



BUILDING OPPORTUNITIES FOR OUR COMMON FUTURE

BUDGET STATEMENT FOR THE FINANCIAL YEAR 2012/2013

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& SOCIAL SECURITY**

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TABLE OF CONTENTS

1.	INTRODUCTION	4
1.1	The Courage to Believe, to Act.....	4
1.2	Discipline in Decision Making, Doing Business Differently	5
1.3	A Budget with a New Focus	5
2.	EXTERNAL ECONOMIC PERFORMANCE	6
2.1	Global Economic Performance.....	6
2.2	Regional Economies	6
3.	REVIEW OF THE DOMESTIC ECONOMY	6
3.1	Economic Performance for 2012.....	7
3.2	Central Government Fiscal Operations in FY2011/12.....	8
3.3	Short Term Prospects	9
4.	A STRATEGY FOR RECOVERY	9
4.1	Curing the Deficit.....	10
4.2	Managing Our Debt	10
4.3	Finding the Right Growth Paths	12
4.4	Three Point Plan for Recovery	12
5.	PRIORITY ONE: JOB CREATION	13
5.1	Proposed Employment Measures.....	14
5.2	From LEAP to NICE.....	14
5.3	Single Mothers Employment Programme (SMILES).....	16
5.4	Youth Empowerment Programme (YEP)	17
5.5	Youth Agricultural Entrepreneurship Programme	18
5.6	Short Term Employment Programme (STEP)	18
6.	PRIORITY TWO: CONSTRUCTION STIMULUS	19
6.1	Build Saint Lucia – A Construction Stimulus Package	20
6.2	Reducing Finance Costs for Construction	21
7.	PRIORITY THREE: FISCAL CONSOLIDATION	21

7.1	Broadening Revenue Base through VAT.....	22
7.2	Revising Taxes on Incomes.....	30
7.3	Increasing Application Fees for Alien’s Landholding Licenses	31
7.4	Reform of the Property Tax Regime	31
7.5	Managing Fuel Costs (“Pass Through Mechanism”)	32
8.	RELIEF MEASURES	33
8.1	Reducing Debts Owed to the State & State Enterprises.....	33
8.2	Relief to Patients Indebted to Victoria & St Jude’s Hospitals.....	33
8.3	Relief to Customers of WASCO	34
8.4	Helping the Hotel Sector with Outstanding HAT.....	35
9.	MANAGING PUBLIC SECTOR ASSETS	36
9.1	Better Approaches to Public Sector Assets	36
9.2	Bois D’Orange Hypermart Property Saga	37
10.	SECTORAL POLICIES & INITIATIVES	39
11.	PRODUCTIVE SECTOR INITIATIVES.....	39
11.1	Revised Incentives for Manufacturing and Tourism	39
11.2	Business Development & Doing Business Better	40
11.3	Tourism Development.....	42
11.4	A Creative Economy	43
11.5	Agriculture & Fisheries Development.....	43
12.	ENABLING SECTOR INITIATIVES	46
12.1	Roads Infrastructure.....	46
12.2	Hewanorra Airport Redevelopment	49
12.3	Water Resource Management.....	50
12.4	Energy & Communications.....	51
12.5	Public Transport	53
13.	SOCIAL SECTOR INITIATIVES.....	53
13.1	Education Policies & Initiatives.....	53
13.2	Health.....	55

13.3	Social Transformation Priorities	56
13.4	Housing Initiatives Related to Hurricane Tomas Disaster.....	57
13.5	Youth Development & Sport.....	58
14.	TRANSFORMING PUBLIC SERVICES.....	59
15.	NATIONAL SECURITY	60
16.	CONSTITUENCY DEVELOPMENT PROGRAMME.....	61
17.	FINANCING THE BUDGET.....	61
17.1	Sources of Funding	61
17.2	Allocation of Expenditure	62
18.	CONCLUSION	63
	NOTE ON FIGURES	64
	LIST OF ABBREVIATIONS	64
	APPENDIX I: SUMMARY OF 2012/13 ESTIMATES BY AGENCY.....	66
	APPENDIX TWO: 2012/3 RECURRENT EXPENDITURE BY CLASS.....	67
	APPENDIX THREE: FINANCIAL SUMMARY	68

1. INTRODUCTION

Mr. Speaker, I am honoured today, to address this esteemed House of Assembly, and by extension the people of Saint Lucia, within our shores and throughout the Diaspora, wherever their enterprise has taken them. This statement on our island's finances and our socio-economic agenda is being given at exciting though challenging times the world over. The Government, which I have the privilege to lead, has had to wade through turbid, if not murky, waters since its formation in December last. We have come to bring better days to Saint Lucia, to find that path towards success, sustainability and social stability. We have, come not only to craft and change policies, but crucially to implement the common will of the people. We have come to build a state that is strong, stable and sustainable.

Mr. Speaker, to achieve this, we must be methodical, we must manage differently, we must be visionary, we must be willing to cast aside non-enriching traditions, divisive and regressive attitudes and improper practices. We must imbue ourselves, each one of us in our own way, with a zeal, a drive and a love of country. Our ambition, our collective will and desire, must be to be "simply the best" in everything we do.

For Mr. Speaker, the continued appeal in today's world means that as a small, open economy and society, we must be ever mindful of how easy it is for us to become irrelevant. We must define our relevance in this world. We must compete more than we ever have, create more than we ever have; and yet cooperate more earnestly than we ever have.

This 2012/2013 statement on Government's socio-economic policies and budgetary proposals will focus on how we can redefine and reconstruct our economic space to promote much needed growth, how we can engender confidence in our society, to be more productive, effective and participatory, while maintaining social peace.

1.1 The Courage to Believe, to Act

Unquestionably, Government needs to build back confidence in the state, and the ability of the state to act responsibly. Government must be able to pay its sovereign debts, protect the rule of law, ensure that revenues collected in the name of the people are spent as best as they *can* be spent, and promote investor confidence. These elements of good governance and confidence in a fair and caring state gives pride to its people, gives surety to the investor, gives freedom of mind and energy to the youth, gives a level of trust to all actors, residents and non-residents. This is a social contract that we have signed and must deliver.

In these arid days, Mr. Speaker, *better days* invariably requires that we find *better ways*. That path through the desert means that we must identify what oases we can maximize as we move towards unleashing the untempered waters of sustainable growth. It means that we must provide measures in short term to tackle unemployment, reign in on our fiscal management, and review meticulously, existing modes of doing business. In the medium term, investment promotion and facilitation must take centre stage as we must induce foreign direct investment flows. Also, we must reskill, retool and refocus our human resources as we seek to promote growth, and create new jobs in existing and new sectors.

1.2 Discipline in Decision Making, Doing Business Differently

The way we do business, Mr. Speaker, cannot remain the same. We witnessed the effects of not being progressive in promoting a better business environment. Our international rankings will invariably continue to fall as others place a greater emphasis on making the right reforms. We have made little progress since 2005 in improving our doing business environment. We must recommence the number of improvements to the systems that facilitate business establishment and processes. A number of these require the introduction of technology to make Government services faster, clearer and more interactive. The way we do business is at the heart of both the productive sectors and the enabling public services and Government will lead in this regard.

Mr. Speaker, the business of Government cannot be a raucous and frivolous affair like that experienced at roadside “watering holes.” The business of Government cannot be based on decisions taken as a gamble. The business of Government cannot be about self-service. On the contrary, the business of Government, Mr. Speaker, must be measured and it must be grounded in purposeful, prudent and well informed decision making. It must be inclusive and considerate. If it must take bold steps, then the risks, if any, must be determined. Unfortunately Mr. Speaker, our business, the people’s business, has not always been well run. We all knew that there was a malaise in our economy and that worldwide, there were stresses affecting growth. However, what compounds our strides forward are the ever increasing discovery of mismanagement and poor decisions. Even to this day, we uncover another unclear deal, another project commenced without clear lines of finance, another imprudent purchase, another reckless and undervalued disposal of state assets. Mr. Speaker, all these things we must deal with openly and frankly if we are to appreciate the challenges at hand.

Mr. Speaker, I should also note that our business space is also evolving, as we now enter a second financial year in the OECS Single Market and Economy. It is the intention of this Government to work more closely with the productive sectors to realize a better appreciation of the possibilities that exist within our new harmonised economic space, particularly in terms of business expansion and partnerships.

1.3 A Budget with a New Focus

Mr. Speaker, the changes which we have made to the procedure leading to the tabling of the Appropriation Bill 2012/2013 inevitably impact on this Budget Statement. Standing Order 65 (2) of the Standing Orders of the House of Assembly emphasizes that the debate on the Appropriation Bill “shall be confined to the financial and economic state of the island and the general principles of Government policy as stated by the Bill”. This Budget Statement has, therefore, been tailored to satisfy these requirements. This Order makes it clear that the focus has to be on the policies underpinning the budget. As a result, this Budget Statement will focus on the socio-economic context of our public finances and Government operations, as well as the policy approaches of the Government as we shift our state onto an upward trajectory of sustained growth.

In any event, the debate on the Estimates of Expenditure would have taken care of most aspects of the allocation of expenditure. Some details would, of course, be required for the capital programme and this I propose to do, later in this presentation, incorporated into the various sectors.

2. EXTERNAL ECONOMIC PERFORMANCE

I want, first of all, Mr. Speaker, to place this Budget Presentation in its international and regional context, albeit briefly.

2.1 Global Economic Performance

Mr. Speaker, the last few years have been particularly difficult for the global economy which has experienced the worst crisis in over seventy years. However, there is now a glimmer of hope as signs are emerging that the worst has passed. An incipient but yet uncertain and timid recovery appears to be underway. However, fears persist about the economies of the European Community.

The recovery in the developed countries continues to be sluggish, and growth is hard to come by, save and except for some emerging countries. Though global growth has been positive and robust, particularly in Brazil, Russia, India, China and South Africa – collectively known as the BRICS, persistent high oil prices are expected to pose an ongoing risk to the recovery of the world economy in 2012.

2.2 Regional Economies

Caribbean economies have been hit hard by the global crisis and will take longer to recover. The picture is mixed. Some countries experienced growth of less than 2% in 2011; others negative growth. The only bright spots were Guyana and Haiti. Both of these countries achieved rates in excess of 5 percent.

The Eastern Caribbean Currency Union as a whole contracted by 0.6 percent, as construction and agriculture declined. Tourism, which is showing signs of gradual recovery, expanded by 4.6% for the sub-region as a whole, as the appetite for long haul vacations from the main source markets appears to be picking up.

3. REVIEW OF THE DOMESTIC ECONOMY

Mr. Speaker, the performance of Saint Lucia's economy, has, at best been anaemic.

In his budget presentation of April 14, 2011, the former Minister for Finance threw caution to the wind and declared thus:

“while the recession was still strong in the rest of the OECS member countries, all of which experienced negative growth in 2010, the economy of Saint Lucia grew by 4.4% in 2010 compared to an average of minus 3.2% for the OECS as a whole. The Eastern Caribbean Central Bank estimates that Saint Lucia will grow by 5.4% this year. Our own forecast is a more modest 4.5%, as we concentrate on the implementation of a job-creating growth strategy”.

Mr. Speaker, the economy did not grow by 4.4% in 2010 as proudly announced by the former Minister of Finance. The growth rate was no more than 0.6%.

3.1 Economic Performance for 2012

Last year, 2011, real GDP is estimated to have expanded by 1.0% and not 4.5% as predicted by the then Minister for Finance. This modest growth was largely due to expansion in the construction and manufacturing sectors, continued growth in hotels and restaurants and increases in the distributive trade sector.

Modest Increase in Construction

After two consecutive years of decline, the construction sector recorded a 2.1% increase, driven mainly by investments in the public sector. However, the level of construction activity in the private sector declined, reflecting the completion of major projects, lower tourism-related foreign direct investment and tighter domestic credit conditions.

Mr. Speaker, the Government of Saint Lucia recorded an unprecedented level of expenditure in 2011 on the construction of public infrastructure, much of which, it is said, is related to rehabilitation following the passage of Hurricane Tomas. But we know otherwise because the figures tell a different story.

Central government expenditure on construction projects totaled \$240.1 million in 2011, representing a 74.9% increase over the previous year. On all accounts, this was unprecedented, a record, I believe. Over \$45 million of this total was directly attributable to Hurricane Tomas rehabilitation and reconstruction. The balance, \$195.1 million was expended elsewhere.

Tourism: A Year of Contraction

Preliminary data indicates that the tourism sector contracted in 2011. There was a 3.9% reduction in the total number of visitors to 976,216. The number of stay-over visitors also declined by 0.4% to 304,639. This performance is explained by the sluggish recovery in major source markets coupled with rising oil prices and higher airfares.

Much of the drop in arrivals emanated from markets in the United States and the Caribbean. Together, these countries accounted for 60% of long-stay arrivals. A reduction in airlift from the US coupled with the high cost of intra-regional travel would have accounted for this performance. However, increases in arrivals were recorded for other major markets such as the United Kingdom and Canada. This was helped by an additional weekly flight by British Airways from the UK and continuing stability in the Canadian economy.

Visitor expenditure has fallen disproportionately, relative to the fall in arrivals. Preliminary data indicate a decline in total visitor expenditure of 7.4% to \$1.35 billion. Obviously, visitors are for more careful and prudent in their expenditure. Hotels too have been compelled to discount their rates in order to survive.

Further Setbacks in Agriculture

Mr. Speaker, the agriculture sector and in particular the banana industry, suffered further setbacks from the impact of Hurricane Tomas, high and rising input costs, loss of farmer confidence, limited access to affordable finance and an outbreak of Black Sigatoka. Consequently, banana production fell by 55% to 11,776 tonnes, the lowest level of production for many years. Exports to the United Kingdom declined by 70% to 6,556 tonnes with earnings of \$13.2 million, representing a decline of 68 percent.

However, 2011 saw an increase in the production and exportation of non-banana crops boosted by post hurricane farm rehabilitation programmes and increases in sales to local supermarkets. This trend represents an important step towards reducing our food import bill, but the necessary measures must be put in place to sustain it.

The livestock subsector recorded mixed performances in 2011. Notwithstanding an expansion in productive capacity, the negative effects of Hurricane Tomas, rising costs of feed and an associated decline in the number of birds adversely affected growth in the broiler industry. Chicken production therefore fell marginally by 0.2% to 1,392.5 tonnes. Pork production also fell by 18.6% to 172.7 tonnes, similarly influenced by a steady increase in the cost of feed. The rising cost of feed led to the exit of some farmers from the industry, despite government's support in the form of duty-free importation of feed aimed at cushioning the impact of those increases on producers. However, egg production grew noticeably by 9.6% to 1.3 million dozen, resulting in double-digit growth in earnings to \$7.6 million.

Manufacturing Holds Its Own

The manufacturing sector continues to be affected by rising costs, including the cost of electricity, fuel and other raw materials. However, notwithstanding higher costs, the sector recorded an increase in production by 1.6% to \$315.7 million reflecting improved output of bakery products, seasonings and spices, alcoholic and non-alcoholic beverages and electrical products. However, there were substantial reductions in the production of paper and paperboard on account of weakened external demand and a sharp fall in banana production.

Slower Rate of Inflation

Mr. Speaker, the rate of inflation decelerated to 2.8% in 2011 after recording 3.3% in 2010. The slower rate of increase in 2011 was mainly due to a slowdown in the rates of increase in food and fuel prices, the two main contributors of inflation in Saint Lucia. However, notable price increases were also recorded for electricity, clothing, footwear and education.

3.2 Central Government Fiscal Operations in FY2011/12

Preliminary data indicate that the fiscal position of the central government deteriorated sharply in 2011/12 driven largely by a significant increase in capital expenditure. The overall fiscal deficit widened to \$254.4 million, equivalent to 7.6% of GDP in 2011/12 from \$166.5 million in 2010/11.

Capital expenditure is estimated to have increased by 34.8% to \$402.6 million, representing, as indicated earlier, a record level by the government in any given year.

Total revenue and grants amounted to \$928.8 million, representing an increase of 6.3% over the previous year. This increase was driven by higher collections of current revenue, which grew by 6.1% owing to better collections of income tax, hotel accommodation tax and taxes on imports.

Total expenditure increased by 13.7% to an estimated \$1,183.3 million. Of this total, current expenditure grew by 5.1% to \$780.7 million, driven by increased spending on current transfers mainly in the form of subsidies, higher interest payments and outlays on goods and services.

In keeping with the increase in the overall fiscal deficit, the level of total public debt rose to \$2,273.2 million, representing a debt to GDP ratio of 68.5% at the end of 2011. The increase in total public debt

emanated entirely from increased central government borrowing as the stock of debt *guaranteed* by the central government declined by 9.3 percent. I shall return to this issue of debt in more detail, later.

3.3 Short Term Prospects

Mr. Speaker, countries worldwide are struggling to recover from the debilitating effects of the global crisis and Saint Lucia is no exception. Economic analysts have indicated that small, open economies such as Saint Lucia's that are highly vulnerable to external shocks, will take longer to fully recover.

However, our economy has demonstrated a certain level of resilience that we intend to strengthen to mitigate against any future shocks, whether man-made or natural. To this end, the Government of Saint Lucia will be putting in place the appropriate policies to mitigate against such risks and to stimulate economic activity. Notwithstanding the difficult external environment, the growth-enhancing policies that this government intends to implement are expected to strengthen the prospects for growth in 2012. On this basis, therefore, we are targeting a **growth rate of 2.5% in 2012** which will be mainly driven by the construction sector and supported by developments in the tourism and other sectors.

4. A STRATEGY FOR RECOVERY

Mr. Speaker, Saint Lucia's economy is now on a very slippery slope. Last year, the Government borrowed some \$33.0 million dollars to meet recurrent expenditure. This means that we are not generating enough revenue to meet our recurrent expenditure. This is a recipe for disaster.

This is the reality. From fiscal year 2009/10, recurrent expenditure has exceeded recurrent revenue. Moreover, the rate of increase in recurrent expenditure now exceeds that of recurrent revenue on average by 1% each year. Thus, the Government has had to borrow to meet recurrent expenditure.

Mr. Speaker, those who contend that this Finance Minister's recurrent expenditure always exceeds recurrent revenue will do well to check their facts. I will place the staff of the Ministry of Finance at their disposal. Between the years 2002/2003 and 2006/2007, the budget was premised on planned recurrent deficits. In all of these years, with the exception of 2002/2003, the outturn was a recurrent surplus. The deficit occurred in 2002/03 following the contraction unleashed by the tragic events of September 11, 2001. In that year alone, there was a shortfall in revenue of no more than EC\$15.0 million dollars.

However, since 2009/2010, despite a planned surplus and a balanced recurrent budget each year, recurrent deficits have been realized. When in the past we have seen recurrent revenues precisely matching recurrent expenditures, we have had to wonder which of these figures were set first. We, therefore, have a problem. I blame no one. All I ask is that we find common ground and correct the situation.

Consider another statistic. Wages and salaries are projected at 13% of GDP or 48% of recurrent revenues. Translated, this means that for every dollar the Government raised from taxes, 48 cents has to go towards paying salaries and wages.

It is little wonder that the fiscal deficit is growing at a faster rate in more recent years. For example, the overall fiscal deficit increased from 1.9% of GDP in 2007/08 to 7.6% of GDP in 2011/12, a fourfold increase. Surely, this rate of increase is unsustainable. Something has to be done to arrest the pace at

which the fiscal deficit is growing. The deficit is being financed entirely by borrowing from both domestic and external sources, resulting in unsustainable increases in public debt. With the total public debt-to-GDP ratio at 68.5% at the end of 2011 and projected to rise to 68.9% at the end of March 31, 2012, there is clearly a need to place the deficit and hence the debt on a more sustainable trajectory.

4.1 Curing the Deficit

We simply have to cure the fiscal deficit and do this quickly.

We believe that this can be done by implementing growth enhancing expenditure and tax reform measures. We need to ensure that whatever fiscal reform measures that are adopted do not compromise the prospects for growth. Hence, the enhancement of economic growth must form the main pillar of any fiscal reform measures, for without growth, correcting our unsustainable fiscal position would be ever more difficult.

It is in that context that it is vital and urgent to reorient the tax system to encourage growth. The introduction of VAT in Saint Lucia by 1st September of this year is an important step in that direction.

But action will also have to be taken on the expenditure front. We need to curb the growth in current expenditure as this appears to be one of the main reason for the sharp rise in the fiscal deficit over the last five years. However, I concede that this proposition is very difficult as approximately 80% of recurrent expenditure is non-discretionary, meaning that there is very little scope to reduce these expenditures. These non-discretionary expenditures include salaries and wages, retirement benefits and interest payments on the debt.

It is important to note that the salaries and wages bill of Central Government have increased by 37% over the last five years growing at an average rate of over 7% a year. Any serious effort to curb the increase in recurrent expenditure must address the rise in spending on personal emoluments. This is the stark choice before us.

The OECS Monetary Council has advised that Governments should aim to incur overall fiscal deficits of not more than 3% of GDP. At 7.6% of GDP in 2011/12, the overall fiscal deficit for Saint Lucia is more than twice the recommended level. We cannot continue like this. Corrective measures need to be taken to place the deficit within sustainable bounds.

However, I must admit Mr. Speaker, that without faster rates of growth, our efforts to place the deficit on a more sustainable trajectory will be more challenging. As a country, we therefore have to make some sacrifices and summon the necessary discipline to implement the fiscal consolidation measures that are required for curing our deficit. Those measures must include a more direct and sophisticated approach to managing our debt.

4.2 Managing Our Debt

Mr. Speaker, we measure our debt on a calendar year basis. So, on December 31, 2011, our Debt to GDP ratio was 68.5%. However, as indicated earlier, when the total debt is measured at the end of the Government financial year that is, at March 31, 2012, the Debt/GDP ratio rises to 68.9%. That is our present reality.

Over the past five years, the former administration borrowed a total of EC\$949 million dollars. If the programmed debt of EC\$70.0 million dollars approved by this House in the last session is added, the debt rises to EC\$1,019,130,300.00 dollars. Yet day in day out, like a broken record, you hear that it is the former SLP Administration that put the country in debt. In 2007, the Government borrowed \$144.70 million; in 2008, \$116 million, in 2009, \$164.67 million; in 2010, \$312.43 million; and in 2011, \$211.34 million. At December 31, 2006, the total public debt was \$1.62 billion. Just over five years later, it is \$2.27 billion an increase of approximately \$648 million over the net debt amount, an increase of about 40% over the 2006 figure.

Mr. Speaker, when we left office in December 2006, the Debt/GDP Ratio on the basis of the rebased figures now in use, was 59% below the prudential target of 60% as set by the Monetary Council of the Eastern Caribbean Central Bank. At December 31, 2011 it is now 68.5%.

The result is that we have inherited a fiscal deficit of 7.6% of GDP, or around EC\$254.4 million. The higher the deficit, the higher the borrowing.

This is worrisome for at least three reasons:

1. First, high and unsustainable debt ratios, particularly external debt, can be a brake on growth, if an insufficient proportion of the national output is left over for growth inducing activities, after meeting debt service payments. For instance, Mr. Speaker, nearly 23 cents on the dollar in our recurrent expenses currently goes towards debt financing, the second largest block of spending after salaries and wages. In effect 71 cents on every dollar is going towards the payment of salaries, wages and debt;
2. Secondly, high debt ratios may affect a country's credit worthiness adversely, as is currently the case with a number of countries of the European Union, leading to a loss of confidence and more costly borrowing in the future;
3. Thirdly, unless the borrowed funds are used efficiently and effectively to generate real growth the additional debt can become burdensome.

Mr. Speaker, I accept without reservation, that in order for countries to pursue their economic goals and to finance their development agenda, governments will need to borrow. Since independence, many countries including Saint Lucia have had to borrow from both the domestic and external environment in order to finance projects necessary for their development. It was also necessary to borrow to mitigate the impact of exogenous shocks, whether economic or natural.

We recognize that long term growth and development require us to maintain a manageable debt ratio and fiscal deficit. The challenge is to find the right balance between a growth-inducing capital investment programme that depends partly on loan financing, and ensuring debt and fiscal sustainability.

We can no longer postpone the need to address the accumulation of debt, which has given rise to unsustainable public debt and associated high debt service. The situation may be rendered more acute given that the global economy is slow to recover and is expected to remain that way within the next couple of months. As a result, there is need for a comprehensive, aggressive and sustained effort to increase the capacity within government to manage our debt portfolio.

Given the effects of the recession and the current state of the economy, it is necessary to employ strategies and policies to stimulate the economy in the short run, while balancing the fiscal account over a manageable period of time. Our plan is to reduce the deficit and the debt ratios in the medium term, that is, over the next four years. We have no choice but to take action now.

The Government of Saint Lucia has been working closely with the Eastern Caribbean Central Bank (ECCB) under the Canada-Eastern Caribbean Debt Management Advisory Services project. The goal of this six year project is to reduce the debt burden of the member countries in order to achieve the fiscal benchmarks established by the Monetary Council. Mr. Speaker, Government is committed to this project and as such we intend to provide the necessary support for its implementation.

I would like to reiterate that the Government is committed to reducing the national debt over the medium to long term as we believe that debt reduction is central to a sound economic policy.

4.3 Finding the Right Growth Paths

Mr. Speaker, the fundamental question is this: given the comatose state of the economy, what strategy should the Government employ to stimulate the economy?

The reality that we face is as follows: Tourism has held its own but its recovery is at best, tepid. It will take another year or two before it returns to the vibrancy of previous years. The Agriculture Sector has potential, but it has taken a battering in the past few years. The Manufacturing Sector has survived, but its share of GDP has suffered major reduction over the years. The fiscal situation has deteriorated sharply in the recent past. Construction is a highly labour absorptive sector, and given our Post-Tomas realities and the need to improve and expand our housing stock, it presents a very attractive option for improving quality of life and economic repositioning while creating jobs.

4.4 Three Point Plan for Recovery

With this clarification, Mr. Speaker, I can now crystallize the approach of the Government as a three pronged strategy for economic turnaround:

1. **Jobs Creation** - We will create jobs by a series of short to medium term measures that will boost our productive sectors and provide much needed support to our social agenda;
2. **Construction Expansion** - We will introduce measures to encourage investment in construction and housing aimed at creating further jobs and restoring our social and economic infrastructure; and
3. **Fiscal Consolidation** - We will introduce a set of fiscal measures to improve Government's revenue base, reduce the deficit and achieve fiscal strengthening.

5. PRIORITY ONE: JOB CREATION

Mr. Speaker, I now come to our number one strategic priority, the creation of jobs.

Mr. Speaker, this government is committed to pursuing initiatives that will give life to our mandate of building a better Saint Lucia. Our commitment to the people of Saint Lucia is to make job creation a priority. We need to get Saint Lucians back to work.

Since assuming office in December 2011, there has not been a single day when the unemployment crisis that we face as a country, does not occupy my thoughts and my ongoing conversations with people throughout our land.

And so, over and above the myriad challenges that we must confront as a government, this is perhaps the one that is most agonizing and indeed, most urgent. There is no doubt that, whether directly or indirectly, every family is feeling the impact of unemployment. I am particularly concerned about the high rates of unemployment amongst our Youth who now look to us to find solutions and open doors to the opportunities that they so well deserve.

I remain steadfast in my commitment to seek and make real, opportunities for putting Saint Lucians back to work. What we face is a crisis; so, we must use our creativity and innovation to tackle unemployment head on.

This government recognizes that nothing less than an immediate dent to curb the crisis will suffice. As such, this Government will in this initial period lead, drive and give full support to initiatives I will later outline, all aimed at tackling unemployment head on.

We understand the challenges confronting the Private Sector, but it is my hope that the Private Sector will fully embrace these initiatives and also, create other opportunities for putting Saint Lucians to work.

Mr. Speaker, the official statistics show that the unemployment rate in Saint Lucia was 21.2% at the end of 2011, which translates to just under 19,000 unemployed persons. The latest figures we have for youth unemployment are for 2010 and indicate that just over 7,200 young people, or 34 percent, are jobless.

These estimated numbers are far too high and can engender a host of social and economic problems. Every lost opportunity for gainful employment represents a squandering of creative energy and the chance to make a meaningful contribution to the growth of the individual and the life of the community. We plan to tackle the unemployment problem in two ways.

First, given the extent of economic marginalization associated with the high unemployment rates, we will provide immediate relief for some of the most severely affected, by providing short term employment through programmes that I will describe later in my address.

Secondly, we will create opportunities for sustained employment in the long term, by implementing a number of programmes and initiatives, including arrangements in partnership with the private sector.

5.1 Proposed Employment Measures

Mr. Speaker, the Government proposes to tackle unemployment by the following targeted measures:

1. The introduction of the NICE;
2. The Single Mothers Employment Programme (SMILES);
3. The Youth Empowerment Programme (YEP);
4. Support for the Youth Agricultural Entrepreneurship Programme (YAEP); and
5. The continuation of the Short Term Employment Programme (STEP);

5.2 From LEAP to NICE

In *Our Blueprint for Growth*, our 2011 Manifesto, we excited the imagination of Saint Lucians with the articulation of an ambitious job creation programme called LEAP. Now it is time to translate the manifesto promise of LEAP into an established national programme to be called NICE.

NICE, which means, National Initiative to Create Employment, is the mechanism which will lead, drive and support the various programmes for employment in the period ahead. NICE will be our comprehensive and integrated response to the unemployment crisis which we face. NICE will be pursued along three areas of intervention:

1. **Legislative Action** – This will focus on reviewing and enacting legislation that will facilitate and generate employment in Saint Lucia;
2. **Fiscal Measures** – This will focus on Government providing deliberate incentives and support to the private sector to create jobs; and
3. **Direct Intervention** – This will focus on Government's job creation programme which will create employment immediately.

An office will be established within the Office of the Prime Minister and will serve as the central unit for oversight and execution of the programme during its life. This office will provide support and work in collaboration with Government ministries and agencies for successful implementation of the direct intervention programmes.

The programme will be in existence for a three (3) year period. We aim to provide sustainable opportunities for our people. In Year One, a provision of \$35.00 million dollars will support the programme. This amount will be in addition to an allocation of \$5.00 million for HOPE, \$3.00 million for Koudmen Sent Lisi, and a further sum of \$12 million dollars for the Constituency Development Programme. In Year Two, I propose to allocate \$40 million dollars and in Year Three, \$25 million. During its first year of operation, it is anticipated that NICE will create and provide no less than 2200 jobs to Saint Lucians.

There will be three (3) components of the Programme:

1. A National Apprenticeship and Placement Programme (NAPP);
2. A Constituency Projects and Infrastructure Programme (CPIP); and
3. A Small Business Targeted Assistance Programme (SBTAP).

Mr. Speaker, I have no doubt that the question to be asked is how will we make these jobs available over a short period of time? Where are they coming from? To achieve this, the initial period will be led, driven, and supported by the Public Sector. The programme has been designed to create jobs that will support the work of the Government throughout the Public Service in the initial or short term period.

The National Apprenticeship and Placement Programme

The National Apprenticeship and Placement Programme (NAPP) will provide Training and certification in specific disciplines to be facilitated through the NSDC in collaboration with government agencies, where necessary. It is anticipated that this programme will create 1100 jobs within the financial year.

Under the NAPP measure, and in collaboration with appropriate Government ministries and agencies the following sub-measures will be pursued:

1. A National Home Help Programme for the Elderly. We will train and employ persons island-wide to provide assistive care to aged persons and persons with disabilities;
2. A National Programme to support Sporting Initiatives. Through this programme, Coaching Assistants in various disciplines and field assistants will be trained and provide a boon to sports programmes;
3. A nationwide sub-measure to provide teaching assistants to schools, particularly our Primary Schools;
4. A national sub-measure to provide a platform to developing talent in the Creative Industries, which utilizes new and emerging talent at our ports of entry and places of interest. This will add value to our tourism product, enhance the visitor experience and strengthen cultural events and festivals in our communities; and
5. The final sub-measure will provide support to research and data collection aimed at improving the quality of information management at Government departments. The Immigration Department for example, has thousands of unprocessed Arrival and Departure Forms. I imagine other governmental entities like the National Archives and the registries might take the opportunity to digitize records and improve the quality of their statistics as well.

These, Mr. Speaker, are but some of the specific measures which will be rolled out and detailed when I commission the programme's office on May 31, 2012.

Constituency Projects and Infrastructure Programme

Mr. Speaker, the next component of NICE is that of small scale infrastructural projects targeted at improving amenities in various communities islandwide. This component will make provision for building

community infrastructure projects such as sidewalks, drains, footpaths, foot bridges and community roads. These will be done with the support and supervision of the Ministry of Infrastructure, Ports and Transport. The focus here will be to create employment for small contractors with special skills and in some instances, opportunities for apprentices to work alongside the skilled contractors. This is expected to create approximately eight hundred (800) new jobs.

Small Business Targeted Assistance Programme

The goal in the medium term is to build a relationship with the private sector and secure their participation in our quest to reduce unemployment. As part of its mandate, NICE will engage small businesses and other private sector interests with two (2) main objectives. The first is to extend support to Small Business Operations for partnership programmes that would sustain their current levels of employment and where possible, create additional employment. The other objective is to provide a pool of available expertise that would benefit private sector interests. During the first year of operation, NICE would invest in training and apprenticeship programmes that would serve as a ready pool of trained and available workforce to the private sector and development projects which we anticipate would come on stream by then.

This component will lead to providing direct support to the private sector to employ individuals. Government will agree to subsidise jobs to an agreed percentage of a maximum amount. In the first year, we anticipate over three hundred (300) jobs created through this measure.

In addition to these initiatives, NICE will work in collaboration with agencies with ongoing programmes of job creation and projects that are targeted at reaching out to specific interest groups.

5.3 Single Mothers Employment Programme (SMILES)

Mr. Speaker, we also recognize that the current economic crisis has had a serious impact on our most vulnerable citizens. Single mothers form one of the most vulnerable groups in our midst. To compound the situation for many, is the increase in the levels of poverty and indigence as reflected in the results of the 2005/2006 Saint Lucia Country Poverty Assessment Document. The assessment also revealed that the southeastern region of the island has the highest levels of indigence, and is second only to the western region of the island in poverty levels. The greatest percentage of poverty and indigence within that region was among females, age fifteen (15) and over.

Mr. Speaker, I believe that we have to go beyond the mere social welfare and focus on social empowerment. The Single Mothers In-Life Enhancement Skills (SMILES) project is intended to do just as it suggests: bringing smiles to single mother families.

There has not been in the history of Saint Lucia a project that specifically targets single mothers and looks at all the related ills that plague them daily. The project, Mr. Speaker will be a pilot and will target, in this instance, two hundred (200) poor single mothers who must be 18-40 years of age. These women will be assisted with career guidance and Life Skills Training, in a number of areas such as: Gender Awareness Training, Self Defense, Parenting Skills, First Aid Training, ICT Training, Financial Management, Auto-skills (Computer Aided Literacy Software), Business/Co-operatives Training. The programme will focus on job attachments and job placements. There will also be areas set in the *Tech-Voc Sector*, suitable for self-sufficiency.

Mr. Speaker there will also be a childcare component that will enable these women to productively take advantage of the program. We believe that improving parenting skills is a critical element in building a stronger nation. This project will help to equip mothers who otherwise would not be able to be great parents. Mr. Speaker, taking care of our human resources is a powerful strategic and lifelong investment.

I have allocated \$1.20 million dollars to accomplish this pilot project and the National Skills Development Centre (NSDC) will lead it. The NSDC has experience and expertise to carry-out this mandate, together with its new partners in both the public and private sectors. It is my hope, and I am also confident that it is also the hope of this House, that this project succeeds in bringing SMILES to some unhappy families.

5.4 Youth Empowerment Programme (YEP)

Mr. Speaker, a few years ago, the National Skills Development Centre (NSDC) in collaboration with RISE and CARE, ventured into feared territory to implement a project called Youth Empowerment Programme (YEP). That programme has changed the lives of not just delinquent, marginalized and highly vulnerable youth, but also incarcerated youth who, some may have thought, had slim chances of being integrated into society.

We all know that without rehabilitation and acceptance, many of these youth become repeat offenders. YEP has changed criminals into humanitarians. Young people who were once hardened criminals have rejected this way of life. This project has also made companies rethink the way they handle “second chances”. These young people not only received the usual certification but were restored to civilian status with pride. They brought hope to others like themselves.

The programme was so successful that by graduation, 52% of the youth from Bordelais, the Boys’ Training Centre and Upton Garden Girls were already permanently placed in jobs. The International Youth Foundation and USAID were so impressed by this initial effort that they not only wanted a second phase to the project, but decided that the initiative should be the model for the Caribbean and other South American countries. This initiative is doing exactly what we have been trying to do for decades.

The second phase of the project is estimated to cost US\$1.01 million dollars. Of this amount, US\$510,000 dollars has been already sourced. A further US\$500,000 is needed to finance the work of that project.

Mr. Speaker in our manifesto, *Our Blueprint for Growth*, we gave several undertakings, and I will cite those which are relevant here:

- (a) We promised that there would be job creation and employability;
- (b) We said that we would “*create an environment that will make criminal life a less attractive option for many in our society;*”
- (c) We said that we would have a “*recidivism reduction programme which will help ex-offenders reintegrate into society by providing them with counseling and other related support services;*”

- (d) We also promised a system to track the movements of repeat offenders;
- (e) We stated that second chance opportunities will be provided for out-of school youth, involving a combination of remedial instruction, skills training and work apprenticeship programmes; and
- (f) We promised that we will intensify our skills training program to ensure that our citizens get the skills attitude and qualifications that will increase employability.

Mr. Speaker, I say to you and Honourable Members that this programme satisfies most of these undertakings and deserves our full support. The organisers have done their share by sourcing a substantial amount of the required funding. I have provided \$500,000.00 in the Estimates under the Ministry of Education, Human Resource Development & Labour. In addition, I will allocate a further \$500,000.00, once the programme is fully audited to satisfy us that it is continuing to achieve its objectives.

5.5 Youth Agricultural Entrepreneurship Programme

Mr. Speaker, more job creation will occur through the Youth Agricultural Entrepreneurship Programme, a project pioneered by the former Administration. This project will receive support of \$1.15 million sourced from the CARICOM Development Fund and the Government of Saint Lucia. The main purpose of this project is to establish an entrepreneurship incubator programme geared at involving at least 150 young entrepreneurs in agriculture.

The project aims to ensure the effective and efficient use of a number of parcels of land totaling about 685 acres, owned by Government, which currently are underutilized. The Ministry of Agriculture has identified lands in the Anse Ger, Beauséjour (Vieux Fort), Balenbouche and Roseau areas. The Mabouya Valley and Rivière Dorée areas will also be considered soon. Complementing this is a sum of \$3.27 million for the acquisition of lands owned by the now wound up Saint Lucia Banana Corporation (SLBC) in the Mabouya Valley.

5.6 Short Term Employment Programme (STEP)

Mr. Speaker, STEP has been re-established and it is here to stay for the duration of the tenure of this Government. It will continue to be executed through the SSDF. It is well known that STEP is a labour absorption initiative aimed at providing legitimate income generating opportunities for economically challenged, unskilled and unemployed Saint Lucians through the design and implementation of clean-up, landscape and beautification projects in all constituencies. It provides a meaningful service to improving our tourism product as well as the general sanitation of our land. This programme will at the same time, generate much needed economic activity to stimulate the economy that was badly affected by the recent international recession.

Mr. Speaker, the major objectives of the STEP measure are:

1. To generate short-term employment opportunities for disadvantaged, unemployed Saint Lucians;
2. To improve access to income for poor persons and households and enable them to access their basic needs;
3. To impact positively on the dignity, pride and independence of poor and disadvantaged persons;
4. To improve the human resource and productive capacity of the national labour force; and
5. To reduce the social ills associated with poverty such as crime, overcrowding in urban areas, prostitution and drug trafficking.

Since the reintroduction of the programme in December 2011, over 6000 persons have gained some short term employment. In this financial cycle, the Government has allocated \$4.5 million dollars to STEP. There will be five (5) cycles of the programme as follows: in July/August, to provide relief to coincide with the reopening of school; in October, to aid in disaster mitigation; in December, to provide assistance prior to Christmas; in February, in the lead up to Independence; and in April, to provide relief prior to Easter.

Special Attention for Anse La Raye/Canaries

Mr. Speaker, it is well known, throughout the length and breadth of Saint Lucia, that the communities within the constituency of Anse La Raye/Canaries have the highest rates of poverty and indigence in Saint Lucia.

In Opposition, this Government committed itself to establishing a year-long STEP measure to alleviate the plight of the people of that constituency. I will honour that commitment and for that purpose, will allocate \$1.46 million for the employment of two hundred persons. However, to ensure fairness of opportunity, the two hundred persons, will be employed in quarterly cycles. In other words, every three months, a new set of two hundred persons will be employed and will give way to a fresh set in the next quarter. In effect, some eight hundred persons will benefit in any one year. This number will be in addition to the regular STEP initiative.

6. PRIORITY TWO: CONSTRUCTION STIMULUS

Earlier, Mr. Speaker, I indicated that our priority is to increase investment in the construction sector, directly through Government programmes and indirectly through policies which stimulate private investment.

Construction and rehabilitation of housing and other forms of social infrastructure are important aspects of the government's investment initiative, which will address an urgent need, while at the same time provide earning opportunities for working people.

While I have identified job creation and investing in construction as two separate strategic priorities, they are clearly related, in that a substantial and successful construction programme will have a positive,

and if properly designed, a sustained impact on employment generation. Our strategy makes use of the linkages between those two priorities.

In our economy, direct investment by the government alone will never be sufficient to bring about the growth required to achieve and sustain high employment levels. Appropriate strategies aimed at inducing private sector investment must also be employed. Such strategies must include approaches that identify financial resources in the economy and make them available for productive, growth-inducing and employment-creating investment. In particular, construction activity that is labour intensive in our economy and interlocks with many sectors, can provide an important avenue for employment creation.

6.1 Build Saint Lucia – A Construction Stimulus Package

In these circumstances, the sector with the greatest potential to stimulate the economy, reduce unemployment, and enhance our growth prospects is the construction sector.

Undoubtedly, construction is perhaps, the fastest way of stimulating economic activity which in turn, generates employment and growth. It also leads to an expansion in physical capacity. A related reason for giving it priority is the need to rebuild the physical infrastructure of the island, devastated by Hurricane Tomas.

The Government has therefore decided to select the construction sector to drive the economy in the short term, at least until such time that there is full recovery in the tourism sector and investment returns to the island. Emphasis on construction will allow us to “buy” sufficient time and space.

In this context, we propose to introduce a Construction Stimulus Package for homes, businesses and public sector entities.

The construction sector is a significant contributor to economic growth and employment in our economy. You may well recall the booming construction sector in 2006/2007 which resulted from the hosting of some ICC Cricket World Cup matches in Saint Lucia. During that period, unemployment was recorded at 14.6 percent, while the economic growth rate was one of the highest for that decade.

This government understands the difficulty that Saint Lucians experience in going through the process of constructing their homes, given the high prices for construction materials and the difficulty in obtaining financing for this basic need. This initiative will come into effect three months from today and will last for a period of eighteen months.

Mr. Speaker, we propose a construction stimulus initiative with four components:

1. We propose to remove all duties and taxes on selected items related to the construction of homes and commercial buildings. These items are sand, cement used for construction, lumber including plywood, steel bars, rods and paints;
2. Second, for the eighteen month period of this initiative, Stamp Duty will be removed. We are referring here specifically to the Stamp Duty of 0.25% on loans for residential and commercial mortgages;

3. Third, Government will further facilitate the process by providing serviced lots through the National Housing Corporation, with financing to be made available through the Saint Lucia Development Bank; and
4. Last, the Government has engaged in dialogue with the legal fraternity and the banking sector in order to lower the cost of their services to encourage home construction in an effort to catalyze economic activity. I am pleased to report that there has been positive feedback from the legal community and the banking sector who have indicated their willingness to participate in this initiative.

6.2 Reducing Finance Costs for Construction

With regard to the Banking Sector, we proposed a special initiative to the banks, aimed at significantly reducing the interest rate at which they provide loans for construction. We are happy to have received an offer from the Bankers Association which details proposals for mortgages to first time home owners. Some aspects of the offer from the banks require further discussion and an announcement will be made in due course.

Besides this, I am happy to announce that the Bank of Saint Lucia has agreed to provide loans for construction purposes, along the following lines:

1. The loans will be provided at an interest rate of 5% per annum for a five year period, after which the rate would return to the market rate then prevailing over the following five years;
2. The specific purposes for which loans will be provided by the bank are on new construction by individuals and businesses in the private sector and by public sector entities. Eligible projects will include housing, general construction, physical expansion of industrial and commercial plant, manufacturing, warehouses, commercial buildings, small boutique type tourism properties, as well as land development projects which include a substantial housing component;
3. Loans for bankable projects involving joint ventures or partnerships where international funding is provided, could also be considered. The loans would only be for new projects and activities, and will not apply to refinancing of existing projects. The banks would apply their usual prudential assessment criteria when considering loan applications.

Mr. Speaker, while we conclude agreement with the remaining banks, allow me to urge would-be investors to take full advantage of these opportunities to achieve their home building or commercial objectives, improve the economic climate, expand employment opportunities and contribute to a new, post-recession era of growth and prosperity.

7. PRIORITY THREE: FISCAL CONSOLIDATION

Mr. Speaker, I come now to our third priority, fiscal consolidation.

Mr. Speaker, although it may escape us, the fiscal strengthening and consolidation is incredibly important if we are to build our economy. As I have implied, Government is only as strong as we make it. A debt not paid to Government for a service rendered likely means that another dollar must be

borrowed. The business of the state is all our business. As such, if the state is expected to respond in times like these, we must all expect to play our part for the common good.

Mr. Speaker, I wish to propose five fiscal measures upon which we can build this year. They are as follows:

1. The introduction of the Value Added Tax;
2. Revising taxes on personal & corporate incomes;
3. Adjusting the Application Fees for Alien's Landholding Licenses;
4. Reforming the Property Tax regime; and
5. Revising the Policy on Fuel pricing.

7.1 Broadening Revenue Base through VAT

Mr. Speaker, it is now well known that the principal revenue measure for this financial year is the introduction of the Value Added Tax, VAT.

Mr. Speaker, I had hoped to spare this Honourable House the historical details on the attempts to establish VAT, but unfortunately the Leader of the Opposition will not allow me to do so, not with recent pronouncements inviting citizens to say "no" to the implementation of VAT in September, a tax that he once championed.

In his Budget Address of April 19, 2007, former Prime Minister and Minister of Finance, Sir John Compton, sought to give reasons why VAT had to be introduced in Saint Lucia. He announced, to the astonishment of the then Opposition that "Government aims for the introduction of the Value Added Tax or VAT within 12 months – that is by May 1, 2008."

Enter Prime Minister Stephenson King. In his Budget Address of April 24, 2009, he reassured the public that VAT "will not be implemented before April, 2010" but advised that preparations are underway.

This is what he said:

"The VAT implementation Project is fully operational and the Project Team has been working assiduously towards a smooth implementation.

The team has begun a public education campaign to educate taxpayers and the general public about VAT. They have met and made presentations to key stakeholder groups. The public education campaign will be intensified within the coming months as the team seeks to ensure that Saint Lucia is fully prepared for VAT by the implementation date. The draft VAT legislation has been prepared and will be presented for public consultation. Let me take this opportunity to encourage persons to take advantage of the public consultation and education process as the VAT team will be making presentations to various groups and organizations in the coming months.

Let me state, Madame Speaker that VAT will not be an additional tax but rather it will replace a number of existing taxes such as the consumption tax. It will modernize the tax system and make it simpler to administer while reducing the tax burden for some taxpayers. Government also views the introduction of VAT as part of its strategic policy response in strengthening economic management, thereby building the resilience of the economy to vulnerability and external shocks. The need for this strategic approach has become even greater in light of the impact of the global recession". (Budget Speech, April 24, 2009 Pages 58-59)

Again, in his Budget Address of April 24, 2011, just a year ago, the former Minister for Finance and the Member for Castries North reminded the people of this country that Saint Lucia is "one of last remaining countries of the Eastern Caribbean Currency Union (ECCU) that has not yet adopted the VAT. In categorical language, he declared thus:

"I wish to reaffirm the commitment of this Government to its implementation by April 2012, mindful of the socio-economic responsibilities of Government".

He was "heartened", he said,

"that even the more skeptical among us have come to appreciate the merit of pursuing the introduction of VAT. In fact, only this week the Leader of the Opposition publicly alluded to the inevitability of implementing such tax in Saint Lucia, as has been done in the rest of the region. Indeed, Madam Speaker, there is a general consensus and understanding that it is incumbent upon any administration charged with the fiscal management of this country, to proceed with the implementation of VAT as part of wider tax reform". (Budget Address April 24, 2011, page 58)

Incidentally, the April 2012 date was reaffirmed in a statement by an IMF Team following an Article IV Mission to Saint Lucia. Such IMF statements are normally cleared with the respective Government before issuance.

Whatever the philosophical or ideological misgivings the leadership of the Saint Lucia Labour Party had over VAT, it decided to put them aside and stated in its Manifesto, "Our Blueprint for Growth" as follows:

"Our tax base is too small to allow government to provide the services that are demanded.

On top of that, the new regional trade agreements will cause us to lose significant import tariff revenues that are currently paying for many of these services.

The other countries in the OECS and CARICOM have already faced that reality. Saint Lucia cannot continue to hide. Where VAT is concerned we do not have a choice, we must introduce it."

So while we moved to support the initiative of the then government, that same group of people, now in Opposition, has decided to disown it. What has changed between now and then? Nothing, except transition from the benches of Government to the benches of Opposition.

This episode, Mr. Speaker, exposes in one stroke, the malignant tumor in our politics.

Mr. Speaker, there are occasions in the economic evolution of a country when fundamental alterations are required to the policy framework. These modifications are sometimes made out of necessity as part of the natural progression in the transformation of the economic environment. These changes can be driven by many factors; some external, but generally domestic factors are the central reason why these changes become imperative.

External factors include the need to move towards systems which are broadly considered best practice based on the evolution of these particular systems, regionally and internationally. The benefit of arriving at the point where these changes are necessary later than other countries is that it provides you with a large body of evidence to guide the required changes. This would enable Saint Lucia to draw from the many lessons learnt by others and use this information to align it to the particularities of Saint Lucia.

However, while these external factors are important, the domestic realities remain the most critical factor in deciding on major policy shifts. Like with most fundamental realignments, the introduction of the VAT will present challenges to our economy, both in implementation and the effects on the way in which we as a country conduct our affairs. However, as with all challenges, it will also present an opportunity for us to uplift our standards, both in the private and the public sector.

For the public sector, it presents an opportunity to improve on the efficiency of tax collections. In the process this could result in the public sector gaining a more insightful understanding of how businesses operate. The government will also face the challenge to improve the efficiency with which these resources are utilized, particularly, if as expected, the VAT results in a net increase in government revenue due to increase coverage. In addition, the role of state agencies in guiding the process is key to ensuring a smooth implementation process. We are confident that all the necessary institutions will be firmly in place and ready for the challenges ahead.

For the private sector, the challenges will provide an opportunity to improve on existing accounting standards to make them more efficient. This would also provide an opportunity to modernize some aspects of the operations of companies. There will undoubtedly be challenges in implementing such a change, but we can confront these and master the process in order to improve on the effectiveness of our operations.

Why VAT?

The overall rationale for the introduction of a VAT as a general tax on consumption is to broaden the tax base and move towards a system which decreases the tax burden on income in favor of consumption. This would allow for a removal of a number of other duties and direct taxes, which have distortionary effects on the productive sectors and on the welfare and behavior of the consumers. In total, this should result in a simplification of the tax system.

In summary, a VAT increases the share of the tax revenues in composition of the government revenues, by using new and reliable sources of revenues on a consumption basis.

VAT would also:

1. Decrease tax pressure on the production sector and productive economic investment by adjusting the income tax rates;

2. Increase the efficiency of the taxation system by decreasing the costs and time of collecting tax revenues; and
3. Increase the co-operation and participation of people in collecting tax revenues and encouraging self-assessment.

The Coverage of VAT

The VAT ensures that all individuals who should be paying taxes are included and provides avenues so that no particular segment of the society is over-burdened. One of the realities of the VAT is that individuals earning lower incomes can be adversely affected. However, the system allows the Government to deal with this problem. I propose to deal with the problem by exempting some goods and services from VAT, zero rating some items, that is, do not impose the VAT rate on these items, and finally, ease citizens at the lower end from the payment of personal income tax.

Mr. Speaker, the main objective of the introduction of the VAT is to increase coverage, while tilting the system more firmly towards one dominated by indirect taxes. In that regard, there will be adjustment made to the system of direct taxes to compensate for the impact of the VAT on the average income earner. Again, this will be clarified later.

The larger tax base under the value added system, through the inclusion of a wide range of goods and services, allows for an overall reduction in tax rates. Our existing tax system which attempts to balance the objective of efficiency and distribution has higher rates and a lower base. However, since relatively high tax rates decrease the incentive for investment and production, it can result in underground economic activities and encourage some degree of tax evasion. Ultimately, it decreases the government revenues. It must be stressed once again that the design of the system in Saint Lucia will be geared towards ensuring that individual tax burdens are not unduly increased.

Minimizing Tax Avoidance

The VAT limits tax evasion or avoidance. The system also contains self-enforcing mechanisms which make tax avoidance more difficult. Once again, the system is not intended to increase the tax burden on individuals who already pay taxes at the required rate, but is designed to increase overall revenue by increasing the tax base. Under the proposed VAT, if tax payment is successfully avoided at one stage nothing will be lost if it is picked up at a later stage. Even if it is not picked up subsequently, the Government will at least have collected the VAT paid at stages previous to that at which the tax was avoided. If evasion takes place at the final stage the State will lose only the tax on the value added at that point.

Avoiding Excess Burdens

The VAT provides the opportunity to deal directly with social welfare and investment concerns by permitting exemptions for designated goods. The VAT as designed will not place an excessive burden on capital investment goods because it provides a full credit for the tax included in purchases of capital goods. The credit does not subsidize the purchase of capital goods; it simply eliminates the tax that has been imposed on them. At the same time the poor and vulnerable will be protected with exemptions on a wide range of products.

However, we have to be careful in managing the exemptions as this could easily erode the gains made in terms of coverage. The model that we have developed is very capable of achieving this delicate balance.

Problems to Confront

Undoubtedly, there are problems to confront. Firstly, there are the potential regressive effects of VAT. Secondly, there are practical difficulties in implementing VAT. Let me explain.

As the Value Added Tax in practice is a tax on consumption and usually is calculated at a fixed rate on taxable commodities, the relative burden of taxes on low income people is greater than on the other groups. So, it is for this reason that I am deeply concerned about the potential regressive nature of the system. To address this issue – and I repeat what I said earlier – I propose to zero rate a number of commodities consumed by individuals in this income bracket. In addition, as promised to the electorate, VAT will not be imposed on electricity and water at this time.

Admittedly, the greatest challenges will be in the implementation of VAT rebate. Understandably, this has caused some consternation among the business community and the general public.

The challenges that we have to address include:

1. How best to calculate VAT on retailers and small professional jobs?
2. How to treat agricultural foodstuff?
3. How best to deal with capital goods?
4. How best to collect VAT on services?

The Economic Effects of VAT - What Can We Expect?

What, Mr. Speaker can we expect to be the economic effects of VAT? The economic effects of the Value Added Tax system can be categorized into two groups:

1. the macro-economic effects such as the effects on economic growth, level of prices, investments, government incomes, and consumption; and
2. the micro-economic effects such as the effects on efficiency and social equity.

Price Level Effects

Mr. Speaker, under the macro-economic effects, VAT can have a one off effect on the price of goods and services, as is the case with the implementation of most taxes. However, there is some evidence to suggest that the inflationary impact may not be that severe. The result of International Monetary Fund (IMF) studies show that, in the majority of cases, the use of VAT had minimal inflationary effects. In this specific case, given the compensating declines in some other duties and tariffs the one-off inflationary impact we believe is likely to be contained.

Investment Effects

Another macro-economic effect is that VAT can have a positive impact on investment. In designing the VAT, Mr. Speaker, we have taken the deliberate decision to exempt capital goods used in the production

process. Evidence from a number of countries suggests that exempting these items increases the incentive for investment. This is very important as we are anxious to avoid imposing any additional burden on investment, which is critical to the growth prospects of the economy.

APPROVED VAT POLICIES

Mr. Speaker, I now wish to address the bundle of VAT policies that have been approved by the Government. These are as follows:

1. VAT will replace consumption tax, hotel accommodation tax, motor vehicle rental fee, mobile cellular telephone tax and the environmental protection levy;
2. A standard VAT rate of 15 percent and a rate of zero percent will be charged on certain goods and services. However, in respect of the hotel sector and related services, a reduced rate of 8% will apply until March 31, 2013. Between September 1, 2012 and March 31, 2013, the impact on the sector will be assessed and a final determination will be made on the rate to be applied beyond March 31, 2013;
3. A threshold for registered tax payers of \$180,000 per annum will be established. This means that it is not mandatory for businesses earning less than \$180,000 per annum to register for VAT. The threshold is based on the annual sales turn-over of the tax payer;
4. A VAT rate of zero percent will be legislated on certain supplies. Some of these supplies include, but are not limited to:
 - (a) Goods to be exported;
 - (b) Goods for sale at duty-free shops;
 - (c) Fuel;
 - (d) Fresh eggs;
 - (e) Uncooked pasta;
 - (f) Water; and
 - (g) Electricity.

5. The following goods and services will be exempted from payment of VAT, but this list is not exhaustive:
- (a) Domestic residential rental;
 - (b) Educational services;
 - (c) Financial services;
 - (d) Insurance services;
 - (e) Medical services;
 - (f) Religious services;
 - (g) Local transportation services;
 - (h) Postal services;
 - (i) Certain agricultural inputs; and
 - (j) Certain food items, for example:
 - i. Chicken,
 - ii. Certain types of fresh or chilled fish,
 - iii. Milk,
 - iv. Butter,
 - v. Potato,
 - vi. Certain types of fresh or chilled vegetables,
 - vii. Certain types of peas and beans,
 - viii. Certain types of fresh fruit,
 - ix. Rice,
 - x. Flour,
 - xi. Cane sugar,
 - xii. Certain types of preparations for infants,
 - xiii. Unsweetened biscuits,
 - xiv. Bread, and
 - xv. Table salt.
6. While the standard VAT rate of 15% will be charged on medical supplies, the Government has secured CARICOM's approval to remove the import duty on medical supplies. This will mitigate the impact of VAT on consumers.
7. During the transition period leading up to the date of VAT implementation, the Government has agreed that registered businesses would have the option of depleting stocks to minimum levels. Alternatively, Government in conjunction with SLASPA, would allow free storage at the Ports for a three month period. There will be a third option. Registered businesses which have existing storage facilities will be afforded the option of converting those facilities into bonded warehouses during the transition period.
8. The Government has also agreed to the establishment of a special VAT Refund Account in accordance with the provisions of the Financial Administration Act. This is to facilitate the timely processing and payment of refunds to tax payers as the Government recognizes the importance of minimizing the effects of VAT on the cash flow position of tax payers.

Impact on Consumers

Mr. Speaker, having outlined the specific VAT policies, I wish to focus on how VAT is likely to impact the average consumer in Saint Lucia. As indicated earlier, VAT will be replacing a number of existing taxes and, consequently, its impact will be cushioned and it may not necessarily result in higher prices in all cases. In fact, based on analyses conducted by the VAT Office, the net effect of the VAT is likely to result in more items not having additional taxes than those for which taxes will increase.

The following are some examples of the likely impact of VAT on the net taxes payable by consumers on those products:

Item	Existing Rate of Consumption Tax	Proposed VAT Rate	Net Tax Payable
Cheese	0%	15%	Higher
Soda	0%	15%	Higher
Dish Washing Liquid	10%	15%	Higher
Chicken	0%	exempt	Unchanged
Flour	0%	exempt	Unchanged
Lentil Peas	0%	exempt	Unchanged
Eggs	0%	zero rated	Unchanged
Pasta	0%	zero rated	Unchanged
Unsweetened Biscuits	0%	exempt	Unchanged
Sweetened Biscuits	15%	15%	Unchanged
Shoes	15%	15%	Unchanged
Rice	5%	exempt	Lower
Sugar	5%	exempt	Lower
Margarine	5%	exempt	Lower
Powdered Milk	5%	exempt	Lower
Evaporated Milk	5%	exempt	Lower
Bread	5%	exempt	Lower
Bottled Water	20%	15%	Lower
Baby diapers	10%	exempt	Lower
Deodorant	30%	15%	Lower
Cellular Phones	35%	15%	Lower
Galvanize	20%	15%	Lower

There will be some items that will attract more taxes either because the existing rates of Consumption Tax are lower than the 15% VAT rate or the method of calculating the VAT will compound the taxes payable since VAT is levied on a combination of import duties, service charge and excise tax (for those

items which attract excise tax). However, those items are in the minority. Therefore, most consumers should not be significantly worse off after VAT is introduced.

The other issue that must be considered is that VAT is not only levied on goods but also on certain services, some of which are not currently subject to tax. This is likely to result in consumers of these services paying more in taxes than they do now. However, with a number of services being exempted from VAT, we are confident that the tax would not be too onerous on consumers of these services.

A Benefit for All

Mr. Speaker, I believe that in the final analysis VAT will benefit the country as a whole as it will provide the needed financial resources to allow the Government to be in a better position to provide for the citizenry and to better manage the fiscal affairs of the country. Currently, the call for Government to provide resources for health care, education, social safety nets, infrastructure and national security are increasing. For example, we are just about completing the construction of two hospitals, the national hospital on the Millennium Highway and St Jude's Hospital. The cost of maintaining these new facilities and providing the required staffing and equipment will be substantial. But Government recognizes the importance of improving health care facilities and providing greater access to better facilities for users. We have to rely increasingly on our own resources instead of external borrowing and assistance to meet the needs of the country.

There is another sobering factor. Saint Lucia remains the only country in the Eastern Caribbean not to have implemented VAT. While we are a late comer to VAT, this provides us with the opportunity to learn from the lessons of the other countries that have implemented the tax and to minimize the teething problems that may arise during its implementation.

However, Mr. Speaker, I wish to caution that VAT is not a panacea to resolving our financial and economic problems.

Oversight for VAT Implementation

Mr. Speaker, we are all in this together. We all want our country to be in a better fiscal position. As part of the monitoring and implementation process, I invite the House to consider the creation of a Parliamentary Oversight Committee for VAT Implementation. This will ensure that both Government and Opposition are engaged in overseeing that VAT achieves what I have mentioned. Very soon I shall engage the Leader of the Opposition in discussion on this proposal. I trust that this measure, as well as similar mechanisms to involve the private sector and consumer protection partners, will be activated in the very near future.

7.2 Revising Taxes on Incomes

Increase in Personal Income Tax Allowance

With the VAT coming on stream in September, it is important that persons in the low income bracket receive some relief from direct taxation and hence increase their disposable income.

In keeping with *Our Blueprint for Growth* and to alleviate the tax burden on the workers of this country, personal Income Tax allowance will be increased from \$17,000 to \$18,000 effective January 1st 2013. This will remove about 500 persons from the tax net and reduce the tax burden on hundreds of others whose annual incomes are well above the new threshold.

Reduction in Corporate Tax

Mr. Speaker, in Opposition, this Administration gave an undertaking that once VAT is introduced, the rates of Corporate Tax will be reduced. The Government will announce its programme to reduce the corporate income tax rate after an impact assessment has been done following the introduction of VAT.

7.3 Increasing Application Fees for Alien's Landholding Licenses

There is one other revenue measure to come into effect. Mr. Speaker, since 2004, the application fee for Aliens Landholding Licenses has been set at \$1,500.00. It is true that in recent times, there has been a slowdown in the real estate market for residential properties purchased by non-nationals. However, when it is considered that properties attract several million dollars on purchase and sale, it seems that an application fee of \$1,500.00 is rather modest. Given our revenue challenges, I propose to increase the application fee to \$4,050.00 or US\$1,500.00.

7.4 Reform of the Property Tax Regime

Mr. Speaker, the Property Tax regime has been a constant target of indignation by taxpayers. Successive Governments have been faced with the dilemma of how best to reform the tax to improve its fairness. We have heard constant complaints by the public of inadequate services provided in their communities whether it is collection of garbage, repairs to their roads or clearing the area of grass and other debris. Persons often cite these inadequacies as reasons for not paying Property Tax, associating the tax with the direct provision of services. Therefore many persons consider the tax to be unfair as they see no direct benefit to them or their community.

Because of these issues, Mr. Speaker, I intend to reform residential property tax. I propose to do so by four measures:

1. As promised during the campaign, Parliament will be invited to exempt from the payment of Property Tax, persons who own homes valued less than \$100,000.00. Thus, home owners whose homes have a market value of less than \$100,000.00 will not be paying Property Tax;
2. In order to ensure a modicum of fairness to the remaining residential property owners, I propose a deduction to them of \$100,000.00 on the assessed market value of their properties.
3. With the above measures, it will no longer be necessary to retain the exemptions, so these exemptions will be eliminated and replaced with the threshold based on market value of their residential property;

4. Property Tax will be extended further to address some of the issues mentioned earlier regarding inadequate services provided at the community level. In keeping with the provisions of the recently passed Constituency Councils Act, revenue collected from residential Property Tax will be allocated to the constituencies based on the number and market value of the properties in each constituency. So, for example, a constituency like Gros Islet, given the number of residential properties and total market value, will receive the lion share of property tax revenue while other constituencies will receive revenue from the central Government in proportion to residential properties located in each constituency. We are hoping that with this revenue sharing mechanism, taxpayers can see the direct benefit of their tax dollars to themselves and their communities and will be encouraged to comply with the Property Tax law by paying their fair share of taxes.

7.5 Managing Fuel Costs (“Pass Through Mechanism”)

Mr. Speaker, in my public utterances on the subject of Government policy on fuel prices, I indicated that an authoritative statement would be made during the budget presentation.

I now do so.

Currently, Saint Lucia applies what has been described as the “Pass Through” Mechanism to determine the price of fuel at the pump. Under this system, the price of fuel is adjusted on a monthly basis, either upwards or downwards, depending on the movement of market prices for fuel. The underlying idea of the “Pass Through Mechanism” is to guarantee a certain level of revenue to the Government while allowing market forces to determine fuel prices at the pump.

The system has never worked in all its purity. While it was introduced by the former Administration, there was never consistent and faithful application of it. So, for example, when fuel prices increased from May 2011, the Government resiled from implementing the “Pass Through Mechanism” and opted, on more than one occasion, to reduce the Excise Taxes.

In more recent times, this current Administration has coped by sharing the burden of the increases between Government and consumers.

While there is no doubt that the monthly adjustments would better protect Government Revenue, it is equally true that constant changes of fuel prices produce greater uncertainty among consumers and businesses.

One OECS country, Dominica, applies the full “Pass Through Mechanism” in its full rigour. Others have different versions of the mechanism. Saint Vincent and the Grenadines, for example, have a modified system. The price at the pump is determined on a moving three month average. This approach allows the peaks and troughs of price movements to be leveled out by averaging the movements in prices.

Mr. Speaker, after careful consideration, the Government will adopt the modified version of the “Pass Through Mechanism,” that is, prices will be determined by averaging the movements in prices over a three month period.

The final adjustment to fuel prices under the “Pass Through Mechanism” will be made on May 14, 2012. Thereafter, the new modified system will apply, so that the adjustments in prices will occur in the next three months.

8. RELIEF MEASURES

Mr. Speaker, I now turn to some measures that should provide relief to persons and entities who owe the State.

8.1 Reducing Debts Owed to the State & State Enterprises

Mr. Speaker, we have become a heavily indebted nation in our personal dealings. We have developed a culture of non-payment, especially when it comes to meeting our obligations to the Government. While it is absolutely true that we all experience difficulties from time to time, it is also true that many among us refuse to meet payments for services rendered by Government and its agencies. Nearly every Government department has outstanding receivables. For example, the Inland Revenue Department is owed \$32.60 million in Hotel Accommodation Tax. WASCO is owed over \$40.00 million by consumers. Some \$47.50 million is due to our public hospitals. The NHC is owed \$ 1.72 million in outstanding rent. It is not a pretty picture.

However, the Government appreciates that the economic circumstances of the past few years have made it exceedingly difficult for citizens, even those who are well-intentioned, to honour their commitments. Bad debts do not help the balance sheets of these institutions. The Government understands that there is need, in this environment, for some breathing space.

8.2 Relief to Patients Indebted to Victoria & St Jude’s Hospitals

Mr. Speaker, I want to place on record my appreciation to the health care providers who continue to work hand in hand with Saint Lucians to deliver health care service renowned for its quality and excellence. In this regard, I salute the work of the Victoria and St Jude Hospitals, which, despite myriad challenges, continue to provide vital services to the north and south of the island respectively.

One such challenge affecting both entities is the level of indebtedness from patients dating back a number of years and which continues to increase. I believe that the time has come for some relief to be provided to those patients who are struggling under the burden of debt to the two public hospitals.

In that regard, I am pleased to announce that, after consultations with both Victoria Hospital and St. Jude’s Hospital, patients with outstanding amounts to these two entities will receive some relief beginning this financial year.

Data from St Jude’s Hospital indicate that the total owed by non-exempt patients amounts to \$44.5 million and dates back to 1996. This is a significant amount, the collection of which continues to be difficult given the economic realities faced by the rural population which St. Jude’s serves.

In addition to the adverse effects of the global economic downturn on Saint Lucia, the decline of the agriculture industry in general and the banana sub-sector in particular have compounded the unemployment situation in the south of the island.

Therefore, in respect of St. Jude's Hospital, the Board of Management has approved a six month amnesty on outstanding receivables. This means that patients who agree to settle their outstanding debt to St. Jude's during this amnesty period, would be offered a 40-60% discount depending on the age of their debt and their individual circumstances. It is estimated that fourteen thousand (14,000) patients are likely to benefit from this arrangement. The potential geographic area covered by this amnesty would include the southern part of the island from Dennery in the east to Canaries in the west. The amnesty will commence on June 1, 2012.

While data constraints at Victoria Hospital did not permit the determination of the overall level of outstanding debt by patients, their records indicate that the average annual level of patient receivables over the last four years approximates \$3.7 million. As a group, patients on dialysis are the most indebted, with the cost of treatment tending to exceed their insurance coverage. Staff estimates indicate that some 80 – 90% of Victoria Hospital's receivables are doubtful and that the cost of collection is likely to exceed the level of receivables.

Therefore, Mr. Speaker, I am pleased to announce some relief to patients indebted to Victoria Hospital. The debt relief will apply to all categories of patients and will depend on the age of the debt at April 30, 2012. Patients will be invited to settle their accounts and will receive up to 90% of debts written off. The relief will be a one-off arrangement to be taken up within a specified period of forty (40) working days in which patients would visit the Accounts Department of the Hospital in order to discuss their outstanding debt and its settlement.

This arrangement will be effected in the month of July 2012.

8.3 Relief to Customers of WASCO

Mr. Speaker, I turn now to the disconnected and inactive accounts of WASCO.

WASCO currently has a total of 60,168 customers in its data base. Out of this 16,454 are inactive or disconnected and are therefore not being billed. Those inactive accounts stem from as far back as the early 1990s. In 1999, the Saint Lucia Labour Party Administration wiped out the arrears. However, this has built up once again to this significant amount. The total debt for those disconnected accounts is \$14.66 million. Of this amount, \$10.26 million constitute accumulated arrears for the northern networks and \$4.40 million for the southern networks. Those disconnected customers have not come back for reconnection because they cannot afford to pay the balances due. Some of these no longer receive a direct connection to their homes and quite a few have resorted to stealing water through illegal connections.

Amnesty for Customers

Cabinet has advised the Board of WASCO to offer an amnesty to consumers. Three particular categories will be targeted:

- 1 Customers with illegal connections but with existing WASCO accounts;
- 2 Persons with illegal connections but no WASCO accounts; and
- 3 Customers that are being charged for a water supply that they infrequently or rarely receive.

Customers With Illegal Connections with Existing WASCO Accounts

Mr. Speaker, there are many persons who have illegally tapped onto WASCO's mains or tapped on to a neighboring property. These persons will be offered an opportunity to end their illegal behavior. WASCO will be directed to wipe off all debts tied to the account, waive all reconnection charges, and offer these persons an opportunity to obtain their own water supply by legal means, once again.

Persons with Illegal Connections with No WASCO Accounts

Then, Mr. Speaker, there are persons who have illegal connections but do not have WASCO accounts. These persons will be offered a waiver of all charges and an opportunity to apply for new connections so that they can become legitimate customers.

Customers in Problem Areas, with WASCO Accounts

Thirdly, Mr. Speaker, there are several customers in the north and the south of the island who are regularly billed by WASCO for a service that they seldom receive. In some areas the quality of the supply is good, but the frequency of supply is poor. In the Mabouya Valley, the problem of infrequent supply is worsened by a poor quality of supply. Therefore, Mr. Speaker, the WASCO Board has agreed to a debt forgiveness schedule for consumers in the areas with the above-mentioned characteristics. Full details of the specific communities that will benefit from this amnesty will be provided by the Minister for Sustainable Development in the very near future.

These amnesties shall be effective June 01, 2012 and end on May 31, 2013.

8.4 Helping the Hotel Sector with Outstanding HAT

Mr. Speaker, there is no doubt that the tourism sector was severely hit by the global financial crisis and the meltdown which it unleashed. The past three years have been difficult and challenging. The sector requires some breathing space to enable it to better position itself to face the future. I propose to offer some further measure of relief to the sector by easing those properties with outstanding penalties and interests on Hotel Accommodation Taxes due to the Government of Saint Lucia.

Currently, the Inland Revenue Department is owed \$32.6 million in outstanding HAT payments. Of this amount, \$16.5 million is principal whereas penalties and interest charges are currently near par at \$16.1 million dollars. One property alone owes a total of \$9.27 million whereas another owes \$6.95 million.

The Inland Revenue Department has been working with the delinquent properties over the past few years in an attempt to assist them to reduce or clear up their liabilities. Many agreements and “settlement arrangements” are made, only to be routinely dishonoured.

I believe that the difficulties presently faced by some of these taxpayers will persist for some time. Some, despite making attempts at settlement have seen their liabilities increase rather than decrease. Part of the difficulty is that these errant taxpayers have to meet the payments of their arrears simultaneously with meeting current liabilities. Most of the payments for the arrears disappear into interest payments with little consequential impact on the tax principal.

I propose to provide “a short term” opportunity to get all or some of the interest and penalties waived over a period of three to nine months as follows:

1. For amounts paid towards HAT on principal payments, within the three month period June 1 2012 to August 31 2012, there will be a 100% waiver of both interest charges and penalties; and
2. For amounts paid during the six month period September 1 2012 and March 31 2013, they will realize a waiver of 100% on penalties and 50% of interest charges.

9. MANAGING PUBLIC SECTOR ASSETS

Mr. Speaker, I wish to address the burning issue of how we manage our State’s assets. Such a matter is at the heart of our national development. The State has at its disposal certain fixed assets in the form of Crown Lands. These are often vested into State agencies for a variety of purposes: development, conservation, housing and so on. Government is also given the unique right to compulsorily acquire tracts of land for the common good.

The matter of Crown Lands is an all important one, Mr. Speaker, as many properties of the Crown lie fallow, so to speak, and are not sufficiently utilised to promote Government’s agenda for development. In some instances, these lands have been shamefully given away with no real benefits to the State. Take the example of the Black Bay and Canelles lands that were lost by the former Administration. The State has lost a total of 469 acres in a deal involving the National Development Corporation. We are now left with the heavy burden of trying to find sums of nearly \$60 million to reacquire these lands and pay landowners whose lands were compulsorily acquired. Mr. Speaker, there is little common good in these actions.

Further to this, Mr. Speaker, we saw another travesty when the former Administration offered for sale the Queen’s Chain in the region of Soufriere, as part of a development within our World Heritage Site. They had only been stopped because of pending judicial review on the matter.

9.1 Better Approaches to Public Sector Assets

Mr. Speaker, in the coming year, we must look more closely at the management regime for properties held by the Central Government and parastatal agencies. Already, Government has indicated its desire

to divest the property management elements of the National Development Corporation so that it may then focus solely on investment promotion and facilitation.

We cannot allow persons to abuse Government's assets for their own gain. Yet, assets which lie idle catch the eyes of those who would rather capture state lands at cheap rates. Better land management, whether in the public or private sectors, requires more transparent and accurate land management information. I intend to ensure a more structured approach to planning for the State's assets.

Mr. Speaker, the lamentable reality is that we are not maximising our resource base, whether for capital sales, housing, employment activities or government services and offices. Moreover, we cannot afford another Bois D'Orange Hypermart debacle or another Black Bay Lands fiasco.

9.2 Bois D'Orange Hypermart Property Saga

Mr. Speaker, the Bois D'Orange Hypermart is a case in point as it broaches this broad issue of how Government approaches the management of its real assets. The story of this property is an unfortunate saga indeed.

In 2007, Cabinet by Conclusion No. 516 of 2007, considered a Memorandum by the Ministry of Economic Affairs, Economic Planning and National Development and agreed to purchase the property known as the "Bois D'Orange Hypermart", owned by the Daher Group of Companies from a Receiver.

As part of discussions with the Receiver for the purchase of the property, it was also agreed that the sale price would include ten (10) acres of land at Union, earmarked for possible development as a cemetery. The total purchase price agreed for the two properties amounted to \$27.00 million.

Cabinet was advised that based on the proposed acquisition cost of \$27.00 million and a projected completion cost of \$27.00 million, in addition to a further \$4.30 million for management, administration and marketing costs to fully operationalise the project, a total of \$59.30 million would be required to achieve the stated policy objective. Cabinet thus agreed to the formation of Amazona Properties Ltd (APL), a company wholly owned by Government, for the purpose of managing the entire project.

Cabinet was also advised that the transaction was a financially viable one and consequently, it was not necessary to seek a parliamentary guarantee. First Caribbean International Bank (FCIB) initially appeared to have accepted the proposition that a parliamentary guarantee was not necessary, as it agreed to proceed with a loan transaction with the Company in the amount of \$33 million.

Subsequent to Cabinet Conclusion 516 of 2007, a team of consultants were appointed to conduct due diligence on the project. Based on their brief, the team of consultants concluded that the project would cost far in excess of the initially suggested \$27 million to complete. They estimated that completing the structure to the required specifications would be approximately \$59.11 million in addition to which they recommended the acquisition of adjoining properties at an estimated cost of \$3.34 million, making it a grand total of \$62.45 million. This would be in addition to the \$33 million dollars already obtained to purchase the property.

By way of a Memorandum dated October 16, 2007, submitted by the Ministry of Economic Affairs, Cabinet was informed that the new cost profile arising from the exercise by the consultants made the

acquisition of the Hypermart Property an unattractive proposition, as the cost could no longer be justified on the original grounds, and the venture would not be viable as a revenue generating business proposition. Cabinet by Conclusion No. 923 of 18th October, 2007 agreed to abandon the acquisition of the Hypermart. However, after receiving a presentation by *private interested parties*, Cabinet by Conclusion No. 1098(a) reverted to its original decision to acquire the Bois d'Orange Hypermart Property on the terms originally approved by Conclusion No. 516 of 2007.

In 2008, Amazona Properties Ltd secured an initial loan of \$33 million from FCIB. The directors of the company were clearly uncomfortable. They reported several challenges in getting the project operational. There were concerns about the structural integrity of the buildings and as a result various investigations, including geotechnical studies, were commissioned by the Board.

These delays, together with the need for possible additional remedial works to strengthen the foundation, including the possibility of micro-piling, contributed to an escalation of the estimated overall cost of the project works to an amount of at least \$86.5 million. FCIB indicated that it was only able to raise 50% of the required funding from its own resources and suggested a syndicated loan facility. FCIB has been unable to arrange the full financing of the facility, possibly due to the tight credit market or to other considerations about the structure.

In 2010, the Board awarded a preparatory works contract in the amount of just under \$600,000.00 to Cyril Dornelly & Son Ltd. This was to prepare and clear the site for the commencement of the main contract.

To date, there is an accumulated interest balance of over \$6.5 million and this continues to accrue at a rate of \$200,000 monthly. Mr. Speaker, what I have just reported, confirms all the fears, doubts and anxieties harboured by the Government, in its life in Opposition. As it stands the property is a sink and not a source for Government revenues.

Mr. Speaker, there are three options available to the Government:

- 1 Continue with the project as originally conceived by the former Administration;
- 2 Alternatively, form a joint public sector/private sector partnership and develop the property; or
- 3 Abandon the project in its entirety, sell the property to the private sector and absorb the inevitable losses of a misguided transaction.

Mr. Speaker, the cold, harsh reality is that given Saint Lucia's fiscal situation, a further loan of \$86.5 million for this project cannot be justified. Given these circumstances, the Government will, after consultation with the Bank, offer the property for sale with immediate effect.

10. SECTORAL POLICIES & INITIATIVES

With a change of Government, it is inevitable that there will be some policy shifts, whether substantively or procedurally. Some shifts may be immediate. Others may have to await the right time, or the right conjuncture. There are also a number of initiatives under Government's capital programme which should be highlighted to provide insight into Government's broader agenda. I shall report on these sectoral policy shifts and some accompanying programmes, as well as continuing initiatives.

I shall look at these policies and initiatives under three broad areas:

- 1 **The Productive Sectors** including Agriculture and Fisheries, Manufacturing, Business Development, Tourism & the Creative Industries;
- 2 **The Enabling Sectors** of Energy, Water, Infrastructure & Communications; and
- 3 **The Social Sectors** which include Education, Healthcare, Housing, Social Transformation, and Youth and Sport.

I will start with the Productive Sector.

11. PRODUCTIVE SECTOR INITIATIVES

Mr. Speaker, the productive sectors are at the heart of economic activity and private sector growth. I shall review some of the policies and initiatives underpinning the promotion of these sectors through the Ministry of Tourism, Heritage & the Creative Industries; the Ministry of Commerce, Business Development, Consumer Affairs & Investment; and the Ministry of Agriculture, Fisheries, Food Production & Rural Development.

11.1 Revised Incentives for Manufacturing and Tourism

Mr. Speaker, in the Throne Speech of April 24, 2012, Her Excellency, the Governor General, referred to the "extraordinary measures which the Tourism Industry had to adopt to survive." Her Excellency announced that the Government "plans to amend the Tourism Incentives Act, Cap 15:30, to consider granting every property which is currently the beneficiary of existing incentives, new incentives as if they are commencing operations for the first time."

The problem addressed by Her Excellency's declaration is also equally acute in the Manufacturing Sector. Several manufacturing establishments have made use of the maximum number of years permitted by the Fiscal Incentives Act, Cap 15.16, Revised Laws of Saint Lucia. Others are about to reach the maximum number of years allowed by the Act. Sometimes, in order to assist manufacturing companies, Cabinet has had to exercise some degree of ingenuity. Clearly, this is not ideal. These problems exist at a very difficult time for the sector.

In language similar to the declaration of Her Excellency in respect of the Tourism Industry, Government plans to amend the Fiscal Incentives Act and grant every manufacturing establishment which is currently

the beneficiary of existing fiscal incentives, new incentives as if these establishments are commencing operation for the first time.

11.2 Business Development & Doing Business Better

Mr. Speaker, the business sector forms a vital part of our economic recovery programme. Our recovery programme therefore cannot be effectively undertaken without the full participation and cooperation of the entire sector. In accordance with our Blueprint for Growth, we will begin to revolutionize the environment for doing business in order to encourage entrepreneurship, expand the export sector and stimulate the productive economy.

We will work closely with our partners in the private sector, such as the Saint Lucia Chamber of Commerce, Saint Lucia Manufacturers' Association, Saint Lucia Hotel and Tourism Association, Saint Lucia Industrial and Small Business Association and Saint Lucia Coalition of Services, to determine the most effective approaches to:

1. Providing appropriate training for staff;
2. Ensuring that Saint Lucian products meet the highest quality standards;
3. Providing opportunities for enterprises to take full advantage of avenues created by the Caribbean Single Market and Economy (CSME) and the CARIFORUM-EU Economic Partnership Agreement (EPA); and
4. Improving the chances of success of Small and Medium Enterprises (SMEs) by creating business incubators in the north and south of the island.

Ease of Doing Business

Mr. Speaker, before resuming office, we committed to improving the climate for doing business in Saint Lucia, in order for Saint Lucia to regain its top position in the World Bank's ranking for the Ease of Doing Business in CARICOM and indeed, the wider world. Today, I want to reaffirm Government's commitment to improving Saint Lucia's ranking by removing various impediments to commercial activity.

Mr. Speaker, Government has received the report from the joint public-private sector committee that was established a few months ago. This committee was created to engage the private sector through thorough consultation, and to submit recommendations to Government for the way forward. While I recognize that some of the issues to be addressed are more complex than others, and perhaps would take some time to resolve, I am pleased to announce that work has already begun to address some of the concerns expressed in this report. For instance, in order to facilitate the faster incorporation of businesses, I will introduce an expedited service for the registration of "for-profit" companies for a fee of \$2000. The existing process for registration of "for-profit" companies will continue to be available, but the fee will be increased from the current \$850 to \$1000. For non-profit company registrations, the existing fee will remain at \$250.

Creation of a Commercial Court

In addition, as mentioned in the Throne Speech, this year, our Government will move quickly to establish a Commercial Court. This development is expected to have a tremendous positive impact on the ease of doing business in Saint Lucia, as it relates to the efficiency of dealing with disputes within the business sector, particularly the off-shore sector. Attempts will also be pursued to address other areas related to improvements in resolving insolvency and the foreclosure process through a sub-regional harmonized approach.

Mr. Speaker, a lot has been said about the impact of the quality of services offered by the Public Sector on the ease of doing business, albeit, with not much specificity. Notwithstanding, I want to reassure the Private Sector that improving the efficiency and effectiveness of Government Services through modernization of the Public Sector remains a top priority for this Government. This will be explained later in this statement.

Business Incubation Programme

Mr. Speaker, over the next three (3) years, the Ministry of Commerce, Business Development and Consumer Affairs will be undertaking the Business Incubation Programme. This initiative is expected to serve as a framework for providing enterprise development and growth support to startup and existing businesses. Some of the assistance to be provided includes, business plan development, mentorship, funding for startup and administrative support. Through the implementation of this initiative, a multiplicity of specific national business and economic development objectives will be pursued to:

1. Provide a mechanism for potential enterprise development;
2. Provide critical support to young businesses during the most vulnerable phase of their establishment and development. Such support may include, inter alia, affordable space, shared support, business development services;
3. Contribute to the establishment and operation of business/industry clusters;
4. Provide an avenue for high quality entrepreneurship to obtain support and development assistance; and
5. Generally serve as a Center of Excellence for SME operation and support;

The estimated cost of the project is \$2.86 million.

National Trade Export Promotion Agency (TEPA)

Mr. Speaker, the National Trade Export Promotion Agency (TEPA) was established in 2011 as a measure to reorganise the Office of Private Sector Relations (OPSR) in order to consolidate on its capability and experience and to create a specialized project implementation unit. This initiative is funded by the CARICOM Development Fund and the Government of Saint Lucia at an estimated cost of \$3.26 million and will be implemented over three (3) years. The overall objective for the introduction of the TEPA is to:

1. Expand economic diversification and stimulate growth through export;
2. Strengthen small and medium enterprises (SMEs) and increase their contribution to the national economy;
3. Enhance competitiveness of exports; and
4. Strengthen linkages among key economic sectors.

In order for the successful implementation of the work programme of the TEPA, the unit will be governed by a joint public-private sector board of directors, chaired by a representative of the Private Sector. Over the course of this and the next fiscal year, the agency would be undertaking an Export Development Support Programme, which will include a Review & Update of the National Export Development Strategy and establishment of a National Trade Information Network. This programme is expected to be implemented with the assistance of the International Trade Center and the Government of Saint Lucia.

11.3 Tourism Development

Inevitably, Mr. Speaker, there will also be some policy adjustments in Tourism. Given its importance as the leading economic sector, we will take steps to ensure its growth and longevity. Starting this year, we will begin to implement the strategic measures promised in *Our Blueprint for Growth*. They include:

1. Modernizing the legislative framework for tourism after consultation with industry stakeholders;
2. Starting the process to create the institutional framework to guide the development of high growth segments of the tourism industry;
3. Creating the environment to encourage investments which maximize local content in the tourism product; and
4. Providing direct support for the development of the small hotel sector.

This process will include the creation of a Tourism Development Agency to coordinate product development.

New Licensing Regime and Tourism Incentives

Mr. Speaker, there is also the urgent need for the introduction of standards throughout the various product areas of the industry. During this year, work on the introduction of standards will continue along with the introduction of appropriate licensing regimes to provide proper regulation of the industry. The licensing regime will also serve to ensure that participants in the various aspects of the industry provide services within the areas for which they are approved.

A clear set of policies will be developed to ensure efficiency in the tourism transportation system. In this regard, policies for tourism taxis, car rentals and high end vehicles will be developed and implemented. The role of the Tourism Transportation Regulatory Committee will be strengthened to ensure that this

Cabinet appointed body has the capacity to implement the policies developed. Tourism incentives will be based on performance and structured in such a manner that encourages the subsectors that have greatest impact on the sustainable development of tourism.

The tourism marketing budget this year will be \$45 million. It is hoped that we can continue to find creative ways to promote Saint Lucia, including the use of our national talents, crafts, entertainment and products. I have also made available seed money under the Ministry of Commerce to help vendors better their product.

11.4 A Creative Economy

Mr. Speaker, this year we propose to take our first steps in establishing and launching the Creative Industries Sector. As this is still somewhat embryonic, some “cultural mapping” or if you prefer, a continuous and comprehensive assessment would need to be done of the various existing and emerging subsectors as well as the economic linkages and employment opportunities that can be generated within the sector.

I know that our young people and our artists are anxious to see this initiative unfold, but public accountability demands that appropriate measures be put in place for accessing the available funds.

This year, I have allocated a sum of \$2.60 million to the sector for initial rollout. This will fund initiatives such as Writing, Poetry and Publishing Grants; Film and Photography activities; Arts and Crafts Development; Music and Performing Arts; and promoting computer software, web and graphics development. It will also fund a consultancy for developing the sector and its medium to long term directions.

I should indicate that this amount does not reflect existing grants and contributions to the Cultural Development Foundation which totals \$3.49 million. It also does not include a further \$3.00 million that will be made available to promote employment in the sector, under the NICE jobs creation programme I mentioned earlier.

Festivals Commission

Mr. Speaker, the time has also come to revisit the arrangements for our premier festivals, jazz, carnival and others yet to be established. I have therefore allocated a sum of \$20,000.00 for a consultancy to determine whether we should establish a “Festivals Commission” to market, promote and produce both Jazz and Carnival.

11.5 Agriculture & Fisheries Development

Mr. Speaker, Honourable Members understand that the Agriculture Sector contributes significantly to the socio-economic development of our country. Given the high level of dependence on the sector and the recent chain of events ranging from the damages caused by Hurricane Tomas to the wide spread destruction of banana plants caused by the Black Sigatoka disease, Government is committed to restoring and revitalizing the sector. Moreover, particular attention will be given to Food Security, Effective Resource Use, Restoring Production, Sustainability, Strategic Marketing, Capacity Building and

Applied Research and Development. There are immediate strategic issues to be addressed in the sector, which have been incorporated in this year's work plan.

These include:

- (a) Disease control (and in particular Black Sigatoka);
- (b) Food security;
- (c) Rehabilitating agricultural farms;
- (d) Building productive and managerial capacity in agriculture;
- (e) Strategic marketing;
- (f) Expanding linkages with the tourism and health sectors;
- (g) Constructing motorable farm access roads;
- (h) Commencing the formulation of the Agriculture Incentives Act; and
- (i) Restructuring the Ministry of Agriculture to better serve the sector.

Supporting the Expansion of the Livestock Subsector

Mr. Speaker, in order to effectively service the agricultural community especially the livestock subsector, the Beauséjour Agriculture Station needs to be enhanced. This initiative entails the importing of new breeding stock, improving existing bloodlines of swine and small ruminants, and renovations and modification works to the Agricultural Station. The main objective of this project is the establishment of the facility as a Centre of Excellence, where the latest technology can be demonstrated and transferred to clients. This initiative is estimated at a cost of \$1.00 million and is expected to be implemented this financial year. An allocation of over \$3 million has also been made to complete the long awaited Meat Processing Plant.

Management of Black Sigatoka

Mr. Speaker, the Black Sigatoka or the Black Leaf Streak has become prevalent on this island, causing severe damage to banana crops and adversely affecting the income of our farmers. Given the significant importance of the banana subsector, Government intends to critically address this issue by undertaking a programme aimed at:

- (a) Encouraging the production of healthy fruits that meet quality standards; and

- (b) Providing training for pest and disease control service providers and farmers in the use and maintenance of equipment for leafspot control, safe use of pesticides, and occupational health and safety.

This programme will comprise Disease Monitoring and Advisory Services, and Treatment and Control activities. More specifically, it will include the provision of fertilizers for adequate plant nutrition, the distribution of spray materials to farmers for fungus control, as well as the cutting of abandoned fields.

Mr. Speaker, in addition to the money already expended on the efforts to contain Black Sigatoka, the Government will make available a further sum of \$500,000 dollars to cut down affected plants in abandoned fields. The Ministry will be at liberty to employ farm workers as well as STEP workers in this drive.

Fisheries Sector

Mr. Speaker, the fishing industry provides one of the island's main sources of protein and sustenance. It is also an important source of income to rural coastal communities. I am aware of the plight of fishers who have had declines in their catch, partly due to climatic conditions. The high cost of fuel led to fewer fishing trips by some fishers. Not surprisingly, value added for the sector fell by 0.5% in 2011. Though this drop was less than the 3.1% decline seen in 2010, it still suggests a harder time for fishers. Fish landings fell by 5.9% to 1692.7 tonnes last year.

Mr. Speaker, the Government of Saint Lucia through the Agricultural Development Incentive Regime (ADIR) grants concessions to bona fide fishers and vessel owners and agencies operating within the Fisheries Sector. These include a waiver of import duty on fishing vessels and engines, fishing gear and equipment, safety equipment and a level of rebate on fuel used for fishing.

Having considered the plight of fishers and the challenges faced by them in coping with fuel prices, Cabinet has approved the following:

1. An increase in the fuel rebate for fishers from \$0.75 to \$1.50 per gallon with current distribution of 25% to the Distress Fund and 75% of the Duty Refund; and
2. An increase in the annual quota of fuel used per registered fisher from 4,500 gallons to 6,000 gallons.

Mr. Speaker, I must note that the last increase in the fuel quota was under a Labour Party Administration in 2006, when the quota was increased by 25%, after a period of thirty-eight (38) years remaining stagnant. The increase on the quota proposed in this financial year represents a 33% increase over the current levels.

Mr. Speaker, a sum of \$1.60 million was allocated for fisheries development. Of that sum, \$200,000 dollars will be spent in deploying Fish Aggregating Devices or FADs, as the devices are popularly known. Our fishermen have mastered the technology so these devices will all be made by them in Saint Lucia.

These FADs assist fishers in more efficiently obtaining their catch, thereby expending less fuel. This sector has a crucial role in promoting food security and healthy diet. There exists great potential for

expansion if we embrace new technologies and practices, and the country should be excited to note new prospects under a proposed mariculture programme.

Increase in Quota for Poultry Farmers

Finally, Mr. Speaker, a major policy adjustment concerns the marketing of poultry products. Mr. Speaker, some CARICOM countries are self-sufficient in poultry products. Nearly all have found ways and means to protect their chicken producers and contain importation into their respective countries.

Here, the industry has gone through its challenges, but it has emerged to become more confident, and more mature. The quality of the products is unquestioned, as good as that produced anywhere.

Currently, 20% of the market is allocated to local producers of chicken. This amounts to approximately 2.1 million pounds of chicken annually from local sources that importers of chicken have to purchase in order to have a license to clear their imports. Where there is insufficient local supply to meet that requirement, a letter is issued to the importer indicating that there is no local chicken on the market so the Ministry of Commerce can issue a license. As of May 2008, no such letters have been issued to any importers of chicken, which might indicate that the local producers have achieved the quota allocation.

Currently, some 30.3 million pounds of chicken are consumed annually. Of that amount, 28.2 million pounds is imported and 2.1 million pounds is made up by local production in the market. However, of the 28 million pounds of imported chicken, chicken backs constitute 17 million pounds (61%) and premium parts make up the remaining 11 million pounds, or 39% of total imports. Chicken backs do not form part of the quota system. In any event it would be very difficult to produce this quantity of chicken backs given the weight ratio per chicken. Chicken backs also remain the main source of protein for the poor.

Mr. Speaker, I propose to increase the quota of the local producers on July 1, 2012. As a result, the quota would move from 20% to 30% of total purchases of poultry products. If the Government is satisfied, beyond reasonable doubt, that the poultry farmers can resolve all the challenges to increasing their production, then the Government will consider increasing the quota to 40% of market share on July 1, 2013.

12. ENABLING SECTOR INITIATIVES

Mr. Speaker, I will now highlight policies and capital initiatives under roads infrastructure, transport, water, energy and telecommunications. These largely come under the Ministry of Sustainable Development, Science and Technology and the Ministry of Infrastructure, Port Services & Transport.

12.1 Roads Infrastructure

Mr. Speaker, considerable effort and focus will be placed this financial year on road reconstruction and rehabilitation. The Ministry of Infrastructure has a mandate to design and execute a road maintenance plan which is geared at reversing and preventing road deterioration. The deplorable condition of our road infrastructure has been amplified since the passage of Hurricane Tomas. Many of our roads have

been plagued with potholes or reduced to one lane traffic as a result of road failure. Routine maintenance and rehabilitation are imperative to ensuring good quality roads and providing relief to the affected commuting public.

Post Tomas Roads & Bridges Reconstruction

The Hurricane Tomas Reconstruction Programme will proceed with renewed vigor in the new financial year. It has registered notable progress in the past few months, with the advancement of work on the Barre de L'Isle and establishment of the implementation framework for undertaking the landslide and flood risk assessments. These are necessary to inform the design and implementation of the critical rehabilitation works along the island's main roads, particularly key flood affected areas such as Bexon. This work has been jointly funded by the GOSL and the CDB.

Under the World Bank funded Hurricane Tomas Emergency Recovery Project, construction of the new Bois D'Orange Bridge will commence during the second half of the financial year following further geotechnical investigations and the completion of the Bois D'Orange Bypass Road.

The new Choc Bridge will also be designed, with construction scheduled after the completion of the Bois D'Orange Bridge, so as to reduce the traffic disruptions between Castries and Gros Islet. Construction of the Cresslands Bridge in Soufriere will also be undertaken this financial year.

Work on the ten landslides on the Barre De L'Isle will be completed in the course of this financial year. To date, work on two major slides has started and contracts are to be issued for three other slides in the immediate term. The most challenging of these slides, referred to as Slide Two, will require geotechnical investigation and the designs for the remaining four slides are now complete and will be tendered in the near term.

Landslides affecting the road network will be addressed. This will involve the reinstatement of damaged/collapsed road sections at Guesneau in Castries, Colombette in Soufriere, and Venus in Anse la Raye.

Reconstruction and Rehabilitation of Roads

In terms of general road rehabilitation, the scope of works will include road markings and signage, rehabilitative construction of roads to reverse the effects of deterioration, the rehabilitation of failed carriageways, repairs to potholes and resurfacing of roads. Road marking of the Castries/Gros Islet Highway, Millennium Highway, West Coast Road and Castries/Vieux Fort Highway will also be undertaken. Specific and preventative maintenance of culverts and the upgrade and repair of road drainage will be executed. These works will be undertaken through the Ministry of Infrastructure's Maintenance Unit, through direct hiring of contractors and competitive bidding. The cost of this initiative is \$8 million.

Bridges and Culverts

Mr. Speaker, bridges and culverts form an integral part of our road network. They act as linkages for the roads over natural waterways. Following Hurricane Tomas, there is urgent need to catalogue our bridges and undertake a comprehensive condition survey and build capacity in disaster recovery at the Ministry

of Infrastructure. In keeping with Government's objective to restore the country's road network, the affected bridges and culverts will be rehabilitated and maintained to avoid complete failure or collapse. In this financial year, \$13.37 million has been earmarked for this project, but in light of the need to protect this most important asset, an expanded maintenance plan has been developed which is projected to cost \$18.90 million.

Northeastern Highway

Mr. Speaker, in this term of office, the major infrastructural initiative of this Government will likely be the construction of a highway linking Gros Islet to Dennerly through the northeastern region of the island. The Government will not pursue the construction of tunnels under the Barre de L'Isle for what are now very obvious reasons.

Given the limitations posed by the topography and geology of the Barre de L'Isle, which separates the north from the south, a new feasibility assessment will be undertaken for a northeastern highway, as indicated, this financial year. This measure will create a more direct link to the south of the island and the international airport from the north and vice versa, and will also improve our road network's resilience in the case of disasters. It will also open up new economic opportunities along the northeast coast, particularly in the Babonneau and Monchy areas.

Government is committed to preserving the natural environment, and will ensure that such a major initiative is supported by the necessary land use planning requirements to ensure sustainable, quality development in this region. Furthermore, this arterial link will ease the level of through traffic in the Castries Basin, and reduce travel time and create other savings within the national economy.

Design Finance and Construct (DFC) Road Projects

A second policy shift will be introduced, in respect of Design, Finance and Construct Projects. Over the past five years, the Government of Saint Lucia, through the former Ministry of Communications, Works, Transport & Public Utilities, had been engaged in executing a number of Public/Private Partnership (PPP) projects using the Design Finance and Construct (DFC) methodology but through direct awards. While this administration believes in the merit of pursuing DFC projects, albeit on a limited scale, we intend to pursue a more transparent mechanism.

DFC projects will now be put out to tender. Utilizing the process of open tendering ensures greater efficiency, transparency and value for money in the use of Government resources. Mr. Speaker, Government will pursue three road links using this method during this financial year:

1. The rehabilitation and reconstruction of the Piaye to Saltibus Road;
2. The rehabilitation and reconstruction of the Laborie to Banse La Grace Road;
3. The repaving of the Vieux Fort to Laborie Highway, from Vieux Fort Town Centre to the Gablewoods South Mall.

Mr. Speaker, our Government does have serious misgivings about the legal effect of these Agreements. In the interim, we will seek a legal opinion to determine whether these Agreements are truly loans that

require Parliamentary approval. However, this of course will not impede the ongoing process to put these roads out to tender.

12.2 Hewanorra Airport Redevelopment

An area of policy adjustment, Mr. Speaker, is the Hewanorra Airport Redevelopment Project.

Mr. Speaker, in its other life, this Government said in Our *Blueprint For Growth* the following:

“On assuming office our Government will immediately revisit the issue of the redevelopment of Hewanorra International Airport and will undertake the following:

- (a) Analyse the plans and proposals on which the financing arrangements were based;*
- (b) Review any financing arrangements entered into by the UWP government;*
- (c) Carry out extensive due diligence checks on all entities involved in this project; and*
- (d) Assign a competent, experienced team to develop a comprehensive plan for the modernization of our airport services, which will look at the operations of both airports and the support service.”*

On assuming office, Mr. Speaker, the Government was advised that the Deutsche Bank, which was approached to underwrite the loan of US\$115 million dollars for the airport project, withdrew its interest, thus placing the financing of the project in jeopardy. This was communicated to the Saint Lucia Air & Sea Ports Authority (SLASPA) and the previous Administration before the General Elections of November 28, 2011.

Mr. Speaker, I am advised that at a recent meeting of the Port Council, SLASPA took a decision to immediately terminate all discussions, negotiations and dialogue with the consortium with respect to the Hewanorra International Airport Project, formally ending the current process.

The Government will not, however, abandon the project. In the interim, it has:

1. Invited the International Finance Corporation (IFC) to undertake an evaluation of the project and advise on the best approach to financing the project, bearing in mind our national debt profile; and
2. Advised SLASPA to:
 - (a) review and re-evaluate the original plans and produce a design that is more cost-effective; and
 - (b) re-commence the procurement process anew once the plans for the airport development are approved.

This then leaves the question of the Airport Development Charge (ADC), imposed on all and sundry travelling to and from Saint Lucia. In Opposition, we had difficulty with this tax. In our view, this tax is unconscionable at this time especially, given our challenges in increasing stay-over tourism arrivals. It is a tax to pay for an event in the future. Not one block has been put into the ground to justify the tax. The Government, therefore, will suspend the application of the section of the Act authorizing the tax for the time being. This will give immediate relief to travelers. However, we wish to state, explicitly, that it may become necessary to reintroduce the charge when the airport expansion commences.

I am advised that since the imposition of the tax, SLASPA has collected US\$7.7 million dollars thus far and it is anticipated to collect a total of US\$10 million for the year 2011/12. SLASPA will be advised to hold this sum, in trust, until such time the redevelopment of the airport commences.

12.3 Water Resource Management

Mr. Speaker, modeling data from the CARICOM Climate Change Centre suggest that water availability will be one of the factors negatively impacted by climate change in the Caribbean. Therefore, it is imperative that, even while we put measures in place to improve the business operations of WASCO, repair the infrastructure that was damaged by Hurricane Tomas, and address the long standing problems with water supply to rural areas and communities in the east and south of the island, we must also take steps to encourage households and commercial operations to better manage our scarce water resources.

Rainwater Harvesting

Therefore, in this financial year, Government will develop and implement a national rainwater harvesting programme. The objective of this programme will be to promote greater rainwater harvesting by domestic consumers and business houses. Government will allow the tax-free importation of rainwater harvesting equipment for a period of two years, starting in July 2012. Also, a tax credit, which will be articulated in greater detail in the third quarter of this year, will be given to companies that retrofit their operations to capture rainwater and use rainwater for non-essential operations.

Water Sector Rehabilitation and Improvement

Mr. Speaker, a Water Sector Rehabilitation and Improvement Project has been initiated to streamline and coordinate critical water sector reform initiatives. This project is geared towards facilitating the overall efficiency of the sector through the planning and coordination of projects, including the mobilisation of funds for water sector improvement.

In this financial year, the project will facilitate the planning and implementation of the Vieux Fort Water Supply Redevelopment aimed at improving service reliability and quality through the construction of a new intake, the installation of additional treatment capacity and upgrade of distribution infrastructure. The preliminary activities are expected to be supported by the Caribbean Development Bank through grant assistance.

It will also cause for the mobilisation of resources and implementation support to facilitate general water supply system upgrades, as well as a series of expert studies and water sector improvement

initiatives, in order to support the functions of the Water Resource Management Agency, and ultimately the effective management of water resources in Saint Lucia.

Preliminary designs for a new water supply for the Mabouya Valley and the mobilisation of resources to support the Roseau Water Supply System Rehabilitation will also be undertaken. This will involve the rehabilitation of a water intake at Vanard. The budget allocation for these project activities is \$15.26 million, most of which is to be funded from a grant from the Government of Japan of approximately \$14.00 million.

Rivers, Drainage & Watershed Rehabilitation

Mr. Speaker, in wrapping up this sector, I would like to draw to the attention of the House the Government's commitment to flood mitigation. In last year's estimates, a sum of \$1.5 million was made available for river desilting. This year, a sum of \$5.00 million has been allocated because we are aware of the state of our rivers. We will continue in our efforts to protect life and property by ensuring that our drainage systems are well maintained. Further sums of \$0.48 million and \$0.90 million have been made available to assist drainage works in Anse la Raye, Castries, and flood prone areas respectively. Though this will be done through the Ministry of Infrastructure, the agricultural sector will also find reprieve.

Critical landslides in upper watershed areas will also be rehabilitated to reduce siltation of major rivers. Particular attention will be paid to improvements to drainage in critically affected areas during Hurricane Tomas such as Soufriere, Dennerly and Bexon, with the implementation of a more comprehensive river training and desilting programme funded jointly by the World Bank, Caribbean Development Bank and the Government of Saint Lucia. A sum of \$8.00 million has been made available for slope stabilisation.

12.4 Energy & Communications

Mr. Speaker, I now move to two critical enabling sectors for development, that of energy and communications. We indicated ambitious programmes for these sectors in our manifesto and we are working towards realising them.

Energy Efficiency

Our Government is committed to increasing energy efficiency in the work place. While steps have been taken to phase out incandescent light bulbs and replace them with the more efficient compact fluorescent light bulbs, there is still significant room for improvement in the use of energy in the commercial sector. More efficient cooling systems, motion activated lighting, and better use of ambient lighting are all simple measures that can be taken to reduce our energy consumption. This will become even more important if the price of oil, on which we are still reliant on for electricity generation, starts to increase again on the world market.

As a first step towards increasing energy efficiency, Government will once again provide a tax concession for one year, effective September 2012, to any business house that undertakes a comprehensive energy audit of its operations, with a view toward improving the energy efficiency of its operations.

The Saint Lucia Bureau of Standards will also be mandated to develop standards for energy efficiency for major electrical appliances and to encourage the importers of these appliances to display energy efficiency labels on these appliances.

Energy and the Transport Sector

The transport sector is overtaking the electricity sector as the main user of fossil fuels for energy in Saint Lucia. This is why it is important that our efforts at increasing energy efficiency also focus on this sector. Towards this end, we will reduce the duties and taxes on hybrid vehicles that do not depend solely on gasoline or diesel to run.

In the 2006 Budget Address, I said the following:

“It is evident Mr. Speaker, that high gas prices are here to stay. As supplies dwindle, gas prices are likely to continue to increase. It is therefore important for us to be futuristic and encourage the use of vehicles that are run on alternative energy sources. In keeping with this vision, Mr. Speaker, I propose that new hybrid vehicles, as well as those powered by solar energy, LPG and Compressed Natural Gas, will attract a flat Excise Tax rate of 15%, irrespective of engine size, as compared to the lowest rate of 20.5% on regular cars.

I hope, Mr. Speaker, that this concession will encourage an enterprising Car Dealer to explore the possibility of importing such vehicles into Saint Lucia. Government is also willing to enter into discussions with the Petroleum Dealers Association to consider options for retrofitting existing fuel stations to cater to these hybrid vehicles.”

Mr. Speaker, that proposal was, in retrospect, a little ahead of its time. Mr. Speaker, I am now advised by Beachcomber Ltd, that Toyota Motor Company, producer of the world’s most sold hybrid vehicle, the Prius, is in a position to make these vehicles available to Saint Lucians from May/June this year.

Mr. Speaker, I am pleased to advise that I will reintroduce these incentives and introduce a flat Excise Tax Rate of 10% for a period of eighteen months, on all hybrid vehicles imported into Saint Lucia.

Increasing Internet Access

This year, Mr. Speaker, our Government will commence an ambitious three-year programme to provide free wireless internet access to all communities on the island. This programme will be executed in phases. The first phase will involve using existing human resource development centres, community centres and libraries as WiFi hot spots, from where residents of the respective communities will be able to access free wireless internet. The second phase, which will be initiated toward the end of the financial year, will see a widening of the coverage area, with a focus on those communities that have been identified in the 2010 Census as having poor internet penetration.

Government is also committed to assisting in realising wireless broadband connectivity and will engage network providers in seeing how such services can be fast tracked to the public. We appreciate the power of communications in creating new economic opportunities for Saint Lucia.

12.5 Public Transport

Mr. Speaker, moving to domestic transport, Government recognises the importance of public transport to our State's economic development. While no provisions have been made in this financial year for any major infrastructural investment, preliminary work has begun on reviewing appropriate public transport models that can be adapted to suit our needs. This will consider the options for transit hubs, particularly in the urbanised north.

Mr. Speaker, the Government understands the anxiety of the members of the National Council on Public Transportation, the NCOPT, to resolve the issue of bus fares. I have met the Council and the discussions have been helpful. Cabinet has appointed a committee to review bus fares and I will urge that discussions commence as quickly as possible.

13. SOCIAL SECTOR INITIATIVES

13.1 Education Policies & Initiatives

I turn now to Education.

Preparing for Universal Early Childhood Education

Mr. Speaker, in the course of this financial year, the Government will begin its planning and preparation for the attainment of Universal Early Childhood Education. Research shows that participating in quality, early childhood education has ongoing benefits for children throughout their schooling and beyond, especially those from more disadvantaged backgrounds. To this end, Mr. Speaker, we will ensure that every child of pre-school age is afforded this opportunity. Education at any level should not be deemed a privilege but rather an obligation that Government must strive to honour for the people.

Meanwhile, I wish to give notice of two likely shifts in policy in Education Services.

Partial Zoning of Secondary Schools

Firstly, starting this financial year, the Ministry of Education will proceed to design measures to partially zone our secondary schools in order to minimize the distances children have to get to school. This in turn, will reduce the need for transportation over long distances. The Ministry of Education has targeted Academic Year 2013/14 for the implementation of this initiative. This is consistent with our policy in *Our Blueprint for Growth*.

I wish to make it abundantly clear that this Government will not abolish subsidies for the transportation of school children. Rather, our approach will be to ease the pain of those who are not recipients of subsidies and whose children are required to travel long distances to secondary schools by assigning them to secondary schools nearer to their homes and communities. It also means that the Government will have to ensure that all secondary schools receive adequate resources and no school is disadvantaged.

Return of A'Levels to Secondary Schools

Secondly, commencing this year, the Ministry of Education will initiate plans to return A'Level Studies to specific secondary schools. The intention is to increase access to Sixth Form studies, and the Ministry will examine all possible options to meet that objective. We envisage that this would take at least two years to plan and implement.

Vouchers for entrants to Secondary Schools

Mr. Speaker, in *Our Blueprint for Growth*, we stated the following:

"To ease the burden on families whose children graduate from Primary School, we will provide a one-off bursary of \$500 per student to eligible parents at the start of the school year".

The purpose of this bursary is to assist parents to purchase vital school requirements, uniforms and shoes. The Ministry of Education will be required to create a system to ensure that the money is used for the intended purpose and nothing else.

While the bursary is available to all parents, some may feel that they may not need it, so the funds will be made available on the basis of an application to the Ministry, whether helped by teachers or otherwise.

A provision of \$2.00 million has been made under the Education Access Fund to finance this initiative.

Skills for Inclusive Growth Project

Mr. Speaker, the Skills for Inclusive Growth Project is an ongoing one which is being implemented through collaboration with the Ministry of Education, Human Resource Development and Labour, the National Skills Development Centre (NSDC) and other Government departments.

The objective of the first operation of the project is to assist the Government of Saint Lucia to increase the employability of youth through private sector driven training. The budget allocation for this year is \$4.42 million Mr. Speaker.

Education Enhancement through ICT Programme

Mr. Speaker, I expect increased momentum in the implementation of the ICT Programme in our schools.

This programme primarily seeks to improve the learning and teaching process in rural schools and provide the necessary skills to increase competitiveness in the job market through the employment of Information and Communication Technology. The Government of Saint Lucia has recognized that ICT offers tremendous possibilities to enhance students' learning, develop teachers' professional capability and strengthen institutional capacity. This initiative will be implemented through grant funding provided by the EU in the amount of \$12.32 million.

Basic Education Enhancement Project (BEEP)

Mr. Speaker, of the \$37.79 million secured from the CDB for this project, an allocation of \$13.68 million has been provided for implementation activities for this year. Two major components will be undertaken:

1. Quality Enhancement and School Effectiveness; and
2. Enhancement of Learning Spaces.

The project will directly benefit present and future students and teaching staff of the twelve (12) project schools comprising three (3) secondary schools and nine (9) primary schools for rehabilitation, extension, curriculum strengthening and capacity building.

13.2 Health

Mr. Speaker, I turn to Health.

A modern and well-functioning health care system is critical for the economic development of our nation. This requires the appropriate infrastructure and systems to deliver affordable such services to the population.

We are anxious to move forward with our long-time, though delayed, desires to achieve Universal Healthcare, or UHC. Already, we have appointed a task force to begin preparations for the implementation of UHC. In the course of this financial year, we will, despite our difficult circumstances, explore the possibilities of providing support to hypertensive patients. In terms of health infrastructure, we will continue work on the New National Hospital and St Jude's Hospital.

New National Hospital

Mr. Speaker, in our last term in office, this Administration took a bold decision to construct a state of the art hospital to provide the necessary health care to the population required in the 21st century and to be used as a catalyst for modernizing health care services in Saint Lucia.

Mr. Speaker, the construction of the New National Hospital commenced in July of 2009 and is scheduled to be completed in December 2012. An allocation of \$32.46 million has been included in this year's budget for completion.

In order to ensure the smooth transition from the Victoria Hospital to the New National Hospital, a number of commissioning activities must be effectively undertaken before the new facility becomes operational. A Commissioning Team has been established and tasked with the responsibility of transferring Victoria Hospital to the New National Hospital where it can become a functioning organization, providing well-planned and improved levels of service to the population.

St. Jude's Hospital

Mr. Speaker, the St. Jude's Hospital reconstruction is another ongoing project that continues to be a priority for the Government of Saint Lucia. Government is committed to mobilizing the resources required to bring the reconstruction works to completion. Since the commencement of the renovation works, there have been a number changes in strategy and expansion in scope of the works. This was not only necessary to ensure that the works being undertaken were compatible with the critical needs of St. Jude's Hospital, but also to facilitate improvements in clinical services.

Mr. Speaker, I am anxious for the nightmare of the people of the South to end. I pray that as promised, all major works will be completed by August 31, 2012 to facilitate testing and commissioning prior to the relocation of St. Jude's Hospital from the George Odlum Stadium. When completed, the reconstructed facility at Cantonement will remain the permanent home for St. Jude's Hospital.

Again, I thank the management and staff of St. Jude's Hospital for their remarkable patience and understanding. They continue to offer a sterling service and dedication to the public, in exceedingly difficult circumstances. In this upcoming financial year, Government has approved a budgetary allocation of \$15.9 million dollars, which is required to bring this project to completion.

13.3 Social Transformation Priorities

Mr. Speaker, you will be well aware that the global economic and financial crisis has had a detrimental impact on our vulnerable population. Thus, it is clear that to reverse this situation would require a paradigm shift in the approach to social transformation. In addressing the needs of the poor and vulnerable in this period of economic recession greater emphasis will be placed on shifting from simply the provision of social welfare to focusing on social empowerment of the poor and vulnerable of our population, particularly the poor, single mothers and youth. Therefore, through the work programme of the Ministry of Social Transformation, there will be an improvement in the approach to social transformation in this country.

This Government's Social Protection Programme will focus on two areas:

1. Providing assistance and support to vulnerable groups with a view to breaking the poverty cycle; and
2. Improving the delivery of social services.

Mr. Speaker, two of these social protection programmes deserve comment.

Sixth BNTF Programme

The BNTF Programme seeks to assist poor communities in improving basic infrastructure and services and increase their potential for generating economic activity. Additionally, it also seeks to provide much needed resources for the implementation of sub-projects that support and improve the capacity of community-based organisations in the application of participatory approaches for planning, monitoring and decision-making. The total cost of the programme is \$9.1 million.

Koudmen Sent Lisi

Mr. Speaker, the Koudmen Sent Lisi Programme is aimed at providing families with a comprehensive offer of support systems, services and benefits so that they may graduate from a situation of poverty, deprivation and vulnerability to a sustainable livelihood status.

This strategy is being utilised to support and empower families in improving their living conditions, identity and productive assets. The programme focuses on ensuring the presence of the minimum conditions a family needs to improve their quality of life and this is achieved by generating opportunities, access to essential services and providing them with needed resources to develop or recuperate their capacities. I am allocating \$3.0 million for the implementation of this project, which was initially conceived by the former Administration.

Reform of Public Assistance

Mr. Speaker, I wish to advise Honourable Members that the Public Assistance Programme has been transferred from the Ministry of Health to the Ministry of Social Transformation.

Saint Lucia's current Public Assistance Act does not adequately meet the needs of the poverty reduction agenda of the country, because of the way it defines the poor and targets persons for assistance. It also does not address issues of empowerment and human capital development of the poor nor provide for a programme of assistance geared towards differential responses to poverty. Therefore, Mr. Speaker, in addition to the Programmes of the SSDF, a very important Social Safety Net Reform Programme will be implemented in this financial year.

The reforms to Public Assistance will address several on-going issues associated with weak accountability, duplication of assistance and the receipt of assistance under pretence. Public Assistance Reform would immediately solve critical information irregularities that exist presently and facilitate the previously mentioned issues. The implementation of this project would, not only reduce poverty and protect the vulnerable, but also have tremendous potential for improving fiscal performance in the medium to long term. This will ultimately bring improved robustness to Government social spending which would yield increased value for the money expended.

Mr. Speaker, I wish at this point to reiterate the important role that Ministry of Social Transformation, Local Government and Community Empowerment plays during this difficult financial period, where it will seek to restore the hope and confidence of the poor and vulnerable and protect their livelihoods from further deterioration.

13.4 Housing Initiatives Related to Hurricane Tomas Disaster

Mr. Speaker I wish to touch briefly on the housing initiatives related to the Hurricane Tomas rehabilitation. In the housing sector, the National Reconstruction and Development Unit has continued its efforts in the Fond St. Jacques area to resettle households affected during Tomas to new homes at Mocha. To date, infrastructural installation is underway, and eleven (11) houses constructed by the Government are near completion for sale to affected residents in the immediate term. Arrangements are being finalized with the Fond St. Jacques Credit Union to provide concessional loans to residents

who qualify. In the new financial year an additional seventeen (17) houses and the remaining infrastructure will be completed.

In the new financial year, the Government will also support households nationally who qualify for housing support and assistance based on needs qualified through assessment, and due diligence checks undertaken by social agencies and the National Reconstruction and Development Unit.

The Ministry of Housing will advance its efforts to develop a sites and services scheme in the Trouya area, giving priority to Hurricane Tomas affected residents in the north. The CDB-funded Shelter Programme aimed at regularizing settlements in the Bexon area and south Castries, will accommodate, wherever possible, those persons who have been affected by Hurricane Tomas.

13.5 Youth Development & Sport

Mr. Speaker, I am inspired by this new age we live in and those who have the opportunity to grow up within it. Our Youth, Mr. Speaker, deserve only the best because they represent the strength and longevity of Saint Lucia, a Saint Lucia twenty, thirty, fifty years from now. In the words of Ziggy Marley, we must cherish "Tomorrow's People." We must build upon our support for the nation's children and this belief is reflected in this year's Budget proposals.

A New Deal for Youth

In Our Blueprint for Growth, we highlighted five thematic areas through which we would pursue youth development. These were as follows:

1. Tackling Youth Unemployment;
2. Skills Development;
3. Healthy Lifestyles;
4. Reduction in Youth Anti-Social Behaviour; and
5. Youth Engagement & Participation.

Mr. Speaker, the entire premise of this Budget is youth positive. Our drive to reduce unemployment is squarely targeted at our youth. Our policies for skills development through the NSDC, NICE and others through the Ministry of Education will assist in skills development. So too will the Youth Agricultural Entrepreneurship Project.

We have decided to promote youth after-school programmes in a big way this year, Mr. Speaker. The sum of over \$3 million for this project should speak volumes. However, we need all parents to note that this does not take away from their obligations to care and nurture their children. It is my hope that the advent of Universal Early Childhood Education will promulgate a surer future for the very young.

Further to this Mr. Speaker, the Ministry of Youth Development & Sport will receive one of the largest capital allocations since the completion our national stadia about a decade ago. This level of direct support includes \$1.17 million for a youth development programme. This figure represents a six-fold

increase over last year's figure. I trust that this would please the representative body for young people, the National Youth Council.

While on the matter of youth, Mr. Speaker, permit me to congratulate the efforts of the National Youth Council in hosting an innovative programme on the development of mobile applications for Youth Month in April. Such initiatives are in the right direction and should be broadly supported by our corporate sector, particularly our telecommunications and ICT service providers.

Mr. Speaker, also permit me to congratulate all those young persons recognised at the Annual Youth Awards, also held last month. I urge more young people to get engaged, get active, play a part in developing what is truly their Saint Lucia.

Expanded Support for Sport

Mr. Speaker, while we try to redefine our directions in Sport, I wish to indicate an allocation of just over \$8 million towards sports programmes and infrastructure. Again, this represents a doubling over last year's capital estimate for Sport. A new allocation is a National Coaching Development Programme. This will be complemented by tie-in initiatives under the NICE programme, which will support more structured sports programmes at our playing fields and stadia. Nearly \$1 million has been allocated for upgrading of multi-purpose courts and a further \$1.5 million will be used to make improvements to our national sports centres.

Mr. Speaker, this is an Olympic year and we will see our athletes off to London to represent us at the Summer Games. I wish them well and commend the National Olympic Committee and all other corporate sponsors who will make their paths clear for participation.

Mr. Speaker, we must become more measured in assessing the impact of Sport to society and to our economy. The impact of Sport is perhaps undervalued, and Government is committed to revitalising its efforts to develop Sports Tourism. In the coming year, we will engage stakeholders in a variety of sporting interests to strategise on how we can realise the unleashing of our energies in this regard.

14. TRANSFORMING PUBLIC SERVICES

This Financial Year, our Government will reset the focus on the modernization of the Public Service and on improving its level of service delivery.

This will be done along several different fronts. The first will involve the conduct of functional reviews of critical agencies to ensure that these ministries are properly aligned and configured and able to deliver efficiently, the several services that are part of their mandate. Two of the ministries that will benefit from functional reviews in this financial year are the Ministry of Finance, Economic Affairs, Planning and Social Security and the Ministry of Home Affairs and National Security. Additionally, in the four ministries in which functional reviews have already been completed, namely the Ministries of Agriculture, External Affairs, Infrastructure and Social Transformation respectively, implementation of the recommendations will commence this year.

Longer Hours of Operation and Electronic Transactions

At the Opening of the Tenth Parliament, Her Excellency the Governor General identified the two major initiatives that Government will implement to improve the level of service delivery to the Public Service.

The first involved an extension of the hours for transacting business in Government revenue agencies and the second had to do with facilitating electronic payments. I am pleased to note that some Government agencies, most notably the Ministry of Infrastructure, Transport and Port Services responded positively and with alacrity to the extension of business hours. Others have moved more slowly and this is being addressed. The Ministry of Finance has started to put measures in place for electronic payments and I fully expect this to be operational by November 1 of this year.

Faster Birth Certificate Acquisition Process

Also of note, under the Ministry of Legal Affairs, we should see the completion of a project that will realise faster processing of birth certificates by the use of computing. This will come at a cost of \$0.68 million in this year.

Decentralization of Civil Status Records

Mr. Speaker, citizens of the southern half of the island have complained bitterly about the expense in time, travel and money to obtain civil status records. Their agony has to be brought to an end. Discussions with the Civil Status Registry will be finalized to establish a Civil Status Registry to serve residents of the southern half of the island, hopefully, before the next financial year.

15. NATIONAL SECURITY

Mr. Speaker, the security of our people has always been, and continues to be a major priority for my Government. I am pleased to advise that \$11.69 million will be allocated to improve our national security, correctional and emergency services in the following areas:

1. Strengthening Police Services – In addition to purchasing vehicles, furniture and other equipment, \$1.40 million will be used for the procurement of the long awaited Fingerprint Identification System;
2. Strengthening of Fire Service – \$3.02 million will be used for the purchase of ambulances, fire and sea water hydrants as well as other fire equipment and appliances;
3. Upgrading of the Bordelais Correctional Facility – This includes the installation of a Guard Patrol System among other things, included the likely rehabilitation works given the recent fire there; and
4. Strengthening of the Probation and Parole Services through the Court Diversion Programme (\$0.80 million).

16. CONSTITUENCY DEVELOPMENT PROGRAMME

Finally, Mr. Speaker, the Government has opted to retain the Constituency Development Programme as it promotes construction activity throughout the State, while providing quality of life improvements. It is said that this programme provides an opportunity for Parliamentary Representatives to be more responsive to the needs of their constituents through the identification of projects for implementation in their respective constituencies.

This is based upon the premise that Parliamentarians dialogue with their constituents regularly, and are suitably placed to be cognizant and knowledgeable about the needs of their constituencies. Projects will improve community access in the form of the construction of footpaths and roads; and the establishment and upgrading of social and recreation infrastructure such as the construction of Community Centres, multipurpose courts and upgrading and lighting of playing fields.

This year Mr. Speaker, the Programme will continue to give priority to the selection of contractors from within the respective communities for the implementation of the projects. This is expected to create much needed employment within these communities, while at the same time, developing the skills and capacity of small community contractors and their workers. Through the provision of capacity building initiatives to these small community contractors, it is expected that some of these contractors will develop sufficiently that they would then be able to bid on larger projects. In other words, Mr. Speaker, we are not just providing jobs under this measure but building the capacity of community contractors and workers for sustainable livelihoods. This will be enabled by a sum of \$12.00 million.

17. FINANCING THE BUDGET

Mr. Speaker, I will highlight some of the major spending aspects of the financial year. The total budget amounts to \$1,457.86 million including \$962.94 million in respect of recurrent expenditure and \$494.92 million for capital expenditure.

17.1 Sources of Funding

I propose to finance the budget in the following manner:

1. Recurrent revenue of \$922.14 million of which tax revenue is projected to be \$845.51 million, representing 92% of the total projected recurrent revenue;
2. Capital revenue resulting from the proceeds of the sale of lands in the amount of \$0.72 million;
3. Grants in the amount of \$105.33 million. Mr. Speaker, the people of Saint Lucia are very grateful to the many friendly governments and multi-lateral organizations for their contribution to this budget. The main donors are the European Union with a contribution of \$37.70 million; the Republic of China on Taiwan whose contribution is \$33.04 million; the Japanese Government with a contribution of \$13.95 million and the Caribbean Development Bank for \$7.90 million;
4. Government Instruments, including Bonds of \$323.99 million; and

5. Finally, Mr. Speaker, other loans of \$105.68 million from the following institutions: \$69.80 million from the Caribbean Development Bank (CDB); \$28.43 million from the World Bank and \$7.44 million from the Kuwait Fund for Arab Economic Development.

17.2 Allocation of Expenditure

Mr. Speaker, the proposed expenditure will be allocated to the main sectors as follows:

Economic Services Sector

To the Economic Services Sector, approximately \$842.6 million will be allocated. Of this amount, \$339.8 million is for Debt Servicing, Retiring Benefits, NIC Contributions, Refunds and Contingencies. The overall allocation to this sector represents a 12% increase over the previous year's allocation. Approximately 40.8% of the total allocation to this sector, in the amount of \$343.8 million, is for the Capital Investment Programme.

Social Services Sector

Mr. Speaker, \$427.8 million will be invested in the Social Services Sector. This represents 29% of the total expenditure budget. The bulk of this expenditure is allocated to Education and Health. Also of import is a \$4.00 million increase to the capital budget for Youth Development and Sport over the previous financial year. This means that \$9.26 million will be spent on this important new Ministry's development agenda. This will see the creation of new playing fields, \$2.30 million to continue the lighting of recreation areas and a \$1.18 million Youth Development Programme. Mr. Speaker, coupled with over \$3 million for an After-School Programme under the Ministry of Social Transformation, we trust our youth will see new possibilities on the horizon.

Justice Sector

Mr. Speaker, I have allocated \$135.7 million for the Justice Sector. This represents 9% of the total expenditure budget. The principal initiative of the Government this financial year, Mr. Speaker, is to create a new and exclusive unit to protect members of the judiciary. This unit will be staffed by fifty-six, specifically selected and trained, Special Constables. Provision is also made for the recruitment and training of some thirty new police officers. The total cost of these initiatives is \$2 million.

Mr. Speaker, I am very concerned about the sub-par state of our judicial infrastructure. In this fiscal year the Government will focus on a number of initiatives to improve the Courts system, both in terms of automation of records and infrastructure.

18. CONCLUSION

Mr. Speaker, in commending this Appropriation Bill to this Honourable House, I remind members that though these may be challenging times, there can be no room for bitterness and inaction. These are exciting times; times for courage, not cowering and unproductive chatter. These are times for discipline in how we spend, in how we invest, in how we conduct ourselves with one another. There cannot be a time like this again Mr. Speaker. Our opportunities as a small, open state are not always visible but they are indeed real nonetheless.

Indeed, Mr. Speaker, these are not times for politicians to beat their chests with false confidence. These are times for our confidence to be built on the strength and ingenuity of our people.

This year's budget seeks to move us away from the pathways to the edge, while not in any way being austere. We can see the effects of austerity in Europe as we speak. We should ensure that we do not cause ourselves to get to that point. We are confident, Mr. Speaker, that the socio-economic path described through this Budget is the right one. It is the right one in order for us to be more responsible for our affairs while maintaining social peace.

Mr. Speaker, the world over is marking the year 2012 as the International Year of Cooperatives. The simple idea of coming together – of collaborating, of achieving more as a whole, than what can be achieved in parts – is at the heart of cooperatives. I applaud the Cooperative Movement in Saint Lucia, from fishers to farmers, from civil servants to artists and calypsonians, we can all benefit from shared action and purpose. I welcome all to be part of a national cooperative, so to speak; one committed to peace, law and order and common good.

I am heartened by the outpouring of interest in this year's Budget process and I know this is a sign that young and old want to be aware, want to be partners in development. The task at hand, if this House so permits, will be to ensure that we can deliver and implement effectively the demands of the State. This will take prudence, careful project management and monitoring, and the commitment of all actors, be they in the public or private sectors.

Government is cautiously confident that we can meet our growth and debt management targets as we set our country on the right path. I urge all Saint Lucians to find ways and means of tackling our greatest challenge of getting our country back to work. This is our Saint Lucia, our finances, our way forward to betterment for all.

Mr. Speaker, I so move the Appropriation Bill for the Financial Year 2012/2013.

NOTE ON FIGURES

All dollar values are in Eastern Caribbean Dollars (XCD), unless otherwise indicated.

The conversion rate used between United States Dollars and EC Dollars - 1 USD : 2.7 XCD.

All figures shown in millions are generally rounded off to 2 decimal places.

LIST OF ABBREVIATIONS

ADC	Airport Development Charge
ADIR	Agricultural Development Incentive Regime
APL	Amazon Properties Ltd.
BEEP	Basic Education Enhancement Project
BNTF	Basic Needs Trust Fund
CARIFORUM	Caribbean Forum (CARICOM & Dominican Republic)
CDB	Caribbean Development Fund
CPIP	Constituency Projects & Infrastructure Programme
CSME	Caribbean Single Market and Economy
DFC	Design, Finance and Construct
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EPA	European Partnership Agreement
EU	European Union
FAD	Fish Aggregating Device
FCIB	First Caribbean International Bank
GDP	Gross Domestic Product
GOSL	Government of Saint Lucia
HAT	Hotel Accommodation Tax
HOPE	Holistic Opportunities Promoting Empowerment
ICC	International Cricket Council
ICT	Information and Communications Technology
IFC	International Financial Corporation
IMF	International Monetary Fund
JOBS	Joint Opportunities for Building Saint Lucia
LPG	Liquefied Propane Gas
NAPP	National Apprenticeship and Placement Programme
NCOPT	National Council on Public Transportation
NDC	National Development Corporation

NHC	National Housing Corporation
NIC	National Insurance Corporation
NICE	National Initiative to Create Employment
NSDC	National Skills Development Centre
OECS	Organisation of Eastern Caribbean States
OPSR	Office of Private Sector Relations
PPP	Public/Private Partnership
SBTAP	Small Business Targeted Assistance Programme
SLASPA	Saint Lucia Air and Seaport Authority
SLBC	Saint Lucia Banana Corporation
SMEs	Small and Medium Enterprises
SMILES	Single Mothers In-Life Enhancement Skills
SSDF	Saint Lucia Social Development Fund
STEP	Short Term Employment Programme
TEPA	Trade Export Promotion Agency
UHC	Universal Health Care
US	United States
USAID	United States Agency for International Development
VAT	Value Added Tax
WASCO	Water and Sewerage Company
YAEP	Youth Agricultural Entrepreneurship Programme
YEP	Youth Empowerment Programme

APPENDIX I: SUMMARY OF 2012/13 ESTIMATES BY AGENCY

SUMMARY OF ESTIMATED EXPENDITURE FOR FY 2012-13 (in millions of Eastern Caribbean Dollars)			
AGENCY	Recurrent	Capital	Total
Governor General	0.93	0.03	0.96
Legislature	2.35	0.10	2.45
Service Commissions	0.85	0.00	0.85
Electoral Department	1.28	0.00	1.28
Audit Department	1.89	0.00	1.89
Office of the Prime Minister	8.79	35.92	44.71
Ministry of the Public Service, Information and Broadcasting	25.14	9.39	34.54
Attorney General's Chambers	5.24	0.38	5.62
Ministry of Legal Affairs	14.90	1.44	16.33
Ministry of Home Affairs & National Security	102.09	11.69	113.78
Ministry of Agriculture, Food Production, Fisheries & Rural Development	15.47	24.61	40.08
Ministry of Commerce, Business Development, Investment & Consumer Affairs	18.17	5.94	24.11
Ministry of Infrastructure, Port Services & Transport	29.55	95.89	125.43
Ministry of Finance, Economic Affairs, Planning & Social Security	388.33	105.48	493.81
Ministry of External Affairs, International Trade & Civil Aviation	21.21	0.00	21.21
Ministry of Tourism, Heritage & Creative Industries	5.21	53.95	59.17
Ministry of Physical Development, Housing & Urban Renewal	9.19	17.36	26.54
Ministry of Social Transformation, Local Government & Community Empowerment	29.64	33.30	62.93
Ministry of Education, Human Resource Development & Labour	168.14	43.48	211.62
Ministry of Health, Wellness, Human Services & Gender Relations	97.95	41.11	139.06
Ministry of Youth Development & Sport	4.97	9.26	14.23
Ministry of Sustainable Development, Energy, Science & Technology	11.67	5.60	17.27
TOTAL EXPENDITURE	962.94	494.92	1457.86

APPENDIX TWO: 2012/3 RECURRENT EXPENDITURE BY CLASS

Standard Operating Classification	Total (in millions of EC Dollars)	% of Total
Personal Emoluments	325.23	33.8%
Wages	44.21	4.6%
National Insurance Scheme	9.00	0.9%
Retiring Benefits	60.70	6.3%
Travel & Subsistence	12.48	1.3%
Hosting & Entertainment	0.37	0.0%
Passages	0.70	0.1%
Training	8.11	0.8%
Office & General	5.46	0.6%
Supplies & Materials	26.03	2.7%
Stationery	0.01	0.0%
Stamps & Stamped Stationery	0.03	0.0%
Utilities	28.36	2.9%
Tools & Instruments	0.26	0.0%
Communications	9.93	1.0%
Operating & Maintenance	22.41	2.3%
Rental of Property	33.50	3.5%
Hire of Property	2.02	0.2%
Reserved	10.00	1.0%
Grants & Contributions	72.65	7.5%
Subsidies	18.00	1.9%
Rewards, Compensation & Incentives	2.45	0.3%
Commissions	0.00	0.0%
Interest payments	126.81	13.2%
Loan Repayments	91.22	9.5%
Sinking Fund Contributions	9.56	1.0%
Public Assistance	5.56	0.6%
Refunds	8.53	0.9%
Professional & Consultancy Services	7.17	0.7%
Retroactive Wage Settlements	8.09	0.8%
Contingency	9.00	0.9%
Insurance	3.75	0.4%
Advertising	0.06	0.0%
Miscellaneous	1.29	0.1%
TOTAL RECURRENT EXPENDITURE	962.94	100.0%

APPENDIX THREE: FINANCIAL SUMMARY

TOTAL RECEIPTS AND PAYMENTS (in EC Dollars)		
RECEIPTS		
Recurrent Revenue		922,135,621
Capital Revenue	723,382	
Grants	105,325,849	
Proceeds from Bonds	15,802,479	
Treasury Bills	25,000,000	
Loans	388,871,769	535,723,479
Total Receipts		1,457,859,100
PAYMENTS		
Recurrent Expenditure	962,938,100	
Capital Expenditure	494,921,000	
Total Payments		1,457,859,100
OVERALL BALANCE		0

SUMMARY OF RECURRENT AND CAPITAL ACCOUNTS (in EC Dollars)**RECURRENT ESTIMATES**

Recurrent Revenue		922,135,621
Recurrent Expenditure	962,938,100	
Less Debt Principal and Sinking Fund Payment	100,781,033	862,157,067
Current Balance		59,978,554
Less:		
Debt Principal and Sinking Fund Payments		100,781,033
Recurrent Financing		
Add:		
Proceeds from Bonds	15,802,479	
Treasury bills	25,000,000	40,802,479
Amount available for Capital		0

CAPITAL ESTIMATES**Capital Receipts:**

Add: Sale of Assets	723,382	723,382
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Capital Financing:

Grants	105,325,849	
Loans	388,871,769	494,197,618
Total Capital Financing		494,921,000

Capital Expenditure:

Revenue	723,382	
Grants	105,325,849	
Loans	388,871,769	494,921,000

OVERALL BALANCE **0**