



# **GOVERNMENT OF SAINT LUCIA**

## **BUDGET ADDRESS For the Financial Year 2019/2020**



**“Growth by Empowerment for a Better Future”**



***Honourable Allen Michael Chastanet  
Prime Minister and Minister for Finance,  
Economic Growth, Job Creation, External  
Affairs and the Public Service  
April 15, 2019***

**Mr. Speaker;**

It is always an honour and a pleasure for me to present the annual Budget to this Honourable House and this year is no different. Of course, I must first thank the good people of Micoud South for their continued support and guidance. I am also grateful for the encouragement I receive almost daily from Saint Lucians of all walks of life.

From a personal perspective the process of preparing the Budget affords me the opportunity, as Minister for Finance, to bring an acute focus to bear on where we are as a country. From the Government's perspective it allows us, the Executive, to measure our accomplishments against the policies and programmes espoused in our Manifesto and to see where we need to re-double our efforts. I am certain that the members of Cabinet will give a good account of the progress made by the Ministries under their charge, during the course of the debate.

I humbly submit Mr. Speaker, that as we approach the end of the third year of this term we have several achievements of which we can be proud. It is all too easy Mr. Speaker to become distracted by numbers and statistics, or by global developments and to lose sight of the everyday experience of the average Saint Lucian. But that, Mr. Speaker, is why we are here. It is why the people of Saint Lucia elected us - to represent their

interests and to make their everyday lives more comfortable. Let there be no doubt Mr. Speaker, this remains our singular purpose.

On this occasion Mr. Speaker, I think it is important for me to have a conversation with the country on the way forward for Saint Lucia; how what we do will make a difference for every Saint Lucian and what is required to get us there.

To put things into context, Mr. Speaker, there are many areas where we tick all the right boxes, both as a Government and as a country.

- The economy continues to grow; it has grown by 8% since we first took office
- Our debt to GDP is coming down, although it is still a bit above the prudential benchmark, the debt to GDP ratio has fallen from 67.7% in 2015, to 64.9% in 2018;
- Stay over visitors have increased from 344,000 in 2015, to 394,000 in 2018
- Cruise visitors continue to break records and has increased from 677,000 in 2015 to 760,000 in 2018;
- Investors continue to want to finance tourism development;
- There is a primary surplus;
- The fiscal deficit is within manageable limits and
- Unemployment has fallen from 24.1% in 2015 to 20.2% in 2018.

Despite all of these positives Mr. Speaker, Saint Lucia has been lagging behind our ECCU neighbours in what the experts call quality of life indices. Unemployment, especially among young people is too high; poverty is still too widespread; education is not meeting the needs of students or businesses; healthcare is inadequate and crime continues to rise. This is the experience of the average Saint Lucian, Mr. Speaker. We cannot run away from it. This Government will **not** run away from it, Mr. Speaker. We are going to continue to meet it head on. What is required is our continued commitment and perseverance. If we don't continue on this path we will be doomed to a cycle of wash, rinse, repeat for another twenty years if we do not act now.

This is the premise in which this year's Budget is grounded Mr. Speaker - the need to break free from stagnation and focus on the things that are going to turn lives and the country around. The urgent need, Mr. Speaker, to unlock the opportunities that will propel every Saint Lucian to an acceptable standard of living and offer the chance to build wealth for themselves and their families. This is our singular focus Mr. Speaker. We are all going to have to get used to doing things differently if we are going to hit our targets and make a difference to people's lives. The people of Saint Lucia demand this and they deserve no less.

Mr. Speaker, even the most partisan member of our society will admit that on coming to office in mid-2016, this Government inherited a country with significant economic and social challenges which strangled growth. We quickly understood that we had to take immediate steps to bring our infrastructure into the 21st century and modernise the public administration of the country, if we were going to provide the opportunities that our people demand of us, and which we promised to deliver. We have started Mr. Speaker, but the pace is about to quicken.

Equally important, Mr. Speaker, we had to take measures to improve the finances of the country, so as to restore confidence in the economy and give the Government the additional fiscal space required to implement many of the programs I will announce today.

Even before coming to office we realized that our debt profile presented a real risk to Saint Lucia. Too much of our debt was in short term Treasury Bills which exposed the country to the spectre of default in the event of an external shock. Over the last two and a half years therefore, we have made a concerted effort to convert our short-term debt to longer-term bonds to reduce refinancing risk. Whereas much of the planned intervention will require an increase in the debt stock, my Government is mindful of this and new revenue streams have been established to service these debt arrangements. The strategy is working and I will go into greater detail on this later in my presentation, but I believe it is important that this

House and the country have an appreciation of the foundation that was being built to allow us to change gears and take the next step – that of **people-centred growth**.

### **Medium-Term Development Approach**

With this in mind, the Government has been engaged in restructuring the economy, putting us on a path to growth and has developed a Medium-Term Development Plan for the period 2019-2022. This Plan identifies six key areas to achieve sustainable and inclusive growth by 2022.

**The goals of the six key areas are as follows:**

- ***Healthcare*** – Affordable access to quality healthcare
- ***Education*** – enrollment of 7,500 students in public post-secondary or tertiary education and TVET programmes
- ***Citizen Safety*** - 45% reduction in serious crimes
- ***Tourism*** - 40% increase in tourist arrivals
- ***Agriculture*** – increasing exports in bananas and cocoa
- ***Infrastructure*** - 99km roads, double air lift capacity, 40% increase in cruise capacity

I will identify in greater detail some of the game changers in the six strategic areas outlined as I proceed, but I wanted to draw to the attention of this Honourable House and to the country that this Budget is about

much more than debt management, fiscal strategy and tax reform. It is about building a culture of delivery to implement the social and economic platforms critical for robust growth that will provide a fair share for every Saint Lucian and take us to a different level.

This Medium-Term Development Plan is designed to provide opportunities for our young people to be in a better position to find jobs, own their own homes and to give them a future as productive citizens of their country. It will give farmers the ability to earn more to support their families. It will provide more jobs in the construction and tourism industries. It will ensure that every Saint Lucian has access to affordable, quality healthcare and make travel into and around our country safer and more comfortable.

That is what this government is committed to, Mr. Speaker and that is what this Budget will address.

### **International Economy**

I now turn briefly, Mr. Speaker to the International Economy. I am not going to burden Members with a slew of figures that is easily available elsewhere. Suffice it to say, that global economic growth weakened slightly in 2018, despite an acceleration of growth in the United States. Some commentators are predicting the start of a cyclical downturn, but risks of an outright global recession in 2019 appear low. According to the



latest IMF World Economic Outlook report of April 2019, one thing seems certain, the global economy is estimated to slow to 3.3% in 2019 from 3.6% in 2018.

We note with interest, the increasing trade tensions between the US and China, and we are aware of the possible fallout this could have on global trade. The World seems to be retreating from globalization as nationalism takes a deeper hold in the US and across Europe. Brexit remains an unresolved crisis with few commentators able to reach a consensus on the long-term effects it will have on the global economy.

Uncertainty in the economies of our source markets for tourism and investment could pose a threat to us and we are watching these developments closely. It is therefore even more critical that we position ourselves to accelerate growth in order to mitigate any external shocks that any of these issues could give rise to.

### **Regional Economic Performance**

Mr. Speaker, growth was positive across the region in 2018. For instance, Grenada recorded growth of 4.8%, and only Anguilla and Barbados recorded negative growth. The experience of our Caribbean neighbours is instructive for us here in Saint Lucia, Mr. Speaker, because it allows us to



avoid some of the pitfalls that can hamper economic expansion and gives us real time examples of strategies that can be of benefit to Saint Lucia.

Taking the example of Grenada, Mr. Speaker, despite recording an estimated 4.8%, their unemployment rate only fell by 2.7% to close at 20.9% last year. Here at home, despite a slower than anticipated growth rate, unemployment is averaging 20.2% for the year so far, but fell in the last quarter of 2018 by 7.0 percentage points to 16.2% compared to 23.2% in the last quarter of 2017. Clearly, Mr. Speaker our focus must be on growth that provides sustainable jobs and I repeat that this is one of the main aims of this Budget.

On the positive side, we have noted the benefits of strong fiscal management on Grenada's growth path, as well as the vigorous programme being undertaken by Barbados to restructure debt and curb expenditure to stabilize their fiscal position.

Across the ECCU, adverse weather events continue to pose a threat to our agriculture and in extreme cases, such as Dominica, can grind economic activity to a perilous halt. It is therefore critical that we continue to build resilience into our infrastructure and among our people.

I will now examine our performance over the last Budget year.

## **Domestic Economic Performance and Prospects**

### **2018 Performance:**

Mr. Speaker, Saint Lucia has been on a consistent path of economic expansion, recording positive consecutive real growth rates since 2016. Even though there was less construction activity, positive growth was recorded in most other sectors in 2018:

- Tourist arrivals across all categories grew by 10.2% to register a new record of just over 1.2 million visitors in 2018.
- Cruise arrivals set a new record high, growing by 13.6% to over 760,000.
- Similarly, stay-over arrivals continued to trend upward, increasing by 2.2% to almost 395,000, the highest to date. This was due to favourable economic conditions in source markets, expanded airlift and enhanced marketing efforts.
- Yacht arrivals also increased by 26.7% in 2018.
- Despite the damage caused by Tropical Storm Kirk in September, the agriculture sector showed signs of recovery with expansions recorded in all sub-sectors with the exception of fisheries.
- Banana exports grew by 3.2% to almost 14,000 tonnes and export revenue increased by \$1.9 million to \$20.3 million in 2018.

- The livestock sub-sector is estimated to have expanded with egg production rising by 30.7% to a peak of 1.7 million dozen, while chicken and pork production together increased by 0.8% in 2018.

I have taken the time to go into some detail Mr. Speaker to demonstrate that contrary to the Government's critics there has been improvement in economic activity that positively affect the lives of thousands of Saint Lucians. What this Budget proposes to do is expand the reach and impact of growth in the economy for the benefit of every Saint Lucian. A fair share for all, Mr. Speaker.

On the fiscal side, there was an improved performance driven by higher revenue of 6.4%. Receipts from the CIP were significantly higher at \$66.4 million compared to \$27.8 million the year before. This led to a larger primary surplus, up from \$52.3 million to \$101.5 million and a lower overall fiscal deficit down to \$69.7 million from \$110.1 million the year before. Our public debt to GDP declined to 64.9% in 2018, from 65.2% in 2017.

In the financial sector, commercial bank profitability improved in 2018. I note with interest the positive performance of ECFH, which has posted two consecutive years of profits. Bank lending continued to contract while deposits expanded further, leading to increased liquidity in the banking system. Non-performing loans continued to trend downward to 10.0

percent at the end of 2018. In the non-bank financial sector, credit union loan stock expanded further, while the insurance sector experienced increased activity.

### **2019 Outlook:**

Mr. Speaker, the short to medium term economic prospects for the domestic economy are positive. Saint Lucia is poised to experience continued expansion with a projected upturn in 2019 and 2020. Growth will be driven by robust construction activity in the public and private sectors.

Government's major infrastructure investments in this fiscal year, include the following:

- The HIA rehabilitation project has started with designs and related geotechnical surveys at an advanced stage. The project is expected to take 30 months from groundbreaking to completion and is expected to cost US\$175 million;
- The Taiwanese funded road development programme, amounting to US\$42 million over 36 months is about to commence on strategic

roads island-wide, including roads that will link farmers and rural communities with the rest of the island;

- In addition, road rehabilitation projects are in train for the West Coast Road and the Millennium Highway, where the consultant has been appointed and designs are well advanced. Both of these roads are funded by UK Caribbean Infrastructure Fund (CIF) grants amounting to approximately US\$43 million;
- Site preparation has started in anticipation of the construction of the new wing at the St. Jude Hospital, as well as rehabilitation and improvement to the existing structures. The estimated cost of works is US \$30 million.
- Construction works will accelerate on the John Compton Dam, Dennery Water Supply Redevelopment (phase two) and Vieux-Fort Water Supply Redevelopment all in this fiscal year;
- The Castries Market Redevelopment Project is expected to commence during this fiscal year and will be undertaken on a phased basis. A temporary site has already been identified for the relocation of vendors.
- Port development is expected in the medium term in both Castries and Vieux Fort. Preliminary discussions are ongoing with international partners;
- Construction of the Cul de Sac Bridge, which has undergone some project re-design as no tenders were received that fell within the

grant budget provided by the Government of Japan. The bridge will be built, but the government of Saint Lucia will provide the funding for works ancillary to the bridge.

It is also anticipated that in the private sector, at least seven major hotel projects are expected to commence during this financial year:

- The Environmental Impact Assessment for the Resort and Residences at Honeymoon Beach in Canelles is 95% complete and the developer hopes to break ground shortly. This project will be constructed in three phases. Phases 1 and 2 will be the construction of the hotel and residences, which will be financed by the developer. Phase 3, which is a CIP approved project, will be the construction of villas.
- The hotel in Choiseul has been taken over by a new investor and will no longer be a Fairmont branded property. There have been minimal changes to the design, the financing has been secured and construction is expected to commence in the fourth quarter of this year.
- With the Sandals Project, we are awaiting the outcome of a legal matter and once this is resolved the 360-suite project at a cost of US\$200 million will get underway.
- A 400-room hotel is earmarked for Choc with plans well underway.
- 150-room Courtyard Marriot at Pointe Seraphine.

- We will announce very shortly a major hotel-golf course in Cap Estate.
- The development of the DSH project continues with our first race rescheduled to National Day this year. The horse racing track is being enhanced with two boutique hotels along with a polo and equestrian field. The second phase of the track is to include apartments, offices and commercial space is due to commence later this year.

These projects will provide hundreds of jobs during the construction phase and further employment once the properties are complete and open.

Mr. Speaker, in addition to heightened activity in the construction sector, growth will be supported by an expansion in the tourism sector which is expected to continue in 2019 with projected increases in arrivals for stay overs and for cruise visitors.

I should point out that after the recent devastating hurricanes that affected hotel operations in several regional destinations, the situation is now normalizing and growth is therefore not expected to be quite as robust. This situation therefore provides the impetus for us to re-double our marketing and airlift efforts.



## **Enhancing Implementation**

I have outlined where we are, Mr. Speaker and where we anticipate growth in the coming fiscal year. What I now propose to outline in more detail is the way forward for various sectors, but first I must explain how we propose to manage the implementation of our development strategy. We recognise that implementation has not kept pace with policy and this has led to disappointment in various segments of our society. This problem has become as frustrating for us as it has for many Saint Lucians.

To this end Mr. Speaker, we have established a Performance Management and Delivery Unit (PDMU) comprised of skilled professionals from a variety of backgrounds, with a mix of experience in both the public and private sectors to manage implementation of the Medium-Term Development Plan.

The core activity of the PDMU is to:

- **Provide support and challenge** to sectors in delivery planning to ensure plans are sound, comprehensive and specific (e.g. detailing milestones, responsibilities and timelines);

- Provide **performance insights through monitoring and reporting** on the delivery of the top priorities, both through data analysis and regular fieldwork to validate data;
- **Solve implementation problems** in key priority areas, working closely with leaders from across sectors;
- **Build capacity** in delivery across the public service through better planning, implementation and knowledge sharing; and
- **Coordinate across sectors** to ensure effective resource utilization and timely responses to implementation challenges.

I also want to make clear Mr. Speaker, that once the Performance Management and Delivery Unit is fully staffed and functioning, the relevant Cabinet Ministers and their respective teams will ultimately be responsible for delivery of the goals under the six strategic development areas.

### **Key Sector Strategies of Medium Term Development Plan**

That brings me Mr. Speaker to the Six Key Result Areas (KRAs) of which I spoke earlier.

## **Health Sector Strategy**

The health sector has been a challenge for some time now Mr. Speaker, but one, which we are, determined to solve. I appreciate that it has taken longer than desirable, but we are committed to getting it right so that every Saint Lucian has access to quality health care. During the coming financial year, the Government will invest EC \$162 million in the health of Saint Lucians at all levels.

While it is easy to focus on the OKEU and St. Jude Hospitals, a lot of work has been going on behind the scenes to ensure that clinical and non-clinical service standards move towards meeting international standards and sector best practices through consultation with the Pan American Health Organisation, the World Health Organisation and the Caribbean Medical Labs Foundation.

To achieve the strategic health outcomes over the medium to long term, the Department of Health and Wellness shall pursue the following health sector drivers during this financial period:

1. Design and Implementation of a National Health Insurance.
2. Strengthening of Primary and Public Health to:
  - Ensure every child gets their full vaccines
  - Increase effectiveness of our prevention of NCDs
  - Increase our attack on mosquito borne diseases
  - Strengthen the quality of primary wellness centres and medical centres.

3. Implementation of a Quality Assurance Framework, through the adoption of ISO-9001: 2015, the international standard for quality management systems
4. Full commissioning of the National Hospitals in the new locations.

### **National Health Insurance**

To secure affordable access to health care services, a National Health Fund will be established, with the sole purpose of funding the national health insurance. I wish to point out that the Government will ensure that adequate provisions will be made to cover the poor and most vulnerable within our society.

Cognizant of the necessary legislative and institutional changes required to facilitate the full establishment of the national health insurance scheme, the Department of Health and Wellness shall implement a pilot NHI while undertaking the necessary changes to support the system concurrently. A National Health Insurance Committee has been set up to present the best model and financing options to Cabinet.

Mr. Speaker, all options will be examined including general tax revenues, donors, and increase in contributions, to arrive at the appropriate mix that will ensure affordability, choice and full participation of all Saint Lucians.

In the coming months we will embark upon broad based consultations with all stakeholders.

### **Owen King EU Hospital**

The full commissioning of the OKEU Hospital continues to be a top priority for my Government. Along with the Dialysis and Physiotherapy Units, all outpatient services with the exception of the Oncology Clinic have been transferred to OKEU Hospital. It is therefore expected that the transitioning will continue into the first quarter of this budget year with the full commissioning of the Laboratory and Imaging services, which has already commenced, to be followed by the full transition of all inpatient services. Plans for the physical relocation of all staff, equipment and services from the Victoria Hospital are well advanced.

Cognizant of the shortfall in beds, the Mental Wellness Centre will be reconfigured to facilitate the addition of another forty beds.

The Victoria Hospital is an aged plant with many structural issues. The decommissioning of the Victoria Hospital will mean that services such as the Cuban Eye Health Programme, the Sexually Transmitted Infection Clinic and the Oncology Unit are to be relocated to enable the sanitization of the premises for the prevention of disease transmission.

- The Cuban Eye Health Programme will be relocated to the Old Turning Point facility at an estimated cost of \$1.45 million;

- The Oncology Unit will be relocated to the National Mental Wellness Centre at an estimated cost of \$1.2 million;
- The Sexually Transmitted Infection (STI) Clinic will be relocated to the Castries Wellness Centre at an estimated cost of \$2.3 million.

### **The St. Jude Hospital**

Mr. Speaker, the subject of St. Jude Hospital has been a hotly-debated topic in this Honourable House and for good reason. There has been understandable dissatisfaction over the fact that almost 10 years after the fire in 2009, and significant sums provided by private individuals, friendly Governments and the Central Government, the people of Saint Lucia still do not have a functioning hospital on the site.

My Government has been criticized for its approach to dealing with what we inherited under this project when we came into office in June 2016. However, any responsible Government would have done precisely what we did, that is, undertake a review of what transpired on the Project. On the basis of the findings of the Technical Audit completed in 2017, the Project was suspended with a view to allowing us an opportunity to determine the most appropriate approach to completion and commissioning of the hospital. The Technical Audit highlighted significant deficiencies in the planning and execution of the Project that

led to significant expenditure over and above the original project cost, yet the project remained over 50 percent incomplete.

Mr. Speaker, the St. Jude Hospital Reconstruction Project will deliver a 90-bed facility that will cater for both inpatient and outpatient services.

The Project will involve the construction of:

- a) A new wing to incorporate all the functions and services of the existing East and Surgical Wings. It will comprise inter-connected two-storey structures to be erected on the left-hand side of the entrance to the existing site.
- b) Integration through retrofitting of some existing buildings to achieve a fully functioning hospital to match the services of a level 4 facility; and
- c) Revision of the internal layout of buildings to be integrated for functional efficacy and compliance to minimum standards.

Mr. Speaker, the Project is expected to have a duration of 18 months. Funding for the Project will come from the US\$10 million, which is the undisbursed balance on the existing US\$20 million loan with the Republic of China on Taiwan, which was agreed in 2014, and an additional amount of US\$20 million, which has been approved with the same creditor.

Mr. Speaker, my Government wishes to place on record its immense gratitude for the patience and understanding of the management and staff



of St. Jude Hospital as well as the sportsmen and women of this country who have had to endure such a long period of utilization of the Stadium for a purpose for which it was not created.

Mr. Speaker, primary health care across the country is undergoing a major overhaul, including more resources for better management of and education about Non-Communicable Diseases, which present a clear danger to many Saint Lucians. To this end a Wellness Centre will be constructed in Micoud through funding provided by the World Bank of US\$1.2 million.

Again, with funding provided by the World Bank, of over US\$4.5 million, the people of Dennery will have a brand-new Polyclinic.

A new Soufriere Hospital will serve the people of Soufriere, Canaries, Fond St Jacques and Choiseul. The cost is to be determined subject to the finalization of the design.

These three facilities will relieve the pressure on the national hospitals and provide expanded healthcare to our various communities. Mr. Speaker, I want to put to rest forever the propaganda that the United Workers' Party Government does not care about people.

We are not stopping there, Mr. Speaker. Through the assistance of the Pan American Health Organisation and funding provided by the United Kingdom Department for International Development of \$8.48 million,

seventeen health centres will be upgraded as part of a SMART project to make them:

- Safe and operational both during and after extreme weather events and emergencies;
- Climate resilient so that they are adapted to changing weather patterns;
- Sustainable and energy efficient with lowered carbon footprints and operational costs.

They include Comfort Bay Senior Citizens Home, La Clery Wellness Centre, Vieux-Fort Wellness Centre, the Transit Home, Deruisseaux, Belle Vue and Mon Repos, Saltibus, Mongouge, La Fargue Wellness Centre, Bexon, Laborie and Richfond Wellness Centre, Monchy, Entreport, Ti Rocher and Castries Wellness Centre.

### **Education Sector Strategy**

Mr. Speaker, I do not think I am betraying any state secrets by admitting that over the years our education system has become unresponsive to our national development goals and the personal ambitions of our students. This is not a condition that began yesterday or in 2016, but it is a situation on which we must act now if we are to move our nation forward with

confidence and if our young people are to fulfill their dreams, while becoming productive builders of our society.

The course of action, which we have started and are about to accelerate, will revolutionize both teaching and learning in Saint Lucia in both the short and long term. It will touch every age group across a range of academic and vocational disciplines and take Saint Lucia to the next level.

In this regard, we will advance efforts to modernize our school curriculum and teaching methods so that we can raise pass rates and provide our young people with the skills that will enable them to find rewarding and productive work. This is the main aim of our education strategy.

What it means is, we are going to improve the quality of our technical education and that we are going to improve the quality of our school education. The Centres of Excellence in Sport and the Arts & Culture, will provide non-traditional, but important avenues for students to realise their full potential whilst receiving a sound secondary level education.

Mr. Speaker, it is critical that we improve the quality of education we provide to our students if they are to lead productive, fulfilling adult lives. The pass rates for some subjects at the CSEC level are unacceptably low.

The Ministry of Education will continue to provide professional development training for teachers, so they are better able to deliver a higher quality of instruction. Our aim is to increase the number of students

who qualify for university education. Coupled with this, is an academic and social support programme for students enrolled at the Sir Arthur Lewis Community College aimed at reducing the number of dropouts.

I am especially pleased that money has been provided in the Budget for the SCORE programme to give extra support to students in specific subjects to help carry them over the line. The programme will be inaugurated during Summer School this year Mr. Speaker.

I am pleased to announce that an additional \$10 million has been allocated in the Budget for the re-building and refurbishment programme during the coming fiscal year.

In addition, the ICT Integration Project (SMART Schools) will receive \$2.5 million towards its digital literacy curriculum. This is a vital component of 21<sup>st</sup> Century learning and teaching Mr. Speaker. The technology provides teachers with access to a wide new range of teaching tools and methods. Students, who for the most part are already familiar with smart devices, will have a learning channel more in touch with their everyday experience and will be better equipped for present day jobs.

## **Sports Development**

My Government will invest \$20.6 million in sporting facilities and programmes across the country during this financial year. These facilities will ensure our youth channel their energy into positive, healthy activity. I have said it before and it bears repeating now that it is better for our young people to join clubs than join gangs. Four sports facilities have been identified initially for further development as follows:

- a mini stadium at Soufriere
- a large sports hub at Dennery
- a medium sports hub in Micoud North and
- a community hub in Micoud South

In addition we will soon have the School of Excellence at Gros-Islet, where a pilot programme has already been introduced for Form 3s as the first step of phasing in the sports curriculum.

Our emphasis on sports serves a dual purpose, Mr. Speaker. From a social perspective it gets our youth engaged in healthy activity and off the streets after school, whilst building community spirit. From a development standpoint it provides them with training that can lead to university scholarships abroad and careers as professional athletes. It will be money well spent providing significant social dividends.

The Government's plans to merge the National Lottery into the Gaming

Authority to handle the regulatory aspects of the Lottery also fits into this vision. What this means is we will now establish a new Youth and Sports Authority, with the expertise to be able to invest in sports and cultural development. It will be specifically staffed for this purpose and be able to fund major sporting activities in Saint Lucia. With this investment by the Government, I am making a formal plea for Saint Lucians to engage in the spirit of volunteerism and I am calling on volunteer coaches and trainers to give of their time and knowledge to maximise both the investment and the talent of our young people.

Permit me, Mr. Speaker, at this juncture to mention plans for the further development of our music industry. We have seen much success with our local artistes exploring different types of music, especially as it relates to soca, as in the case of Teddyson John, Ricky T and many others and of course in the case of the Dennery Segment artistes. I am happy to report plans for the establishment of a Recording Studio in the community of Dennery and the advancement of plans for the establishment of a recording studio at The Morne. Of course our line up of Summer Festivals and the new structure also now affords our local artistes more opportunities to deliver top notch performances. As a Government we are committed to helping the development of not just music but also the Creative Arts.

## **Citizen Safety & Security Strategy**

Citizen Safety is a key area earmarked for urgent action in the Medium-Term Development Plan. As everyone within earshot of my voice will appreciate, Mr. Speaker, however much we improve the lives of our people if we do not feel secure in our homes, or safe in going about our day-to-day business it will all be for nothing. In addition, rising crime can undermine our tourism industry with visitors simply choosing other destinations where they feel safe.

Citizen Safety will see twelve game changers in three focus areas with the goal of a 45% reduction of serious crime by the end of the strategy term in 2022; and a 30% reduction in repeat offending by that same year. This radical and long overdue approach, Mr. Speaker, will focus on better policing, greater efficiency in the legal system, the rehabilitation of offenders and strengthening the Justice system.

Crime prevention and detection will benefit from a stronger police presence in ‘hotspot’ areas. We will be increasing foot and mobile patrols on the frontline where they are needed most. Mr. Speaker, greater surveillance capabilities are now available to the police, with the building out of the \$5.8 million Safe City CCTV Project in Castries, of which \$1.8 million has been allocated for 2019/2020; in addition, greater focus will be placed on community policing to strengthen community involvement in fighting crime.



Investigation and prosecution are an integral part of reducing crime. The Forensic Lab is already working through the backlog of cases needed to provide evidence in pending criminal cases. Similarly, the re-opening of the Nyerah Criminal Court has resulted in 25% of old cases being cleared, with the target of 70% of backlog cases being cleared by year-end.

Mr. Speaker, my Government does not believe that incarceration is the only solution to reducing crime in Saint Lucia. Rehabilitation will be a key component in crime reduction aimed at preventing re-offending upon discharge. Inmates at the Bordelais Correctional Facility and juveniles at the Boys Training Centre will be offered enhanced life skills, literacy & numeracy schooling, substance abuse counselling and CVQ certification programmes to give offenders the skills to re-enter society with better options for employment, thereby reducing the lure of criminal activity.

In addition, Mr. Speaker, the introduction of a Parole System early in this financial year, is intended to support discharged inmates in transitioning back into the community to give them a better chance at completing their rehabilitation. A Parole System has been promised for several years now and I do not believe I have to convince Honourable Members of the social benefits of its introduction. Alongside a strong rehabilitation programme, we view this as a huge step forward in building a better Saint Lucia.

## **Justice**

Mr. Speaker, my Government has demonstrated its commitment to Justice and the Courts through its continued upgrade and upkeep of the Courthouses and legal infrastructure in Saint Lucia. This administration has spent more on the renovation of Court infrastructure and facilities than any other administration. My Government has renovated a number of Court Houses to make these more comfortable for all users whilst we await the construction of a permanent home for the Courts.

In addition to improvements to the Court infrastructure we have further strengthened the human resources of the offices of the Director of Public Prosecution and the Attorney General's Chambers. An additional Crown Council as well as a Process Server have been added to the DPP's Office; also, additional Legislative Drafters have been added to the Legislative Drafting Unit and this Unit is now fully staffed. A full complement of Legislative Drafters will ensure our legislation is drafted within reasonable time, thereby bolstering our implementation efforts. Also, the Advice and Litigation Unit has received an additional Litigator, which will also strengthen our implementation and execution efforts.

Mr. Speaker the Medium-Term Development Plan identifies three economic sectors where focused action will yield the greatest results – tourism, infrastructure and agriculture.

## **Tourism Strategy**

As the key economic pillar for future growth, considerable attention has been paid to the tourism strategy. Some twenty game changers have been developed to accelerate growth in both tourist arrivals and tourist receipts. The aim is to increase stay-over tourists from 386,000 arrivals in 2017 to 541,000 by 2022.

For us to be successful in attracting more visitors, Mr. Speaker, we must re-pivot the tourist industry in Saint Lucia. We can do this by creating a unique Saint Lucia experience that appeals to travellers seeking an authentic holiday. Whether that is in adventure tourism, ecotourism, heritage tourism or wellness tourism we must evolve our product beyond the package-based offerings now reasonably well covered in our market. Part of our new approach is formal agreements with sharing economy providers like Airbnb. This relatively new market segment is proving more lucrative than traditional accommodation since spend is on-island and touches a wider supply base of goods and services. This is not to say that we will be abandoning or minimising our effort to secure investment in new hotels or the expansion of existing properties, but we must cover all our bases in a changing market place.

Ten of the eleven game changers in the first focus area, “Unlocking High-Impact Tourism Projects” are fully private sector driven with Government funding the Re-Development of the Castries Central Market and the wider

beautification of Castries as part of the OECS Regional Tourism Competitiveness Project.

This project, Mr. Speaker, will transform both the visitor and local shopping experience in Castries, but beyond this Mr. Speaker, it will benefit the owners of micro-enterprises and encourage further investment in this sector.

As the cruise tourism market continues to expand, the Government has identified the Castries City Tourism Product as a priority for Saint Lucia with targeted investment sites and activities aimed at making downtown Castries more pleasant and attractive to tourists as well as to Saint Lucian residents.

The consultancy and design phases for several investment initiatives to revitalize downtown Castries has started. These initiatives include the pedestrianization of William Peter Boulevard, the upgrading of sidewalks, works for the improvement of the visitor experience walking through downtown Castries and the Boulevard areas, the beautification of King George V Park, including the Botanical Gardens, improvements to traffic and parking, and a Façade Improvement Grants Programme for existing small businesses.

The other focus area, “Diversification of Product Offerings” will see the further development of spa & wellness tourism and ecotourism with eight

new or expanded private sector offerings.

In addition, the preparatory legislative and regulatory framework for Village tourism is well advanced and Gros-Islet, Anse-La-Raye and Soufriere are to be the first beneficiaries of this exciting new tourism product. The global brand of this initiative will be Village Tourism, but each village will have its own unique signature reflecting the natural and cultural assets of the area. Each community will substantially own and manage their initiative to bring economic benefits to as wide a number of residents as possible. Opportunities abound in mid-range accommodation, restaurants and bars, locally made craft products, cultural activities, homemade jams, juices and condiments, fresh fruit and vegetables, medicinal herbs and hiking and water sports activities. As ordinary as these things may seem to us Mr. Speaker, these are the things that can unlock an affluent market looking for an authentic Saint Lucian experience.

Village tourism will allow interested persons to become participants in the value chain of tourism and improve their social outcomes. This Mr. Speaker is an example of empowering Saint Lucians and has the potential to revolutionise wealth creation in previously marginalized segments of our society.

The key economic targets of the tourism sector strategy are to:

- Increase GDP contributions to \$1.9 billion by 2022.
- Attract investments of \$3.5 billion by 2022.
- And create over 4,000 jobs by 2022

We can do it Mr. Speaker. We have the ability, the creativity and the capacity. We just have to remain focussed on the task. We want tourism to represent an opportunity for the ‘average man’. We will not just create income for the country – but more commercial opportunities for Saint Lucians.

### **Agriculture Strategy**

Mr. Speaker, since the start of the Banana Productivity Improvement Project in April 2017, acreage under banana cultivation has increased by 134% to just over 2,600 acres. The number of farms has grown from 286 to 740.

At this juncture, Mr. Speaker, I must thank the Republic of China (Taiwan) for their continued support of the Saint Lucian banana farmers and agriculture on the whole. They have provided much needed funding and technical assistance benefitting hundreds of banana farmers.

Similarly, a programme is being developed to expand cocoa production in order to increase cocoa exports and provide another source of income for farmers.

In terms of food production, there are opportunities for high yield, high value crops and non-traditional technologies like aquaponics and hydroponics, development of agro-processing in plantains and coconut water, and increased meat, poultry and egg production to meet the expected demand of a growing tourism sector.

Mr. Speaker, I am sure members in this Honourable House will recall that I announced the need to restructure the St. Lucia Marketing Board and the St. Lucia Fish Marketing Corporation.

I can report here, today, that the St. Lucia Marketing Board is being restructured, and we are confident that the restructured entity will provide the much needed support to our farmers; as plans include strengthening the supply distribution chain linkages to provide farmers, intermediaries and consumers greater confidence in the sector. In respect of the fisheries sector we are working to strengthen the capacity and productivity of the fisher folk and to help them identify new market opportunities.

## **Infrastructure Development Strategy**

Mr. Speaker, the argument for infrastructural development is not a difficult one to make. Nine out of ten Saint Lucians could probably provide a priority list that closely mirrors the consensus arrived at for this key result area.

The roads, air and seaports face three common issues: poor physical condition, limited capacity and poor connectivity that makes the country highly vulnerable in the event of extreme weather conditions.

The goal is therefore to enhance Saint Lucia's infrastructure to support economic activity in tourism, agriculture, retail and trade. There are six areas of priority which have been identified for infrastructure; namely:

1. Rehabilitation of Millennium Highway and West Coast Road
2. Reconstruction or rehabilitation of secondary roads and collector roads.
3. Development of a cargo and container facility at Cul-de-Sac
4. Upgrade of the amenities and facilities for cruise at Port Castries
5. Development of Vieux Fort Cruise Port
6. Re-development and expansion of Hewanorra International Airport to handle one million passengers by 2022.

However; within the coming financial year we will be focusing on the



following three areas:

1. Rehabilitation of Millennium Highway and West Coast Road
2. Reconstruction or rehabilitation of secondary roads and collector roads.
3. Re-development and expansion of Hewanorra International Airport to handle one million passengers by 2022.

The remaining areas are still within the preliminary and conceptualization phases, and will be rolled out in the near future.

### **Local Government Reforms**

In recognition of the need to further empower our people and give them a greater say in the management and development of their communities, Mr. Speaker, my Government continues to prepare and to provide resources to Local Government to enable them to undertake increased responsibility at the community level in the management and maintenance of government assets, such as playing fields and the secondary road network. In addition, Mr Speaker, our local government entities will be strengthened and trained to dispense and manage a range of government social services at the community and district levels. In that regard, resources have been allocated to the Department of Equity to undertake a full assessment of the local government system and to come up with a reform program for implementation during this financial year.

## **The Policy Agenda**

Underpinning the Medium-Term Development Plan 2019-2022 is a growth agenda that is expected to deliver accelerated growth rates over the medium term. This growth will be inclusive, sustainable and resilient. It will provide every Saint Lucian with a fair chance at success no matter the circumstances of their birth.

In order to enable our growth agenda there is a simultaneous requirement to boost national productivity and improve competitiveness. Government will therefore establish a framework for monitoring, measuring and reporting on our country's efforts in enhancing its competitiveness.

This will be done in partnership with the Compete Caribbean Partnership Facility through the formulation of a National Competitiveness Agenda, which will identify appropriate structural reforms, and actions that must be taken at the national level to boost productivity and competitiveness.

As part of the Agenda, Compete Caribbean will also assist in the formulation of an Innovation Policy that will complement the Decade of Research and Innovation by the Ministry of Education, Innovation, Gender Relations and Sustainable Development.

## **Fiscal Strategy**

Mr. Speaker, it is a well-accepted fact that economic growth and fiscal performance reinforces each other. This Government believes that the first step to a sustainable fiscal path is a sound growth platform. It is in this spirit Mr. Speaker that dedicated revenue streams have been allocated to fund both road and port infrastructure of government. Both of these investments Mr. Speaker facilitate higher growth, which in turn allow for greater revenue generation. Mr. Speaker, to ensuring fiscal sustainability, without securing a higher growth path, would have doomed our people to a perpetual cycle of austerity.

I say all of this Mr. Speaker to show the importance of economic growth to my government. Equally, Mr. Speaker we also believe that fiscal responsibility should be guided by set parameters or rules that link expenditure to growth.

During the coming fiscal year, the Government will engage in stakeholder consultation on what this or any future government will be allowed to spend annually, depending on the percentage of debt to GDP. Such an approach, made binding by the appropriate legislation, will ensure that Saint Lucia stays on a fiscally sustainable path and that future generations will not have to pay for the excesses or indiscipline of a former

administration. This is but one approach to ensure that we maintain fiscal fitness, Mr. Speaker.

### **Fiscal Measures**

Mr. Speaker, I turn now to the fiscal policy of the government during this budget year. The policy changes that I am about to announce, Mr. Speaker are motivated by our desire to improve the efficiency in the collection of revenues of our revenue agencies and to secure the effectiveness of our expenditure. Mr. Speaker, we seek to ensure that expenditure is strategically allocated while tax policy is conducive to enhancing and facilitating growth.

### **Accommodation Fee**

On that note Mr. Speaker, one of the most significant contributors to economic growth in Saint Lucia is the tourism industry. This industry accounts for 15.0 per cent of our labour force and earns significant foreign exchange. Each year Mr. Speaker the government of Saint Lucia allocates approximately \$30 to \$35 million to various agencies to promote and market Saint Lucia. To put this into context, Mr. Speaker in any given 5-year term an administration can easily borrow \$175 million for marketing and promotion of the destination. This allocation, Mr. Speaker is often the result of bond financing and is therefore borrowed. This borrowing not only increases our debt levels, but the resulting cost of servicing this debt

increases our interest payments and thereby further limits our fiscal space. This is and has been the practice for some time and has been motivated by a mindset that the funds borrowed bring awareness to our destination and thereby continue the upward trajectory in arrivals. And, Mr. Speaker to a large extent this is true and it does facilitate enhanced levels of economic activity.

However, the efficiency of this expenditure is tempered by the fact that the disbursement of these funds is subject to the vagaries of the budgeting process and as such are allocated quarterly. These quarterly allocations, Mr. Speaker limit the range of activities which the Tourism Authority can facilitate and consequently limit the efficiency of this expenditure.

As in other areas of the economy Mr. Speaker, it is the intention of the Government to disburse taxes or fees raised in a sector directly to that sector. In the case of the Tourism Authority it will provide a ready and continuous source of funding throughout the year for marketing and promotion. The Government is currently in consultation with the industry about instituting an accommodation fee to be used for marketing the island. Once the consultation is complete, an announcement will be made on how the fee will be applied. It is expected to be a progressive fee based on the classification of accommodation properties and will include sharing economy providers like Airbnb.

Mr. Speaker, tourism destinations all around the World, including some right here in the Caribbean have identified the sharing economy as missed revenue opportunities and are working with the technology facilitators, like Airbnb, to capture this sector's fair share of taxation. We are pursuing our own agreement with Airbnb so that those who benefit from the sharing economy contribute to the development of our tourism product.

### **Personal Income Tax**

Mr. Speaker, I move now to the personal income tax regime.

The current personal income tax system presents a number of challenges due to the existing structure of the regime. The system is characterized by:

- (i) a personal allowance of \$18,000;
- (ii) four tax bands;
- (iii) four tax rates and
- (iv) twenty-eight (28) allowances and deductions, the highest in ECCU countries. The large number of allowances and deductions, whilst enjoyed by some, presents significant

challenges in the administration of the personal income tax system.

The major disadvantages of the current system are:

- (i) a less than ideal filing experience for the tax paying public, as many persons find the process burdensome due to the number of documents which must be obtained and submitted, in order to substantiate the deductions and allowances claimed;
- (ii) many individuals find the tax computation complicated with the four tax bands and four tax rates;
- (iii) the system is not sufficiently progressive, as the greatest burden of taxation does not always fall on the higher income earners. These individuals are better able to take advantage of the numerous deductions and allowances, thereby reducing their tax liability;
- (iv) In addition to the challenges faced by taxpayers, the current system places a huge administrative burden on the Inland Revenue Department. A significant amount of resources and time is spent by the Inland Revenue Department in processing, assessing and auditing personal income tax returns, diverting resources away from the strategic focus required to enhance the Department's efficiency in revenue collections and tax compliance.

So, Mr. Speaker, my Government recognizes that there is a need to reform the personal income tax system to make it simpler, more progressive and less burdensome, and the expectation is that tax compliance will be increased.

With the overall objective of improving the efficiency of the tax system, the new regime seeks to provide income tax relief to lower income earners. A large number of low-income employees will no longer be required to pay personal income tax, while others will benefit from reduced tax liabilities. However, high income earners will be expected to pay more as a result of the progressive nature of the tax system. As such, Mr. Speaker, the new regime is expected to be revenue neutral with no adverse impact on the government's revenue collections from PAYE.

My government therefore proposes a new personal income tax system, to be made effective 1st January 2020. This new system will be as follows:

- The personal allowance will be increased from \$18,000 to \$23,000. What this means, Mr. Speaker, is that for an average income earner, the first \$23,000 of annual income will be tax free;
- There will be three (3) tax bands with the following rates:
  - (i) The first \$0 to \$10,000 of chargeable income will be taxed at a rate of 10%,



(ii) the next \$10,001 to \$20,000, at a tax rate of 20% and

(ii) the remaining amounts above \$20,000, at a tax rate of 30%;

- Limit the amount of total deductions that can be claimed up to a maximum or cap of \$25,000 in any given year, from the list of deductions below:
- Restrict the number of allowable deductions to the following four (4) categories:
  1. Housing Deductions: for mortgage interest, property tax and house insurance;
  2. Future & Financial Benefits: for life insurance, N.I.C. contributions, pension plan contributions, savings under a registered retirement plan and shares from cooperatives;
  3. Medical Deductions: for medical insurance premiums and other medical expenses; and
  4. Child and Education Benefits: for child allowance and student loan interest for university or equivalent education.

Mr. Speaker, allow me to demonstrate how progressive this new system will be with low earners as beneficiaries.

<b>Employee</b>	<b>Annual Income</b>	<b>Other Allowable Deductions</b>	<b>Current Tax Payable</b>	<b>New Tax Payable</b>	<b>Difference (reduction)/increase</b>
Employee A	\$26,000	\$5,000	\$300	NIL	(\$300)
Employee B	\$50,000	\$10,000	\$2,900	\$2,400	(\$500)
Employee C	\$118,000	\$20,000	\$19,500	\$19,500	\$0
Employee D	\$150,000	\$40,000	\$23,100	\$27,600	\$4,500

An employee with annual earnings of \$26,000 and allowable deductions of \$5,000 pays tax of approximately \$300 under the existing regime. However, under the new regime, this employee will not pay any tax, resulting in a savings of \$300.

An employee with annual earnings of \$50,000 and allowable deductions of \$10,000 pays tax of approximately \$2,900 under the existing regime. However, under the new regime, this employee will pay \$2,400, which is a reduction of \$500.

An employee with annual earnings of \$118,000 and allowable deductions of \$20,000 pays tax of approximately \$19,500 under the existing regime. Under the new regime, this employee will pay the same amount. In this case there will be no tax savings.

However, an employee with annual earnings of \$150,000 and allowable deductions of \$40,000 currently pays tax of \$23,100. Given the restriction in allowances under the new regime (capped at \$25,000), the reduction in the number of tax bands and the new tax rates, this taxpayer will pay tax amounting to \$27,600, an increase of \$4,500 than is paid under the current regime.

It must be noted Mr. Speaker that pensioners and persons 60 years and over, will not pay any tax on the first \$31,000 of their income compared to \$24,000 under the current regime.

An assessment of the proposed reform, Mr. Speaker, showed that for a given year, over 11,000 persons or approximately 50% of filers will pay lower personal income taxes under the proposed regime. **The greatest number of beneficiaries under this reform are individuals earning incomes ranging from \$20,000 to \$30,000 and \$30,000 to \$40,000. In these two income brackets, some 3,570 and 3,280 individuals will benefit.** Mr. Speaker, my government anticipates significant tax savings for the majority of individuals who will be better off under the proposed tax regime. Mr. Speaker, taxpayers with a high level of allowable deductions, who benefit most from the current system, will be negatively impacted with higher tax liabilities, however, it must be noted that they are in the minority. Overall, our people will benefit from this new tax

regime and it is anticipated that this will have a spill-over effect on the economy as a whole as consumer spending power will increase.

### **Land and House Tax**

Mr. Speaker you would recall we instituted a moratorium on the payment of land and house tax commonly known as property tax, for residential properties, for a period of 3 years, for the calendar years 2017 to 2019. Mr. Speaker, the Government is in the process of reviewing the property tax regime for these properties to determine the most equitable and transparent way of basing and assessing properties for purposes of taxation. During this calendar year we will inform of the regime to be implemented effective January 2020 following the broad based consultations with all stakeholders.

### **Excise Tax on Fuel**

Mr. Speaker, in my two previous budget addresses, I outlined the government's policy on fuel taxation and prices. The decisions taken on this issue reflected attempts to strike the appropriate balance between the objectives of:

- (i) achieving retail price stability to guard against retail prices above a certain level and

- (ii) the attainment of sufficient revenue towards funding the maintenance of our road network, amidst volatile international prices.

You would recall that in my 2017/18 budget, I had announced an increase in the excise tax on gasoline and fuel from \$2.50 to \$4.00, which took effect from July 3, 2017 for this purpose. At the same time, the government capped the retail price of both gasoline and diesel at \$12.75 per gallon. Mr. Speaker, subsequently, in light of rising international oil prices, the price cap of gasoline and diesel was increased to \$13.95 in June 2018. However, with oil prices continuing to increase, the targeted excise tax rate of \$4.00 per gallon was not realized during much of the budget year 2018/19. The excise tax rates were below \$4.00 during the first eight months of the 2018/19, from April 2018 to November 2018 for gasoline and also from April 2018 to January 2019 for diesel. This resulted in a budgetary revenue shortfall in those months, which prompted the government to keep prices unchanged at \$13.95 when oil prices started to decline towards the end of 2018. Mr. Speaker, as a result, the excise tax rate on gasoline and diesel exceeded \$4.00 during the period December 10, 2018 to March 24, 2019 for gasoline and from February 11 to March 24, 2019 for diesel. This was an attempt to recoup some of the revenue shortfall relative to the approved budget estimates for 2018/19.

Mr. Speaker, as we approached this new budget year 2019/20, the excise tax rate has been set at \$4.00 per gallon from March 25th 2019. This has meant that since then, prices at the pump were reduced to below \$13.95 per gallon for both gasoline and diesel.

Mr. Speaker, I wish to reiterate that the government's position remains one of targeting an excise tax rate of \$4.00 per imperial gallon on gasoline and diesel, subject to retail prices at or below the price cap of \$13.95. During the course of this budget year international oil price movements will be closely monitored and the price cap will be reviewed, if necessary, with the goal of maintaining the \$4.00 excise tax rate.

### **Debt Management Strategy**

Mr. Speaker, the fundamental objective of the Government of Saint Lucia's debt management policy is to raise stable and consistent levels of financing for the budget at a minimum cost subject to prudent levels of risk. The preferred strategy of the Government is to reduce cost and rollover risk by adopting a multi-pronged approach which includes lengthening the maturity, paying down of its debt while at the same time negotiating more attractive borrowing terms.

In 2018/19, the Department of Finance implemented the strategy by refinancing \$194 million of the \$200 million in Treasury Bills earmarked

for conversion into Notes. This activity was undertaken at no additional interest cost to Government. Of note the investors who opted to remain in the Treasury Bill arrangement received lower interest rates. Apart from maintaining its weighted average cost of borrowing at 5.3 percent, the roll-over risk and debt maturing in one year were also reduced. The debt maturing in one year dropped from 24.7% to 18.3%, a reduction of 6.4%. Mr. Speaker the Department of Finance will continue to reduce the stock of short-term debt to minimize roll-over risk.

In 2018, the Department of Finance hosted an Investor Relations Workshop, which was geared at strengthening relations with existing and potential investors with the objective of reducing cost and risk inherent in the portfolio. In an effort to expand our investor base, we will be conducting public education on alternative forms of investments for individuals to take advantage of investment opportunities in the current environment of excess liquidity and low interest rates. This approach will target citizens here and abroad to invest in their country whilst obtaining a fixed stream of income. Alongside the Investor Relations Programme, the Department of Finance will be undertaking the drafting of the Public Debt Bill to promote transparency and accountability in debt management.

## **EU Listing Matter**

Mr. Speaker, in December 2017 the European Union (EU) listed Saint Lucia, among other Caribbean states, as a non-cooperative jurisdiction for tax purposes. Saint Lucia was then asked to commit to either amend or abolish the tax regimes deemed as preferential. The regimes identified were:

- (i) the International Business Companies Act,
- (ii) the International Trust Act and
- (iii) the Free Trade Zone Act.

Saint Lucia was also asked to join the Inclusive Framework on Base Erosion Profit Shifting (BEPS), spearheaded by the Organization for Economic Cooperation and Development (OECD).

Mr. Speaker, as per a commitment letter submitted to the European Union in January 2018, Saint Lucia committed to reviewing the tax regimes identified with a view to amend or abolish. Additionally, a commitment was made to join the Inclusive framework on Base Erosion Profit Shifting (BEPS). All the requirements indicated by the EU were to be realized by December 2018.

Due to the requisite commitment made by Saint Lucia, we were removed from the Black List and placed on the Grey List, pending changes to the tax regimes. Efforts were then focused on honouring the commitments



made. Mr. Speaker, a cross section of technocrats from both the public and private sectors worked in conjunction with international organizations to assess the EU's requirements in order to propose viable solutions, which would address the EU's concerns.

As the House is well aware, Mr. Speaker, Saint Lucia made several legislative amendments in 2018 in this regard. The suite of amendments included changes to the pieces of legislation governing the tax regimes mentioned previously as well as changes to the Income Tax Act, the Companies Act and the International Partnership Act.

Notwithstanding the extensive legislative work conducted in 2018, Mr. Speaker, there are still a few areas of concern which the EU has highlighted as not being in full compliance with their criteria. As per a letter received February 1, 2019, Saint Lucia was required to commit to revisiting the tax measures highlighted by the EU and to make the necessary changes by the end of 2019.

Saint Lucia has already made the requisite commitment, as such, we are not on EU's Black List, although we remain on the Grey List until the next assessment. We have commenced the necessary review whilst engaging the EU and Code of Conduct Group. It should be noted Mr. Speaker, that Saint Lucia is not alone in this situation; our Caribbean counterparts, such as Dominica, Barbados and Belize are also struggling to satisfy the EU's requests. In fact, Mr. Speaker, CARICOM has

established a Task Force to deal with the EU matter. The Task Force has held talks with the EU and is working towards a more collaborative approach to addressing the concerns of all CARICOM countries, particularly as it relates to the Blacklisting of its Member States.

Mr. Speaker, one may ask why we even bother. Do we need to comply? The answer to this is YES. Mr. Speaker, Saint Lucia can ill afford to be on the wrong side of these international tax requirements. Compliance on international tax matters affects the investment climate, the availability of funding and the general perception of a jurisdiction. As a small island developing state, we need to attract foreign direct investment and obtain funding in order to achieve the level of economic growth and development, which we need.

This being said, Mr. Speaker, my government will continue its efforts in meeting the international standards on tax transparency and the exchange of information which have been set, not only by the EU but also by the Global Forum and the OECD. Mr. Speaker, we must at this point mention that in January 2019, Saint Lucia's tax regimes were assessed by the OECD's Forum on Harmful Tax Practices and we were found to be in compliance with their criteria. We are also in good standing with the Global Forum. So, it is not all doom and gloom, Mr. Speaker. A lot of work has been done for which we should be proud. My government will continue its efforts in ensuring that Saint Lucia remains compliant with

the requirements for tax transparency and exchange of information as we foster a vibrant economy and improve the quality of life for our people.

### **Conclusion**

Mr. Speaker, the budgetary proposals for the upcoming financial year are designed to achieve growth that will break the bonds of economic stagnation that has been holding back our country and our people. The two previous Budgets have built the foundation to cause this transformation. Our restructuring of the economy has helped us to put Saint Lucia on a strong financial footing and as a result we have regained the confidence of business people and investors, locally and internationally.

And now, today's Budget, Mr. Speaker, along with the Medium-term Development Plan that it finances, is the continuation of the Government's plan to put Saint Lucia in a position of strength. To have the people of Saint Lucia be in charge of their own destiny.

Our aim is a Saint Lucia where:

- Our children will receive an education that better prepares them for the world;
- Our prospects for access to quality health care improves significantly;

- Where people will be able to find meaningful and gainful employment to take care of their families;
- A Saint Lucia where young citizens have the opportunity to own a piece of their homeland and start or grow their own small businesses;
- Where we have a more reliable water supply and travelling around the country becomes easier;
- A Saint Lucia, where we are safer.

I am asking all Saint Lucians to fully embrace the bold direction we are going. As a nation, we have begun to see those positive signs, which have been absent for a long time. This tells us we are on track with our plans. This tells us we are on the right path and must stay the course. Opportunities lost today can never be recovered.

This is going to be a very important year for our country. We must not allow ourselves to get distracted and remember always that poverty, deprivation, under-development and critically lost opportunities are the real enemies. These are the things our Government policies and this budget are designed to address.

To be successful, collectively, we must strive for excellence, always. We must take advantage of the opportunities before us and continuously lift each other up.

I call on all Saint Lucians to support the efforts being made in education, in sports reform, in curbing crime, in food security, in safeguarding the environment and in assisting the most vulnerable among us. After 40 years, we must have learned by now that we are stronger when we work together, when we are All-in!

May God Continue to Bless our beautiful island.

I thank the House for its attention and trust that all Members will support this Budget in the interest of our people. I thank you Mr. Speaker for your indulgence and I look forward to a productive debate in the days ahead.