globally, for developing countries. Unfortunately, experience teaches that the capital budget will not be fully implemented

due principally to two factors: the insufficient institutional, and effective, capacity of the public and private sectors which are engaged in the implementation of the capital programme of the central government; and the delayed availability of the capital monies, drawn largely from grants and soft-loans, to execute on a timely basis the capital projects. Given the state of preparation of the capital projects, the sources of funding, and their likely timely availability, I have been advised that in 2012, effective capital spending would amount to no less than 75 percent or roughly EC \$140 million of the estimated capital programme. Such an achievement would be commendable and would amount to a creditable 7 percent of GDP, an undoubted economic stimulus on the spending side.

Further, such capital spending by the central government is buttressed by capital expenditure through public enterprises. In the vanguard of capital spending through public enterprises for the fiscal year 2012 are the International Airport Development Company (IADC), the St. Vincent and the Grenadines Electricity Company (VINLEC), the Central Water and Sewerage Authority (CWSA), the Housing and Land Development Corporation (HLDC), and National Properties Limited (NPL). In the aggregate it is expected, realistically, in 2012, that public sector investment, both from the central government and state-owned enterprises, will be not less than \$200 million or in excess of 9 percent of GDP.

Thirdly, the 2012 budget, on the recurrent expenditure side, at least maintains the employment levels in the central government, through the established and non-established posts. In some Ministries, some new posts have been created. Additionally, the special or seasoned work

programmes of entities such as BRAGSA, the St. Vincent and the Grenadines Port Authority, and HLDC, ensure the provision of short-term employment for skilled, semi-skilled, and casual workers. In these challenging times, holding the fort on the recurrent side reflects both prudence and progress.

Fourthly, the 2012 budget makes certain that targeted social welfare payments and related poverty-alleviation programmes continue at undiminished and substantial levels. Indeed their more efficacious delivery is undoubtedly ascertained. This unswerving commitment to the poor and for their upliftment out of poverty is a celebrated hallmark of my government. We sincerely believe that our Lord blesses those who considereth the poor.

In the 2012 Estimates the specifically-targeted items of expenditure to protect the poor and to alleviate poverty include: \$18.8 million for the Family Affairs Division of the Ministry of Social Development inclusive of \$17.5 million for Social Welfare; \$1.09 million for Home Help for the Elderly; \$2.79 million for the Youth Empowerment Service; \$6.95 million for medical stores (including \$6.5 million for pharmaceutical supplies and materials); \$2.33 million for the Lewis Punnett Home; \$0.83 million for the Nutrition Support Programme; \$0.22 million for social welfare in the Ministry of Health; \$0.2 million for social welfare at the Office of the Prime Minister; \$0.51 million in social welfare (transport subsidy) at the Ministry of Transport for students; and other substantial, specific anti-poverty interventions across ministries, including the Ministry of Agriculture, Rural Transformation, Forestry and Fisheries.

These social welfare and anti-poverty measures in the central government are strengthened further through the National Insurance Services, including initiatives such as the Non-Contributory Aged Assistance Programme (NAAP), the Elderly Assistance Programme (EAP), and the operation of two high-quality Golden Years' Activity Centres.

Mr. Speaker, since 2001 my government has made massive strides in reducing poverty and successfully putting in place policies to ensure the sustainable development of individuals, families, and communities in a middle-income developing country. Indeed, St. Vincent and the Grenadines is categorised internationally as a country with a “High Level of Human Development”. This has been a magnificent achievement built up, enhanced, and sustained by successive governments since independence in 1979.

In this regard, the record of my government speaks for itself. Upon the arrival of my government in office in March 2001, the general level of poverty was independently assessed by Kairi Consultants of Trinidad and Tobago at 37.5 percent of the population; indigence (that is, extreme or “dirt poor” poverty) was put at 25.7 percent of the population; and inequality was the highest in the CARICOM region with a Gini Coefficient of 0.56. By 2008, the same Kairi Consultants were to find that general poverty had fallen to 30.2 percent of the population; indigence had declined sharply to 2.9 percent of the population; and inequality had been markedly reduced, with a Gini Coefficient of 0.41. These remarkable advances under my administration were achieved through the successful implementation of an admixture of focussed poverty reduction policies touching and concerning the economy, fiscal

initiatives, education, health, housing and lands, youths, the elderly, social security and social development. Our focus in these respects continues.

Since the global financial and economic meltdown in September 2008, and continuing, and its knock-on adverse effects regionally and locally, enormous pressures have been placed on my government in its quest to maintain and enhance its all-embracing poverty reduction strategies. We have not permitted the fiscal challenges or any alien dogma of entrenched austerity to derail us. Indeed, my government has opted for a manageable fiscal deficit on the current account in the short-run, so as to ensure that the gains made in the fight against poverty are not reversed on the altar of an externally and artificially induced mantra to cut expenditure willy-nilly.

In fact, Mr. Speaker, in the 2011 fiscal year, my government increased monthly payments to recipients of public assistance by 25 percent in anticipation of the modest increase in the price of energy, flour, sugar, rice, and bus fares. In so doing, the aggregate budgetary increase for public assistance shot up from \$13.4 million in 2010 to \$17.5 million in 2011, an increase of just over \$4 million, a sum which has shown no reduction whatsoever in the 2012 Budget.

It is from this budgetary head that the government pays some 5,800 public assistance recipients, namely, the elderly poor, persons who are sick and poor, and deserving children of poor parents. Additionally, the NIS makes payments fortnightly to roughly 1,500 non-contributory poor persons under the NAAP and the EAP. In all, therefore, some 7,300 poor or indigent persons, most of whom are elderly, receive structured monetary assistance of one kind or another. This amounts to roughly 7 percent of

the population, a not insignificant number, reflecting the love and care which this government and our people have for the poor, the indigent and the economically marginalised among us. Some critics of the extent of the public assistance programme of the central government and of the non-contributory programmes of the NIS assert that the numbers of recipients are too large and the payments, too generous, but my government respectfully disagrees with these critics. We shall continue in a focussed manner to protect the poor and lift them out of poverty in an on-going, sustainable manner.

Mr. Speaker, Honourable Members, the private and cooperative sectors most decidedly create jobs and thus contribute immensely to the war against poverty. Job creation, wealth creation, and poverty reduction accordingly go hand-in-hand. As such my government yet again reaffirms its on-going practical and strategic partnership with the private and cooperative sectors through a range of public policies including those touching and concerning lower taxation; fiscal incentives; the maintenance of law and order; financial stability; education; health and the environment; a more efficient public service; a reliable and reasonably-priced delivery of electricity and water; a better and liberalised telecommunications system; a competitively-priced and productive labour force; improved road, air and sea transportation and relevant infrastructure facilities; regional integration and a facilitating trade policy; good governance; the maintenance of an open and competitive economic system; and a quest for a sufficiency of credit on reasonable, competitive terms, particularly for small and medium-sized enterprises (SMEs).

My government's "National Economic Plan 2012-2025" and the upgrading of its "Interim Poverty Reduction Strategy" contain critical policy initiatives for further job creation, wealth creation, and poverty reduction.

Mr. Speaker, a final comment on the level of unemployment is in order. In 2001, the Population Census found unemployment to be at 20.5 percent of the labour force. Since then there has not been a Census or Household Survey to determine accurately the level of unemployment. However, the fall in general poverty and indigence between 2001 and 2008 suggests, too, a decline in joblessness. Given the modest drop in economic activity since 2008, it is to be expected that a similarly modest fall in employment occurred. One useful indicator of the employment status in St. Vincent and the Grenadines are the figures at the NIS of those who are active as employers, self-employed persons, and employees; that is, those who pay NIS contributions.

Mr. Speaker, the NIS data for 2007 show that the aggregate number of active employers (2,192), active employees (38,664), and active self-employeds (1,140) to be 41,996. Similar data for 2010, the last year of complete and verified information, show active employers (2,094), active employees (37,519) and active self-employeds (1,014) to be 40,627 or 1,369 persons (3.25 percent) less than the aggregate figure for 2007, the last year before the international recession hit St. Vincent and the Grenadines. This decline is much less than the sensational guesstimates make out. Indeed, these figures point to a small economy which is holding its employment numbers at a creditable level in a sea of global and regional economic troubles.

The comparison between 2001, when the ULP arrived in office, and 2010 from the same NIS data is instructive: In 2001, the aggregate numbers were 34,914 (employers, 1,843; employees, 32,584; self-employed, 487). Thus, between 2001 and 2010 there were 5,713 or 16.4 percent more active NIS contributors (employers, employees, self-employed) than in 2001.

These numbers, of course, do not capture the full extent of those who are employed particularly in fishing, agriculture, domestic work, small scale construction, and road transportation where it is evident that many of these workers do not make NIS contributions. In short, the NIS data underestimate the extent of employment in St. Vincent and the Grenadines, but they are a good indicator of the growth or decline in jobs.

## **EDUCATION**

Mr. Speaker, let us first provide some of the salient information on the educational system in St. Vincent and the Grenadines, to ensure that Honourable Members and the general public are possessed of the factual matrices upon which to render an informed assessment.

In the 2012 Budget, \$118.95 million is allocated for recurrent spending and \$28.5 million for capital expenditure. Thus, an aggregate sum of \$147.5 million is being provided for Education this year or 18.6 percent of the total Budget of \$793.9 million. In terms of the functional classification of expenditure, only two categories of expenditure, namely, General Public Services (26.1 percent) and Economic Affairs (20.2 percent) exceed the total allocation for Education. Indeed, on the capital side, only Economic

Affairs (39.6 percent of the capital Budget) exceeds spending on Education (15.4 percent of capital Budget).

In the recurrent budget, 22 programmes in the Ministry of Education are financed by \$106.2 million. Among other things, this allocation ensures payment for 2,110 employees in the Ministry of Education excluding the personnel in the St. Vincent and the Grenadines Community College for which an annual subvention of \$12.25 million is made.

In the primary system there are 980 teachers in 61 State-owned primary schools. Enrollment in the primary schools as at September 2011 was 13,705 students, inclusive of 1,002 who were enrolled in private primary education. Primary education will cost the government \$38.75 million in 2012.

In the secondary system there were 10,590 students enrolled as at September 2011 in 26 secondary schools, seven of which are government-assisted secondary schools owned and operated by non-governmental entities, mainly churches. In the 19 State-owned schools there are 616 teachers; additionally, the Government pays 112 teachers in the government-assisted secondary schools. The sum of \$34.78 million is allocated to secondary education in 2012.

Mr. Speaker, further there are 57 teachers employed at the five technical institutes/centres; 37 teachers are at the Early Child Centres (pre-primary education) at particular primary schools; 21 teachers at the three schools for Special Education; and 30 instructors are at the Adult and Continuing Education Programme. All told there are 1,853 teachers in the State-financed educational system, exclusive of the teachers/lecturers at the

four Divisions of the St. Vincent and the Grenadines Community College (SVGCC). The total enrollment of students at the Community College stands at 2,179. At the Community College there are 91 lecturers and 16 members of the Administrative staff including the Director, Deputy Director, Registrar, Bursar, Deans, Vice Deans, Librarians and clerical staff; and two (2) supportive staff.

The budgetary provision for tertiary (university) education for 2012 amounts to \$14 million (\$7.5 million in payments to the University of the West Indies and \$6.5 million for scholarships, bursaries and grants through the Training Division of the Services Commissions Department). Additionally, the Government-Guaranteed Economically Disadvantaged Student Loans over the past 10 years amount to over \$50 million, mainly through the Bank of St. Vincent and the Grenadines (formerly the State-owned NCB) but also through some credit unions. Further, hundreds of students have been, and are, on scholarship overseas through the generosity of Cuba, Venezuela, Taiwan, Mexico, Russia, Malaysia, Turkey, Morocco, the European Union, Australia, Britain, Canada, the Organisation of American States, the Commonwealth, and the University of the West Indies. Moreover, very generous paid study-leave has been granted to hundreds of public servants, teachers, nurses, and police officers for studies overseas over the past ten years.

Mr. Speaker, in 2001, the former Minister of Education, Michael Browne, announced in this Honourable House that over the next ten years, the Government would spend some EC \$1 billion on education. He was scoffed at by some critics as being a fanciful dreamer. As events have unfolded Mike Browne was being modest since total expenditure on education in the period 2001 to 2011, inclusive, amounted to

approximately \$1.5 billion dollars, excluding the value of the hundreds of scholarships procured from friendly governments and international bodies for university education.

In this 10-year period, an Education Revolution took hold of our country touching every facet of education: Early Childhood, Primary, Secondary, Post-Secondary, Tertiary, Technical, Nursing, Teacher Education, Special Education, and Adult and Continuing Education. The strides made in each area have been absolutely remarkable. St. Vincent and the Grenadines is being hailed throughout our region, and elsewhere, for its best practices in the educational system. Still, there is much work to be done.

It is to be admitted that the decline in the birth rate in St. Vincent and the Grenadines and the increase in net migration overseas have assisted the government in the implementation and consolidation of the Education Revolution, particularly at the primary and secondary levels. But the attainment of universal secondary education by September 2005 was a magnificent accomplishment. So, too, has been the substantially increased enrollment at the various Divisions of the post-Secondary Community College and at universities world-wide. The herculean, all-embracing national effort to boost massively adult literacy and numeracy, and the enhancement of early childhood and special education have been a towering credit to our Caribbean civilisation. Moreover, the lifting of the quality aspects of every facet of education has been most commendable.

Mr. Speaker, in ten years, my government added the following nine secondary schools to the pre-existing school plant: Sandy Bay, George

Stephens (Colonarie), West St. George, Thomas Saunders (Richmond Hill), JP Eustace Memorial (Edinboro), Buccament, Central Leeward, Union Island, and a new Intermediate High School (Mc Kies Hill). Six of these nine secondary schools are new buildings; the other three were primary schools which the Government converted and expanded into secondary schools. Additionally, my government refurbished and enhanced all the other State-owned secondary schools and assisted with the improvement of several government-assisted secondary schools. Never in our country's history has there been such a dramatic upgrade of secondary education.

In the same ten year period, my government opened five new primary schools at Sandy Bay, Byera, Peruvian Vale, Fair Hall, and Port Elizabeth (Bequia). All others have had refurbishment, some quite substantial. Still, there is much on-going renovation and maintenance required at most of our schools. It is a most expensive business.

My government, too, has built ten Early Childhood Education Centres, and constructed two others for non-governmental entities (YWCA, and the Methodist Church in Georgetown). Still more are in the offing. We have built, too, a state-of-the-art Technical Centre in Kingstown (near to Bishops College); expanded significantly the School of Nursing, the Technical College, and the "A"-Level College (Division of Humanities and Science of the Community College).

Fourteen modern, well-equipped Learning Resource Centres have been built over the same period at South Rivers, Colonarie, Sandy Bay, Chester Cottage, North Union (Sans Souci), Biabou, Evesham, Upper Cane Hall, Questelles, Layou, Barrouallie, Chateaubelair, Union Island, and Canouan (a Marine Resource Centre). Currently, a multi-purpose facility is being

constructed at Calliaqua. At Glen, a Library and Resource Centre was erected as part of the Community College. And at Richmond Hill, the imposing Modern National Library was constructed and equipped at a cost of over \$18 million. Additionally, several school libraries and science laboratories have been established.

Mr. Speaker, teacher education has advanced by leaps and bounds. For example, in 2001 in the primary school system, only four teachers were university graduates. Today, there are some 500, including a significant number with post-graduate degrees. My government embarked on a series of innovative ways to train a huge number of teachers, both at the primary and secondary level, through a mixture of face-to-face and distance learning so as to minimise the cost of the training, including the temporary replacement cost of the teachers.

Mr. Speaker, extraordinary developments have taken place in the field of Information Communications Technology (ICT) in the teaching and learning processes in the educational system. Every single secondary school and some 70 percent of the primary schools are equipped with computer centres. So, too, are all the Learning Resource Centers. Further, there is the National Institute of Technology which provides training at different levels in ICT. The four Divisions of the St. Vincent and the Grenadines Community College are well-served with educational facilities in ICT. The multi-million dollar expenditure on ICT in Education over the past ten years has been remarkable. Funding for ICT in Education has come from multiple sources, including the European Union, Taiwan, and the Government of St. Vincent and the Grenadines.

The year 2011 witnessed the practical roll-out of the “One-lap-top-per-Student” programme which complements the various ICT activities and is embedded in the National ICT Strategy. Under the “One-lap-top-per-Student” initiative, every primary school student from Grade II (7 years old) upwards, every secondary school student, and all the teachers will receive a laptop. This initiative, the most comprehensive and extensive in the Caribbean and one of the most advanced in the world, is the product of an extraordinary inter-governmental cooperation between Portugal, Venezuela and St. Vincent and the Grenadines. So far, laptops have been delivered to the primary schools and the first forms in secondary schools and their teachers. Further, internet access has been made available to all educational institutions, including the LRCs. In all, 15,000 laptops have been distributed. The cost of the programme thus far is some \$18 million. It is anticipated that the additional laptop for the other forms in all the secondary schools will be delivered in the first half of this year. It is a tremendous joy to witness our students, at their schools and in their communities, using the laptops to further develop and advance their knowledge and education.

Mr. Speaker, in November 2010, I published a 78-page paper entitled Lifting the Education Revolution to the Next Level. Among other things, I emphasised the necessity and desirability of extending, streamlining, consolidating, the Education Revolution, and made several concrete proposals to effect implementation of the strategic path forward. These ideas, by and large, represented my government's approach. They have been adopted and accorded the figurative “flesh-and-bones” in public policy. They are reflected, in part, in the Result Indicators and fiscal provisions in the Estimates for 2012.

Central to the way forward in education are the following: Enhanced quality teaching and assessment of teachers; an enlarged and committed role for parents in their children's education; the further integration of ICT in the teaching and learning process; the delivery of a quality core curriculum in primary and secondary schools; the development of pre-early childhood education for 0 – 3 years old; the enhancement of early childhood education; the bolstering of post-secondary, tertiary, technical, and special education; the insistence on "critical thinking" in the root-and-branch delivery of education at all levels; the provision of additional support services for students; school discipline and security.

All of these central planks, Mr. Speaker, are reflected in the Budget. Thus, for example, in the Recurrent Estimates, six new posts (three Education Officers III and three Senior Education Officers) have been provisioned in the quest to improve qualitative outputs from the educational system, teacher monitoring and assessment, and the shaping of an enhanced developmental framework. Further, the project planning and implementation capacity of the Ministry is also being strengthened by additional posts of a Senior Projects Officer and a Projects Officer I.

Among the major capital projects for Education in the 2012 Budget are: \$15 million for "The Improvement in Education through ICT Project" to expand ICT and other facilities at the Community College and to improve educational management; \$5.3 million as part of the Basic Education Project II, to provide teacher training, to establish a science laboratory and to purchase furniture at the J.P. Eustace Memorial School; \$1.5 million for the further expansion of secondary schools, including expansion works at George Stephens, Troumaca, Buccament, Sandy Bay, and Thomas

Saunders; \$1 million for the Technical and Vocational Education Project, specifically to purchase equipment and furniture for Tech Voc institutions; \$1 million to establish 9 more Early Childhood Centres at South Rivers, Park Hill, Byera, Dickson, Troumaca, Greiggs, Lowmans Windward, Rose Hall, and Spring Village (Leeward); and a further \$1 million for the Book Loan Scheme.

Mr. Speaker, I expect that in 2012 all stakeholders in education would work together to lift performances all around, especially students' performance in core subjects such as English, Maths, the Sciences, History, Foreign Languages, and IT. Let us go for it!

Mr. Speaker, I cannot leave the discussion on Education without commenting on the tremendous work being done at the St. Vincent and the Grenadines Community College under the splendid leadership of Dr. Joel Warrican, who, along with his staff, has been building and expanding upon the foundations laid by his able predecessors.

Some details on the enrollment at the four divisions of the SVGCC are arresting: First, of the 985 students enrolled at the Division of Arts, Sciences, and General Studies, 839 are in the CAPE/GCE "A" Level Programmes and 146 are pursuing Associate Degrees. In the Division of Teacher Education, there are 238 persons enrolled. Of this number, 159 are pursuing Bachelor's Degrees in various specialties, of which 36 are taking B.Ed in Language and Literacy; 32, the B.Ed in Mathematics; 33, the B.A in Guidance and Counselling, and 32, the B.A in Social Work. The other 79 students are specialising in Teacher Education in one of the disciplines of Primary, Secondary, TVET, Early Childhood or Home Economics. In the Division of Technical and Vocational Education, there are 817 students

pursing the two-year TVET Associate Degree Programmes in one or the other of the following specialties: Business, Hospitality/Tourism; ICT/Electronics; Architecture and Building Construction; Mechanical Technology/HVAC; Electrical Engineering Technology; Automotive Repair; Agricultural Science; and Refrigeration. In the Division of Nursing Education, there are 189 students of which 160 are in the Registered Nurses' Programme; 12 are in the Midwifery Course; and 17 are being trained as Nursing Assistants.

Mr. Speaker, in 2008 there were 1,484 students at the SVGCC; today, there are 2,179, an increase of 47 percent over a 3-year period. In the TVET Division there has been an 87 percent increase over the same period, reflecting a growing market demand for TVET skills. I regret to report that other than in the TVET Division where male and female students are almost equal in their numbers, the other three Divisions are overwhelmingly female. In the Division of Arts, Sciences and General Studies, 71 percent of the students are females; in Teacher Education, 61 percent are female; and in the Nursing Division, the traditional dominance of females prevail at a whopping 96 percent. This is a worrying matter: Males are woefully under-represented at post-secondary and tertiary educational institutions.

The programme expansion at the SVGCC over the past two years has been rapid, particularly in its evening programmes. The degree programmes in the Teacher Education Division are on franchise arrangements mainly with UWI. The BA (Social Work) degree is on franchise with the Jamaica Theological Seminary.

At the Division of Arts, Sciences and General Studies, there are four part-time Associate Degree Programmes that are in their second year.

Additionally, an Associate Degree Programme in Fine Arts, Design and Cultural Communications has been developed as a full-time programme. Ms. Vonnie Roudette has been doing pioneering work in this creative field. This Division, too, continues to offer on franchise arrangement with UWI, the Social Science Level One Programme. For a small fraction of the cost of going overseas to a UWI campus, students can complete the first year of their Bachelor's Degree in Social Sciences with the SVGCC.

At the TVET Division of SVGCC, a curriculum review is ongoing. The programmes have been converted to Associate Degree Programmes to offer students more options on graduation. Consideration is being given for the SVGCC to annex the four Technical Institutes.

Mr. Speaker, in a bold new initiative, the SVGCC is embracing the Integration of Technology into education by establishing an E-College Division in January 2012. This Division is to be staffed by a Head of E-College (who also has responsibility for pedagogical support), an Information Management Specialist (who has responsibility for technical support), the IT Administrator, and the IT Laboratory Technicians. This exciting new initiative will enable the College to develop its capacity to integrate many new technologies into the teaching and learning process. This initiative will initially provide online support for face-to-face students but will, in the next expansionary step, enable the College to offer its programmes to students by distance, reaching out to citizens in North Leeward and North Windward and in the Grenadines who may not be physically able to attend any of the four campuses of the College. Support for this Division will be provided by the Division of Teacher Education and the College's Quality Assurance Office.

Mr. Speaker, the SVGCC has applied to EDEXCEL, Europe's leading TVET Certification Body, to become a BTEC Centre. This will enable the students in TVET to achieve a certification that will be equivalent to Advanced Levels and highly-recognised internationally. This certification will be done alongside the Caribbean Vocational Qualifications (CVQs) and National Vocational Qualifications (NVQs), thus enabling the students to have national, regional, and international certification in TVET when they graduate from the TVET Division of the SVGCC.

As an expanding institution with post-secondary and tertiary/professional emphasis, SVGCC is enhancing its activities in outreach in the community, sports development, staff development, student services and support, and quality assurance and improvement. The transformation taking place at SVGCC has sprung, in part, from the modern and relatively autonomous framework which my government has fashioned for it through legislation passed in this Parliament. SVGCC's motto "Nothing Limits Excellence" is on practical parade. Let us together lift its quality even further.

Mr. Speaker, under the 9<sup>th</sup> European Development Fund/ICT Project, which has an overall project cost of \$44.5 million of which the current SVGCC component is approximately \$30 million, the College Campus at Villa is undergoing a transformation that will significantly enhance the delivery of its programmes through improved Natural Sciences and Modern Language Laboratories, Visual Arts Studio, e-learning, and Video Conferencing facilities, Students' Union Building with Cafeteria, a new teacher's block and sports facilities. The new buildings are scheduled for completion in 2012 followed by renovations to the existing buildings to be completed by June 2013.

My government is also proposing a project for CDB financing for a facility upgrade at the TVET Division. This is intended to enable the Division to deliver programmes for the Caribbean Vocational Qualification at level 1 – 3.

Mr. Speaker, it is my government's intention, early this year, to fashion a protocol between the St. Vincent and the Grenadines Community College and the Police Training School, so as to enable new recruits and existing police officers to pursue a range of Associate Degrees, and more. Much better times are ahead for advanced education and training for police officers. A similar protocol is in the offing between the St. Vincent and the Grenadines Community College, and the soon-to-be-opened Agricultural Training Institute.

### **HEALTH, WELLNESS AND THE ENVIRONMENT**

Mr. Speaker, Honourable Members, in the fiscal year, 2012, significant additional resources have been allocated to health, wellness and the environment, both on the recurrent and capital sides of the Budget.

In the recurrent budget the allocation to the Ministry of Health, Wellness and the Environment amounts to \$64.9 million or \$2.4 million more than the approved Estimates of 2011. The bulk of this increase, approximately \$2 million, has gone to the Milton Cato Memorial Hospital mainly to fund six additional positions of which three are for medical doctors at the Registrar level. This brings the number of Registrars at the Milton Cato Memorial Hospital to a commendable 14.

Mr. Speaker, when complaints are made by some of the lack of a sufficient availability of doctors and nurses at the Milton Cato Memorial Hospital, I pause only to state that in the 2012 Budget there are 78 members of the medical staff, 312 members of the nursing staff, 28 technical members of the laboratory staff, 11 technical staff members of the X-Ray Department, and 8 staff members for the specialist services in the areas of physiotherapy and optometry. These professional members of staff are highly skilled; most are very experienced; and there is a distinguished category who are well-recognised locally and regionally by their peers. These medical, nursing, laboratory, radiography professionals, and others in specialist services are supported in their work by managerial, administrative, maintenance, domestic, catering, portering, laundry, sewing and transport personnel. All told there are 597 staff positions at the Milton Cato Memorial Hospital. This central hospital in St. Vincent and the Grenadines will cost \$26.2 million to run in 2012. The Milton Cato Memorial Hospital is a major facility providing to its clients, an array of quality medical services, most of which are provided free of charge or at highly subsidised rates. This is an achievement of which this small, resource-challenged, developing country ought to be proud.

I remind Honourable Members that these huge resource numbers for the Milton Cato Memorial Hospital do not include the allocations for other vital supportive services such as Medical Stores (\$6.9 million) upon which the Milton Cato Memorial Hospital depends for its proper functioning.

Mr. Speaker, besides the Milton Cato Memorial Hospital, there are 16 other budgeted programmes in Health and one in the Environmental Management Department. Together these 17 programmes in the Ministry of Health and the Environment other than Milton Cato Memorial Hospital,

employ a further 537 persons, mainly health professionals. These recurrent programmes cover General Administration, Oxygen Production Plant, Medical Administration, Medical Stores, Pharmaceutical Services, Lewis Punnett Home, Mental Health Rehabilitation Centre, Community Health Services (including the 39 Clinics and Polyclinics), Dental Services, Health Promotion Unit, 5 Rural Hospitals and Health Centres (Georgetown, Chateaubelair, Mesopotamia, Bequia, and Union Island), Nutrition Support Programme, Nutrition Family Planning, Nutrition Unit, HIV/AIDS/STI Prevention and Control, Environmental Management Department, and the Integrated Medical Assistance Programme. All told, therefore, when the Milton Cato Memorial Hospital personnel are added to these, the Ministry of Health, Wellness and the Environment employs 1,134 persons, mainly health professionals.

Next year, these numbers will rise when the Modern Medical Complex becomes operational fully with 32 staff members and others from Cuba. An increase in health professionals will occur, too, in another 18 months or so when two more polyclinics are constructed, one at Buccament and the other in Mesopotamia. Still more health professionals and other staff will be required when the immediate 3-year programme for the modernisation of the health sector is completed.

Mr. Speaker, Honourable Members, please be advised that additional recurrent expenditure related to Health, but not accounted for in the Ministry of Health, occurs in the training of nurses locally, (approximately \$4 million annually), the training of nurses overseas (including stipends for the trainees in Cuba and educational assistance for post-graduate training for nurses), and the training of medical and other health professionals locally and overseas. Then, of course, there is the quality

delivery of water and solid waste services through the Central Water and Sewerage Authority (CWSA).

Further, overall care for the elderly and the indigent is covered, too, through the Ministry of Social Development by way of the Home Help for the Elderly and other supportive welfare and social services initiatives.

On the capital side of the Budget, there is a whopping allocation of \$17.5 million to Health in 2012, some 29.6 percent more than the budgeted amount for 2011. The major items of capital expenditure for the year 2012 in Health include: \$5 million for the Modern Medical Complex at Georgetown, which is expected to be completed this year; \$2.6 million for an Oxygen Plant and Bulk Storage; \$0.6 million for the purchase of vital pieces of equipment for the Milton Cato Memorial Hospital; and \$8.6 million for the modernisation of the health sector under the 10<sup>th</sup> European Development Fund (EDF) which includes resources for some rehabilitation at the Milton Cato Memorial Hospital. The Minister of Health will provide more details on the health components to be funded through the 10<sup>th</sup> EDF over a 3-year period amounting to some EC \$34 million.

Mr. Speaker, these capital sums included in the 2012 Budget under the Ministry of Health, Wellness and the Environment do not include projects specifically designed for environmental protection, more widely. Among these in the 2012 Budget are: \$9.8 million for National Disaster Management Rehabilitation; \$6.6 million for the Emergency Recovery Project (Post-Tomas and April 2011 flash floods); and \$5.5 million for the Regional Disaster Vulnerability Reduction Project (RDVRP). This RDVRP in St. Vincent and the Grenadines is a 5-year project funded largely by the World Bank at a cost of EC \$56 million. St. Vincent and the Grenadines

has been selected, in part, for participation in this project not only because of our country's fragile ecosystem and high vulnerability to natural disasters, but because of my government's sound handling of several World Bank projects over the past ten years, including the \$16 million project in respect of the establishment of NEMO and its headquarters, and certain sea and river defence facilities.

The issue of our environment is a top priority for my government. Indeed, it is an existential matter of the highest order. In a period of heightened climate change and ecological disasters, it is of the greatest importance that we execute programmes locally in tandem with our regional and global responsibilities to push for policies to arrest deleterious climate change and to effect efficacious adaptation.

Mr. Speaker, the additional resources to the Health and Wellness sector is reflective of the government's strategic objective of ensuring the healthiest population possible. The Honourable Minister of Foreign Affairs, when he was Minister of Health from 2001 to 2010, used to make the simple but profound point that the hospital is a place for persons with ill-health and that we must try our best to stay out of the hospital with good health. Our major health problems in St. Vincent and the Grenadines are basically behavioural; that is to say, they are life-style diseases, essentially the chronic non-communicable diseases of diabetes, hypertension, cardiac and respiratory ailments, and injuries from road traffic accidents, work-place accidents, and criminal violence. Additionally, there are the serious sexually-transmitted diseases, which, too, are behavioural. The mantra from the health experts make tremendous sense for us to eat, drink and exercise properly and, generally-speaking, to be responsible in how we treat our bodies and respect our duty of care to others.

Successive administrations over the past forty-odd years have contributed to the lifting of our nation's health indicators and put them on the trend of "developed country" status. Indeed, part of my government's solemn responsibility has been to build further, stronger and swiftly upon relatively sound public health foundations laid by previous Labour and NDP administrations, to ensure the best possible delivery of primary and secondary health services locally, and to effect practical arrangements for specialist tertiary health care in collaboration with regional and international partners, including friendly governments.

The commendable health indicators currently for our nation include: Quality and low-cost delivery of water in the homes of 95 percent of the population: garbage collection nation-wide, once weekly on St Vincent and more frequently in other places, for example, Bequia, and effective garbage disposal; a life expectancy at birth of 74 years; infant mortality for children stands at just under 15 per thousand; maternal deaths are statistically zero; immunisation of children under the age of five years is statistically 100 percent; the ratio of doctors and nurses available per 10,000 persons has climbed to the higher ranks of developing countries and is trending to that of the average of developed countries. Over the past ten years, we have witnessed dramatic improvements in these indicators.

Still, we cannot and must not be complacent. Gains made through hard work by all stakeholders and the allocation of substantial material resources can be reversed if we falter in our focus. The veritable epidemic of chronic, non-communicable diseases (NCDs) and serious injuries occasioned through negligence or crime has to be addressed by one

and all. Our lifestyle diseases and negligent or violent criminal actions are in danger of undermining our nation's health gains and overwhelming our health system. The Ministry of Health, the health professionals, and our partners regionally and internationally are resolved to arrest the incidence of NCDs and related behavioural challenges to the health system, but everyone has a duty to himself or herself, to one's family, and the nation to lead the healthiest life-style possible. We have made progress in the fight against HIV/AIDS, though this battle is still on-going, and we must not let up. Certainly, it is within us to win the health war against NCDs and other behavioural diseases or ailments.

Mr. Speaker, in 2001, we declared the commencement of the Education Revolution. Immense progress has been made in this regard. We are now consolidating, streamlining, and strengthening the Education Revolution. In September 2007, we declared the Health and Wellness Revolution. We have laid the basis, marshalled the troops and the resources, erected the requisite fortifications, and acquired central pieces of equipment, including the CT Scan machine, for the tasks ahead. Now is the time to accelerate the accomplishments for the Health and Wellness Revolution. To benefit optimally, individually and nationally, from our education and training we must be healthy. That is an inescapable truism. In the 2012 Budget, it is evident that a focal sector is Health, Wellness and the Environment.

The Honourable Minister of Health will highlight several other challenges in the health sector and the government's plan for addressing them, as shown, in part, in the Result Indicators in the Estimates. For example, the vexing problem of the unavailability, occasionally, of one or other pharmaceutical products and medical supplies in the state sector must

be solved. Significant resources, equal to the task, have been allocated to pharmaceuticals, medical materials and supplies. Evidently, there is too much wastage in the system; managerial and supervisory functions clearly need to be improved; and the relevant information systems ought to be better developed and applied.

The Honourable Minister, too, will speak about the two Medical Colleges in St. Vincent and the Grenadines and a third which is to come on stream shortly. These Medical Schools are important to our economy, medical education, and our health system.

There is one final health-delivery issue which I ought to sketch briefly. It relates to tertiary health care. It is accepted by the health professionals and policy-makers that the small size of our country's population is unable to sustain certain kinds of advanced tertiary health-delivery systems, for example, cardiac surgery, neurological operations, kidney transplants, and the like. The unavailability in our main hospital of these services does not mean that my government has no mechanisms or resources to facilitate and assist Vincentians who require such forms of advanced tertiary health care. Through the Ministry of Health and the Office of the Prime Minister funds are allocated to assist in this regard. More importantly, my government has arrangements in place with the Governments of Cuba and Trinidad and Tobago, and other medical partners, including in the USA, to facilitate these advanced surgical procedures or medical enquiry. Further, medical missions of one kind or another visit St. Vincent and the Grenadines annually, mainly from the USA, but also from the Christian Hospital in Taiwan, to effect such important specialist surgical and medical work. Exceptional in this regard has been the International Hospital for Children, and its successor entity,

particularly in respect of advanced tertiary health care delivery for children, including in the field of orthopaedics. In 2011, I am advised that 17 medical missions came to St. Vincent and the Grenadines performing millions of dollars worth of surgical and medicinal care to hundreds of patients from St. Vincent and the Grenadines and the sub-region.

In addition to all this tremendous delivery of a wide-range of medical services by the visiting health missions, is the extraordinary work done by the resident mission of Cuban doctors and other health-care professionals and the on-going collaboration with the Cuban authorities for tertiary medical care in Cuba for Vincentian patients. Remarkable, too, has been specific, targeted programmes in health delivery provided free by Cuba, for example, the historic "Vision Now" programme which has successfully treated in excess of 2,500 Vincentians in Cuba and St. Vincent and the Grenadines with eye problems. Cuba, too, is partnering with St. Vincent and the Grenadines, through ALBA, on a planned programme "Lives to Live", specifically designed for persons with physical and mental challenges. This programme is in the preparatory stage. Of course, Cuba is our sole partner in the construction and equipping of the Modern Medical Complex at Georgetown.

Mr. Speaker, it is my honest duty to inform the nation that before the end of this month, the Central Water and Sewerage Authority (CWSA) will announce a modest increase in the cost to the consumer of the delivery of water and solid waste services. It is vital that we maintain and extend these services at the highest quality level. Currently, the cost of these services can hardly be covered by the price paid by consumers, much less to pay for the recent capital developments such as at the Windward Water Supply System, and further planned expansions nationally to meet

growing demands from both business and domestic consumers. The data show that the cost of the delivery of water and solid waste services to the consumer is significantly lower than elsewhere in the Caribbean.

I remind Honourable Members and the general public that the CWSA is known throughout St. Vincent and the Grenadines, the region and in informed international circles, for superb delivery of its services. We must keep it so and build upon it in every respect. Short memories may not recall that in the first half of 2010 when a severe drought struck the Caribbean, the consumers in St. Vincent and the Grenadines barely felt it in their water taps. While neighbouring countries such as Trinidad, Grenada, St. Lucia, and Barbados had abundant water woes, we had none. So let us not forget all this. And please, let us not be demagogic or unreasonable about the modest increase which CWSA is shortly to announce.

## **AIRPORT DEVELOPMENT AND AIR TRANSPORT**

### (i) Airport Development: The Policy Framework

As part of the government's policy of creating a modern, competitive, post-colonial economy, my government recognises that one of its roles has been to put in place the required infrastructure and create an environment that promote economic growth. Government has also implemented unilateral, bilateral and multilateral measures to create the kind of environment to allow our local firms to compete on a level playing field with regional and international firms, so that they can reap the benefits of the

expanded markets created by the OECS and CARICOM and globalisation.

One of the many unilateral policy measures the government has implemented is to address the air access difficulties, which research shows has been one of the main factors detracting from our firms' product quality and competitiveness. As the banana industry declined with the changes introduced into the European market in the early 1990s, and as the tourism industry emerged as the major foreign exchange earner, it became clear that there needed to be a permanent and effective solution to the air access problems.

In consideration of its responsibility of enhancing our air access, government decided to improve the Canouan Airport, to allow for jet operation. The jet airport on Canouan—one of the most central islands in the Grenadines and the fastest growing in terms of tourism investment and spending—was officially opened in June 2008 and provides direct access from North, Central and South America for visitors to Canouan and the other islands of the Grenadines.

Government also took the bold step of building a new international airport at Argyle, to serve our nations, and visitors to the mainland and the other islands of the Grenadines. At present, E. T. Joshua Airport at Arnos Vale functions as the airport for international flights to and from the neighbouring countries of the Caribbean. Owing to airport limitations, there are few direct flights to E. T. Joshua from countries outside of the Caribbean.

As a result, visitors to our country originating from non-Caribbean destinations must make connecting flights at one of the regional airports. Many of these journeys to St. Vincent and the Grenadines are not without considerable expense, hassle and inconvenience. This discomfort that many returning nationals and our visitors face getting to and from St. Vincent and the Grenadines has put us at a competitive disadvantage in the tourism industry in the region. Even so, the decision to construct an international airport on a green field site at Argyle was not based only on the potential contribution of this new airport to the development of the tourism and agricultural sectors, but also on the physical and technical restrictions of expanding E.T. Joshua.

(ii) Argyle International Airport

For fifty or more years, successive policy-makers promised to build an international airport on St. Vincent, but never got beyond the stage of repeated studies. My government was resolute in its determination to build the international airport. We analysed the studies and updated the most relevant one. From these analyses, my government decided on the basis of technical, financial, environmental, and developmental factors to opt for the site at Argyle. In late 2004, my government caused the incorporation of a wholly state-owned enterprise, the International Airport Development Company (IADC), charged with two central mandates: First, to spearhead and coordinate all matters relating to the financing and construction of the airport; and secondly, to arrange, in tandem with other State entities, for the effective management of the airport upon completion. On August 08, 2005, I

formally announced my government's decision to build an international airport at Argyle. I provided a comprehensive analysis of all the relevant issues and advanced a creative, strategic framework for its financing and construction.

Central to the way forward was my government's identification of a bundle of assets possessed by St. Vincent and the Grenadines to be utilised in the financing and construction of the international airport. These assets include: The land on which to build the airport, roughly four hundred acres in private hands; lands owned by the State throughout St. Vincent and the Grenadines, which over time, would be sold to assist, primarily, in the payment of the acquisition cost of the privately-owned lands and built properties; the ownership of other assets by the State which would be sold or leveraged to contribute to the cost of constructing the international airport; technical, managerial, and other skilled manpower to be harnessed, in conjunction with supportive or additional manpower skills from other countries, to build the airport; the intangible but real assets of sovereignty and independence to be utilised so as to put in place a veritable "Coalition of the Willing" to build the airport; the political and administrative leadership which were up to the tasks at hand; and last, but by no means least, the enthusiastic support for the project by the overwhelming majority of Vincentians at home and abroad.

At first, in 2005, we were advised by the Canadian Consultants Marshall, Mackling and Monaghan (MMM) that the international airport project would cost nearly EC \$500 million to construct. Subsequently, the Mexican team of consultants headed by

Professor Frederico Dovali of the State-owned Airport and Auxiliary Services (ASA) of that country, who designed the Master Plan for the airport's construction and further development, advised that another 40 acres or so of land should be acquired in addition to the original 365 acres. This advice was accepted but naturally, added to the costs. Similarly, the contractual cost of constructing the Terminal Building by the Taiwanese firm, Overseas Engineering and Construction Company (OECC), arrived at only after protracted negotiations with the company, was higher than originally estimated. And, of course, building costs generally have escalated over the past six years since the MMM update. The upshot of all this is that the budgeted figure to build the airport was revised upwards to EC \$652 million.

Clearly, it was not possible to finance this project in the usual way of a sovereign debt from a single source or a consortium of banks and other financial institutions as was done by the former NDP administration with the Ottley Hall project. The estimated cost of building the international airport is some five times the budgeted cost of the Ottley Hall project. A huge sovereign debt of at least one-half of a billion dollars or more would have choked St. Vincent and the Grenadines, even if it were possible to effect the borrowings. Similarly, no one or two international financial institutions such as the World Bank or a grant source such as the European Union would finance anything this grand in a small country like St. Vincent and the Grenadines. Indeed, entities such as the World Bank and the European Union were simply not interested. At the same time, too, no one or two countries would assume a financing of such a magnitude, even if they were minded to help.

In short, none of the traditional, conventional or text book modes of financing was appropriate for the Argyle International Airport. It is for that simple reason that no government before this ULP administration attempted to build the airport. Previous governments would talk the talk on international airport development; they would conduct yet more studies. But in the end, they did absolutely nothing because they were unable to conceive a creative approach to finance its construction. To venture first of all to conceive of the idea of a different, imaginative, creative and practical approach, demanded an emancipated mind, free of a sense of a colonial paralysis of thought; devoid of a distorted, classical empiricism which is one-sided in that it extols limitations and sees not possibilities; and untamed by any consideration of failure, impotence, or defeat. We applied what Chatoyer and Che Guevera taught us: Never permit the imagination of the mind to be constrained by the imposition of artificial limits. Once all this was recognised and it became a noise in our blood and an echo in our bones, we knew that a different, creative path was possible. Central to this was the solidarity of our people; and the extraordinary solidarity which we conceived was possible to be built between ourselves and other nations.

Possessed of our national assets which I have earlier enumerated, my government moved boldly to gain the solidarity of other nations. Cuba was swiftly aboard and agreed to design the runway, to provide the technical supervision of the project, and to assign skilled labour for the earthworks and other components of the project if needed. Mexico gave us Professor Dovali of ASA to design the

Master Plan. Venezuela provided over US \$10 million worth of heavy-duty equipment, the three wind stations, and along with Cuba, established a functional, scientific laboratory on site. The Government of Trinidad and Tobago led by Patrick Manning gave us a grant of US \$10 million. Taiwan agreed to provide US \$20 million in grant funding and US \$10 million in soft loans to design and construct the Terminal Building. Then Austria, Iran, and Libya came aboard with grants in cash. A loan of US \$4.2 million was later secured from the CARICOM Development Fund (CDF) for specific activities on the pavement works. Turkey made contributions, at our request, to the CDF.

Meanwhile, the Government of Venezuela, through Petro Caribe (SVG) Limited, has loaned on soft-terms over EC \$30 million for on-going works at the construction site. Further, my government recently obtained an additional US \$20 million (EC \$54 million) on highly concessional terms, of which EC \$15 million was transferred immediately to the IADC. Earlier, a sum of EC \$13.5 was granted by the Government to IADC from another US \$20 million ALBA Loan. Taiwan, through a Memorandum of Understanding, signed on July 21, 2008, between President Ma and myself on behalf of our respective countries, pledged to give favourable consideration to providing an additional grant or soft loan, to help St. Vincent and the Grenadines with the anticipated higher building costs.

The genius of the creative path fashioned to construct the international airport is that it identified discrete components to be financed in its own special way from the "Coalition of the Willing" which swiftly metamorphosed into a "Compact of the Committed".

The major components of the project are: (i) Site Acquisition; (2) Earth and Site Works; (3) Runway, Apron and Taxiways; (4) Terminal Building and other Landside Facilities; and (5) Project Management.

IADC will incur a total cost of EC \$112.2 million to purchase or acquire all of the built properties and vacant land parcels on the site for the airport. The plan is for the proceeds of the sale of lands owned by the Government to pay for the lands and built properties at Argyle. There is, naturally, a time-lag between the purchase/acquisition of the Argyle properties and the sale of State-owned lands. So, bridging loans have been entered into using the State-lands as collateral, the repayment of which loans comes from the land sales.

Accordingly, in 2005, my government transferred to IADC approximately 825 acres of land with an estimated value of well over EC \$360 million. These include State lands at Bequia, Cane Grove, and the E.T. Joshua airport site. The State-owned company, National Properties Limited, is engaged with the IADC on the sale of the lands on behalf of IADC.

Mr. Speaker, as at November 15, 2011, the IADC has paid EC \$50.43 million to 125 owners of built properties at Argyle. A sum of EC \$5.7 million remains outstanding for one reason or another, for seven built properties.

In respect of the vacant land parcels, there are 370, but deeds have been presented to IADC for only 305. Thus far, the IADC has paid 131 land-owners the sum of EC \$22.8 million, leaving an

estimated sum of \$25.2 million for 174 land-owners. The IADC is currently addressing the issue of these outstanding payments. In the case of one significant property-owner, the valuation issue is being put before an Arbitration Tribunal.

On the Earth and Site Works component of the Project, the grant components of Cuba and Venezuela amount thus far (November 30, 2011), to approximately US \$112 million (US \$102 million for the earth works, plus US \$10 million for designs and preliminary studies). The grants from Cuba and Venezuela have been mostly in kind, in the form of technical expertise, manpower and machinery. Venezuela, through the ALBA and Petro-Caribe arrangements, have provided substantial assistance in "soft" loans, on most generous terms.

In addition to Cuba and Venezuela, the following specific contributions have been made: US \$10 million from the Government of Trinidad and Tobago in August 2008; Austria provided part payment of EC \$502,000 for three (3) compactors; Iran donated US \$2 million; Libya gave US \$1 million; and Mexico did the Airport Master Plan free of cost.

The earthworks component of the project is valued at EC \$279 million. Two-thirds of the earthworks are now completed at a value of EC \$180 million. However, IADC has spent EC \$28 million (exclusive of interest costs), mainly in earth works. This expenditure, includes administration, labour, materials and supplies, fuel and spare parts.

The third component of the project, that is, Runway, Apron and Taxiways, has an estimated cost of US \$16.7 million or EC \$45.1 million. My government, on behalf of the IADC had made an application for precisely that sum from the CARICOM Development Fund (CDF). Unfortunately, due to the unavailability of a sufficiency of funds in the CDF, and their funding rules in respect of the maximum funding of a project in the relevant funding cycle, we secured a sum of US \$4.2 million in grant and loan funds from CDF. The CDF has indicated to IADC its commitment to finance the remainder as the funds become available in the next funding cycle.

The CDF funds have been earmarked for the stone-crushing plant and base-laying equipment, and airfield lights and generators. The process is underway for the supply of the items of equipment.

IADC intends to do the pavement works in-house and to set up its own industrial complex with stone-crusher, asphalt and concrete batching plants, with supporting equipment. A team of 70 persons (32 Cubans and 38 Vincentians) will conduct this aspect of the operation. The Cuban engineers, operators and technicians to work on the plants and to do the pavement works have already been identified and recruited; they would be in St. Vincent and the Grenadines shortly. These pavement works are scheduled to begin just after mid-2012.

The fourth component, - the Terminal Building and other Landside Facilities, consists of eight parts, four of which are being done by OECC of Taiwan and for which funding is already available,

namely: the passenger terminal building; the electrical sub-station; the signage (internal and external); and all relevant preliminaries.

The four other parts of this component are the Cargo Terminal Building estimated to cost US \$2.7 million; the Fire and Rescue Services budgeted to cost US \$1.03 million; the Control Tower, US \$0.96 million; and Site Works, Roads, Draining and Parkway, estimated to cost US \$9.57 million. Creative funding is being pursued for all these four parts which would be built simultaneously with the Terminal Building, and is due to be completed by October-November 2013. For example, a likely private-public partnership is being actively explored for the Cargo Terminal Building. The IADC itself will be the executing agency for the aforesaid Site Works, Roads, Draining and Parkway so as to contain costs.

The fifth component of the airport project, Project Management, has incurred expenses of EC \$40 million, thus far, between September 2005 and October 31, 2011. This expenditure includes EC \$10 million in interest expense on the bridging loans.

Thus far, the contribution of the government and public enterprises to the international airport project is as follows: Land Sales, EC \$26 million; Grants from the Government totaling EC \$48.5 million (EC \$13.5 million from first ALBA Loan; EC \$15 million from second ALBA Loan; \$20 million from the sale of the 51-percent share of NCB); NIS loan of EC \$40 million, well-secured by lands transferred from IADC to NPL, and guaranteed by the Government; EC \$30 million from First Caribbean International Bank (FCIB) to IADC, on which \$6 million remains outstanding to be paid by July 20, 2012; and EC \$31

million in soft loans from Petro Caribe to IADC, \$2 million of which has been repaid by IADC, thus far.

Mr. Speaker, please permit me to itemise further and for the record, the specific tasks accomplished thus far, including: Valuation of Properties, Negotiation, and Relocation of home-owners; pre-design phase of work (topographic surveys of airport zone, soil testing, wind studies, and final alignment and airfield design); close involvement of the Eastern Caribbean Civil Aviation Authority (ECCAA) on matters relating to design and construction of the airport; purchase and acquisition of vacant land parcels; the acquisition of earthworks equipment; setting up of workshop and fuel station; establishing quality controls at the work site; blasting of rocks and mountains; on-going wind studies; design work of sea defences commissioned and completed by Maritime Engineering Services (ASTIMAR) of Cuba; geology and hydrology studies in the area of Yambou, Rawacou, and Peruvian Vale; producing the Airport Master Plan; construction of a 3 kilometres bypass road and bridge (new segment of the Windward Highway) at a cost of US \$6 million; Environmental Monitoring and Protection; Environmental Impact Assessment by Kochs Consult GMBH; Dust mitigation; Rawacou Recreational Facility; Bird Studies; Protecting our national heritage – Archaeological Investigations, Sugar Mills and Petroglyphs, the Roman Catholic Church, Cemetery and Shrine); Promotion and Marketing; On-going public engagement and consultations; completion of two-thirds of earthworks; commencement of the construction of Terminal Building in mid-August 2011.

Mr. Speaker, my government is on the look-out always to expand the “Coalition of the Willing” to assist in the completion of the airport’s construction. Recently, the governments of Azerbaijan and Georgia have indicated their willingness to assist. So, too, have Qatar and Kuwait late last year. I am personally following up on these initiatives.

We are heartened, too, by the financial contributions of several Vincentians, at home and from the diaspora, to the Argyle International Airport Project. We thank them and urge others to follow-suit in this regard.

The IADC's Work Programme for 2012 is ambitious and achievable. It covers six areas: Technical Works – Air and Landside; Design Projects; Environmental Protection and Monitoring; Communications and Marketing; Human Resource Development; and Finance, Administration and Information Technology. I shall address some of these areas briefly.

On the Technical Works – Air and Landside, there are 14 specific items on the work plan covering continued work on the runway aprons and taxiway and the commencement of work on the sea defences at the north-eastern end of the runway; purchasing and installing all equipment related to the pavement works; purchasing the ARMCO structures for the Yambou River crossing; improving laboratory testing facilities; continuing the construction of the terminal building; negotiate and finalise contracts to build the Control Tower, Cargo Terminal Building, and Fire Fighting and Rescue Station and commence work on these, and internal roads,

drains, and vehicular parking areas; resume construction of the Stubbs-Rawacou-Argyle access road; complete construction of the access road to Argyle Gardens; upgrade the Workshop; update the wind/meteorological studies and begin radio and navigation studies; and commence construction of the Tetrapods for the sea defence work and prefabricated elements for drainage.

Mr. Speaker, the Marketing of the Argyle International Airport is critical as we enter the final two years of construction of this project. Indeed, since late 2009, my government, directly and through its agencies, IADC and the St. Vincent and the Grenadines Tourism Authority, has been promoting the international airport at international and regional travel events and with several international carriers. The marketing efforts intensified in 2010 and 2011.

As part of the marketing plan, the Tourism Authority, with the approval of IADC entered into a Professional Services Agreement with the Boyd Group International, an aviation research and advisory firm of Colorado, USA, to develop and execute Air Service Recruitment Strategies for St. Vincent and the Grenadines and the Argyle Project.

The Minister of Tourism currently heads a Committee, which includes the IADC, the Tourism Authority, and other stakeholders to market aggressively the international airport to the international and regional travel market and the airlines themselves. The Prime Minister has an oversight responsibility on this matter.

My government is targeting the end of 2013 as the completion date for the international airport. We intend to deliver then, for inspection and assessment by the regulatory bodies and the airlines, an airport with the following features: a runway of 9,000 feet (2,743 meters) in length; 148 feet (45 meters), in width; landing distance available (2,623 meters) and a take-off distance available of 2,743 meters; three distinct interconnecting aprons – Commercial, General Aviation, and Cargo aprons; and a passenger Terminal Building with a ground floor of 84,703 square feet (7,869 square meters), a first floor of 40,006 square feet (3,717 square meters), and a mezzanine (third floor) of 5,160 square feet (479 square meters).

This airport will be able to handle 747 international jumbo jet aircraft and similar types of aircraft. It will more than adequately take care of the air transport needs of St. Vincent and the Grenadines well into the foreseeable future. The Master Plan provides scope for further expansion in the years ahead. God's willing, I hope to be alive when the first international jet aircraft lands at the Argyle International Airport in early 2014.

(iii) Air Transport

Meanwhile, Mr. Speaker, my government shall continue to improve the existing airports in St. Vincent and the Grenadines and keep them in a good state of repair. Sufficient monies are in the Estimates for 2012 to address this matter particularly at the E.T. Joshua and Union Island Airports.

On air transport itself, my government remains committed to LIAT, its reform, fleet renewal and expansion, to meet the intra-regional air transport demands for Caribbean and international travelers alike. One thing is sure, unless a further fundamental restructuring of LIAT ensues, the potential of this vital airline service would not be fully realised. That is a major challenge in 2012 for the three shareholder governments of Antigua-Barbuda, Barbados and St. Vincent and the Grenadines. It is likely that the Governments of Dominica and St. Lucia will become equity partners in LIAT in 2012.

## **TELECOMMUNICATIONS**

Mr. Speaker, in the Telecommunications Sector, it is my duty to report on the accomplishment in 2011 of four major objectives, among others. These relate to telephone rates; updated and modernised telecoms legislation; consumer issues; and a bundle of projects under the Universal Service Fund (USF). Let us take each of these four in turn.

1. Telephone Rates: In 2011, further reductions in telephone rates occurred in St. Vincent and the Grenadines on fixed-to-mobile calls under the current price cap plan (CPC) that was implemented in 2010. The rate per minute dropped from 54 cents to 49 cents in April 2011, and was further reduced to 40 cents, VAT exclusive, in October 2011. The rate decrease over an 18-month period was 44 percent, a significant benefit to consumers, especially in the business sector.
2. Updated and Modernised Telecoms Legislation: The Eastern Caribbean Telecommunications Authority (ECTEL) completed

national consultations on the new eCommunications Bill in each of the five ECTEL states in 2011. This Bill will replace the current Telecommunications Acts across the sub-region which have been in place since 2000-2001. The final draft of this Bill is expected to be ready in 2012. This Bill addresses the relevant issues which have arisen in the sector over the past eleven years, as a consequence of the rapid change in technology. It will also strengthen the regulatory oversight of ECTEL and the National Telecommunications Regulatory Commission (NTRC) in the sector.

3. Consumer Issues: In seeking to fulfill its mandate of making customers more aware of their rights in relation to disputes/complaints with telecoms service providers, the NTRC hosted eleven community events in various formats in 2011, plus numerous media events. NTRC also launched a Facebook Page so as to reach out to the younger demographics. It appears as though these initiatives would have borne fruit when the NTRC held its first Tribunal hearing in November 2011 to resolve a dispute between a consumer and one of the service providers.
  
4. A Bundle of Universal Service Fund (USF) Projects: Following the tendering process for four projects under the USF over the period 2010-2011, their status is as follows:-

Project No. 1: The supply, Installation and Maintenance of Computer Hardware, Software and Internet Connectivity at Twenty-Eight Locations throughout St. Vincent and the Grenadines:

The NTRC commissioned all equipment and services under this project in July 2011. Wireless internet is now available on a 24-hour basis at 28 locations, namely: 12 Learning Resource Centres; 9 Rural Schools; 2 Golden Years Centres; and 5 Community Centres. NTRC has been engaged in awareness activities in collaboration with the Adult and Continuing Studies Unit of the Ministry of Education. Five such activities have been held since September 2011, with special emphasis on the older demographics.

Project No. 2: The Supply and Installation of Payphones, Security Cameras and Wireless Internet at Twelve Strategic Locations:

The NTRC concluded negotiations on this project with LIME and accordingly signed a contract in November 2011 for \$1.337 million. This project will see payphones, security cameras, and wireless internet access being installed at 12 Tourism Sites both on St. Vincent and in the Grenadines. This project will greatly assist nationals and tourists alike.

Project No. 3: Supply and Maintain a VHF Telecommunications System to Provide Communications to and from Maritime Areas in St. Vincent and the Grenadines.

This project is being implemented in collaboration with ECTEL, with some support-funding from the World Bank. It will implement a new VHF Maritime Communication Systems under the control of the St. Vincent and the Grenadines Coast Guard. ECTEL and NTRC signed a contract with LIME for the supply and installation of the equipment under this project in December 2011. The NTRC will

enter into a maintenance contract with LIME in early 2012 on this project for a period of 5 years. The VHF system will be implemented in the first half of 2012 and will cater for the GMDSS standard that is now required at the global level by the International Maritime Organisation (IMO) and the International Telecommunications Union (ITU).

This project will enable the provision of access to both emergency and non-emergency communications from maritime areas within the Exclusive Economic Zone (EEZ) of St. Vincent and the Grenadines in an automated manner. This facility will address the requirements of fisherfolk, operators of yachts, and emergencies of a criminal national security nature. This is a most vital project.

To ensure that our fisher folk are able to access the benefits that this GMDSS system offers, the NTRC will make available 100 GMDSS compatible VHF radios at a highly subsidised rate to them.

Project No. 4: The Supply, Installation and Maintenance of Hardware, Software and Internet Connections to Facilitate Access to Wireless Internet Service to all 107 Educational Institutions in St. Vincent and the Grenadines.

This has been the largest project undertaken so far under the Universal Service Fund. This project was built upon the lessons learnt under the LRCs project, which was used as a pilot project. LIME is executing this contract which was signed in June 2011. Under this project, high speed wireless internet, indoors and outdoors, is to be installed in every single educational institution (107 of them). This

project goes hand-in-hand with my Government's "one laptop per student" initiative.

Work actually started on this project on August 30, 2011. So far work has been completed in 101 of the 107 educational institutions. Those completed are: 28 educational institutions between Edinboro and the SVGCC at Glen; 41 of the 43 educational institutions on the Windward Side of St. Vincent, from Fair Hall to Fancy, have been completed; 19 of the 22 educational institutions on the Leeward side (Lowmans' Leeward to FitzHughes) have been completed; and all 14 in the Grenadines are completed. For various technical reasons the remaining six at Dickson, Fancy, FitzHughes Government School, Chateaubelair Government, Buccament Secondary, and Leeward District Seventh Day Adventist School were delayed and are expected to be completed by the end of January 2012. This is an extraordinary project.

For the year 2012, three major telecommunications projects, through the NTRC, will receive attention, namely, the finalisation of the new Telecoms Bill; the launch of a cyber security programme; and another bundle of projects under the Universal Service Fund.

The cyber security programme will equip students with the state of the art skills required to protect our networks and information systems from the ever-growing threat of cyber crime. This is an area of great importance and abundant opportunities for young persons interested in the ICT field. We have to be pro-active in protecting our economy and businesses, including banks.

Under the USF for 2012, a number of projects will be developed and implemented, including: The outfitting of each of our 23 police stations and 44 clinics with wireless internet and at least one computer; the equipping of a further 13 community centres with wireless internet access and computers, along with special computer literacy classes for the elderly at these centres; a subsidisation of the cost of access to the Internet to those homes with students who cannot afford access to the Internet – this will be a phased, project and 200 households are targeted for 2012; content creation and protection on the Internet; and at least three programmes for delivery at the SVGCC, namely, equipping the College with the capability of offering its courses online in real time; launching of a software applications development programme; and launching the cyber crime security programme.

Finally, Mr. Speaker, in the telecommunications sector, the Capital Estimates provide for a \$6.182 million project known as the OECS e-Government For Regional Integration Project (EGRIP) funded mainly by the World Bank. This project is to develop and install information technology application systems for government ministries and agencies. This is being designed to enhance efficiency in public administration. In 2012, the sum of \$2.3 million is budgeted.

### **NATIONAL SECURITY**

Mr. Speaker, the security of our nation, inclusive of the maintenance of law and order, is indispensable to its good governance, delivery of justice, public safety, civilised living, peace, socio-economic progress, and independence and sovereignty. Indeed, the preservation of our nation's

security is a paramount duty of the State alongside that of securing or safeguarding our constitutionally-protected fundamental rights and freedoms. These twin-duties provide the *raison d'être* for the existence of a State.

Our nation's security and individual safety are maintained through the apparatuses of the State, including the Police Force and the Judiciary, and a series of cooperative agreements and measures of a bilateral and multilateral nature, regionally and internationally. The most vital regional mechanisms in this regard arise through the Regional Security System (RSS) and the Crime and Security agreements or protocols under the umbrella of the Caribbean Community (CARICOM). Our nation's international cooperation on security matters flow from our relevant arrangements with the USA, Canada, and Europe (principally the United Kingdom), and by way of international organisations, mainly the United Nations, the Organisation of American States (OAS), and INTERPOL. My government has striven, successfully, to strengthen the national security apparatuses of the State and its relevant regional and international security arrangements. We shall continue to accord practical priority to the security and public safety issues.

Mr. Speaker, the Royal St. Vincent and the Grenadines Police Force remains central to the preservation of law and order and citizens' safety, particularly in the absence of an army or defence force. Given the requisites of fighting crime and maintaining law and order in an increasingly modern and technologically advancing society, my government has had, over the past ten years, to carry out reforms in the Police Force, increase the number and quality of its personnel, enhance the physical facilities and equipment of the Police Force, strengthen the

legislative framework to fight crime, without subverting individual liberties, and generally improve the quality of the performance of the Police Force. In the process my government has lifted markedly the level of remuneration of police personnel, improved significantly their working conditions, provided extensive and intensive training opportunities hitherto unimaginable, and has raised immeasurably the prestige and status of police officers as a whole, from Constable to Commissioner, in the society at large, despite the unfortunate derogation from accepted standards of conduct by a minority of police personnel, from time to time.

These are all highly commendable, even outstanding, achievements over the past ten years. Still, much more uplifting work is to be done. The accomplishments, thus far, have been made possible through clear-sighted and sensible public policy and the efforts of all relevant stakeholders including the Police themselves and the general public. In the area of strategic public policy, three policy documents have been critical: First, the Fourteen-Point Strategic Framework on the Reduction of Crime approved by the House of Assembly in February 2003; secondly, the Durrant Report on the Reform of the Police Force and the resultant Action Plan on the accepted recommendations; and thirdly, a paper authored by the Prime Minister and Minister of National Security and published in November 2010 on "Issues of Crime and Security in St. Vincent and the Grenadines".

Mr. Speaker, since 2001, the numbers of staff positions in the Police Force, the Fire Service, and the Coast Guard have increased significantly and have now been stabilised in 2011 and 2012. Currently, there are 823 positions in the main Police Force, inclusive of 20 Rural Constables and 15 Traffic Wardens. In the Fire Service, which is part of the Police Force, there

are additionally 69 officers; and in the Coast Guard, also part of the Police Force, there are a further 79 officers. In total, therefore, there are 971 budgeted positions for the entire Police Force, inclusive of the Fire Service and the Coast Guard. Only a handful of these positions is unfilled at any one time. Additionally, of course, there are supportive administrative staff working directly with and for the Police Force. In 2012, the recurrent expenditure for the Police Force is budgeted at \$28.56 million; for the Fire Service, \$2.98 million; and for the Coast Guard, \$3.82 million, thus amounting to a grand total of \$35.36 million.

Other recurrent expenditure on major national security items in 2012 include: \$5.5 million for Prisons (there are 126 prison officers); \$1.4 million as St. Vincent and the Grenadines' contribution for the RSS; \$133,152 for salaries for the staff of the National Commission on Crime Prevention (NCCP); \$418,920 for the staff of the Forensic Unit; \$2.38 million for the Passport and Immigration Department, inclusive of the sum to pay 63 Immigration Officers; \$675,000 as a subvention to the Financial Intelligence Unit (FIU); \$1.75 million for the Port Police including the sum to pay salaries for 76 members of the Port Police; and a grant of \$120,000 for the St. Vincent and the Grenadines Cadet Force.

Further, through the Ministry of Transport and Works, the Government hires over 652 watchmen on a regular, part-time basis, costing approximately \$4.94 million annually, to protect schools, Learning Resource Centres and other government buildings. This "watchmen service" is riddled with inefficiencies and requires reform and improved performance.

For the purpose of this narrative I shall not include any estimated expenditure for the Law Courts to address crime at the levels of the High

Court, and the Court of Appeal. However, we mention two related budgeted items: \$617,779 for the Office of the Director of Public Prosecutions; and \$1.45 million for the Magistracy, most of which work is focussed on criminal matters.

All told, therefore, the Government spends enormous sums of money on national security, public and individual safety. When one adds to this element of central government's recurrent spending, the expenditure by public enterprises and the private sector on "security", it becomes evident that this is a huge, and growing, cost for our government, public enterprises, and private businesses. All of this cost is to safeguard largely against criminality which is an incident of personal behaviour. Together we must better address this challenge of crime without necessarily throwing more money at it.

Mr. Speaker, Honourable Members, in 2011, the incidence of crime in St. Vincent and the Grenadines stabilised somewhat, though still at an unacceptable level, in comparison to previous years and the crime rate regionally. For example, in 2011 a total of 25 homicides were recorded compared to 27 in 2010 in St. Vincent and the Grenadines. Regionally, the homicide rate is unacceptably high, not only in countries such as Jamaica and Trinidad and Tobago, but in many other CARICOM countries.

However, we cannot, and must not, be satisfied with merely asserting that things are not as bad in St. Vincent and the Grenadines, crime-wise, as compared to the rest of CARICOM. The "things-are-not-as-bad" thesis contains the danger of complacency to which we must never succumb

on this critical issue. We must thus be evermore tough on crime and on the cause of crimes.

First, though, we must in this country take the partisan political discourse out of the war against crime. We are all in this together. There is nothing ULP or NDP about crime. When discussing this subject we must present facts; seek the truth from the facts; analyse the issues dispassionately and rationally; make practical and effective proposals to tackle crime; and then let us all work together on fighting crime.

Because man and woman are sinful and possessed of a propensity to break the law, it is not unreasonable to state that we must await our arrival on the heavenly side of eternity to experience a crime-free society. However, in this earthly city we must strive to curtail crime and reduce it to an acceptable minimum, consistent with the highest possible level of civilised living.

Mr. Speaker, in 1998, St. Vincent and the Grenadines first broke the 20-murders-per-year barrier. In the years 2000, 2002, and 2009 our nation again touched the "20 murders" barrier. In the years 2004, 2005, 2008, and 2010, St. Vincent and the Grenadines reached the 25-murders-per-year barrier and slightly beyond; in 2007, a most terrible year, 36 suspected murders were recorded. Since 1998, there have been thirteen or fewer murders per year in 1999, 2001, 2003, and 2006. These figures should remove any temptation for ridiculous, partisan political finger-pointing and ought to remove from serious consideration any simplistic, "economistic" causation for homicide particularly when read in conjunction with the data on GDP performance and poverty/indigence levels.

Indeed, the “economistic” explanation is unavailable as the fundamental, principled, major or “root”, cause of crime(s). The overwhelming body of comparative literature and research on this subject, globally, including the Caribbean, shows the causation of crime(s), to be exceedingly complex and many-sided. Among the central causal factors arise from family and kinship considerations, the socialisation process, a culture of crime in particular sections of communities, peer group pressure or influence, crime as a matter of choice, psychological predispositions or deviance, greed, evil, economic impetus of one kind or another, and low rates of detection and conviction. Clearly, the response to crime has to be many-sided, including the mechanisms of the family, the church, the school, community groups, positive peer group activities, the media, sports, music, culture, the private sector, the Police Force, the Law Courts, the Prisons (including rehabilitation), social and economic programmes, regional and international cooperation arrangements, and the ameliorative work of several other apparatuses of the State. It is from this many-sided and complex analysis flows the strategic and tactical approaches and targeted activities which my government has been employing to fight the war against crime. In battling some heinous crimes and the financing of certain criminal activities, this exercise is not for the faint-hearted. It truly calls for a focussed toughness balanced by fairness , the quest for justice, and a respect for individuals' fundamental rights and freedoms. This balancing task is not always easy to accomplish.

Mr. Speaker, Honourable Members, in 2012, my government will be further engaged in a number of specific, additional crime-fighting activities and initiatives, including:

1. Managing more efficaciously the Firearms and Licencing Board and ensuring the effective operation of the National Shooting Range at Arnos Vale.
2. Facilitating the implementation of the “Prevention of Trafficking in Person” legislation including the setting up of a specialised unit in the Police Force to address Domestic Violence, Child Abuse, and Trafficking in Persons.
3. Building further St. Vincent and the Grenadines’ regional and global links in fighting crime.
4. Developing further the Pan Against Crime Initiative, targeting specifically our youths – the males.
5. Strengthening the activities of the broad-based National Commission of Crime Prevention (NCCP), including the expansion of the number of functional Police Youth Clubs and Community Neighborhood Watch Groups, within the context of the Fourteen-Point Strategy on fighting crime.
6. Establishing a National Prosecution Service through a combination of the manpower and other resources of the Office of the Director of Public Prosecutions (DPP) and the Police Prosecutors under the aegis of the DPP, and the application of the recently-launched Code for Prosecutors.
7. Continuing the exercise of criminal justice reform, the introduction of the new Criminal Procedure Rules, a timely

conclusion of criminal matters especially indictable ones, and the proper establishment of continuous Criminal Assizes.

8. Continuing to upgrade the Police and Coast Guard Facilities through the construction of new facilities and enhancing existing ones. In this regard, capital expenditure in the 2012 Budget is earmarked for the following, among other facilities, including:

(a) The commencement of a project to establish Police Sub-Stations at Mayreau, Belair, and Fancy estimated to cost \$526,400 over a two-year period. The Mayreau Police Sub-Station will strengthen public safety on Mayreau and for the yachts. Belair is the location for the recently-opened All Saints Medical School. And Fancy is an important locale from which to fight criminals who traffic their activities between St. Vincent and the Grenadines and St. Lucia.

(b) The start-up of a two-year project to repair the Coast Guard jetty at Calliaqua estimated to cost \$1 million.

(c) The commencement of a project to purchase two Aerodrome Rescue and Fire Fighting Vehicles for E.T. Joshua and J.F. Mitchell Airports and to purchase enhanced fire-fighting equipment. This project is estimated to cost \$4.95 million, of which \$3.9 million is earmarked for spending in 2012.

(d) The start-up of a two-year renovation programme of the Old Montrose Police Station estimated to cost \$1.3 million, of which \$816,000 is to be spent in 2012.

- (e) The further build-out of the National Security Enhancement Programme to advance the process to construct the Union Island and Spring Village Police Stations; \$1 million is estimated to be spent on this Programme in 2012.
- (f) The purchasing of outboard motors for the Coast Guard at a cost of \$220,000.
- (g) The purchasing of two Coast Guard vessels in the sum of \$2.5 million, a grant from the Government of the USA.
- (h) The construction of Coast Guard Base in Canouan at a cost of \$950,000, a grant of the Government of the United States of America. The contract was awarded to Palgag Building Technologies, a company out of Israel. The project is projected to commence mid January 2012. These Coast Guard vessels and the Base at Canouan will further strengthen the safety and security of yachts and other vessels which ply our waters.
- (i) The building of additional works for the Advance Coastal Surveillance Systems and for the expansion of the Radar Command Centre. This will cost \$225,000 from the 2012 Capital Budget.
- (j) The commencement of a 3-year project to construct a Female Correctional Facility at the Belle Isle Correctional Facility. Work on the installation of the external perimeter

lights has commenced to complete activities under Phase I of this project. This particular segment of the Correctional Facility works is estimated to cost \$2.7 million, of which \$550,000 will be spent in 2012.

9. Enhancing further the Expansion Programme of the Cadet Force and strengthening its institutional and physical capacity to carry out its vital work. In ten years, the Cadet Force has expanded from 100 or so Cadets to some 900 currently, including a Marine Wing. The Cadet Force will continue its essential collaboration with the Police Force and the NCCP.
10. Continuing to reform and develop the Prisons Department, including working towards effecting a smooth transition to the Modern Correctional Facility at Belle Isle.
11. The department, during the first quarter, will collaborate with the Inter-American Drug Abuse Control Commission (CICAD) to explore the relationship between drugs and crime.
12. Enhancing further the strength and integrity of our nation's Border Control Systems, including specific measures as detailed in the Result Indicators for the Passport and Immigration Department for 2012.
13. Developing further our close security arrangements with our regional and international security partners, including intelligence gathering and analysis, training, the battle against

drug trafficking and money-laundering and combating the illicit trafficking in small arms.

14. Engaging more assuredly the general public in the war against crime.
15. Putting the economic and social instruments to better use in fighting crime and in the building of a more just, peaceful, safe, secure, and civilised society.

I again appeal to every law-abiding citizen and resident to work assiduously together to curb criminal activities and to influence the tiny minority of criminal elements in our midst to turn away from crime, especially serious crimes of violence, including those against women and children. We cannot afford to lose this war!

### **NEMO AND NATURAL DISASTERS**

Mr. Speaker, the National Emergency Management Organisation (NEMO) has made commendable strides during the past year despite its financial and staffing constraints.

In 2011, NEMO continued to assist persons who were impacted by Hurricane Tomas, the severe landslides, and the April 2011 floods.

One of NEMO's challenges remains the provision of accurate and timely information for hydro-meteorological systems outside the traditional hurricane season; thus the difficulty in forecasting an event such as the heavy rainfall in April 2011 and subsequent flooding.

NEMO continues to follow its comprehensive Disaster Management (CDM) approach to reduce risk, and in 2012 will focus on several areas, including the following 5 major ones:

1. Comprehensive Disaster Management in the Public Service: Disaster Risk Management Plans for government departments and ministries. This programme will cost \$100,000.
2. School Safety Programme and Disaster Planning, especially the “Kingstown Get Ready” Programme.
3. Geological Hazard Awareness.
4. Revision of the National Disaster Plan to embrace Gender Vulnerable Populations, and the effects of Climate Change.
5. Retrofitting of Emergency Shelters including those at Rose Hall, Rose Bank, and Rillan Hill Community Centres; the Georgetown Primary and Secondary Schools; and the Campden Park and Marriaqua Community Centres. Funding for these is from the World Bank and the CDB.

The year 2012 will mark ten years since the establishment of NEMO. A commemorative programme of NEMO's ten years will be undertaken. NEMO continues to work closely with CDEMA and other external agencies in tackling the issues of disaster preparation and management.

## **FINANCIAL SECTOR DEVELOPMENT**

Notwithstanding the ongoing global economic recovery, economic and financial developments in St. Vincent and the Grenadines continue to be negatively impacted by the global economic and financial crisis. One of the symptoms of the international recession is an increase in the number of failures of financial institutions. Financial institutions will fail for various reasons, poor management, under-capitalization, fraud etc. When a large number of financial institutions are failing at the same time then we have a financial crisis, such as we have now in the global economic system, starting in 2008.

There is a number of lessons to be learnt from this financial crisis. The first is that financial institutions must be closely regulated and that this regulation must evolve with the changing times. This is why the Government has moved to establish the Financial Services Authority and to modernise the legislation concerning banking, insurance, building societies, credit unions and other financial institutions. The FSA is one component of the comprehensive regulatory and supervisory system that covers all non-bank financial institutions, markets and instruments in the Eastern Caribbean Currency Union (ECCU).

The second is the need for a safety net to protect the life savings of small savers. Accordingly we are now exploring, in conjunction with ECCB and other ECCU Governments the feasibility of introducing some form of a deposit insurance to protect the savings of small savers.

The third lesson to be learnt from this financial crisis is the remarkable interconnectivity of the financial institutions in the region, such that a

problem in one institution can quickly spread to other financial institutions and in some cases pose a risk to the entire financial system. In the ECCU, we are therefore working on the establishment of institutions to restructure and recapitalise financial institutions and manage troubled assets. One of the options being pursued for rationalisation of the financial sector in the ECCU is the amalgamation of indigenous commercial banks and other financial institutions.

#### Financial Services Authority (FSA)

The Financial Services Authority (FSA) will have responsibility for the regulation of the international and domestic financial services sector, except for domestic banks which are regulated by the Eastern Caribbean Central Bank. The domestic entities that will be regulated at the FSA include, money remitters, building societies, insurers and insurance intermediaries, and credit unions. The international financial entities currently regulated by IFSA will also fall under the FSA.

To ensure that all the laws and regulations meet the required standard for the promotion of a safe and sound financial environment, the FSA will review all existing legislation under its jurisdiction, and make proposal for relevant amendments. In this regard we propose to strengthen the following legislation during 2012, the Building Societies Act, the Insurance Act and the Mutual Fund Act.

The FSA will also focus on improving the image and awareness of the jurisdiction on the international market. The aim is to ensure that St. Vincent and the Grenadines is viewed as an attractive alternative jurisdiction where sound and positive financial service products and top

quality services are offered. To achieve this objective the FSA will forge strategic partnerships with stakeholders including ISVG and the FIU. This will help to create an effective network to better enhance the technological, business and economic capacity of the International Finance Services Sector. The FSA will work closely with the international agencies to ensure the soundness and integrity of the sector and ultimately the reputation of St. Vincent and the Grenadines as a secure financial centre.

### Insurance Issues

The problems encountered by BAICO and CLICO have highlighted the deficiencies in the ECCU's financial system. This is why we have insisted on a regional solution. The revised plan for resolving the BAICO issue, as agreed by the Judicial Managers, in conjunction with Eastern Caribbean Government, involves a three – stage approach as follows:-

- Stage 1. The creation of a Trust Fund to settle eligible claims of BAICO's health insurance policy holders in the ECCU.
- Stage 2. The recapitalisation of BAICO traditional life portfolio and sale of this business to a third party; and
- Stage 3. The creation of a Compensation Scheme for BAICO's non-traditional policy holders.

The first stage is now completed and the Health Insurance Support Fund commenced operations in May 2011 with funding provided from a \$5 million from ECCU Governments. Eligible policy holders who submitted

their claim before the December 31, 2011 deadline will have their agreed claims paid in full. Although the final numbers are not yet in, the fund provided financial assistance to hundreds of individuals throughout the ECCU.

The second stage of the strategy is nearing completion and some seven companies have submitted tenders for purchase of the recapitalised life portfolio. Funding amounting to \$US38 million for this recapitalization is also being provided by ECCU Governments, utilising monies from the CARICOM Petroleum Fund. When this process is completed, over 20,000 policyholders in the ECCU, including 7,000 in St. Vincent and the Grenadines, will have their policies transferred to a new entity at no loss to themselves.

It is expected that final negotiations with the preferred bidder will commence during the current quarter and the transfer completed by the third quarter of 2012.

Following the transfer of the life portfolio the remaining business in BAICO would comprise annuity and investment contracts. Annuitants constitute approximately 11,000 BAICO policyholders and represent approximately US\$250 million of BAICO liabilities. ECCU Governments and the Judicial Managers continue to work in conjunction with the Government of Trinidad and Tobago and the Caribbean Development Bank to explore a funding mechanism for these policyholders.

It should also be noted that, the Judicial Managers have launched, or are in the process of launching, a number of legal actions against partners

that were directly or indirectly involved in BAICO's management or business dealings in the years leading-up to its collapse.

Progress is also being made in respect of CLICO International Life Insurance Ltd (CIL) which was placed under Financial Management in the various ECCU countries, during 2011. In December 2011 the Judicial Manager for CIL sought and receive sanction from the High Court of Barbados, (where the company is incorporated) to take steps to identify a suitable investor with which to associate in the establishment of a new company, to take over CIL's operation in Barbados and the Eastern Caribbean.

This recommendation to the Barbados High Court came after extensive consultations with policyholders and insurance regulators in Barbados and in a number of ECCU jurisdictions. The next step for the Governments of the ECCU is to consider the options identified by the Judicial Manager in light of the funding required and determine what is possible to assist the policyholders. The process of selecting an appropriate investor for CIL's businesses is expected to be completed by June 2012.

#### NIS and Pension Reform

Currently the NIS has a fairly low contribution rate of only 8 percent of wages, but offers a generous pension of up to 60 percent of average wages during a worker's three best years out of the last fifteen years. The full impact of the system's generosity has not yet been felt, because the NIS is fairly young and current beneficiaries retired well below the sixty percent maximum. Over the next twenty years, however, replacement rates will approach their maximum levels and cash flow will turn negative this year. The latest actuarial report suggests that under plausible

assumptions, the NIS Reserves could be depleted by 2039 and benefits and administrative expenses will exceed income as early as 2025. Thus to avoid the need for abrupt and disruptive adjustments in the future, it is of critical importance that we introduce the much needed parametric reforms and contribution rate increase as soon as possible.

Similarly the Public Service pension bill has doubled over the last seven years, growing at almost twice the rate of the salary bill. This is a non-contributory system and no provision has been set aside for paying future pensioners, nor have the future demands been comprehensively analysed. Public Service Pensions are even more generous than those provided by the NIS, allowing for a maximum replacement rate of  $66 \frac{2}{3}$  percent of the average three best years. Further, since civil servants participate in the NIS Scheme, and the pension is in addition to the NIS pension, this allows for combined replacement rates to approach 127 percent, as the NIS matures. This is clearly not a sustainable proposition and it is paramount that we attempt to integrate the two pension schemes before these theoretical replacement rates are reached. A lasting and sustainable solution requires immediate, bold and decisive action. Procrastination will only compound the problem.

In 2012 we will complete work on designing solutions to both the NIS and the Public Service Pension System. In respect to the NIS, the Eight Actuarial Review is scheduled for the first half of 2012 and will identify the reform options which we will be implementing in the coming years. This Eight Actuarial Review was scheduled for completion in 2011 but has been delayed due to deferment of the Population and Housing Census, since the report cannot be satisfactorily completed without up to date information on the labour market and the general population.

Additionally, we have already started work in reviewing the reform options for the Public Service Pension System and the feasibility of a merger with the NIS. By the time of the next Budget presentation, I expect to present to this Honourable House a series of measures for a reform of the NIS and Public Service Pension System.

### Energy

Over the last decade we have witnessed a steep increase in the cost of energy with crude oil prices moving from \$US 30 per barrel in 2000 to over US\$ 145 per barrel in 2008, and to the current price of \$105 per barrel. Such rapid increase coupled with the worst financial and economic crisis since the Great Depression have adversely impacted social and economic development not only in St. Vincent and the Grenadines, but throughout the world.

In response to this challenge, we have fashioned a comprehensive and modern National Energy Policy which has as its central features, the sourcing of significant quantity of energy products under the PETRO CARIBE Agreement, further development of renewable energy sources, energy conservation, fairer and lower pricing mechanisms for energy products, a targeted transport subsidy, and the further modernisation of Vinlec.

In keeping with this strategy in the last five years or so Vinlec has carried out a major expansion of its generation and transmission system, at a cost exceeding \$100 million dollars. This programme has significantly improved

the reliability of the service and carters for the continuing social and economic development of St. Vincent and the Grenadines.

The investment programme has also resulted in improvement to Vinlec's financial operations. Net earnings for 2010 were \$6.54 million on sales of 125 million units. Despite the reduction in the tariff for industrial and commercial consumers in 2011, net earnings have increased.

Recognising the importance of continuous improvement in the electricity infrastructure, Vinlec has developed plans for several projects to be implemented in the next three years. The emphasis in this phase is on renewable energy. The major projects include: Ribishi Wind Farm (\$12 million), Hydro Rehabilitation (\$15 million), Heat Recovery Generation (\$6 million), and the Kingstown Building Extension (\$3 million).

Progress on the renewable energy projects has been much slower than anticipated, but we expect steadier progress now that the other major projects are practically completed. The implementation of these projects will result in considerable savings for consumers in the form of lower fuel surcharge. For example a 3 MW wind plant at Ribishi is projected to produce some 7,884,000 units per year. The fuel savings for this level of production is estimated at 38,000 gallons which at current prices will result in savings of \$4.5 million per annum. These savings will accrue to the consumer and not Vinlec.

Accordingly, in order to have a successful expansion of renewable energy in St. Vincent and the Grenadines, there is need for a restructuring of rates, such that some of the savings in the fuel surcharge will accrue to Vinlec, which has to make the substantial capital investments.

## **Public Debt**

As at September 30<sup>th</sup> 2011, the total public debt of St. Vincent and the Grenadines amounted one billion, two hundred and twenty-one million, six hundred and ninety-seven thousand five hundred and fifty dollars (\$1,221,697,550). This figure is 0.7 percent lower than the total disbursed outstanding debt for the comparative period in 2010. The Domestic Debt which amounted to \$491.35 million as at September 30<sup>th</sup> this year fell by 14.9 percent or \$86.29 million when compared with the domestic debt for the same period in 2010. On the other hand, the external debt for the period under review stood at \$730.35 million, an increase of \$77.15 million or 11.8 percent when compared with the external debt as at September 30<sup>th</sup> 2010.

The reduction in the domestic debt was due mainly to the following:

1. A sum of \$13.4 million was paid on amortized bonds;
2. Public sector overdraft balances were reduced by \$38.9 million;  
and
3. A total of \$20.2 million was repaid on loans;

There were however an increase in Treasury Bills of \$15.0 million and Payables increased by \$8.6 million.

The main factors behind the movement of the external debt are as follows:

1. CDB Loans increased by \$103.8 million as a result of the Financial Stabilisation Loan and further draw-downs on the Policy-Based Loan;
2. Indebtedness to the IMF also increased by \$14.1 million due to draw-downs on the Rapid Credit Facility to aid in the Tomas and Flood damage rehabilitation;
3. These increases were moderated by the reduction in other loans as a result of the repayment of principal. Some of the more important ones are:
  - a. State-Owned Enterprise loans not serviced by the Central Government fell by \$19.9 million; and
  - b. A total of \$ 27.4 million was repaid on Bonds;

The Public Debt as at September 30<sup>th</sup> 2011 is comprised as follows:

<b>Type of Debt</b>	<b>Amount</b>	<b>% of total</b>
<b>Domestic</b>	\$ 491.35 m	40.2
<b>External</b>	\$730.35 m	59.8
<b>TOTAL</b>	<b>\$ 1,221.70 m</b>	<b>100.0</b>

Total debt service for 2012 is estimated to be \$131.8 million or 26 percent of the Current Revenue. The Debt Service requirements for 2012 are made up as follows:

Interest Payments	\$ 51.45 m
Amortization	\$ 74.33 m
Sinking Fund Contributions	<u>\$ 6.00 m</u>
	<b><u>\$131.80 m</u></b>

It is useful to note that Interest Payments are 3.4 percent lower than last year's approved budget. This is as a direct result of the loan swap that was undertaken via the CDB Financial Stabilisation Loan, where higher interest domestic loans were exchanged for a lower interest external loan. Our participation in the RGSM has helped us to contain interest costs as our Treasury Bills have attracted rates around 4.5 percent, much lower than some industrialised economies have been able to obtain, and this further demonstrates confidence in the economic management of our economy.

Principal repayments are expected to be 3.6 percent above the amount budgeted in 2011. More details on the public debt can be found on pages 653 to 659 of the Estimates.

## **Resource Requirements 2012**

The total resource-envelop required to meet the capital and recurrent expenditure programmes of the Government for the 2012 fiscal year is \$793.9 million. This is made up as follows:

- Recurrent Expenditure (inclusive of Amortization and Sinking Fund Contributions) of \$528.7 million; and
- Capital Expenditure of \$184,9 million;

In the 2012 budget, careful attention has been paid to restrain the growth in recurrent expenditure whilst maintaining a reasonable level of investment spending. In this regard, the recurrent budget remains relatively stable registering a marginal decline of 0.1 percent or \$0.82 million when compared with the 2011 recurrent estimates even as expenditure on the public sector investment programme is budgeted to increase by 4.7 percent. This is an important budget policy, since it signals the intention of the Government to maintain fiscal discipline while simultaneously increasing public sector investment, a significant driver of economic growth.

Although the growth in recurrent budget was restrained, several new initiatives have been included in the 2012 budget; principal among these are the strengthening of the regulatory framework for domestic non-bank financial institutions; the enhancement of the Nutrition Unit, within the Ministry of Health and the Environment to combat the rising trend in chronic non-communicable diseases through better nutritional management; and the establishment of a teacher monitoring and

development framework to improve the qualitative outputs from the education system.

The 2012 Public Sector Investment Programme focuses on the following:

1. The stimulation of growth in the main sectors of the economy;
2. The development of the supporting physical infrastructure such as roads, bridges, ports and airports;
3. The further consolidation of the Education Revolution by improving the school plant, developing further technical and vocational education, and integrating ICT within the teaching learning process;
4. The reduction of our vulnerability to natural disasters, improve our resilience and disaster response capabilities; and
5. The further development and modernization of the Health Sector by improving and expanding the physical plant, equipment and other infrastructure;

As a consequence of the protracted global economic crisis and its impact on the revenue performance in 2011 and the projections for 2012, there is a \$21.3 million deficit on the current account. Financing for the current account deficit and the capital programme will be raised from grants, concessionary loans. The total financing requirements for the 2012 budget amounts to \$286.6 million, made up as follows:

<b>Item</b>	<b>Amount</b>
Current Account Deficit	\$21.4 m
Amortization	\$80.3 m
Capital Expenditure	\$184.9 m
<b>Total</b>	<b>\$286.6 m</b>

The funds required to finance these requirements will be raised from the sale of assets, and from a number of bilateral and multilateral sources. Approximately 72 percent of these resources will flow from external sources. The full details of the sources and types of financing are as follows:

<b>Source of Funds</b>	<b>Amount</b>	<b>% share</b>
<b>Domestic Receipts</b>	<b>\$80.0 m</b>	<b>28.0</b>
<b>Capital Revenue</b>	\$20.2 m	7.0
<b>Loans</b>	\$59.8 m	20.9
<b>External Receipts</b>	<b>\$206.6 m</b>	<b>72.0</b>
<b>Grants</b>	\$ 61.3 m	21.4
<b>Loans</b>	\$ 44.6 m	15.6
<b>Other Receipts</b>	\$100.7 m	35.1
<b>TOTAL</b>	<b>\$286.6 m</b>	<b>100.0</b>

### **Domestic Receipts**

A total of \$20.2 million will be taken in from the sale of Government owned assets to assist in the financing of a portion of the resource requirements for 2012. These funds will come from the sale of crown lands of \$1.0m and the sale of another portion of Bank of SVG shares which are expected to yield \$19.2 million.

Domestic Loans of \$59.8 million will also be raised, and a \$40.0 million dollar bond issue will fund a number of the projects included in the 2012 Estimates.

### **External Receipts**

Grants are expected to make a significant contribution to the financing plan. The EU will provide \$32.7 million in official development assistance and the Caribbean Development Bank will also contribute \$4.6 million in grants. The Government of St. Vincent and the Grenadines will receive grants totally \$20.2 million from three (3) friendly countries, namely the Republic of China on Taiwan \$15.5 million, United States of America \$3.5 million and the Bolivarian Republic of Venezuela \$1.3 million.

Important external loan flows are anticipated from two multilateral sources, the Caribbean Development Bank \$12.4 million and the World Bank \$11.7 million. Two (2) loans will also be drawn down from the Governments of the Republic of China on Taiwan \$ 11.4 million and the Bolivarian Republic of Venezuela \$8.4 million.

### **FISCAL MEASURES**

Our fiscal strategy for 2012 is a continuation of the one outlined in my 2011 Budget presentation, focusing on stimulating growth in the productive sectors whilst strengthening fiscal and financial stability. We aim to restore economic growth, ensure medium-term fiscal sustainability and protect the social achievements realized in the past decades. The main challenges we face are to:-

- (a) Promote fiscal consolidation through expenditure rationalization and revenue growth.
- (b) Increase the efficiency of public sector investments and public service delivery.
- (c) Strengthen financial sector regulation.
- (d) Promote the development and improve the efficiency of public utilities and sea/air transport.
- (e) Further promote education and skills development to prepare the population to take advantage of new opportunities in the global environment.

Accelerated economic growth is also a prerequisite for achieving debt and fiscal sustainability and for employment creation and poverty reduction. During 2011 there were encouraging signs that the economy has “bottomed-out” and has begun to record positive growth in some areas. In particular, tourism which has shown positive performance in stay-over category is estimated to have grown by 18.7%, and the Manufacturing Sector has also performed creditably, with growth of 6.5% estimated for this sector. In our effort to build on this positive achievement in 2012 and beyond, we would implement the following measures:-

- (a) Duty - Free Concession on raw materials for manufacturing  
I propose to grant to all manufacturers including agro-processors, duty free concession on all raw materials, plant and equipment imported for use in their operations. The import duty on raw

materials for those operations imposes an extra cost and causes our businesses to be less competitive on both the local and external markets. Further, the tax on raw materials leads to cascading, which arises when the system of taxes applies at different stages in the chain of importation, manufacturing, distribution and final supply, and the tax at one stage falls upon tax paid at an earlier stage.

To access this facility, manufacturers will be required to make a formal application through the Ministry of Industry and all conditions in the Fiscal Incentives Act will apply to this program.

(b) Electricity Cost

The high cost of electricity has been identified as one of the major impediments to business development in St. Vincent and the Grenadines. Indeed, electricity cost in St. Vincent and the Grenadines is higher than for most of our trading partners, and thus puts producers at a competitive disadvantage with the rest of the region.

In 2011, I announced the removal of the dreaded demand charge and a lowering of electricity cost for industrial and commercial consumers. I now propose a further reduction in electricity tariff for industrial users. With effect from March 2012, the basic charge for industrial consumers will be reduced from the current 45 cent per kwh to 42 cents per kwh.

This measure is estimated to cost \$250,000 per annum, most of which will be borne by Vinlec. The direct cost to the Consolidated Fund in the form of a reduction in VAT revenue will be minimal.

I also propose to institute a system of volume discount for commercial and industrial consumers. Industrial consumers using more than 150,000 units per month will be entitled to a five percent discount and those consuming over 200,000 a ten percent discount. A five percent discount will also apply to commercial consumers utilising more than 150,000 units monthly.

(c) ICT – tax credit

In order to promote the use of ICT technologies to enhance efficiency and competitiveness, I propose to provide a tax credit for any service provider or business which invests more than five million dollars on any project for ICT development in St. Vincent and the Grenadines. Eligible expenditure for this program will include development and installation of IT Systems and infrastructure, and related education and training to improve the quality of human resource and to increase the pool of skilled labour.

The tax credit will amount to twenty five percent of eligible expenditure in any given tax year and any unused portion may be carried forward indefinitely. Further, I also propose that in the application of this measure, the Inland Revenue Department will permit the carry back of any unused credit against previous year taxes.

The main advantage of this investment tax credit is that its focus is specific. A firm receives the benefit of the allowance against its tax liability only if it invests. Effectively the investment tax credit translates into a lower tax rate.

### Value Added Tax

The Value Added Tax which was introduced in St. Vincent and the Grenadines in May 2007, to replace the consumption tax and several other taxes, has performed reasonably well and now accounts for over forty percent of current revenue. Notwithstanding this performance, VAT revenue has continuously fallen since 2008, moving from \$153.54 million in 2008 to \$132.30 million in 2011.

The decline in the VAT collections is partly attributed to the global economic recession with its consequential impact on the domestic economy, but this fact can explain no more than a small fraction of the revenue decline. Other factors that have contributed to the downward movement are increases in the exempt and zero-rated items, reduced level of compliance by VAT Registrants, and increased levels of fiscal concessions granted.

The reduction in the level of tax compliance is particularly troubling as persons are collecting taxes on behalf of the Government and failing to pay over these funds to the Treasury. As at December 2011 arrears of VAT were estimated at \$25 million, including interest and penalties due on overdue amounts. The Government can no longer tolerate such behavior by a few delinquents and will be implementing the following measures aimed at reversing the downward trend in revenue from the VAT, and correcting the weakness in the administration of the tax:

- (a) Stricter enforcement of the VAT Act and the Income Tax Act regarding collection of unpaid amounts.
- (b) The removal of some items from the zero-rated list by transferring them to the exempt list, including cooking oils, salt, yeast, baking powder, shortening, sanitary napkins, baby diapers and napkins, toilet tissue and men, women and children undergarments.

One other matter we propose is to deal with is the anomalous situation whereby exports are zero-rate except for unprocessed agricultural products which are instead treated as exempt. Accordingly, I propose to zero-rate exports of unprocessed agricultural products, which will be more advantageous for our exporters of these goods.

I should point out that it is normal in a VAT system, particularly, in its early years of operation to make adjustments and correct anomalies.

### Property Tax

The present property tax applies to the value of real property, assessed on the basis of Annual Rental Value (ARV). The rental value is determined administratively using a number of parameters, including, the size, the location, and the use of the property. The tax is levied at a flat rate of 5% on all real property except rural land, which is taxed at a specific rate per acre. A reduced rate of 2.5% applies to hotels and agricultural property, and a rate of 1.5% applies to tourism related development.

Rental values are administratively difficult to determine especially in areas where almost all the properties are owner-occupied. This create two major problems: (1) it makes tax payments unrelated to the market values

of property with undesired effects on the distribution of the tax burden, and (2) it generates the perception that the tax is unfair. In modern property tax administration, generally, market value is used to assess the tax payable on properties. Accordingly, the Government has decided to convert the rental value assessment system into a market value assessment system, with effect from this current tax year.

The new MV property list includes some 40,851 properties, together with an additional 15,796 built structures (abandoned buildings, agricultural buildings, additional structures and buildings under construction). The combined open market valuation of all these properties is \$9.046 billion. This is subject to variation as the valuations are “endorsed”, and exempt properties identified (e.g. Mustique).

This compares with the existing ARV list of some 25,940 properties, with a total annual rental value of \$71 million and an ARV tax assessment of \$3.6 million. The existing ARV data has been analysed with the new MV data in order to establish a correlation to guide tax rates. This has been effected by use of a formula,  $MV = 73 \times ARV$ . Based on this correlation, a neutral tax rate on property owners would be 0.07 percent of market value. This rate would on average be equal to the existing 5% of the Annual Rental Value.

It is important to note that the valuation method to produce this list does not determine the tax assessed. It is the rate applied to the list that will do so. We therefore propose to levy the new property tax at a rate of 0.08 percent of the market value which will cause a modest 15 percent increase in the tax paid by the average tax-payers. This level of increase we consider to be reasonable, considering the fact that the present

valuation list has been in existence since the early 1990s. The overall revenue impact will however be much greater, and fairer, since we will be now capturing an additional 10,000 taxpayers and since we are putting systems in place to enforce compliance and reduce delinquency. The additional revenue from this measure is accordingly estimated at \$3.2 million per annum.

Even though all property-owners would be registered, it is my government's intention to exempt property-owners who own properties with an assessed value less than \$25,000 from the payment of the tax. This will exempt close to 10,000 property-owners.

It is obvious that with a significant increase in the number of properties and with an existing Tax Roll which relates to an ARV of some 20 years ago, that there will possibly be large increases for some newly rebuilt properties and others that have been substantially improved over the 20-year period. This is the case for much of Kingstown. So, possible relief will be available by placing a cap on the applied rate.

Accordingly, transitional relief will be offered for individual's property tax which increases by more than twenty-five percent (25%). The assessment will be reduced where there are particular grounds to suggest that the MV is incorrect and has not been calculated on a proper basis.

Concessionary rates will also be offered on certain categories of property such as new commercial properties, hotels and other tourism related properties.

Another feature of the proposed new system is the banding of properties within various bands, for the purpose of establishing the property tax. The agreed rates will apply to the mid-point of each band to provide the same tax for all property owners within the band.

Finally, I would like to inform property owners that the valuation list for the various districts will be published and made available to the general public for inspection. Property owners who are aggrieved with the valuation placed on their property will have the right of appeal to a valuation tribunal established by the Government. The list and the procedures for appeal will be made available to the public, no later than February 28 this year.

#### Excise

The modern excise tax was introduced in 2008 to supplement the VAT, by applying to certain goods that were highly taxed, including petroleum products, alcoholic beverages, tobacco, motor vehicles and some other goods. Rates of “excise” are somewhat lower than our regional and international comparators. The Excise tax rates are expressed in a combination of specific and ad valorem terms. Accordingly, regular adjustments are required to the rates, in order to maintain the real value of the revenues, particularly for those items with specified rates.

Accordingly, I now propose a modest increase in the rate of excise payable on alcoholic and non-alcoholic beverages, tobacco, and motor vehicles as detailed in Appendix 1. Honourable Members would note that items selected for an increase in the excise tax are connected to the quest to improve health and wellness; others, namely motor vehicles, relate to the need for a greater contribution towards road repairs.

In order to avoid many frequent adjustments in rates we will be changing the specific rates for ad valorem later in the year. The increase in excise duties in this year's budget will be effective February 1<sup>st</sup>, 2012. However the increase in excise on vehicles is to be implemented from May 1<sup>st</sup>, 2012 to allow for persons who have already ordered vehicles to get them at the old rates.

### Tax Concessions

Mr. Speaker, it has been estimated that tax concessions annually amount to approximately \$45 million or roughly 2 percent of GDP. These concessions include tax incentives in tourism, manufacturing, locally-registered vessels, and other production enterprises; relief on import duties for construction equipment, farmers' vehicles, and mini-buses which transport school children; and duty-free concessions, and other forms of tax relief, to charitable and religious organisations. Many of these concessions constitute sensible public policy, but some of them are being abused.

One area of abuse relates to mini-buses which have received tax concessions, but which do not comply with the terms of the concessions. Policing this matter has proven to be difficult. Accordingly, the government is embarking on a thorough analysis of this concession and the full extent of the abuse so as to make a determination as to its continuance. The Ministry of Finance will also be examining more carefully the efficacy of some of the other concessions. In any event, applications for "ad hoc", concessions, that is to say, concessions not strictly legislated for, will not be entertained, save and except those for transparently charitable or religious purposes.

## **CONCLUSION**

Mr. Speaker, Honourable Members, a conclusion to this Budget address necessarily possesses two dimensions: It is at once a summation and an affirmation of themes, policies, programmes, projects of the continuing process of our country's development.

The year 2011 was a challenging year with just a sliver of economic growth, but which portends better times for 2012, always with the caveat that continued turmoil or uncertainty in the global economy and natural disasters can make the projections for modest economic growth in 2012 go awry. Regionally, the terrible body blows to policy-holders of CLICO and British American Insurance Company are still to be softened or satisfactorily calmed, but the prospects for an amelioration or solution are much better given the painstaking work which has already been done to fashion a comprehensive resolution of the issue. Dangers still loom in our sub-region financial system, particularly in some indigenous banks which have the potential to affect adversely all the ECCU member-countries even though a few countries like St. Vincent and the Grenadines have put, or ensured order and safety in their financial houses. Similarly, the fiscal situation in one or more ECCU-member states, particularly regarding the relative size and unsustainable nature of the public debt, can bring pressure in several ways upon St. Vincent and the Grenadines, even though our country's debt-to-GDP ratio is the joint lowest with St. Lucia in the ECCU, and the trajectory forces over the medium-term is not unfavourable.

Mr. Speaker, in 2011, despite the challenging economic and fiscal circumstances, my government has not cut jobs in the public service; has

not reduced its expenditure and delivery of services in education, health, law and order; and has not whittled down one iota its social safety net or public assistance to the indigent poor and the economically disadvantaged, including students attending primary, secondary and post-secondary educational institutions. Indeed, in January 2011, my government increased by at least 25 percent the value of the monthly public assistance payments and widened the net of recipients of non-contributory payments through the NIS.

Further, Mr. Speaker, my government ensured in 2011, by its activist public policy, that workers who rely on seasonal public works to augment their income were accorded their usual commendable support. For example, in the last four months of 2011, between September and December, my government allocated and spent \$10 million for routine road works: \$2 million in road-cleaning to coincide with "back-to-school" in September; \$5 million in a special road repairs programme between October and early December; and a \$3 million road-cleaning programme for Christmas. These road programmes carried out by BRAGSA were additional to the major capital projects of the central government and public enterprises executed during the year. In 2011, too, there were extra special public works done in the aftermath of Hurricane Tomas in late 2010 and the April flash-floods in April 2011. Much more work in these respects are to be done in 2012.

Mr. Speaker, 2011 was also a year of especial expenditure for farmers, especially banana and plantain farmers who suffered greatly from natural disasters: Over \$4 million were expended on this cause in 2011.

It must not be forgotten, too, that thousands of Vincentians took the opportunity to benefit from the “duty-free” Christmas barrels. Some 18,000 such barrels were cleared by Customs between mid-November and Christmas 2011.

Mr. Speaker, in a small, resource-challenged country like St. Vincent and the Grenadines at a stage of developmental transition, it is necessary and desirable to mount specially-targeted interventions for the poor, the under-employed, the unemployed, and producers of goods and services, generally. These interventions must always be credible and focussed; and they must be integrated within the overall strategic, developmental thrust in the country. Social engineering and sustainable, developmental economic policy, conjoined with effective multi-sectoral implementation, ought always to go hand in hand. This approach is at the core of the quest to build a modern, competitive post-colonial economy in which considerations of equity are part of the matrix.

A central element in this regard for my government has been a fiscal policy which eschews profligacy, on the one hand, and austerity, on the other. In short, the pursuit of fiscal arrangements which sensibly balance prudence and enterprise, a proportionate admixture of fiscal stimulus and budgetary restraint, as the totality of the economic circumstances, including the fiscal space, permits. Clearly, a comprehensive analysis of the macro-economy, and the wider political economy, is demanded. To that analysis is applied an acute judgment in order to fashion practical developmental policies for efficacious implementation. That is a complex problematic, in its many-sidedness, inter-connectedness, and dialectical flux, with which my government has had to address over the past almost eleven years, especially so since the global meltdown in 2008 and

continuing. The record shows that as a people and government we have managed the complex condition and resultant challenges commendably well.

Mr. Speaker, Honourable Members, the fiscal package for 2012, as contained in the Estimates and Appropriation Bill, reflects a practical commitment to certain central fiscal principles: A taxation system which is reasonable, competitive, efficient and equitable, and which facilitates growth and the building of a more productive economy and fairer society; prioritising public expenditure; making public expenditure more efficient, transparent, accountable; consolidating and re-balancing the fiscal condition to suit the extant and prospective socio-economic circumstances; managing the public debt within a rational framework and in accord with prudent guidelines fashioned by the government in concert with the Monetary Council of the ECCU; ensuring that the current account deficit and the overall fiscal balance stay within prudential guidelines over the medium term; shaping fiscal policy to spur economic growth, create jobs, reduce poverty, and build the social and physical infrastructure; and, generally, setting targets which are reasonable and do not undermine the economic fundamentals.

Then, having so crafted a fiscal package in accordance with these core principles, we set about to implement the Budget with focus, efficiency, timeliness and adjustments, if required. In this implementation process the public servants in the central government, both technical and administrative, and the public enterprises are of utmost importance.

To be sure, they must be properly led politically, but professional or bureaucratic inertia in the public service and public enterprises can make

the best plans go awry. The implementation of a Budget represents a challenge not only for the political leadership of the government, but also for the public service and the public enterprises. In another very challenging year ahead of us, we must all lift our game. We must do more with less; and be ready, as the circumstances demand, to embrace practically the idea, "better fewer but better."

Mr. Speaker, it is well-established that the progress of St. Vincent and the Grenadines, in part, is linked to our participation in regional and sub-regional integration efforts. Two long-standing regional integration ventures in which we have full membership are the Caribbean Community (CARICOM) and the Organisation of Eastern Caribbean States (OECS). CARICOM focuses on four pillars of integration, namely, functional cooperation, economic integration, the coordination of foreign policy, and crime and security. Our country benefits from its CARICOM engagement in each of these four poles of integration. Unfortunately, the economic integration mechanisms have not moved much beyond issues regarding trade and the single market. Effectively a pause has been put on the single economy project, for the time being. St. Vincent and the Grenadines will continue to provide leadership for the most integrated framework in CARICOM that the political market can reasonably bear. This leadership role is not confined to the government but ought properly to embrace the labour movement, the private sector, the cooperative sector, the NGO community, and the general public. My government is less than satisfied with the practical build-out in CARICOM of certain features of the Revised Treaty of Chaguaramas including the CARICOM Development Fund (CDF), provisions regarding special and differential treatment for less developed countries such as St. Vincent and the Grenadines, the freedom-of-movement arrangements, and the unfair,

competitive trading advantage assumed by at least one more-developed country through its oil subsidies in manufacturing and air transport. Still, for all its weaknesses and limitations CARICOM represents a worthwhile integration vehicle, the potential of which is yet to be fully realised. We must all work to make CARICOM better for all member-states.

The OECS, which is a more profoundly integrated mechanism than CARICOM, has since its inauguration in 1981 through the Treaty of Basseterre, provided substantial benefits to its member-countries, including St. Vincent and the Grenadines. Through the OECS, our country participates in a variety of quality functional mechanisms, including: the Eastern Caribbean Supreme Court; the Eastern Caribbean Civil Aviation Authority (ECCAA); the OECS Pharmaceutical Procurement Service through which St. Vincent and the Grenadines purchases most of the products for its State-pharmaceutical services, and the Eastern Caribbean Telecommunications Authority (ECTEL). Last year, the six independent member-countries of the OECS, including St. Vincent and the Grenadines, signed on to a Revised Treaty of Basseterre establishing an Economic Union. That Revised Treaty has been incorporated into our domestic law. The details on the Economic Union Protocols are currently being fleshed out. Again, St. Vincent and the Grenadines is in the forefront of providing leadership for an even more profound union in the OECS. Allied to the OECS is the pivotal Eastern Caribbean Currency Union (ECCU). There is a Joint Task Force between the OECS and ECCU which the Prime Minister of St. Vincent and the Grenadines chairs.

Mr. Speaker, our membership in CARICOM and the OECS has a cost in addition to the benefits. In the 2012 Estimates, our contribution to the

OECS stands at \$2.4 million; and at \$0.654 million for the CARICOM Secretariat. Additionally, St. Vincent and the Grenadines' annual contributions to several regional organisations are substantial. These include St. Vincent and the Grenadines' annual contribution to the Eastern Caribbean Supreme Court of \$1.2 million; to the Eastern Caribbean Civil Aviation Authority, \$0.483; to CARDI, \$0.175 million; to the Regional Security System, \$1.4 million; and to the University of the West Indies, \$7.5 million. In all, St. Vincent and the Grenadines' annual contribution to regional organisations/institutions for 2012 is budgeted at \$14.9 million.

Mr. Speaker, three other regional or hemispheric organisations of immense benefit to St. Vincent and the Grenadines and in which we hold membership are ALBA (the Bolivarian Alternative for Latin America and the Caribbean), the Organisation of American States (OAS), and the recently-formed Community of States of Latin America and the Caribbean (CELAC). The ALBA grouping provides the greatest practical benefits through participation in the Petro Caribe Agreement and membership in the ALBA Bank. The members of ALBA are Venezuela, Cuba, Nicaragua, Bolivia, Ecuador, Antigua and Barbuda, Dominica and St. Vincent and the Grenadines. Almost all countries washed by the Caribbean Sea participate in the Petro Caribe Agreement. St. Vincent and the Grenadines saves substantial resources under the financing arrangement of Petro Caribe which accords its participants a 40 percent loan on the price of the fuel purchased from Venezuela on generous terms: 2 percent interest over 25 years. Through St. Vincent and the Grenadines' membership in ALBA we have received over the past two years, loans in the aggregate of US \$40 million (EC \$100 million) at the rate of 2 percent interest over 22 years. Further, St. Vincent and the Grenadines

has received considerable monies as grants under the allied Petro Alimentos Agreement for agriculture and from Venezuela directly for low-income housing, poverty reduction, disaster relief, tertiary education in Venezuela, and the Argyle International Airport. Our nation's solidarity with, and through, ALBA, Petro Caribe, and allied functional entities ought to be supported by all right-thinking Vincentians.

Mr. Speaker, Honourable Members, our nation's foreign policy is a valuable instrument in the exercise of our sovereignty and independence. These are at the heart of our existential being; they are precious to our life and living as a nation. Further, our sovereignty and independence are assets to be harnessed, in a principled and practical manner, to facilitate our nation's further development. Our nation's foreign policy is designed centrally to enhance its capacity to address more efficaciously the challenges and condition of its external environment in the interest of our people, at home and abroad. Our very smallness in size demands that we utilise wisely and fully all the instruments available to us to enlarge our political and economic space in our interest, in accordance with core principles of international solidarity and friendship, peace and international security, multi-lateralism and cooperation, the defence of sovereignty and independence, and a nation's fundamental right to form alliances without regard to anachronistic notions of spheres of influence.

Our nation's foreign policy under my administration has brought abundant benefits to our people at home and abroad. It has undoubtedly made a signal contribution to our nation's many-sided development. My government has strengthened our nation's relations with our traditional allies such as the USA, Britain, Canada, the European Union, Japan, and Taiwan. We have initiated or bolstered relations with

several countries in Latin America, Africa, Asia, the Middle East, Australia and Eastern Europe.

Under my administration, St. Vincent and the Grenadines has opened an Embassy in Cuba; opened offices of the Consul General in New York and Toronto; and is shortly to open an Embassy in Venezuela. Brazil, the fifth largest economy in the world, has opened an Embassy in Kingstown; and my country was instrumental in ensuring that Mexico and Libya opened embassies in St. Lucia to service the OECS member-countries. Further, St. Vincent and the Grenadines has increased the number of Honorary Consuls in countries all over the world to better serve our nationals, our trade, tourism, and general economic interests.

Currently, St. Vincent and the Grenadines has diplomatic missions at the United Nations, Washington, London, and Cuba and at UNESCO in Paris. We share an OECS diplomatic mission in Brussels and a trade mission to the World Trade Organisation in Geneva. Further, we have lifted the status of our Maritime Commission in Geneva.

Mr. Speaker, St. Vincent and the Grenadines belongs to, and is active in, several international organisations, including the United Nations and its specialised agencies; the Commonwealth and its allied entities; the African, Caribbean and Pacific Group of States; the World Trade Organisation; the World Health Organisation; the International Civil Aviation Organisation; the International Whaling Commission; International Convention for the Conservation of Atlantic Tuna; the International Labour Organisation; INTERPOL; Pan American Health Organisation; and the Inter-American Institute for Cooperation in Agriculture. Each of these organisations, and others, is of huge benefit to St. Vincent and the

Grenadines. In 2012, St. Vincent and the Grenadines will make contributions of \$1.379 million, in the aggregate, to international organisations to which it belongs.

Mr. Speaker, my government has strengthened the capacity of the Ministry of Foreign Affairs and Trade in several significant ways, including the creation of the post of Director of Foreign Policy and Research and a corresponding budgeted programme. The recurrent budget in 2012 for the Ministry of Foreign Affairs, Foreign Trade, and Consumer Affairs amounts to \$12.4 million, exclusive of contributions to regional and international organisations.

Mr. Speaker, given the very small size of our country and the relatively limited size, range, and structure of our diplomatic missions, it is inevitable that the Prime Minister and Minister of Foreign Affairs would become engaged in personal diplomacy overseas. It is an area of the Prime Minister's vision and work programme that attracts criticism from some quarters who are sadly possessed of the narrowest of mentalities and perspectives on the global political economy. I state unequivocally that any Prime Minister of St. Vincent and the Grenadines who refuses to engage actively in diplomatic forays on behalf of his or her country would severely short-change the people of this country and diminish his/her developmental effectiveness. Given the centrality of North America, Britain, the European Union, Cuba, Venezuela and Taiwan to our developmental process, it is imperative that the Prime Minister visits those countries frequently, and I have done so. Further, I have visited dozens of other countries world-wide on diplomatic and promotional work in Europe, Latin America, Africa, the Middle East, Asia, and the Caribbean, all to the continuing benefit of St. Vincent and the Grenadines. During the

last two weeks, I visited on behalf of my country, the United Kingdom, Jordan, Palestine (Bethlehem, Ramallah and Jericho), Azerbaijan, and Georgia from which practical benefits will shortly be evident for us. Over the past eleven or so years, I am satisfied that enormous material and intangible benefits have flowed from my numerous missions overseas. The developmental evidence is before us and I know that our people are very appreciative of it all. It is tiring business, but I shall continue to so function until the people through their democratic voice and choice say otherwise.

Mr. Speaker, St. Vincent and the Grenadines, under my administration, has been assessed repeatedly over the past 10 years by governments, regional and international governmental bodies, and non-governmental organisations internationally. These assessments have been overwhelmingly favourable on a wide range of issues including good governance; freedom of the press; transparency (perception of corruption); poverty reduction; anti-money laundering and anti-drug trafficking policies and actions; regulations of international financial entities; our economic record, including our fiscal performance; human development; education and public health; pro-business climate, including the ease of doing business; and approval ratings for public support of economic policy. Governments which have assessed us include the USA and Britain; international governmental institutions such as the World Bank, the International Monetary Fund, the Financial Action Task Force (FATF); regional bodies such as CARICOM, the OECS, the CDB, UWI, and the ECCU; and international NGOs such as Transparency International, Freedom House, and the Caribbean-Guyana Institute for Democracy.

The assessments have not shown our country under my administration to be without problems, challenges or limitations. But overwhelmingly, my government has been commended for its good work. Wherever deficiencies in our work or programmes have been pointed out to us, and we agree on the basis of the evidence presented as distinct from unsubstantiated assertions, we take corrective action in the swiftest way possible.

Mr. Speaker, governing a small, resource-challenged country like St. Vincent and the Grenadines in these problematic international circumstances is not easy but as confident Caribbean people we tackle our tasks professionally with a joyous, uncomplicated, optimistic spirit. It is the nature of our competitive political system that those who are opposed to the Government would exaggerate beyond reason what they perceive to be the problems or the shortcomings of my administration. The use or misuse of glib hyperbole in these circumstances is unfortunately seen by some as part of the political game. That kind of hyperbolic gamesmanship, however dressed up, is easy to parade. Finding credible solutions, pointing to better not merely different alternatives, making difficult choices, and pushing sensible ideas on the aggregation of the necessary resources to get things done, are hardly to be seen or heard from those who have not the responsibility to govern. The people understand all this very well, and, by and large, they turn askance from those who offer nothing but facile posturings and grumblings. A complaining industry does not a credible alternative make. My government has put down its marker carefully and wisely in this Budget in the people's interest. It has presented a developmental budget fit for these challenging times.

As I conclude, Mr. Speaker, let me quote an instructive Editorial entitled “A Blockbuster Year” from one of my favourite international journals, the New Scientist, (Volume 212, No. 2844/2845, December 24-31, 2011):

*“This year [2011] has felt like one of [Samuel] Goldwyn’s movies, beginning with the first act, earthquake in Japan, and working up to the financial crises in Europe, via nuclear disaster, tumult in the Middle East, the assassination of the world’s most wanted man, and particles that travel faster than light. At times, the news was more gripping than anything Hollywood was producing.*

*“And more bewildering, too. To put it in cinematic terms: this year’s storyline has been pretty difficult to follow: even ‘the experts’ have been left struggling to anticipate or explain the course of events.*

*“Why? Because they like the rest of us, have been seduced by simplistic models of complex systems that range from social policy to market economics to the environment. Ideology has come to prevail over evidence; among some factions, blind faith ----- has triumphed over reason.*

*“Social inequality has become a massive concern everywhere from the Arab street to Wall Street. Yet our understanding of whether or how it should be addressed has only recently advanced beyond trickle-down dogma. In general, trials of social innovation -----are flimsily designed, and politically inexpedient outcomes rejected. Genuinely*

*evidence-based policymaking remains the exception, rather than the rule.*

*“Behavioural psychology and agent-based modeling have long undermined economics, in which investors are deemed all-knowing and speculative bubbles no more than occasional blips. Until now. Are financial markets too free or not free enough? No one yet knows how to answer that question. Only recently have we started to look for clues in networks analyses.*

*“The problems of perpetual growth have long been discussed, too: We are clearly consuming resources at an unsustainable rate. But alternatives are dismissed as wolly crankery, and change fiercely resisted: witness this furor over climate change.*

*“In short, the world doesn't just resemble a blockbuster movie; it's being run like one too. And that can't be good.....Rules of thumb, hunches and received wisdom have proved time and again to be no substitute for genuine understanding.*

*“[T]he best way to make progress is to consider fresh new ideas, test them and accept the lessons learned, no matter how unsettling they may be.”*

Mr. Speaker, Honourable Members, I urge that in this debate we seek truth from facts; understand the complexity of our nation's condition in its interconnectedness regionally and internationally; avoid facile posturings,

discuss fresh ideas, including some which are presented here and in the Estimates. Do not simply dismiss new and better ideas out of hand; let us move this debate away from the sterility of escalator economics of what goes up and what goes down; let us grasp the essence of real phenomena and draw appropriate conclusions there from for sensible policy-making; be skeptical of the received wisdom of the Washington or Beijing Consensus; and let us dig deeper into our knowledge, into the collective wisdom of the folk, and faith in ourselves and our Creator to lift ourselves higher and better.

Thank you!

## Appendix 1

### Excise Duties

Description of Goods	Current	Proposed
Aerated beverages	5%	10%
Beer and Stout	\$0.55 per litre	\$0.66 per litre
Wine of fresh grapes, including fortified wines, alcoholic wine of fresh grapes flavored with plants, brandy, whiskies, rum and tafia (in bottles of strength not exceeding 46% volume), gin, vodka, cordials and liquors, other spirituous beverages	\$3.30 per litre	\$4.00 per litre
Other fermented beverages (eg. cider, perry, mead); mixtures eg. fermented beverages and non-alcoholic beverages	\$0.50 per litre	\$0.60 per litre
Indentured alcohol of an alcoholic strength by volume of 80% or higher	\$12 per proof gallon	\$14 per proof gallon
Unmanufactured tobacco, tobacco refuse	5%	6%
Cigar, cheroots, cigarillos and cigarettes containing tobacco	12%	14%
Cigarettes containing tobacco	\$0.45 per 100 piece	\$0.55 per 100 piece
Other	10%	12%
Manufactured tobacco and manufactured tobacco substitutes, "homogenized" or "reconstituted" tobacco, tobacco extracts	5%	6%
Other vehicles with compression-ignition internal combustion piston engine (diesel or semi-diesel) of:		
(i) a cylinder capacity not exceeding 1500cc	30%	35%
(ii) a cylinder capacity exceeding 1500cc but not	30%	35%
		35%

<p>exceeding 2500 cc</p> <p>(iii) a cylinder capacity exceeding 2500cc</p> <p>(iv) other types of vehicles</p>	<p>30%</p> <p>30%</p>	<p>35%</p>
Motor vehicles for the transport of goods	55%	60%
<p>For the assembly of coaches and buses</p> <p>Other vehicles, with spark ignition internal combustion reciprocating piston engines</p> <p>(i) Of a cylinder capacity not exceeding 1000cc</p> <p>(ii) Of a cylinder capacity exceeding 1000cc but not exceeding 1500cc</p>	<p>35%</p> <p>35%</p>	<p>40%</p> <p>40%</p>