

2011 BUDGET ADDRESS
BY
DR. The HONOURABLE RALPH E. GONSALVES
PRIME MINISTER/MINISTER OF FINANCE AND ECONOMIC PLANNING
Delivered Monday 24th January, 2011.

***FISCAL AND FINANCIAL STABILISATION, JOB CREATION, WEALTH CREATION,
AND SOCIAL SAFETY AT THE TAIL-END OF THE RECESSION***

INTRODUCTION

Mr. Speaker, Honourable Members, this is my tenth Budget Speech as Minister of Finance. It is being delivered in the immediate aftermath of the Unity Labour Party's third successive electoral victory, a triumph secured in the most challenging economic circumstances, inclusive of the severe socio-economic dislocations caused by the passage of Hurricane Tomas on October 30, 2010.

The 2011 Budget has been crafted in an external economic environment shaped by the global financial and economic meltdown of September 2008, and continuing. Currently, a marked unevenness in performance characterises the world economy. Countries in the European Union such as Portugal, Ireland, Greece, and Spain, the so-called PIGS, are experiencing severe fiscal and financial challenges, growing unemployment and lacklustre economic growth. In the United Kingdom, savage budgetary cuts have increased joblessness in a context where private-sector led demand has yet to take up the slack in government spending. In the USA, there is a faltering, uneven recovery, and there are signs that the American economy may be at the tail-end of its recession and the attendant adverse consequences. Japan is yet to emerge from its structural condition of low or no economic growth.

Strong economic performance is evident among the BRIC countries (Brazil, Russia, India and China). So, too, in some other emerging economies and in developing economies in parts of Africa and Latin America. But small island economies, especially those dependent on tourism such as in the Caribbean, are confronted with multiple economic, financial and fiscal challenges, owing to the fact that their principal source markets in the USA and Europe have been undergoing real difficulties due to the global recession and its consequential aftermath.

In short, for 2011, especially in the first nine months, the Caribbean, including St. Vincent and the Grenadines, is likely to experience the difficult socio-economic, fiscal, and financial challenges of the last two years. Economic recovery is likely to commence across the region later this year; at first, economic growth is likely to be slow but an acceleration is expected, all things being equal, in 2012 and over the medium-term. In St. Vincent and the Grenadines this year, the International Monetary Fund has forecast real economic growth of around 2 percent and in excess of 3 percent for 2012. Still, it all depends substantially on the extent of economic recovery in the USA and Europe.

Between 2001 and 2007 inclusive, the economy of St. Vincent and the Grenadines grew from moderate to robust. From mid-2008, when oil prices internationally skyrocketed to US \$147.00 per barrel as an opening act to the drama of the September 2008 global financial and economic meltdown, the economies of St. Vincent and the Grenadines and its Caribbean neighbours were harshly shaken. Still, the extent of the economic slow-down was much less in St. Vincent and the Grenadines than the average performance in the region, including the sub-region of the Eastern Caribbean Currency Union (ECCU). In 2008, our economy was statistically stagnant; in 2009, it slipped marginally; and 2010 was, for us in St. Vincent and the Grenadines, the worst of the meltdown years, a decline of about 2 percent, though a better performance than the ECCU average.

Over the past two years in the Caribbean, including St. Vincent and the Grenadines, the evidence of the economic dislocation has been before us: declining growth rates; a rise in unemployment; a fall in government revenues; an increase in Debt-to-GDP ratios; a down-turn in investment, including foreign direct investment; a reduction in remittances from abroad; a drop in banana earnings; a decrease in tourism receipts and exports in goods and services; externally-sourced attacks on the international financial services sector; the daily strain on the cash-flow position of regional governments; the unravelling of certain regional insurance companies; and the capital and liquidity challenges of indigenous commercial banks in the region.

In 2011, other potential dangers loom over our economy. They relate to rising oil prices internationally and the increase in prices for a number of basic commodities, including wheat, and the on-going Operation Recovery and Re-construction after Hurricane Tomas. Over the past three weeks or so, the international oil price bench-mark, Brent Crude, has risen quickly, close to US \$100 per barrel as a consequence of increasing global

demand, problems with the Alaska pipe-line, and opportunistic actions in commodity markets.

Regional governments, including that of St. Vincent and the Grenadines, have responded to the on-going fiscal, financial, and economic challenges through a variety of public policies. In the member-countries of the Eastern Caribbean Currency Union (ECCU), we collectively fashioned, adopted, and implemented an Eight-Point Stabilisation and Growth Strategy and an accompanying Action Plan.

This Strategy encompasses financial and fiscal stabilisation, structural reforms, economic stimuli, initiatives in the banking and insurance sectors, social safety net measures, and economic growth and recovery policies. My government has embraced actively this entire strategic package for practical implementation.

Mr. Speaker, a third term for my government necessitates the embrace of both continuity and the taking of a fresh guard in the changing socio-economic circumstances nationally, regionally and internationally. This Budget is predicated broadly and strategically on the top ten policies and actions which my government intends to pursue over the medium-term, as outlined in the ULP's Election Manifesto of 2010. These top ten policies and actions are:

- ✓ Waging the on-going War against Poverty;
- ✓ Wealth Creation and Job Creation;
- ✓ Pursuing a many-sided strategy of sustainable economic growth and development including the consolidation of fiscal discipline, balancing prudence and enterprise;
- ✓ Extending and deepening the Education Revolution, including a further emphasis on ICT training and the implementation of the one laptop per student policy;
- ✓ Making St. Vincent and the Grenadines safer and strengthening law and order;
- ✓ Enhancing the Health and Wellness Revolution;
- ✓ Uplifting the communities by properly addressing vital areas of concern, including housing, road repairs, sports and cultural facilities;

- ✓ Elaborating plans for the building of a new city at Arnos Vale and enhanced access to Kingstown;
- ✓ Completing the Argyle International Airport and enhancing connectivity in every way between St. Vincent and the Grenadines and the world.
- ✓ Delivering good governance all round, in every area of public policy, including those in regional integration and international relations.

Mr. Speaker, Budget 2011 is embedded in an economic approach succinctly outlined in the ULP's Election Manifesto of 2010 under the rubric: "Economic Approach: Competitive Economy, Sustainable Growth, Job Creation and Social Justice – Proposals for a Sound Economy". This economic approach forms the core of our Party's mandate so unequivocally delivered to us by the electorate. Accordingly, I shall repeat our Manifesto proposals in this regard:

"The ULP is committed to its quest to build a modern, competitive, many-sided post-colonial economy which is at once local, national, regional and global. Such an economy, by definition, must be sustainable and focused on delivering wealth, jobs and social justice. The central features of the economic approach or strategy are as follows:

1. The harmonious and effective working of a mixed economy involving the private, co-operative and State sectors in a non-ideological and practical manner suitable to the circumstances of St. Vincent and the Grenadines. Worthwhile historical and comparative experiences abound on this for our adoption and adaptation.
2. The placement of private sector and non-State cooperative enterprises at the centre of the economic system although the economic role of the State ought not to be confined solely to business facilitation and regulation. It cannot retreat as a force for good. Still, the State must not have an overwhelming presence in the ownership and management of economic activity or businesses.
3. The maintenance of the macro-economic fundamentals of a stable currency through the Eastern Caribbean Currency Union (ECCU), low inflation, fiscal prudence and enterprise, fair and competitive

tax regimes, enhanced business competitiveness, engendering new and better attitudes to work and production, increased productivity, and effective good governance.

4. The location of social equity at the core of the considerations in the fashioning of economic policy.
5. The pursuance of a policy of balanced, sustainable, economic growth, without the volatility of peaks and troughs as far as practicable in our small, open, export-led economy, and which generates successful businesses and more jobs. This policy of economic growth demands, among other things, optimal human resource development and an efficacious application of modern science and technology.
6. The push for economic diversification to escape the historical trap of "mono-cropism", though admittedly with at least one lead or transformational sector (Tourism), and with Agriculture as the economic mainstay.
7. The further integration of the economy of St. Vincent and the Grenadines in the economic union in the OECS and the CSME in CARICOM.
8. The practical implementation of the National Trade Policy which has been elaborated, and adopted by Cabinet.
9. The further intensification of the search for favourable credit facilities for start-up businesses, for investment in plant and machinery, and working capital.
10. The aggressive hunt for investors, domestic and foreign."

Thus, Mr. Speaker, Honourable Members, the ULP's top ten policies and the ten central features of its economic approach or strategy are at the centre of the considerations of this Budget which I present under the theme: "Fiscal and Financial Stabilisation, Job Creation, Wealth Creation, and Social Safety at the Tail-End of the Recession".

Mr. Speaker, it is my duty to report that I have studied, personally, very carefully, the 2010 Election Manifestos of the New Democratic Party (NDP) and the Green Party. I found them to be interesting but limited documents which were internally inconsistent, devoid of a clear strategic path, and which oscillated between the unimaginative and the dull, on

the one hand, and the wholly impractical and ill-conceived on the other. To the extent that there were any fresh insights or suggestions here and there that were appealing, and these were few and isolated, we have adopted them, and placed them within our strategic framework for implementation. I have urged all senior public servants to study carefully the Election Manifestos of the parliamentary parties. Such an exercise is likely to inform consensus-building and aid national development.

I will now turn to a more in-depth review of the domestic economy in 2009 and the first nine months of 2010.

DOMESTIC ECONOMY

In 2009, St. Vincent and the Grenadines continued to be adversely affected by the global economic meltdown. Consequently, economic activity slowed marginally, registering negative growth in GDP of 0.6 percent relative to the 0.2 percent decline in 2008. The contraction of GDP is attributed to weak performances in the following sectors: Mining and Quarrying, Wholesale and Retail Trade, Manufacturing, Construction, and Hotels & Restaurants with the latter three sectors having recorded negative growth for the second consecutive year.

Notwithstanding the overall slowdown in 2009, the Agriculture sector performed remarkably well, registering a 6.4 percent increase in value added following a decline of 4.3 percent in 2008. This performance in agriculture was led by strong growth in bananas and a more than 50 percent increase in the fishing subsector.

I wish to highlight as I did in the last Budget Address, that the National Accounts now being used are the rebased series. The exercise has led to significant improvements in the methodology and reporting of these vital statistics. The improvement has resulted in a shift of some industries to a different estimation group. For example Health, Education and Social Development are now separated and expanded to include private sector activities. Additionally, activities in Public Administration and Defense and Other Community Social and Personal Services; Education and Health and Social Work are now shown separately.

The Consumer Price Index showed that for 2009 the average annual "point to point" inflation rate was 0.5 percent compared with 10.0 percent for 2008, so that in 2009 consumer prices were stable (on the lower end). This significant decrease in the inflation rate is largely on account of a 2.2 percent decrease in the group "Food" during 2009. This was mainly attributable to lower prices for food. The decline in the inflation rate occurred notwithstanding a 17.1 percent increase in "Medical care and Expenses" during 2009.

For the fiscal year ending December 31, 2009 the central government fiscal position deteriorated, moving from a current surplus of \$58.7 million in 2008 to a deficit of \$3.3 million. The primary balance recorded a deficit of \$2.2 million in contrast to a surplus of \$21.2 million in 2008 and the overall balance also deteriorated.

Meanwhile, capital expenditure in 2009, amounted to \$130.0 million, a marginal decline relative to 2008. There was a concentration of

expenditure on the further development of the social sector such as education and the improvement of the transport sector including rehabilitation of the Windward Highway.

Regarding the public debt, available data reveal that at the end of December 2009, disbursed outstanding debt stood at \$1.17 billion representing a 7 percent increase over the same period in 2008. This amount comprised \$580.8 million in external debt and \$588.6 million in domestic debt. Of the total debt, the largest portion, \$635.4 million or 55 percent, was represented by loans, followed by bonds \$356.5 million (30.9%), overdrafts \$84.1 million (7.3%), Treasury Bills \$60.0 million (5.2%) and other \$19.2 million (1.6%)

Central government accounted for \$885.0 million (77%) of the debt while the balance \$270.1 million (23%) was held by public enterprises.

Preliminary data for 2010 indicate that the economy declined by 2.0 percent with all major sectors recording low or negative growth. Meanwhile, the rate of inflation was 2 percent compared with a rate of 0.5 percent in 2009. This rate of inflation was mainly on account of an 11.3 percent rise in the cost of electricity and increases in the prices of petroleum products.

In 2010, the fiscal account of the Government recorded a current account surplus of \$1.3 million, a slight improvement over the deficit of \$3.3 million in 2009. The overall balance registered a surplus of \$12.6 million compared with a deficit of \$55 million in 2009. Meanwhile, the 2010 Balance of Payments recorded an overall surplus of \$27.9 million associated with increased inflows on the capital and financial accounts.

AGRICULTURE, FORESTRY AND FISHERIES

In spite of the several challenges that continue to affect the agriculture sector both in this country and worldwide, this administration continues to accord very high priority to agriculture. It is the economic mainstay and it contributes immensely to economic and social development, particularly as it relates to the livelihoods of rural peoples. In 2009, its share of GDP increased slightly to 9.6 percent compared with 9.0 percent in 2008.

This increased output was achieved notwithstanding the numerous challenges with which this sector continues to grapple. Moko, Leaf spot and Black Sigatoka diseases persisted in impacting adversely, production. In addition, farmers have had to contend with the requirements of Global GAP and Fairtrade certification standards. Also, there is the perennial problem of praedial larceny and stray dogs which continue to plague the agricultural sector.

In response to some of these challenges, the Ministry of Agriculture has intensified its programme of treatment of bananas, plantains and other affected crops. Encouragingly, the industry has demonstrated resilience and there has been some stability. For example, during 2009, over 120,000 banana plantlets were produced and hardened at the Orange Hill Tissue Culture Laboratory, and the Rivulet and Wallilabou Agricultural Stations. Consequently, an estimated 384 acres were replanted, with 198 acres using tissue-cultured bananas. Also, an estimated 543 acres of bananas were rehabilitated.

The performance of the root crop sub-sector in 2009 was much improved compared with 2008. The export value of dasheen increased from \$4.4 million in 2008 to \$5.4 million in 2009. Eddoes increased from \$2.8 million to \$4.7 million, sweet potatoes from \$1.9 million to \$2.6 million, and yams and tannias though smaller in volume and value also showed steady increases.

This improved performance of the root crops sub-sector can be attributed to a shift of over 500 farmers from banana production and significant improvement in the marketing and purchasing arrangements of fruit crops led by number of entities including Vincy Fresh and Eastern Caribbean Trading Co. Ltd (ECTAD).

Just when we were beginning to appreciate the positive signs in the agriculture sector and to advance plans for further investment therein, the country was severely affected by hurricane Tomas, the nineteenth named storm and the twelfth hurricane of the 2010 Atlantic hurricane season.

This hurricane, officially recorded as a category 1, wreaked havoc on our agriculture sector, destroying the source of income and livelihood of many, many farmers and leaving many without hope. The report of the core Damage and Needs Assessment Committee estimated the damage to the agriculture sector at \$35 million. The major losses were recorded in banana and plantain production.

In the face of the destruction caused by Tomas, this administration immediately mobilised and fashioned, a many-faceted and well structured recovery and rehabilitation programme. This programme is being implemented over a six month period. It involves continued assistance to banana farmers, with income and input support aimed at facilitating the replanting of over 2,000 acres of bananas and 1,800 acres of plantains; assistance to vegetable and fruit crop farmers with planting materials, seedlings and fertilizers, technical assistance to livestock farmers for the refurbishment of their animal houses, the replacement of livestock, and the provision of feeds.

The Recovery and Rehabilitation Plan also takes into consideration the replacement of the forests, which sustained extensive damage from Tomas, estimated at \$31 million. Further, the Plan complements the National Adaptation Strategy (NAS) which this administration has already submitted to the European Union (EU), under the Banana Accompanying Measure (BAM), mechanism. The goals outlined in the BAM for ACP banana exporting countries deemed to be affected by the changes in preferential treatment in the market place which they once enjoyed, have two major objectives; - boosting the sector's competitiveness and promoting economic diversification.

Indeed, we have adopted a regional approach to the NAS and the four broad thematic areas advanced to the European Union for financial support and which are outlined below, have been endorsed by the Food and Agriculture Organisation. These are:

1. Food and Nutrition Security issues which will be addressed consistent with the first Millennium Development Goal of reducing poverty and hunger in the sub-region by 50 percent by 2015.
2. Small scale farming which will be given greater priority and strategic support since it plays a great role in reducing food prices and providing employment and income, particularly in rural communities.

3. Climate change issues, environmental protection, risk mitigation and fisheries development which are critical to the sub-region's development and will receive greater policy and financial support.
4. The issues related to trans-boundary disease, invasive species management and control which will be given increased focus consistent with the decisions in the region to more pointedly address these matters.

We, in St. Vincent and the Grenadines in this government are confident that this strategy will be approved by the European Union and already, we have commenced a process to articulate the specific interventions to the tune of \$30 million from the BAM resources.

In addition to the measures mentioned above, we have put other processes in place to encourage farmers. Some of these are:

1. Enforcement of legislation to reduce the stealing of farmers' produce, hence rebuilding confidence among farmers.
2. Provision of technical support to farmers in the construction of terraces and to install soil conservation contour drains to reduce run-off water and to facilitate soil management practices.
3. The promotion of programmes in support of production, technical support, training and education of over 2,100 farmers in production technologies, agri-business management, good agricultural practices and pest and disease control.
4. The provision of fertilizers and tractor services at significantly reduced rates.
5. Commencement of operations of the Agricultural Training Institute, jointly financed by the Government of the Republic of China (Taiwan) and the Government of SVG, with funding also provided through the SFA 2007 mechanism.
6. Provision of credit to farmers, working in conjunction with the Credit Union League through a Micro Credit Facility.

We are confident that with the allocations in the 2011 Estimates of \$31.6 million to agriculture, of which \$12.7 million will be expended on capital investment, and \$18.9 million on recurrent expenditure, and with renewed

commitment, dedication to duty and a focussed, results-oriented approach by the professionals in the Ministry, this country will witness a turnaround in agriculture. As always of course, good farm management and above-average farmers' and workers' productivity are vital in enhancing agriculture's competitiveness and productivity.

TOURISM

Undoubtedly, tourism remains pivotal to the strategy for economic development and growth in our country. It is a major source of employment and foreign exchange.

Preliminary data for 2009 indicate that there were 270,952 visitors to our country, an increase of 8.4 percent over 2008. This increase was largely associated with a 28.1 percent increase in cruise-ship arrivals over the arrivals for 2008. Still suffering from the effects of the international financial crisis, stay-over visitors declined by 10.3 percent even though overall in 2009, the number of visitors went up. This performance in the stay-over visitor category, carried over into 2010, which declined by 2.3 percent for the first nine months, relative to the same period in 2009. It is disappointing that we have had a decline in the cruise ship category in 2010. There were slight increases in the yacht and same-day categories by 2.6 percent and 1.3 percent, respectively.

What are the reasons broadly, for the decline in stay-over visitors to St. Vincent and the Grenadines in the last two or so years? Among the major reasons which have been advanced by the Ministry are the following: First, the closure or temporary closure of some major hotels properties including Raffles Resort, Friendship Bay and Villa Lodge Hotels resulting in the loss of room stock, as well as visitors. It is true that other hotels and guest houses have opened, but the temporary closure of these established hotels have been a felt loss.

Secondly, despite the fact that hotels are not uncompetitive with the rest of the region, it is often stated that our hoteliers are not as innovative as perhaps they possibly can be in the provision of competitive packages. This is not a straightforward matter but the tourism authorities are of the view that better can be done in this regard.

Thirdly, the absence of an international airport makes travel to St. Vincent and the Grenadines comparatively expensive. Visitors from the major source markets pay an additional sum of US\$200 to US\$300 to travel from the hubs in the Caribbean. Additionally, the Air Passenger Duty (APD), introduced in the United Kingdom, puts an additional sum of between £110 to £170 on the cost of each ticket to St. Vincent and the Grenadines.

And fourthly, the international recession has hit hard, the travel and tourism industry, especially long-haul destinations and those with air access challenges. Despite near-heroic efforts by the tourism authorities

and hoteliers to attract visitors, this core constraint has been challenging for us.

My government is, however, optimistic about tourism's upturn in 2011.

First, the economic recession is easing in our major source markets, though admittedly in an uneven way. There is evidence, for example at Market Place 2011, more buyers came to meet with hotels and tourism officers than last year. Further, the Caribbean Tourism Organisation predicts a modest increase in tourist arrivals.

Specifically, in relation to St. Vincent and the Grenadines, we continue to have a good, diversified and competitive tourism product. My government has invested heavily in tourism infrastructure, lifted aspects of "tourism software", improved airlift possibilities in the Southern Grenadines, facilitated development of the hotel ancillary tourism facilities, is moving apace with the construction of the Argyle International Airport, and is ensuring that political stability and national security are not in any way undermined.

So it is with optimism, though mindful of the myriad challenges, including expensive air transport and difficulties with crime and harassment of visitors, that this administration remains focussed in its approach to developing the tourism industry.

In this regard, our primary objectives include:

- i. To create greater awareness of the value of the tourism industry in our country;
- ii. To create a more collaborative public/private sector approach, including community based participation to tourism development, management and marketing;
- iii. To provide for the further strengthening of the enabling environment for a holistic and sustainable approach to tourism development and
- iv. To create, more than ever, a productive matrix within which greater linkages are established between tourism and other sectors of the national economy.

In the 2011 Estimates, we have provided \$26.8 million for the Ministry of Tourism and Industry. Of this sum, \$19.1 million are allocated to recurrent expenditure, including an allocation of \$14 million to the Tourism Authority,

and \$7.6 million on the capital side. Significant allocations are therein earmarked for the Tourism Authority for marketing and promotion, and the new management will be expected to provide creative and firm leadership in ensuring that the industry growth and contribution to the economy are assured. In this regard too, strong coordination and collaboration between the Tourism Authority, the St. Vincent and the Grenadines Hotel and Tourism Association, and INVEST SVG, will not only engender greater confidence in the industry, but will undoubtedly lead to more positive results and benefits for our country.

Some of the specific activities that are being worked on and which will continue in 2011 include the designs of the Hospitality and Maritime institute. In my 2010 Budget Address, I indicated that this Hospitality Institute is intended to train new entrants and existing personnel in both the tourism and maritime sectors. It is estimated to cost \$9.3 million with funding provided by the European Union under SFA 2007 and 2008. The contract for the designs has already been awarded, and construction work should commence towards the end of this year.

In addition, we will continue to upgrade sites and facilities in 2011, including access roads to Vermont Nature Trail and Trinity Falls.

Also, in 2011, we will continue to collaborate with the private sector to facilitate the implementation of the following projects among others:

1. The continued development of the Buccama Resorts.
2. The development of the Adams Bay Hotel Project on Bequia.
3. The expansion of the development of the Resort on Canouan involving the existing developers and new equity partners from international tourism.
4. The development of a 55 room resort on Mayreau.
5. The development of hotel and associated tourism facilities at Chatham Bay and Ashton, Union Island.
6. The planned expansion and further development of the Petit St. Vincent Resort.
7. The further development of Palm Island.

These on-going or imminent cases of foreign direct investment in tourism in the Grenadines amount in the aggregate to hundreds of millions of dollars. On mainland, St. Vincent serious enquiries continue for the tourism development of Mt. Wynne-Peter's Hope. Additionally, local investors are more and more investing in small hotels and guest houses across St. Vincent and the Grenadines and they are paying more and more attention to lifting the quality of service.

POVERTY REDUCTION

Mr. Speaker, my government has vowed to confront poverty in all its dimensions. As reported in the 2010 Budget Address, the results from the recent Country Poverty Assessment by Kairi Consultants showed a marked increase in the number of people able to provide for themselves and their families. Basic needs (food, clothing, shelter) are rarely deprived; basic services too, and utilities have substantially increased coverage. This is what we mean by reducing poverty; that in 2007/2008, the percentage of persons unable to provide for their basic food needs was below 3 percent, this moved from 25.7 percent in 1995/1996.

Last year, I outlined in detail, the various initiatives and programmes which this government employed over the past nine (9) years in the 'War Against Poverty'. These were driven by a decisive approach to poverty reduction and guided by a carefully elaborated Interim Poverty Reduction Strategy Paper. This has been the blueprint for all poverty reduction initiatives undertaken to date. Mr. Speaker, the time is right for a more up-to-date strategic response in keeping with the findings of the 2007/2008 Country Poverty Assessment. In this regard, the Caribbean Development Bank has agreed to partner with the Government of St. Vincent and the Grenadines to fund the consultancy for the preparation of this new Poverty Reduction Strategy Paper. The specific areas to be addressed by the consultancy include, among other things:

- a. Provisions to improve targeting of social safety nets to individuals living in extreme poverty which would eventually lead to the eradication of indigence and reduction of poverty.
- b. Social marketing of wellness to encourage changed behaviours to the management of health and control the incidence of non-communicable diseases and limit the spread of HIV/AIDS, other STDs and STIs.

- c. Provisions to support the educational advancement and training of mothers, particularly single mothers, to improve their participation in the labour market. This would include the provision of day and evening care services.
- d. Programmes to diversify the agriculture sector, giving special attention to well established systems, accessing available financial resources, strengthening marketing skills and improving market intelligence and training farmers.
- e. Macro-economic adjustment supported by industrial policy, private sector cooperation and reform of the tax system.
- f. Entrepreneurial development and promotion with special reference to tourism, ICT and agriculture sectors.
- g. Measures to upgrade the building codes for residential and commercial construction, taking into account the greater frequency of natural disasters such as hurricanes and storms in the region.
- h. Investment in the advancement and upgrading of the workforce through education and training and with programmes designed to promote participation among those who have already left the traditional school system, including social marketing techniques.
- i. Strengthening of labour markets to ensure productivity and competitiveness.
- j. Institutional strengthening to improve the efficiency and effectiveness of public sector investment as a vehicle for upgrading the economic infrastructure.
- k. Measures to improve the management and protection of the natural environment.
- l. Efforts to coordinate interventions undertaken by the Ministry of National Mobilisation and other Government ministries in order to increase effectiveness and efficiency of social services delivery geared to reduce wastage of resources.
- m. Efforts at informal settlement regularisation and urban renewal.

Mr. Speaker, despite economic challenges facing our country, we are resolute in our response to ensure that gains achieved in reducing poverty and indigence are not reversed in these trying times. In this regard, we have allocated \$74.4 million or 9.5 percent of this year's budget to social protection.

EDUCATION

The Education Revolution has been a central plank of the ULP government since 2001. We have been fashioning an education system for living and production, for human socio-economic development. Immense strides have been made, as never before in the history of our country, in every area of education: Early Childhood, Primary, Secondary, Post-Secondary, Tertiary, Teacher Education, Adult Literacy, Adult and Continuing Education, Special Education, Public Education, including Library Services, and Student Support Services.

Further, the management of the educational system and of the schools or educational institutions, has been lifted. The teachers, their trade unions, and parents are more meaningfully engaged than ever. The terms and conditions of teachers' employment have been improved drastically. No child has been left behind; no teacher has been left behind; no parent must be left behind. My successive administrations have pumped massive resources into education and training. This year, in excess of \$150 million are earmarked in the recurrent and capital budgets for education.

Over the next five years, my government intends to consolidate and extend every aspect of the Education Revolution in the interest of all the stakeholders, especially the students. We shall be emphasising the enhanced delivery in the areas of Access, Quality, Performance, Relevance, Affordability, Management, Plant and Equipment, and Technology. I shall highlight some of the practical works which we are doing to address these matters. The Honourable Minister of Education will expand on these in her presentation.

Mr. Speaker, prior to our administrations, the education system was typified generally by inequity. Inequity promotes social imbalances, a denial of opportunities, injustice, and disunity. At the secondary level, we turned askance against inequity and introduced in 2005, universal access to secondary education. This built upon universal access to primary education. But access to Early Childhood Education (ECE) was most limited and the quality very uneven for children between the ages of three and five years.

Accordingly, in our second term in office we sought successfully to address this profound limitation. By June 2011, it is expected that universal access to ECE would be achieved through the private and public sectors. In 2009-2010, the government itself established nine quality ECE Centres. Last year, it completed the construction, too, in tandem with the

Methodist Church an ECE Centre of international quality at Georgetown, financed through the BNTF.

We are now going further. Through a partnership between the Ministries of Education, Health, and Social Development, and in accordance with UNICEF guidelines, we have commenced a programme of sensitising parents on the importance of shaping the child's mind for future training. Parenting programmes will continue, notable among which is the Roving Caregivers Programme, to promote learning and cognitive development in the young child, 0-3 years old.

In 2011, the Ministry of Education will present the codified standard and guidelines governing ECE to the Cabinet for approval and implementation.

At the primary education level, the quality continues to be enhanced in management, teacher training, and remedial work for students. In late 2010, sixty five university graduate teachers were appointed in primary schools. In 2001, there were four university graduates in primary schools; today there are over four hundred, all trained under various programmes financed by my government.

In 2010, at the primary schools, assessments for improvement of training, the kindergarten baseline test, the grades 2 and 4 diagnostic test, were conducted. The results are informing remediation particularly in reading, literacy and numeracy. Further, the Caribbean Centre for Excellence in Teacher Training (CCETT) model which focuses on the delivery of literacy instruction was implemented in six primary schools and they will be extended, on a phased basis, to all primary schools.

In 2010, two thousand, one hundred and sixty-one (2,161) candidates sat the Common Entrance Examination (CEE). Of this number, 57.6 percent met the prescribed standard. This is a huge improvement over the 35.0 percent to 40.0 percent range in the years before 2001. The CEE is primarily a placement test. As students who still have deficits and whose cognitive development may be below the level of this age cohort, they are supported in secondary schools by teachers with training in remediation strategies. There is also support provided by trained counsellors to address any psychological issues of the students.

At the secondary educational level, the quality is rising appreciably as reflected in the examination results and extra-curricular programmes particularly in sports and culture. In the 2011 Estimates, provision exists for the continuation of the secondary school expansion programme to

ensure completion of the additional, basic physical works at George Stephens Secondary, Troumaca Secondary, Thomas Saunders Secondary, Buccament Bay Secondary and Sandy Bay Secondary. Three secondary schools (Georgetown Secondary, Bequia Community High and Petit Bordel Secondary) are scheduled to be upgraded also in 2011 and funds are accordingly provided. Upgrade is planned too, for seven primary schools. In the 2011 Capital Estimates, a further \$10 million is budgeted to complete the construction of the West St. George Secondary School (WSGSS) and to rehabilitate four others. The overall cost of the WSGSS is \$16 million. It is the largest and most expensive of the schools we are building. Additionally, the sum of \$6.9 million is earmarked under the Basic Education Project II of CDB, for training, furniture and a science laboratory.

Mr. Speaker, the demands for post-secondary and tertiary education in St. Vincent and the Grenadines in the last 10 years has been unprecedented. Huge numbers of our students have accessed university or college education over the last 10 years, and continuing, all over the world. Scholarships, bursaries, grants, student loans (regular loans and those for economically disadvantaged students) have grown by leaps and bounds. Additionally, a growing number of students are accessing tertiary education, right at home through the distance mode.

Let us take the category "student loans for economically-disadvantaged students" instituted by my government. As Minister of Finance, I guarantee the student loans for each student up to a maximum of \$120,000, and a little higher for medical students. Between 2002 and 2010, over 600 student loans for economically-disadvantaged students were approved at a cost of \$38 million. In 2010 alone, nearly 100 students obtained this category of loans at a cost of over \$5 million. For the period 2002 to 2010 "the regular student loan" portfolio at the National Commercial Bank (NCB) was \$22 million.

Mr. Speaker, the integrated St. Vincent and the Grenadines Community College with its four divisions, has expanded access, improved quality teaching and learning, and provided far more and better technical manpower for the economy. In the academic years 2009 and 2010, the Community College accepted all applicants with appropriate matriculation requirements. At the Division of Technical and Vocational Education (DTVE), student enrolment increased by over 75 percent from 437 to 769 students. Further, at the DTVE evening classes are offered in a variety of areas including, plumbing, refrigeration and automotive repair.

As of September 2010, Mr. Speaker, classes at the Division of Arts, Sciences and General Studies (DASGS) now run from 8:30 am to 7:45 pm. The library housed at the DASGS and the Division of Teacher Education (DTE) open from 8:00am to 7:00pm. Classes at DTVE run until 6:00 pm; and classes at DTE go until 8:00 pm, Monday to Friday.

Associated degrees, Bachelor's degrees, Diplomas and Certificates are now offered at the Community College since September 2010. For example, there are Associate degree offerings in Law, Psychology, Business Administration, Computer Studies, Paralegal studies, and Information Technology. Bachelor's degrees are being offered in Education and Nursing in a franchise agreement with UWI. So too are Bachelor's degrees in Education, Language and Literacy Education and Mathematics Education. A Bachelor of Arts degree in Guidance Counselling, franchised from the Jamaica Theological Seminary College, also started in September 2010.

In 2011, this year, the Community College infrastructure will be upgraded under the 9th European Development Fund Improvement of Education through the use of ICT Project. Work has commenced under three contracts awarded in late 2010 which are expected to be completed in early 2012. The capital sum of \$10.8 million is allocated in this year's budget. Further, Mr. Speaker, the Community College will expand the UWI level I Social Science programme, offer a Bachelor's programme in Social Work, develop a policy for online and distance education, and they are resolved to develop at least one online delivered programme.

Government is surely getting value for its recurrent expenditure of \$12.25 million at the Community College, which includes the monies to pay the stipend to students at the School of Nursing. On the capital side, the entire third phase of the Community College Expansion project is valued at \$29.7 million and is scheduled for completion in 2013.

The expansion of the educational work of the Community College into university-level programmes is consistent with the legal framework on accreditation through the National Accreditation Board (NAB) established under Act 35 of 2006. The NAB will also be involved in decisions about the award of CARICOM Skills Certificates and the quality of programmes and certification being offered by our technical institutes. The NAB will work closely, too, with the Sector Skills Development Agency (SSDA), which was enacted in November 2010. In the latter regard, we emphasise a new programme in this year's budget, the National Qualifications Department in the Ministry of Education, to facilitate, among other things, an even more concentrated approach to the delivery of TVET programmes in St.

Vincent and the Grenadines. More will be said about this by the Honourable Minister of Education.

Another new programme in the Estimates for the Ministry of Education this year, is entitled "Education, Research, Information and Communications Technology Programme". It is established to strengthen the education planning function, effectively integrate ICT into teaching and learning to provide leadership in the various ICT initiatives in the education sector including the one laptop per student initiative, and to put in place mechanisms for the maintenance and repair of the physical ICT assets over time.

Mr. Speaker, there are several components of the Government's ICT thrust in education. They include the computerisation of schools under the European Development Fund, the one laptop per student project, and the development of a web portal, SVG eNet. These are additional to the initiatives in the Ministry of Telecommunications in the Office of the Prime Minister which are spearheaded by the Director of Telecommunications and Special Projects, Dr. Jerrol Thompson.

The European Development Fund ICT improvement project has already awarded contracts of some \$5 million for the supply of computers and other ICT equipment to all educational institutions throughout St. Vincent and the Grenadines.

Under the one laptop per student project, 30,000 laptops will be made available to students at primary, secondary and post secondary levels. The Governments of Portugal, Venezuela and St. Vincent and the Grenadines are engaged in this initiative. An inter-ministerial Technical Committee headed by the Permanent Secretary in the Ministry of Education has the carriage for the practical implementation of this quite amazing and transformational project.

Under the European Union ICT in Education Project, the Ministry of Education is charged with developing a web portal, SVG eNet for enhancement of management, administration, and governance of the education sector, consistent with the national ICT objectives of St. Vincent and the Grenadines as reflected in the National ICT Strategy and Action Plan, 2010-2015 which was already approved by Cabinet.

Mr. Speaker, over the past year, my government has initiated further excellent work in the areas of Special Education, Student Support Services and Library Services. I shall highlight only a few tangible fruits of these: the top-class facility for Students with Special Needs at Georgetown was

constructed and opened. The Student Support Services was established with two components, first, the opening of the Victoria Centre which provides, teaching, remediation and behavioural interventions to its students; and secondly, other short-term offerings to student referred to the centre from other schools. And, as we all know, the modern national library, by far the best in the OECS, is now opened for business.

Mr. Speaker, over the next five years, my government intends to take the Education Revolution to the next level. Accordingly, I have provided some leadership in this regard by authoring an 80-page paper entitled "Lifting the Education Revolution to the Next Level". It was published late last year in the Searchlight newspaper and is available on my personal website.

YOUTH DEVELOPMENT

Mr. Speaker, during the last ten years under my successive administrations, there has been a massive enlargement of opportunities for young persons in vital areas such as education, employment, business, housing, sports and culture, and targeted youth programmes of one kind or another. Never in our history have the interests of young persons been so favourably addressed as under successive ULP governments. Still, challenges remain and others are looming, including those touching upon joblessness and social alienation.

During the last general election campaign of December 2010, the ULP issued a Youth Manifesto encompassing central policy stances and programmatic details which touch and concern young persons, including: Job and Wealth Creation; the Making of Young Entrepreneurs; Education, Health and Wellness; Housing and Lands; Sports and Recreation; Telecommunications; Culture and the Arts; Social Security and Protection; and the construction of the Argyle International Airport. Thus, practically every area of public policy impacts on the youth directly, and certainly indirectly. I shall accordingly address just a bundle of these policies and programmes which specifically target young people.

One flag-ship programme for young persons has been the Youth Empowerment Service (YES), which my government initiated in 2001. Annually, some 500 young persons between the ages of 16 years and 30 years, are engaged for one year in apprenticeship, training, and citizenship moulding. Currently, each YES volunteer is paid a monthly stipend of \$450.00. For ten years, it was entered in the Estimates as a

capital programme at an aggregate cost of some \$30 million. The YES programme is now part and parcel of my government's on-going commitment to young persons and from this year is included as an item of recurrent expenditure to the tune of \$2.8 million. It continues to be financed by the Government of the Republic of China on Taiwan. The YES programme has been hailed by UNESCO and esteemed institutions in Latin America as a "best practice".

One area of the YES programme which we beefed up last year was that of training, especially in the areas of financial literacy and occupational safety. In-service YES training will be broadened and deepened this year. It is the government's intention to build an entrepreneurial spirit and better attitudes to work and production among the YES volunteers. I encourage the private sector entities to link actively with the YES programme for the benefit of all relevant stakeholders. I remind the private sector that under the tax laws of this country, tax benefits redound to those who engage actively in Private-Public Sector Partnerships.

Young persons have benefitted immensely from the Micro-Enterprises Loan Programme which my government instituted at the National Commercial Bank (NCB). This programme is being expanded and will continue to be implemented in conjunction with the credit unions. I have earmarked \$1 million in the Budget for this year and indicative sums of \$4 million and \$5 million, respectively, for each of the next two years. Of course, persons other than young entrepreneurs would be able to access these resources.

One targeted initiative for youth with immense potential is the Youth on the Bloc Programme. This has been operationalised through several communities already. By the end of December 2011, it is planned that at least 15 "Youth on the Bloc" communities would enter into a structured relationship with the Ministry of Youth and other state agencies, particularly in the areas of entrepreneurship and employment, education, sports and culture. A survey has already been conducted on Youth on the Bloc and policy issues arise therefrom for implementation.

This year, too, my government intends to finalise all the relevant consultations towards the establishment of a National Youth Foundation to aid in the development of young entrepreneurs.

On the agenda for this year also is the convening of a Youth Assembly to facilitate, among other things, the final codification and elaboration of a National Youth Policy in one document, and to fashion appropriate mechanisms for a better representational interfacing between the Ministry

of Youth and youth organisations. A better structured voice for youth is necessary and desirable.

In 2011, in accord with our central policies on youth, my government would:

1. Further implement macroeconomic policies and priorities that would promote growth and stability for our nation's youth.
2. Maintain the thrust to developing the human capital, including pursuits in education, sports and culture.
3. Advance further the strategic approach to poverty reduction, strengthen social safety nets and other social mechanisms.
4. Continue the reform of the public sector to improve efficiency, innovation and service delivery for youth.
5. Improve the institutional and legal framework in support of private sector development and youth entrepreneurship.
6. Develop a better structured 'voice' for youth.

The Honourable Minister of Youth, who has been for many years a leader of youth, will expand on all these initiatives, and more, in his Budget presentation.

HEALTH AND WELLNESS

St. Vincent and the Grenadines has made significant progress in the delivery of health care over the past ten years. Gains are apparent both in the quality of health care delivered and the availability and accessibility of health-related services across the nation.

As a result, we have witnessed steady improvements in vital health indicators. In 2010, we established a new Neo-natal Intensive Care Unit at the Milton Cato Memorial Hospital. This Unit is operated in an isolated area, and is designed to reduce the incidence of infections to which the pre-mature newborns are susceptible.

We have also remodeled a section of the existing pediatric ward as a care and treatment unit to deal with post operative care. The International Hospital for Children and the Rotary Club are partnering with the Ministry of Health, Wellness and the Environment to provide specialized surgical procedures for children. Procedures in ophthalmology, cardiology, orthopedic and general surgeries are performed in the new unit. Indeed this Unit has been receiving children as patients from other OECS member-states and from the wider Caribbean.

In the area of early childhood development, the Ministry of Health, Wellness and the Environment partnered with the Caribbean Child Support Initiative (CCSI), UNICEF and PAHO to pilot the Early Childhood Health Outreach project in the Calliaqua Health District in 2010. The aim of the project is to integrate early childhood development and health care services for vulnerable children through home-visits to children from birth to three years of age who do not have any form of early stimulation. Additionally, under the Lives to Live project, to be financed by ALBA, we will develop programmes to assist persons living with physical and mental disabilities.

The Ministry of Health now boasts of a comprehensive health information system which was implemented in 2010 at a cost of \$1.5 million. The objectives of the system are: to improve accountability; to ensure evidence-based decision-making; to reduce waste and ensure savings; to provide timely, accurate and reliable health information; and to improve monitoring of national, regional and international indicators;

In the area of primary health care we completed construction of the Stubbs Polyclinic and a health centre at Evesham at a cost of \$2.7 million and \$1.4 million, respectively.

These gains notwithstanding, important issues of quality, access and coverage in the health sector continue to be at the forefront of the national agenda. That is the reason this administration has requested the EU to support its efforts in health with the resources of the 10th EDF.

The European Union has accordingly approved the 10th EDF, which focuses primarily on health sector reform, at an estimated cost of \$33 million. The purpose is to contribute toward the continuous development of an efficient, effective and sustainable health care system with emphasis on preventing and managing chronic non-communicable diseases (CNCDs), improving delivery and management of health care services, establishing sustainable financing, and improving and

rationalising human resources development and management. The main activities are:

1. Development and implementation of a wellness policy including public awareness and lifestyle behaviour change initiatives based on the results of a nutrition survey geared towards the reduction of obesity and diabetes.
2. Improving delivery and management of health care services and establishing a sustainable financing mechanism. Specifically:
 - a. Construction and furnishing of two (2) polyclinics at Buccament and Mesopotamia.
 - b. Construction and furnishing of four (4) doctors' quarters and one staff hostel.
 - c. Renovations at MCMH to replace roof at the surgical ward, theatre and refit kitchen, laundry and security enhancement.
 - d. Rehabilitate the Mental Health Clinic.
 - e. Procurement of two (2) ambulances.
 - f. Further develop the health information system.
3. Enhancing human resource capability in the health sector.
4. Provision of technical assistance for the timely implementation of the project.

We anticipate that preliminary work for this programme will begin in the second quarter of 2011.

Another important aspect of the Health Sector Plan is the completion of the Modern Medical Complex at Georgetown as a diagnostic centre. This facility is being constructed in collaboration with the Republic of Cuba and is scheduled for completion this year. A total of \$8 million has been allocated to this project in this year's Estimates.

AIRPORT DEVELOPMENT AND AIR TRANSPORT

Completing construction of the Argyle International Airport at the end 2012 and commencing its operations shortly thereafter remain essential to my administration's development agenda. Work on the project has been proceeding apace with another 35 percent of the earthworks completed

during 2010. This amounts to an overall total of 64.5 percent of the planned earthworks, since work started on August 13, 2008.

Works were carried out on preparing the area for construction of the terminal building and on the excavation and embankments in the first and second kilometres of the runway, as well as on the apron and the taxiways. Additionally, during 2010 the culvert, for carrying runoff water from one side of the runway to the other side, in the first kilometre of the runway was started and will be completed in the first quarter of 2011.

The Board of Directors has awarded a contract in the amount of US\$ 25.1 million for construction of the terminal building to the Taiwanese firm, Overseas Engineering and Construction Company Ltd. (OECC). This contract covers construction of the terminal building, electrical substations, internal and external signage, and related preliminaries. IADC has decided to do the site works, and construct all internal roads, drainage and parking areas using resources at its disposal. This means that IADC will at some stage this year enter into contracts with private firms for construction of the fire and rescue station, cargo terminal building and control tower. These facilities are estimated to cost approximately US\$4.6 million.

The Government of the Republic of China has pledged loan and grant funds totaling US\$30.0 million for design and construction of the terminal building and other landside facilities of which some US\$5.8 million have already been drawn down.

Meanwhile, the wind studies at Argyle are continuing. So far, wind data have been collected and analysed for just over four (4) years, from 3 wind stations installed within the airport zone. The meteorologists at the E.T. Joshua Airport continue to receive and analyse these data. The data reveal no unfavourable wind pattern for airport operations.

As part of the process of implementing the proposals contained in the KOCKS Consultants Environment Study of the airport project, IADC has recruited an environment and planning officer whose mandate includes, ensuring that adequate measures are in place and that the engineering work plans are designed and executed in a manner to mitigate adverse consequences to the environment. Every effort is being made to provide a comfortable temporary access road to residents of Argyle Gardens and Mt. Pleasant. In 2011, IADC would provide assistance to the Ministry of Transport and Works to improve the access road for residents of Argyle Gardens in the area north of the terminal building site. The designs for this road have been completed and construction will begin in the first half of

2011. Work on the access road to Mt. Pleasant that traverses the southern end of the runway will also commence in 2011, when excavation at Fort Hill is substantially completed.

During 2010, the marketing team comprising representatives from the Ministry of Tourism, the Tourism Authority, Invest SVG, and IADC met and finalised a marketing plan to promote the Argyle International Airport. IADC will continue, in collaboration with the Tourism Authority, to build awareness among airlines, to encourage them to add St. Vincent and the Grenadines to their routes.

One may recall that there are five main cost components of the Argyle International Airport project and our last estimate was \$589 million. Mr. Speaker, on account of rising construction costs for the terminal building and other landside facilities, the project is now estimated to cost \$636 million.

Notwithstanding our concentration on the Argyle International Airport project, we are committed to maintaining and improving the delivery of services at each of the other airports. In this regard, we have a provision of \$4 million to resurface the runway at the E.T. Joshua Airport, which is now scheduled for the first quarter of 2011.

ROADS AND URBAN DEVELOPMENT

Mr. Speaker, this administration accords high priority to developing and maintaining a proper road network throughout our country. This is reflected by, among others, the recent completion of the Windward Highway. Our attention will now turn to the Leeward Highway which is in need of substantial rehabilitation. This highway is over 25 miles in length, stretching from Kingstown to Richmond. Three distinct sections of the road are identifiable:

- a) The North Leeward Highway – from Richmond to Wallilabou;
- b) The Central Leeward Highway – from Wallilabou to Buccament; and
- c) The South Leeward Highway – from Buccament to Kingstown.

The first two sections were rehabilitated through loans provided by the Caribbean Development Bank, and are still in reasonable condition. The South Leeward Highway however, was constructed in the early 1970s. This was at a time, Mr. Speaker, when there were fewer vehicles on the road. Circumstances have changed significantly. Not only is this section of the

highway inadequate, but it has deteriorated markedly. As such, it is in urgent need of upgrade to meet the demand of increased traffic loadings, both current and projected. Accordingly, the government is seeking funding from the Caribbean Development Bank for design and reconstruction, estimated to cost \$25 million.

The Vigie Highway would also receive some attention during this fiscal year. Work would continue on the section of the Vigie Highway between the Roundabout and the Villa-Fountain Road. As you would recall Mr. Speaker, a section of the road was rehabilitated in September 2009, through grants by the European Union. Notwithstanding, there is still a 300 metre section remaining and this would be rehabilitated during this year.

Building bridges is also a focus of this administration. Priority will be given to the construction and rehabilitation of several bridges during 2011 including the Colonarie, Verbeke, and Fort Charlotte Bridges. A total of \$3.2 million has been allocated for these bridges in 2011.

Attention will also be paid to the development of village roads, feeder roads and farm roads. An extensive programme is planned for financing from the resources of the Banana Accompanying Measures (BAM), which should be available towards the end of 2011. In the meantime, a provision of \$2 million has been made in the 2011 Estimates for the more urgent works.

TELECOMMUNICATIONS

Telecommunications is an area of high priority for social and economic development. Accordingly, the government entered into contract with LIME for the provision of free unlimited wireless internet access at several Learning Resource Centres, rural schools and community centres across the country. This project has commenced and will be completed by April 2011. It should be noted that this is the first Universal Service Fund project to be undertaken in the OECS and complements the Education Revolution and the one laptop per student initiative.

The NTRC is also currently in negotiations for a contract for a second project that will provide for the installation of payphones along the main highways and wireless Internet access at all 14 recently completed tourism recreation sites.

In 2010, the NTRC implemented a new Price Cap Plan that will govern the regulation of fixed line services. One of the main benefits of this new plan is a reduction in the cost of fixed to mobile calls from 71 cents to 54 cents per minute. This rate will be reduced further in October 2011 to 40 cents. In total, this will be a reduction of 44 percent over an 18-month period and will benefit all consumers.

In the third quarter of 2010, Cable and Wireless (LIME) completed its migration from its legacy circuit switches network to its Next Generation Network. This milestone was an historical one as St. Vincent and the Grenadines became the first sovereign nation to migrate fully to NGN. One of the significant achievements of this new network is the ability to make internet access available at the flick of switch to any customer. The network will also allow for the deployment of new services at competitive prices.

New draft legislation was developed by ECTEL in 2010 in collaboration with the NTRC and other stakeholders to replace the existing Telecommunications Act of 2001. A finalized draft is expected to be completed in 2011. This proposed legislation would address those issues that have arisen in the sector over the last 10 years as a result of the rapid change in technology and will also strengthen the regulatory oversight of ECTEL and the NTRC of the sector.

In 2011, the NTRC will increase its regulatory oversight of those services not currently exposed to much regulatory intervention but which affects a wide cross section of the population. Additionally, the Universal Service Fund (USF) will subsidize the cost of internet access to economically

disadvantaged homes. This will ensure that all students will be able to fully benefit from the Education Revolution. This will be a phased project considering the number of households that may qualify for assistance.

Mr. Speaker, Digital Cable TV became a reality in 2010. The provider, Karib Cable, migrated from its analogue network to a digital one, last year. The purpose of this innovation was the provision of more television channels and enhanced services to consumers. This process has not flowed smoothly, and a number of consumer issues have arisen relating to quality, number and type of channels, and price. The NTRC is aware of the profound concern of consumers, many of whom are agitated. The NTRC has advised me that it has been trying its best to handle these issues in the interest of all stakeholders, given the limited regulatory oversight allowed for under the existing framework. I feel sure that much better can be done to resolve the bundle of attendant issues, and I shall personally be making every effort to have them resolved to the consumers' satisfaction.

ENERGY

The year 2010 was yet another challenging year for St. Vincent Electricity Services Limited (VINLEC) and for consumers of energy and energy services in St. Vincent and the Grenadines. Notwithstanding, VINLEC continued its programme of expansion at the Lowmans Bay power plant. At year-end, one of the two engines under the current expansion programme had already been commissioned with the other expected to be in service by the end of April 2011. This expansion in installed generating capacity will provide for the expected increase in demand for electricity in St. Vincent and the Grenadines in the next few years. On completion of Phase II, the Lowmans Bay power plant will have 17.2 megawatts of installed generating capacity.

Additionally, the 33 kV Transmission Line Expansion Project including substations at Cane Hall and South Rivers is practically completed. The substation at Cane Hall is in service and it is anticipated that the one at South Rivers will be commissioned by February this year. The latter will significantly improve the quality and reliability of electricity supply on the north-eastern side of the country. During 2010, the company also commissioned a 24,000 imperial gallon fuel storage facility at its Cane Hall power plant, which has significantly improved safety in the delivery and storage of fuel at the plant.

Regarding our hydro power resources, VINLEC has a renewed thrust to rehabilitate its hydro plants at South Rivers and Richmond. These plants have been in operation for over fifty years and extensive work is required to ensure that they continue to contribute to the stability in electricity prices to customers especially against a backdrop of price volatility in the international market. The estimated cost of the project is \$14.0 million and is now scheduled to commence in 2011.

On 30th October, 2010, the country was affected by the passage of Hurricane Tomas which resulted in severe disruption to the electricity supply. Although VINLEC's power plants suffered no damage, the transmission and distribution system was severely impacted. Restorative work commenced immediately after passage of the hurricane and within one week the entire transmission and distribution network was restored at a cost of approximately \$700,000.

During recent years the country has been exploring opportunities to exploit its geothermal energy resources, as well as seeking to exploit wind energy potential. With regards to wind, the site at Ribishi Point has proven to be one with great potential and we will be renewing our efforts to

develop this project in 2011. The policy of the Government on renewable energy has also supported the use of small scale renewable energy appliances by providing tax incentives for the installation of small photovoltaic system. VINLEC facilitated this exercise by allowing its distribution system to be a “warehouse” for the power generated by these micro systems owned by individuals and businesses.

In addition, the Government is also implementing measures to facilitate greater energy efficiency. In 2011, the Energy Unit, with financing provided by the European Union, will adopt energy saving technologies in several government buildings including the Milton Cato Memorial Hospital, Central Police Station, St. Vincent Community College and the Central Medical Stores, at a cost of \$1.68 million. Meanwhile, the government's National Energy Policy has been adapted by cabinet, and has been published.

HOUSING

The housing development programme plays an important role in reducing poverty and promoting economic and social development through the provision of no-income, low income and middle income homes. The focus of the housing development programme for fiscal year 2010 was on the no-income/vulnerable group (persons earning between \$0 and \$750.00 per month). With assistance of \$4.5 million from the Government of Venezuela, the Housing and Lands Development Corporation (HLDC) was able to construct 130 new houses throughout St. Vincent and the Grenadines. This programme is expected to continue during 2011 as the Government seeks to provide shelter to the economically disadvantaged and to ensure that our built environment meet the minimum standards of safety and use as required by the building regulations.

It is expected that the demand for low and no income housing will continue to increase as families across the country seek to promote their economic and social security and well being through property ownership. The programme also attracts an increasing number of persons as a result of the high quality and the affordability of the product. The latter results primarily from subsidy which is provided by the State. This subsidy takes the form of administrative cost to the HLDC, the executing agency for the programme; infrastructural development (site and services) which is not included in the cost of sale to beneficiaries; and the cost of the land which is sold below market price. To date the HLDC has constructed and distributed 521 low income houses and 14 middle income houses.

This Government, through the HLDC, intends to construct and repair approximately 150 no-income and low income houses in 2011. We will also work with the private sector to encourage greater participation by non-governmental organizations in the provision of affordable housing. Meanwhile, the HLDC has been vigorously pursuing the housing reconstruction programme after Hurricane Tomas. Thus far, it has done a commendable job.

NATIONAL SECURITY

Mr. Speaker, a modern, efficient Police Force, including the Coast Guard, and allied institutions of quality, such as the Prisons, the Judiciary, the Prosecutorial Service, and the Financial Intelligence Unit are vital in the fight against crime. Indeed, they constitute the front-line in that battle. No government in the history of St. Vincent and the Grenadines has spent so much resources and expended so much effort as my administration has done into building the Police Force into a highly professional outfit. Of course, there are weaknesses and limitations in this central institution which maintains law and order, but its strengths and possibilities are immense. Indeed, between March 2001 and today, my government has ensured that a desirable modernisation and upliftment of the Police Force has occurred. Our excellent record stands and we continue to build on it.

In the 2011 Budget, the sum of \$65.7 million is allocated to Public Order and Safety. Of this amount, \$54.1 million is to be spent on the recurrent side of the budget and \$11.6 million on the capital side. The total budgeted expenditure on Public Order and Safety amounts to 8.4 percent of the overall Budget of \$786.5 million.

The Result Indicators in the Estimates for 2011 summarise the plans in the area of national security for this fiscal year. They cover initiatives in administrative reforms, community policing, Pan Against Crime, the National Commission on Crime Prevention, Maritime Administration, the Police, Coast Guard, Prisons, and the Cadets.

Currently, in the Police Force there are 764 police officers, 69 officers in the Fire Service, 79 Coast Guard personnel, 20 band cadets, 15 traffic wardens, 20 rural constables, and a Tourist Police Unit with several members. On-going training is vital for each of these persons in the security forces. It is a central emphasis of my government. This is similarly the case for the 126 members of the Prison service.

In the fiscal year 2011, the programme of constructing and renovating Police Stations continues apace. The Georgetown Police Station, a magnificent building, is due to be opened shortly. The construction of the Spring Village Police Station will commence this year. Repairs are to be undertaken at other Police facilities including those for the Rapid Response Unit, the Old Montrose Police Station, and the Narcotics Division. A Police Post is to be developed at Mayreau. Next year, construction of the Union Island Police Station is expected to begin.

The sum of \$2.5 million is earmarked for continued work on Phase II of the Belle Isle Correctional Facility.

The Coast Guard Service will have its fleet further upgraded this year particularly with the acquisition, by way of a grant from the Government of the USA, of two fast Interceptor Vessels costing some \$5 million. The Government of the USA will also assist us in the construction and staffing of a new Coast Guard Base on Canouan.

This year, too, will witness the continued expansion of the Cadet Force which in ten years has grown from about 100 Cadets to some 800, including a Marine Wing.

At Arnos Vale, the Firing Range will be completed this year and will become operational. The Firearms Association will assist the Ministry of National Security in managing this Range and in facilitating the training of law-abiding citizens in the use of Firearms.

St. Vincent and the Grenadines is in an increasingly dangerous Caribbean neighbourhood. Accordingly, my government is very vigilant in not only stamping out home-grown crime but is most alert in keeping the regional and foreign criminals at bay. We thus have stepped up markedly our cooperation with law-enforcement agencies in the Caribbean and from overseas, especially the British, the Americans and the French.

The security authorities in our country have been moderately successful in reducing and controlling crime, especially violent crimes. The handful of cocaine traffickers and money launderers, however, have been spawning a network of gangs, which, if not crushed, would pose grave dangers to our civilised way of life. They are being given no space by my government to flourish. I urge all right-thinking Vincentians to adopt a similar tough line on these cocaine traffickers and money-launderers. In this regard, I advise those who legitimately perform professional services for these persons to be most careful in not crossing the line and thus become themselves enmeshed in their criminal enterprises. These criminal enterprises constitute a grave threat to our national security and ought never to be accorded the cloak of respectability by persons who ought to know better.

FINANCIAL SECTOR DEVELOPMENTS

Mr. Speaker, a well-functioning financial system is a major contributor to macroeconomic stability, in particular the mobilisation of savings and investment and the promotion of private sector development. In developing countries such as St. Vincent and the Grenadines, financial sector development will also contribute to increasing Foreign Direct Investment (FDI) and reducing poverty.

Banking and Insurance Issues

In 2010, as the global economy continued its recovery from the recent global financial crisis, the ECCU continued to grapple with the challenges in the financial sector, particularly the insurance sector. In this regard, we in St. Vincent and the Grenadines have met with mixed results. On the one hand, we have dealt successfully with the liquidity problems at the National Commercial Bank (NCB) through divestment of the majority shareholding in the Bank; on the other hand, progress on the British American Insurance Company (BAICO) issue has been very slow.

The problem which was experienced by the NCB was due mainly to its under capitalisation and to the global economic and financial crisis. The slowdown in cash inflows from export earnings, remittances and FDI slowed the growth in private sector deposits, putting a strain on NCB's cash flow. At the same time, increased budgetary spending by the Central Government, mainly higher social spending, as well as transfers to state-owned entities resulted in a sharp drop in government deposits at the NCB, and an increase in net credit to the public sector which exacerbated the cash flow problem.

This problem was not unique to NCB as a number of banks and non-bank financial institutions in the ECCU had similar experiences. This is why financial stabilisation and rationalisation figure so prominently in the ECCU's Eight Point Stabilisation and Growth Programme. Indeed, three of the eight points address financial sector safety nets, the amalgamation of indigenous banks and the rationalisation, development and regulation of the Insurance sector.

Under the divestment programme, the Government of St. Vincent and the Grenadines has agreed to divest itself of eighty percent (80%) of its common shares in NCB in two phases. In the first phase in November 2010, the Government sold fifty one percent (51%) of the share amounting to five million, one hundred thousand (5,100,000) shares in the NCB to Eastern

Caribbean Financial Holding Company Ltd. of St. Lucia for a consideration of \$42 million. The second phase is to be completed within one calendar year (of the first phase) and requires the Government to divest itself of an additional two million, nine hundred thousand (2,900,000) of its common shares in NCB i.e twenty nine percent (29%) allocated as follows:

- (i) National Insurance Services – five percent (5%)
- (ii) Vincentian and OECS Nationals – twenty percent (20%) and
- (iii) NCB staff – four percent (4%).

One of the conditions set for the divestment required the Government to reduce the outstanding facilities due by the public sector to the NCB. This was necessary in order to ensure that credit to the public sector does not exceed the threshold of 20 percent of overall credit. The Government accordingly applied and obtained a loan from the Caribbean Development Bank to satisfy this condition.

Mr. Speaker, in my 2010 Budget Address, I devoted considerable attention to the BAICO issue, as this matter has touched the lives of many Vincentians. Unfortunately, progress in resolving this issue has been rather slow and the anxiety of policy-holders is mounting, while some may be running out of patience. Implementing a solution to this matter is therefore of critical importance to my Government.

Some progress, however, has been made on this matter. During 2010, the judicial managers completed the sale of the property portfolio of BAICO to Caribbean Alliance Insurance Company. Additionally, ECCU governments are finalising arrangements for the health insurance claims, particularly those claims for urgent medical treatment within certain defined parameters.

To date, the overall BAICO resolution strategy in ECCU has focused on establishing a new company to take over BAICO's operation with equity participation of a strategic investor. This plan was supported by the Government of the Republic of Trinidad and Tobago and negotiations were well advanced for the establishment of the new company. This plan was however disrupted by the change in administration in the May 2010 general elections in Trinidad and Tobago. The governments of the ECCU have engaged the Government of the Republic of Trinidad and Tobago and it is apparent that this new administration, whose contribution to the plan success is critical, would not support this new company solution as it was formulated and agreed upon by the precedent administration.

The Government of the Republic of Trinidad and Tobago has however indicated that they appreciate the systemic impact of any BAICO collapse on the Caribbean region and propose to work with ECCU governments and the Caribbean Development Bank (CDB) to establish a regional fund, through CARICOM to respond to major financial threats to the region's economy, including that of BAICO.

Considering that this path, despite the best intentions of the participants, will take time to implement, the ECCU Ministerial Sub-Committee on insurance, which I head, has agreed on a revised plan for resolving the BAICO issue whilst also permitting this potential CARICOM solution. This is what I refer to as Plan B.

This plan would involve recapitalising the traditional life portfolio with funds currently on deposit with the ECCB from the Petroleum Fund and selling it to a third party for its fair value as a going concern. The total liabilities for the traditional life in the ECCU is estimated at US\$38.0 million for approximately 22,000 policyholders. The proceeds of the sale would (in part) benefit the annuity/investment policyholders.

Even while settling the life portfolio challenge, we shall continue discussions with the Government of the Republic of Trinidad and Tobago and the Caribbean Development Bank, regarding the establishment of a CARICOM support fund to deal with the annuity/ investment policyholders, of which there are approximately 11,000 across the sub-region. The intention is for these policyholders to be paid compensation up to a fixed amount, which will depend on the funding available. I shall continue to push for the best arrangement possible to protect annuity investment policyholders.

Additionally, the ECCU Governments intend to work with the proposed CARICOM Fund to create a pool of funds to settle liabilities due to systemic important institutions such as banks, credit unions and pension funds. This is in keeping with the Monetary Council's stated objective of ensuring that the fallout from BAICO does not become a systemic risk to the ECCU financial system.

Of equal concern to policyholders is the situation with respect to CLICO International Life Insurance. In mid December 2010, we were informed of the intention of the Government of Barbados to place that company under judicial management. While we have been officially informed that the appointment has not yet taken place, it is anticipated that the

recovery efforts for that company would also involve a regional strategy to deal with all those affected.

Developing a robust financial sector will protect the economy from or minimize the impact of external shocks, which are becoming more common with globalised financial markets. Accordingly, the Government will continue to promote the stability of the financial sector through greater monitoring of financial institutions and ensuring their compliance with prudential regulations. This would involve greater on-site examinations and off-site analysis and surveillance.

Mr. Speaker, it is this government's intention to pass the Financial Services Authority Act, establishing the legal and institutional framework for the supervision and regulation of the non-bank financial sector, before the end of this year. We will also move expeditiously to strengthen the legislations with respect to insurance, building societies and the co-operatives sector.

Mr. Speaker, the Government's legislative agenda with respect to the non-bank financial services sector seeks to harmonise our legislations with the rest of the ECCU as well as to bring them in line with international standards and best practices.

National Insurance Services and Pension Reform

The National Insurance Services has accumulated significant reserves. As of the end of 2010, reserves amounted to \$432.1 million, the equivalent of 23 percent of GDP and the ratio of pensioners to contributors was only 13 percent. However, the financial health of the NIS will deteriorate as the system matures. The system has a low contribution rate, a young retirement age and generous replacement rate in comparison to other countries in the region. So outlays and administrative costs will gradually surpass contributions and investment earnings.

The costs of providing pension and other benefits to beneficiaries in both the National Insurance and the Public Service Pension Systems have been escalating in recent years. For example, in the Public Service Pension System, retirement benefit payments which amounted to \$24.1 million in 2005 had increased to \$45.28 million by 2010, an annual increase of 13.4 percent, and benefit payments at the National Insurance Services have been increasing at an even faster rate over this same period.

Moreover, since public servants participate in the NIS, the Public Service Pension is in addition to the NIS pension, allowing replacement rates (pensions) to approach 127 percent of income, as the NIS matures. In sum, the current structure of the National Insurance Services and the Public Services Pension System are clearly unsustainable. This is why the government has developed plans for a number of possible reforms to the overall pension system here in St. Vincent and the Grenadines. The reform options include:

- (a) A gradual increase in the contribution rate for the long-term benefit branch of the NIS;
- (b) A gradual increase in the retirement age to 65 years;
- (c) A change in the calculation of survivor benefit to protect families of young workers;
- (d) Aligning the NIS and Public Service System retirement ages;
- (e) A possible merge of the Public Service Pension System with the NIS.

During 2011, the government will redouble its efforts in advancing this reform agenda through the following initiatives. First the 8th Actuarial Review will be conducted during the year and we expect to see a number of specific recommendations for implementation of these parametric reforms. Secondly, we expect to complete the long awaited study for the merger of the NIS and the Public Service Pension System.

International Financial Services

In 2009, the Organisation of Economic Co-operation and Development (OECD) intensified its campaign against so called 'tax havens' i.e. essentially countries operating international financial services. The OECD "grey-listed" St. Vincent and the Grenadines and numerous other countries around the world which had 'committed to the internationally agreed tax standard but had not yet substantially implemented its commitment'. After diligent negotiations with both OECD and non-OECD countries, St. Vincent and the Grenadines was "white-listed" by the OECD as it had successfully met and surpassed the OECD target by completing seventeen (17) Tax Information Exchange Agreements (TIEAs) within the specified deadline of March 2010. By the end of 2010, this country had signed a total of twenty (20) TIEAs and is presently in negotiations with Portugal, Greece and Spain to establish similar agreements.

The execution of these TIEAs signifies a clear willingness on the part of St. Vincent and the Grenadines to be transparent and accountable with

respect to its tax regime. St. Vincent and the Grenadines' "white-listed" status in the global context also translates not only to an acknowledgement of this country's commitment to comply with the international standard on tax exchange, but also confirms its position amongst the most responsible tax regimes in the world.

The International Financial Services Authority (IFSA) has seen a reduction in the number of registrations of new entities in particular international banks and international insurances in 2009. The downward trend which commenced in 2009 continued into 2010. Revenue from International Financial Services Authority fees which amounted to \$3.4 million in 2010 was 3.1 percent below the amounts collected in 2009.

A major development in 2011 is that the IFSA is expected to fall under the umbrella of the Financial Services Authority, a single regulatory organisation, in an effort to enhance and strengthen the regulatory and supervisory capacity of the jurisdiction. At the same time, INVEST SVG, the organisation charged with responsibility for marketing the sector, will step-up its marketing efforts as we seek to realise benefits from our growing reputation as a first class jurisdiction for international finance business.

In relation to our anti-money laundering programme, in 2009, the FIU received 1,174 Suspicious Activity Reports (SARs) and as of September 30, 2010, the FIU reported 412. These reports were received from local domestic and offshore banks, credit unions, money remitters and other regulated businesses as set out in the first schedule of the Proceeds of Crime and Money Laundering (Prevention) Act, No. 39 of 2001 (POCMLPA).

There are two (2) pending money laundering prosecutions before the Court arising out of charges laid in 2008, however there have been no convictions for money laundering in 2009. On October 14 and 15, 2010 two (2) money laundering charges were laid against two (2) individuals for concealing and importing into St. Vincent and the Grenadines, the proceeds of another person's criminal conduct.

As at September 30, 2010, the Confiscated Assets Fund had a balance of \$610 thousand.

PUBLIC DEBT

As at September 2010, total disbursed outstanding public debt amounted to \$1.23 billion, comprising \$653.2 million in external debt and \$588.9 million in domestic debt. This represents a 3.8 percent increase when compared with September 2009. The increase in the total debt was due to a 10.9 percent increase in the external debt primarily on account of drawdown of \$71.5 million from the ALBA Bank for various public sector development projects including Phase II of the Lowmans Bay Electricity Project. There were also sizeable drawdowns from the Caribbean Development Bank for continuation of the Basic Education Projects, support to LIAT, the Windward Highway Rehabilitation Project and the Student Loans Programme.

Of the external debt, \$542.7 million or 83.2 percent was attributable to Central Government while \$110.5 million or 16.6 percent to public enterprises, with 79.5 percent categorized as loans and the other 20.5 percent as bonds. With respect to currency composition, 73.1 percent was denominated in United States dollars, 11.2 percent in Special Drawing Rights and 9.3% in Eastern Caribbean dollars. The Caribbean Development Bank continues to be the largest creditor with \$271.0 million or 41.5 percent of the external debt. This was followed by Bondholders \$134.0 million, IBRD/IDA \$76.9 million and the ALBA \$71.5 million.

The public debt as at September 2010 amounted to 63.6 percent of GDP as compared with 62.8 percent of GDP at September 2009. This ratio is based on the new rebased GDP series which is now in official use throughout the ECCU. Using this new series, the level of GDP has expanded significantly and GDP in current market prices is now significantly higher than the previous series; averaging 24.2 percent higher over the years 2000 to 2009. Resultantly, the debt to GDP ratio has been reduced from the levels previously reported.

In the medium term, external debt is expected to consume a larger portion of the total debt as further restructuring of the portfolio takes place, by replacing high costs domestic debt with lower costs external debt. This is expected to result in reduced debt servicing cost in the medium to long term. Debt servicing as a percentage of current revenue rose from 25.1 percent in 2009 to 29.3 percent in 2010.

Honourable Members will no doubt note that the total provisions for debt servicing including interest payments, amortization and contributions to Sinking Fund in 2011 are much lower than those in 2010. Several factors contributed to this development including:

1. The refinancing of \$100 million of high cost domestic debt with a concessionary loan from the Caribbean Development Bank, as part of the programme for divestment of the NCB.
2. The removal of some provisions in the 2010 Estimates for servicing of debts which are no longer needed. These include the Financial Stabilization Loan and the suppliers credit for the Coast Guard.
3. Favourable exchange rate movement which have reduced debt servicing cost for non-US dollar debt.

Debt management will remain a focus in the Ministry of Finance. To this end, a Debt Management Strategy covering the period 2010 to 2013 which outlines the debt management objectives and principles has been prepared to guide the process. In addition, the Debt Management Unit (DMU) within the Ministry of Finance will continue to be strengthened to provide efficient management of the public debt. The Ministry will continue to collaborate with the Debt Management Advisory Services (DMAS) at the ECCB and other institutions to provide training geared towards building capacity and enhancing the performance of the staff in the DMU.

RESOURCE REQUIREMENTS

I will now turn to the resource requirements to meet all commitments, both capital and recurrent, for the financial year. The total expenditure budget for fiscal year 2011 is \$786.5 million, which represents a decrease of 13.9 percent below the budget for 2010. Of the total for 2011 \$609.8 million is to be spent on recurrent expenditure (including amortization) and \$176.7 million is for capital spending.

The proposed recurrent expenditure for 2011 has been held closely to that of the previous year despite the need to provide for several new programmes and activities, including:-

- (i) A provision of \$3.0 million as income support to banana farmers, who were so badly affected by Hurricane Tomas;
- (ii) A provision of \$6.3 million to partially finance the cost of providing housing assistance to persons whose homes were damaged by Hurricane Tomas.
- (iii) Provision of \$3.4 million for social welfare under the Family Affairs Division of the Ministry of Social Development to cater for the increase in welfare payments.
- (iv) An increase in the provisions for payment of pension and retiring benefits from \$39.2 million in 2010 to \$46.0 million in 2011, to cater for this rapidly increasing obligation.
- (v) A provision of \$2.8 million under the Ministry of National Mobilisation, etc. to cater for the operational costs of the Youth Empowerment Programme. These costs were previously carried under the Capital Estimates.
- (vi) The addition of several new programmes including the National Qualification Department, the Education Research, Information and Communications Unit in the Ministry of Education, the Integrated Medical Assistance Programme in the Ministry of Health and a grant of \$600,000 to the Centre for Enterprise Development.

Mr. Speaker, we have been able to maintain the previous year's level of recurrent provision by reducing the provision for some goods and services, thus eliminating minimal padding of expenditure estimates, particularly in respect of Personal Emoluments and maintaining the size of the public

service; though some new posts which are considered vital have been created. We also propose to defer the 2011 salary increase for an initial period of six months. We will re-examine the fiscal situation in June of this year and address the issue of salary increase accordingly. Both the St. Vincent and the Grenadines Teachers' Union and the Public Service Union have agreed with the Government on this approach. I thank them. I await the response on this matter from the Police Welfare Association.

The recurrent budget is summarized as follows:-

Table 1 : Details of Recurrent Expenditure

Functional Classification	\$m	%
General Public Services	193.09	31.7
Education	119.47	19.6
Economic Affairs	86.75	14.2
Social Protection	69.84	11.5
Health	57.48	9.4
Public Order and Safety	54.12	8.9
Other	29.06	4.8
Total	<u>609.81</u>	<u>100.0</u>

Source: Ministry of Finance and Economic Planning

In order to keep within these expenditure allocations, I will be insisting that Ministries and Departments pay more attention to financial controls and reduce wastage. Good procurement practices will be demanded for all government purchases as this will have a direct and positive impact on cost and quality. Indeed, we aim to finalise the Procurement and Contract Administration Bill and Regulations during 2011 and to advance work on the Government Assets Regulations, to help instil and foster this responsibility among public servants.

The resources to be spent on the Capital budget will also be managed in a more efficacious manner. The total capital expenditure proposed for 2011 is \$176.7 million, which is less than the 2010 figure of \$303.3 million. Several of the large projects in the 2010 Estimates have not been repeated or have been included at a much reduced level, these include:

- (a) The provision for the International Airport which has been reduced from \$54 million in 2010 to \$21.6 million in this year's Estimates.
- (b) The provision for the Financial Stabilisation Programme has been reduced from \$40 million in 2010 to \$10 million this year, with an additional \$30 million earmarked for 2012.

- (c) The provision of \$19 million in 2010 for coast guard vessels has been eliminated and replaced with a much lower grant amount of \$5.0 million.

Additionally, we have attempted to rationalise the Capital Expenditure Budget and include only those projects which have a more than reasonable chance of delivery in 2011.

The capital expenditure proposed for 2011 is broken down by function as follows:-

Table 2: Details of Capital Expenditure

Functional Classification	\$m	%
Economic Affairs	87.0	49.2
Education	33.3	18.9
Health	13.5	7.7
Public Order and Safety	11.6	6.5
Housing and Community Amenities	11.0	6.2
General Public Service	10.2	5.8
Others	10.1	5.7
Total	<u>176.7</u>	<u>100.0</u>

Source: Ministry of Finance and Economic Planning

Of the total resources required to meet capital expenditure and the deficit on the recurrent account I expect to provide \$25 million from capital revenue, \$54.7 million from grants, \$53 million from external loans, \$33.4 million in local loans, and the balance from a variety of sources including bank deposits, sale of additional assets and expenditure saving measures.

The main source of capital revenue for 2011 is expected to come from sale of an additional 2.9 million common shares in the National Commercial Bank, which is expected to realise between \$24 million and \$30 million. These funds are earmarked for several important projects including a micro finance facility to provide financial services to micro, small and medium-sized enterprises; E.T. Joshua Runway Improvements; Canouan Administrative Building; Rehabilitation of Union Island Airport; Hurricane Tomas Rehabilitation; the Irrigation Project; the Modern Medical Complex and Access Roads to Tourism Sites.

FISCAL MEASURES

My Government's overall fiscal strategy for 2011 will focus primarily on stimulation of the productive sectors in order to return the economy to its growth trajectory. We are looking to the private sector to play a more dynamic role in this process and have accordingly devised a number of new measures to provide the necessary incentives.

An equally important focus for 2011 will be on strengthening our fiscal and financial stability. Accordingly, my government has formulated and will implement a Fiscal Stabilisation Plan, including a Debt Management Strategy, in order to stabilise the fiscal accounts of the Government through the transparent and prudent management of public finances. Numerous studies have shown that a country's macroeconomic conditions are among the most important determinants for both domestic and foreign investment. We have therefore proposed new expenditure and revenue proposals as part of this process.

Measures aimed at Stimulating Investment and Private Sector Activities

Stamp Duty on Tourism Properties

The development and sale of villas, bungalows and other similar properties have emerged as important elements of the tourism industry in St. Vincent and the Grenadines. The incentives required in the hotel sector are not always available under the Hotel Aid Act; causing Cabinet to periodically grant additional concessions or pass special legislation for these tourism developments.

One issue which has become problematic in recent years is the payment of stamp duty on sale of "tourism properties" to investors. This is exacerbated by the high cost of construction including cost of capital, land, building materials and furnishing. In order to provide a measure of relief I propose to grant a Tourism Development Incentive Credit to investors who are developing tourism related properties for sale.

This credit will be limited to the equivalent of five percent (5%) of the selling price of each property and will only be used for settlement of the stamp duty payable by the developer on initial sale of the property. Any subsequent re-sale of the property will be liable to the stamp duty in full. To qualify for this incentive credit there must be in the tourism project, a minimum of twenty units and an initial investment of not less than US\$10

million. The incentive credit will not apply to those projects which have special legislative provisions.

Electricity Charges

The high cost of electricity, particularly the demand charge levied only on businesses, in St. Vincent and the Grenadines has been identified as a major constraint to business expansion. Available data show that St. Vincent and the Grenadines has one of the highest unit cost of electricity in the Caribbean. The operationalisation of the Lowmans Bay Power Plant has already led to a slight reduction in electricity cost as the more efficient engines are able to generate more electricity from each gallon of fuel used. Mr Speaker, much more needs to be done to assist our productive sectors.

VINLEC will continue to implement measures aimed at reducing the cost of electricity, including:-

1. Retrofitting generators to use a heavier fuel which is much cheaper than the diesel fuel presently used. This could reduce the cost of supplying electricity by between \$0.05 and \$0.15 per kWh;
2. Installation of heat recovery plant at Lowmans Bay to produce electricity from waste heat;
3. The expansion and renewal of supply from the hydro stations.

From 2011, I propose to eliminate the demand charge which has haunted commercial and industrial consumers for several decades. As of March 1, 2011 VINLEC would no longer impose this charge which is currently 9.6 cents per kWh. Instead, the energy charge for commercial consumers will be increased from \$0.48 to \$0.54 per unit and for industrial consumers from \$0.44 to \$0.45 per unit. This means the commercial consumers will save 3.6 cents per kWh and industrial customers 8.6 cents per kWh. The total cost of this measure is estimated at \$2.75 million for 2011. This cost will be borne entirely by VINLEC.

Port and Customs Charges

In small open economies such as St. Vincent and the Grenadines, competitive shipping and port costs are critical to competitiveness. However, compounding the more intractable problem of high freight costs are the high costs and delays at the Port and Customs. Additionally, following the 9/11 terrorism attacks, a range of security improvements were adopted under the International Maritime Organisation's new

International Ship and Port Facility Security code (ISPS) and the U.S. Maritime Transport Security Act (2002) at all international ports. These security measures greatly increased the cost of providing port services, some of which have been passed on to users but are necessary if the ships docked are to be accepted in other ports worldwide.

In order to help businesses cope with these costs, I proposed to reduce the cost of lifting a container from \$65 to \$45 per 20' container. This reduction is made possible because Central Government assumed responsibility for \$12 million owed by the Port Authority to the National Commercial Bank. The interest savings accruing to the Port Authority from the take-over exceeds \$1.2 million per year, some of which are now passed on to users of the Port.

Honourable members will note that this reduction in port charges is one of the benefits from the divestment of the National Commercial Bank, as the loan take-over was part of the arrangement, with Eastern Caribbean Financial Holdings.

The Government will also be instituting measures at the Port and Customs to improve the services offered to the business community and the public. This include full implementation of the ASYCUDA World project, development of a Customs website, infrastructural development and enhanced legislative and regulatory framework with the introduction of an updated CARICOM Harmonized Customs Act. Additionally, work will recommence on the Customs Administration Building.

The aim is to make the Customs more efficient by reducing overtime cost for businesses using the port and by reducing the time for the release of goods. The time-frame for clearance of goods is:

2 hours for declarations of less than 6 lines
24 hours for declarations from 6 to 15 lines and
72 hours for declarations over 15 lines

Financing Micro, Small and Medium Sized Enterprises

It is a common complaint by members of the business community here in St. Vincent and the Grenadines that they are credit constrained. On the one hand, strict collateral requirements limit access to credit. On the other hand, the cost of borrowing, the lending rate, is very high. With no credit bureaus or formal exchange of information among lenders, the cost of conducting background checks is very high and adds to lending rate and the need for high collateral requirements.

The banking sector cites a shortage of bankable projects, deteriorating credit worthiness of potential borrowers and difficulties in realising collateral in the event of default. These are some of the reasons the financial institutions continue to focus their lending activities on the residential housing and consumer finance segments.

The government has accordingly designed a number of measures aimed at increasing credit to the productive sectors particularly the MSMEs segment, with special attention paid to service firms, which have different financing needs and borrowing capacities than the traditional manufacturing or agricultural operations. These include:

1. Provision of a grant of \$600,000 to the Centre for Enterprise Development to enhance CED's role as a provider of business advisory services to MSMEs.
2. Finalising discussions with the Credit Union League for implementation of a micro-finance facility to provide credit and other financial services to micro, small and medium enterprises, including credit to farmers.

The plan is to form a new institution which will be a profit-making operation, responsive to the needs of MSMEs. The government is prepared to participate in this venture and has allocated an amount of \$1 million in 2011 as its contribution. There are also indicative allocations of \$4 million and \$5 million for 2012 and 2013, respectively.

Shortage of skilled labour at the technical and managerial level has often been identified as another constraint to business growth. The shortages are found in very specific skills like hotel management and heavy equipment operation, as well as in more broadly applied skills such as accounting and information technology. Building a strong skill base in St. Vincent and the Grenadines is particularly important for competitiveness because of our reliance on services and niche manufacturing and agriculture, which are generally more labour and skills intensive than traditional agriculture and manufacturing.

The Government has over the years developed a number of programs aimed at addressing this gap, including the Non-formal Skill Training Programme, the YES Programme and the much improved Technical/Vocational Education Programme among others, these do not still fill the gap; there are inadequacies. Accordingly, to help us to bring

some renewed focus to this matter, we have established a new programme in the Ministry of Education called the National Qualifications Department.

This program will monitor standards for the accreditation, delivery and assessment of programmes in Technical and Vocational Education and Training and provide for certification of skills.

The Government will also be applying to the Caribbean Development Bank for a soft loan, to implement a National Training Project, through which we will provide "Youths on the Block" and other vulnerable groups with skills that are geared towards the needs of the private sector and a growing economy.

New Revenue Measures

Property Tax

Over the last two years the Government has carried out a complete revaluation of all properties in the country with the stated intention of introducing a market value base assessment to replace the current annual rental value assessment.

This revaluation exercise is complete and we now have a data base showing the market value of every property in the State. However, after reviewing the data and considering the significant legislative changes which are required to introduce the new system, we have concluded that we are not yet in a position to implement the new market value assessment.

Accordingly, the decision has been taken to continue with the annual rental value assessment for the time being. We have however updated the assessment for all properties to reflect the increases in rental values since the last valuation in the 1990s. The updated valuation lists for each district will soon be published and property owners will have the opportunity to appeal, if he/she is aggrieved by the value ascribed in the list.

The number of properties identified in the revaluation exercise amounts to 40,700 as compared with 25,940 on the existing valuation lists, an increase of 57 percent. Additionally, the existing level of compliance of the

Property Tax is relatively low and the Government will be taking steps in 2011 to improve this level and to collect outstanding taxes.

The additional revenue to be realised from the increase rental value, the increase in the number of properties, improved compliance and collection of arrears is estimated at \$3.4 million for 2011.

(General) Stamp Duty

I propose to increase stamp duty payable on several instruments as shown in appendix V. The rates were last increased in 2002 and the average increase, approximately 20 percent, is intended to adjust for the change in inflation. The expected revenue yield is \$250,000 in 2011.

Additionally, I propose to remove the exemption of stamp duty in respect of any conveyance or transfer operating as a voluntary disposition, without consideration in money or money worth, between parents and children, brothers and sisters and spouses. This exemption has been in operation for the last twenty years. The exemption is now being used by unscrupulous persons and lawyers to evade the tax, as evident by the large number of deeds of gifts relative to total deed of transfer which are registered each year. Five years ago, I had warned that abuse of this concession beyond its intended scope would require an appropriate response. It is unbelievable the extent of the abuse.

Further the exemption is inequitable, in that, persons who have to purchase property are required to pay the stamp duty, whereas others in similar circumstances who are gifted property are exempted from this tax.

Professions Licence

Professions licence fees were last increased in 2002. Since then, my government has been lowering the top marginal rate of corporate and personal income tax from 40 percent down to 32.5 percent, a measure which the professionals no doubt would have benefited from and there is now a steady growth in the number of professionals operating in the country. I propose to amend the schedule of professions licence fee to increase these fees by 20% as shown in appendix II. This measure is expected to realise approximately \$120,000 per annum.

Vehicle Licence

My government has made significant investment in upgrading the road infrastructure mainly the rehabilitation of the Windward Highway at a cost exceeding \$100 million. Further, there are plans to upgrade the road

network on the leeward side of the island and provision has been made in the 2011 estimates to begin the South Leeward Rehabilitation project. This government has spent considerable amounts on upgrading of the secondary road network as well, however a number of these roads have been damaged due to the effects of heavy rainfall particularly in the aftermath of hurricane Tomas. The government is not only faced with the capital and recurrent cost of road repair but also with the related debt servicing cost as well. Consequently, I propose to increase the annual charges in the motor vehicle licence fee schedule by at least 15 percent, as shown in appendix I. This measure is expected to yield \$1.3 million.

Registry Fees and Survey Office Fees

I propose to increase the charges in the schedules of fees for registration of documents and surveys by an average of 25 percent as shown in appendix III. These fees have not been increased in eight years and the proposed increase will keep them in line with normal inflationary trend.

CONCLUSION

Mr. Speaker, last year, 2010, the Budget, on the face of it, had a current account deficit of \$20.5 million. The actual outturn for the Budget, however, was a current account surplus of \$1.3 million. Indeed, there was an overall surplus on the central government's accounts of \$12.5 million compared to a \$55 million deficit in 2009 on the combined current and central accounts of the Government. In other words, the Government was in 2010 most careful in its management of its resources, at once prudent and enterprising.

In the current fiscal year, 2011, a current account deficit of \$27 million is budgeted. We anticipate, again, savings in the actual implementation of the Budget. But the budgeted current account deficit has arisen for 2011 largely because of the financial outlays for some specific items of expenditure associated with the on-going Operation Recovery and Reconstruction after Hurricane Tomas (at least \$10 million), the additional spending on public assistance and the social safety net (\$4 million), the funding of over fifty new posts, including 27 in the Ministry of Health, the provision for some new programmes, the increased allocation of \$7 million to pay pension and retiring benefits, and additional planned expenditure on village roads and feeder roads.

The budgeted current account deficit is quite manageable, about 1.4 percent of Gross Domestic Product (GDP). Deficit financing on the current account is quite permissible if the circumstances warrant it and if both the extent and duration of it is limited. So, a small, manageable current account deficit for two or three years as a consequence of external financial and economic convulsions or of natural disasters, is quite in order. The important question always is to ensure that the government's financial, fiscal and debt condition is on a sustainable path over the medium term. Undoubtedly, this is the case in St. Vincent and the Grenadines.

Mr. Speaker, my government has developed a most focussed budget for 2011, appropriate to all the extant circumstances externally and internally, and targeted on some necessary and desirable outcomes, including:

1. Creating jobs and wealth and facilitating private sector development;
2. Providing adequately the full range of government services for a modern, sophisticated economy and society;

3. Providing an appropriate balance between the conflicting objectives of injecting a fiscal stimulus and maintaining a sustainable debt path;
4. Emphasising fiscal consolidation; improving public revenue measures, including compliance and administration; sensibly managing deficits and debts, including a focussed debt management strategy; improving the productivity of public expenditure; ensuring transparency in public spending; strengthening further the institutional framework for democratic controls, accountability, and monitoring in fiscal matters;
5. Safeguarding equity and the social safety net through fiscal measures;
6. Instituting tax measures to promote equity, fairness, the enhancement of investment;
7. Avoiding tax measures which are likely to impact adversely or unreasonably upon the poor, the working people, and the businesses;
8. Cutting out waste in government especially in the consumption of electricity, water and telecommunications; the use of stationery, government vehicles, and the supply of materials of all kinds;
9. Stabilising and reforming the financial system; and
10. Targeting capital spending to ensure efficacious results.

In the latter regard, I emphasise that the Government's targeted capital programme aims to achieve the following four objectives:

- (i) To stimulate growth in the main productive sectors of Transport, Tourism, Agriculture and Construction;
- (ii) To provide the physical infrastructure critical to the modernisation and development of St. Vincent and the Grenadines such as improved airports, seaports and roads.

- (iii) To stimulate further private sector activity by providing the supporting infrastructure to facilitate investment and business growth; and
- (iv) To enhance the quality of our citizen's lives by strategically investing in the areas of Health, Education, Public Order and Safety, Recreation and Culture, and Housing and Community Amenities.

Mr. Speaker, my government, has a commendable history of protecting and defending the interests of the poor, the marginalised, and the working people. Indeed, this has been a core value and tenet of this government. Thus, it was not surprising that even in the face of an international recession and a tightened domestic economic condition, my government would find a way to keep its electoral promise to the poor. Accordingly, in this month, January 2011, my government increased significantly public assistance and other associated payments. These increases are as follows: An increase of \$45.00 monthly, from \$175.00 to \$220.00 for recipients of public assistance 65 years and older; an increase of \$40 monthly, from \$160.00 to \$200.00 for recipients of public assistance 60 years of age and under; an increase of \$50.00 monthly paid to foster mothers in care of foster children, from \$225.00 to \$275.00 for each foster child; an increase in the transportation grant for students of \$20.00 monthly, from \$80.00 to \$100.00, and \$100.00 to \$120.00 monthly.

In all, these benefits are directly paid to, or on behalf of, some 6,000 persons, about 5,600 of them being on public assistance. It should be pointed out that some one-third of the recipients of public assistance are students of poor families. These increases in the aggregate add a further sum of close to \$4 million to the recurrent expenditure budget for 2011.

Mr. Speaker, there is too much wastage in government's consumption of goods and services. In 2011, my government will be more focused than ever in cutting out waste. The wastage is evident to the public in the abuse and misuse of government vehicles by some public servants, not by politicians as was the case hitherto. The waste occurs in the consumption of electricity, water, telecommunications services, and stationery. Accounting officers and managers of public buildings must tightly curb such consumption. I will be keeping a close eye on these matters.

Beyond the cost-saving measures stemming from a better and different approach to the use of state resources, there are some policy issues directed towards savings. Let us take a few examples in this regard. First,

an Energy Unit now exists in the Office of the Prime Minister. This Unit is currently overseeing an audit of energy consumption in government offices and buildings. It is planned that four or five central government buildings would this year be equipped with solar energy facilities so as to effect on-going savings on electricity consumption. This is part of a much wider on-going effort to save on energy costs in government and nation-wide.

Secondly, too much wastage and leakage occur at the Medical Stores of the Ministry of Health. Stringent managerial control over the supplies and materials is required and will be implemented. But beyond this, the Ministry of Health is currently putting in place two initiatives to reduce markedly the wastage. These initiatives relate to a Health Information System designed to track, among other things, the dispensing and use of pharmaceutical products; and a Protocol for Medical Practitioners in the State-run Health Services which would, among other things, result in the curbing of excessive spending on unnecessary pharmaceutical products.

Thirdly, costs are properly controlled for the supply of goods and services when transparent tendering or purchasing processes are observed. The Central Tenders' Board invariably gets it right in this regard but too often spending in Ministries below the \$20,000 limit, which triggers the involvement of the Tenders' Board, is treated too casually by the Accounting Officers without proper regard for competitiveness of price and quality and the simple matter of value for money.

This campaign to cut out governmental waste and to curb, legitimately and reasonably, public spending, must be embraced by all Cabinet Ministers, Accounting Officers, and all other public servants or officials. This campaign must be run in tandem with the on-going quest to "Get the Small Things Right". The ownership of the government by the people would assist immensely in the achievement of these goals, accordingly.

Mr. Speaker, my government is profoundly committed to the deepening and widening of regional integration. Indeed, I have personally been in the forefront of this quest. I have in fact been toiling in, and for, the regional vineyard and for the further ennoblement of our Caribbean civilisation for over forty years. Regional integration is not merely a "feel good" dream. It is an imperative required to be made real and practical for the development of our region and the improvement in our people's lives.

Thus, it is a joy to report that the OECS Economic Union Treaty was ratified by the target date of January 21, 2011, by the member-states of the

OECS. We now require to put this Treaty into domestic law by the respective Parliaments so as to fully operationalise it as we did with the Revised Treaty of Chaguaramas in 2001 in order to move towards a CARICOM Single Market and Economy (CSME).

While much progress is being made on the sub-regional front in the OECS and the Eastern Caribbean Currency Union (ECCU), the same cannot be said for CARICOM and the drive towards the CSME. I am looking forward to the Intercessional Heads of Government Meeting of CARICOM in Grenada in late February 2011 as a possible moment for us, collectively, to prod CARICOM out of its lethargy.

Mr. Speaker, I shall be failing in my duty if I remain silent on the likely deleterious impact on CARICOM and regional integration, should regional leaders, especially those from Trinidad and Tobago and Barbados, fail to act sensibly and most urgently from here onwards in respect of the immediate adverse consequences to policy holders and investors in BAICO and CLICO, respectively. Surely, for example, it cannot be right, fair or reasonable for a financial empire like CL Financial out of Trinidad and Tobago, the owners of BAICO, to take money from that insurance company to fund investments in Miami, Trinidad and elsewhere but leave countries of the ECCU holding the burdens but no benefits. It is evident to all objective persons that the Government of Trinidad and Tobago has a central practical responsibility to be at the forefront of a regional solution to BAICO. How can there be a regional integration movement worth defending, promoting, or participating in, if a proper regional solution is not found to BAICO and CLICO so as to protect the policy-holders and investors?

Further, the regional integration movement is unlikely to survive and thrive if there is a sense and a reality that the members within it are unequally yoked and the benefits therefrom are skewed overwhelmingly to one or two member-states. After all, St. Vincent and the Grenadines did not become a member of CARICOM to be part of a colonial periphery to a metropolitan other in our region. The Revised Treaty of Chaguaramas explicitly rejects a pursuance of unevenness and has measures in place to correct such unevenness. But those measures must be made practically to work. Their proper working can by no stretch of the imagination be labeled as akin to the operation of an ATM machine. Special and differential treatment for less developed countries in any single market or single economy is a treaty commitment; it is not a discretionary option at the instance of a more developed country. All this is at the core of treaty provisions in CARICOM, as it is in other single market or single economy arrangements such as the European Union.

Mr. Speaker, our nation's foreign policy has brought abundant benefits to St. Vincent and the Grenadines.

The foreign policy of the ULP government over the past ten years has been bold and pragmatic; principled yet realistic; creative and at the same time well-grounded. We have fashioned a foreign policy in our national interest; we have been a friend of all and a satellite of none. The central purpose of our foreign policy has been to enhance our nation's capacity to address more efficaciously, more compellingly, its external environment in the interest of our people.

Indeed, the foreign policy of our country has been hailed as a success by independent observers.

In our third term, the ULP Government will build on the sound foreign policy foundation.

Mr. Speaker, there is one final matter which I very much want to address. It concerns the attitude to work and production by a significant number of our people. It is an issue which His Excellency, The Governor-General touched upon in the Throne Speech to this Honourable House on December 29, 2010. It ought to be placed centrally on our nation's agenda.

It is widely acknowledged that our people are not generally lazy. By and large our working population is trainable; our workers are, broadly-speaking, honest and trustworthy; our people's skill-level is improving; our industrial relations climate and work environment are largely modern, friendly and sound. Yet, too many of us seem unable to manage our production time properly; too many of us become too easily distracted from our work; too many of us exhibit a lax work discipline, skylark too much at work, and seem to have a marked and undue preference for leisure than work; too many of us leave for tomorrow what we can do today or ought to have done yesterday; and too many of us are too highly individualistic and are insufficiently appreciative of the value of collective endeavour and solidarity.

I have no doubt that management at the work place and the nature of the social organisation of labour at some production enterprises exacerbate some of these tendencies to ill-discipline and laxity on the job. But I am satisfied, too, that too many of us who work do not make the extra effort to produce more or work harder and smarter. If we are to survive and thrive we must lift our game at the workplace.

Efficiency and competitiveness must be our watchwords for success. We see the ill-discipline at various levels of the work place. We see it, too, among some in our national sports, culture, and entertainment. I feel strongly that this is an area in which the Ministry of Labour, the Ministry of Education, the Private Sector Organisations, the Farmers' and Fisherfolk entities, the trade unions, and the mass media, ought to address on an on-going basis. It is a matter which was raised in several of the consultations which I held with the various stakeholders. While it is important to emphasise our individual rights in this or that matter, it is crucial, too, that we shoulder obligations and responsibilities.

Mr. Speaker, we in St. Vincent and the Grenadines are a resilient people. We have overcome many serious obstacles and challenges in the past. Over the past 2 ½ years we have faced with equanimity the fall-out from the international economic recession, the difficulties arising from domestic and regional economies, and the trauma of Hurricane Tomas. It has not been a walk in the park; we are not yet out of the woods, but we glimpse the light of economic recovery. Still, we must be on our guard; we must be both prudent and enterprising. My government and I pledge to lead in communion with you, in your interests. This Budget helps immensely in this process of recovery. I rely on you to work harder and smarter and to own the government, for the better.

Thank you!

APPENDIX: I

MOTOR VEHICLE LICENSE FEES

	Current Rate \$	Proposed Rate \$
Private Motor Cars		
Not exceeding 2000 lbs	315.00	365.00
2001 lbs to 3000 lbs tare	410.00	470.00
3000 lbs tare	500.00	575.00
Private Motor Tricycles		
Not exceeding 2000 lbs tare	160.00	185.00
Exceeding 2000 lbs tare	190.00	220.00
Private Motor Cycles		
Without side car	190.00	220.00
With side car	250.00	290.00
Goods Vehicles		
Less than 2 tons tare (4480)	700.00	805.00
2 tons tare but less than 3 tons tare (6720)	875.00	1000.00
3 tons tare but less than 5 tons	1000.00	1150.00
5 tons tare and over	1200.00	1380.00
Trailers		
Not exceeding ½ ton tare (1120)	150.00	175.00
Exceeding ½ ton tare but less than ¾ ton tare (1680)	150.00	175.00
¾ ton tare but less than 1 ton tare (2240)	150.00	175.00
Not exceeding 1 ton tare	190.00	220.00
1 ton tare but less than 1½ tons tare (2359)	250.00	290.00
1½ tons tare but less than 3 tons tare	250.00	300.00
3 tons tare and over	300.00	360.00
Tractors		
Less than 2,600 lbs tare	190.00	220.00
2,600 lbs tare and over	225.00	260.00
Hearses		
	625.00	750.00
Hiring Cars		
Licensed to carry less than 4 passengers	275.00	320.00
Licensed to carry less than 6 passengers	325.00	375.00
Motor buses licensed to carry passengers only		
Less than 2 tons	375.00	430.00
2 tons but less than 3 tons	400.00	460.00
3 tons and over	425.00	490.00
Rental motor cycles	175.00	200.00

APPENDIX II**PROFESSIONS LICENSE FEES**

	Current Rate \$	Proposed Rate \$
Appraiser and Valuer	600.00	720.00
Architect	750.00	900.00
Auctioneer	600.00	720.00
Barrister and Solicitor	750.00	900.00
Building Contractor	600.00	720.00
Chartered or Certified Accountant	750.00	900.00
Commission Agent	600.00	720.00
Consultant (Economic & Others)	750.00	900.00
Customs Broker	400.00	480.00
Dentist	750.00	900.00
Druggist and Chemist	300.00	360.00
Engineer	600.00	720.00
Insurance Agent operating a General Insurance Agency	2,000.00	2,400.00
Insurance Agent Life	600.00	720.00
Insurance Agent Other	600.00	720.00
Insurance Adjuster	750.00	900.00
Insurance Broker	750.00	900.00
Land Surveyor	750.00	900.00
Medical Practitioner	750.00	900.00
Money Transfer Agency	2,000.00	2,400.00
Optometrist and Optician	600.00	720.00
Real Estate Agent	600.00	720.00
Trader	750.00	900.00
Travel Agency	500.00	600.00
Veterinarian	750.00	900.00

APPENDIX III

REGISTRY FEES

	Current Rate \$	Proposed Rate \$
For registering any document by which any real estate shall be granted, sold, mortgaged or encumbered where the consideration money by such document expressed to be paid or secured does not exceed \$1,000.00	10.00	15.00
Exceeds \$1,000.00 but does not exceed \$5,000.00	20.00	25.00
Exceeds \$5,000.00 but does not exceed \$15,000.00	40.00 Plus an additional \$2.50 for each thousand or part thereof in excess of \$15,000.00	50.00
For registering any lease or agreement for a lease where the rent reserved does not exceed \$500.00 per annum.	10.00	15.00
Exceeds \$500.000	15.00	20.00
For registering of every deed of gift.	25.00	30.00
For registering all copies of wills provided or administration granted.	15.00	20.00
For registering a power of attorney	25.00	30.00
For registering every document required to be registered under this Act and not herein otherwise provided for	15.00	20.00
For every search of indexes	2.00	2.50
For every inspection of a document	2.00	2.50
For every attendance of Registrar in Court to produce any document.	15.00	20.00
For every copy of a document including certificate per folio of 72 words.	0.60	.75
For every acknowledgement of attestation	2.25	3.00

--	--	--

SURVEY FEES

PART I

Plan	Current Rate \$	Proposed Rate \$
1 lot (under one acre)	20.00	25.00
1 lot over 1 acre but less than 5 acres	40.00	50.00
1 lot over 5 acres but less than 50 acres	100.00	125.00
1 lot over 50 acres	200.00	250.00
<u>Lots</u>		
2-5 lots	40.00	50.00
6-10 lots	60.00	75.00
11-50 lots	100.00	125.00
Over 50 lots	200.00	250.00

PART II

On lodging a plan.	10.00	12.00
For each copy of a plan supplied from cadastral block plans.	20.00	25.00
For each copy of a plan supplied other than cadastral block plans.	6.00	7.50

APPENDIX V

GENERAL STAMP DUTY

	Current Rate \$	Proposed Rate \$
Admission		
(a) To act as a Barrister	300.00	400.00
(b) To act as Solicitor or Attorney	300.00	400.00
Affidavit or Declaration in lieu thereof	5.00	6.00
Banker's Bond	20.00	25.00
Banker's Cheque	0.20	0.25
Bills of Entry Inward	30.00	40.00
Bills of Health	5.00	6.00
Bills of Lading	0.15	0.20
Bills of Sale		
(a) Absolute	25.00	30.00
(b) By way of Security	15.00	20.00
Bonds		
(a) For the payment of any sum of money not exceed \$5.00	12.00	15.00
(b) Bottomry Bond	75.00	90.00
(c) Bond of indemnity or other bonds not being for the payment of any specific sum of money	6.00	7.50
Certificates		
(a) of admission to be obtained before acting as a notary	150.00	175.00
(b) of the landing of goods	0.60	0.75
(c) of a judge granted in any extra judicial matter	12.00	15.00
Charter Party	10.00	12.00
Co-partnership	500.00	600.00
Copy of Extract	5.00	6.00

APPENDIX V (Cont'd)

	Current Rate \$	Proposed Rate \$
Customs		
(1) Ships' report and content:		
(a) for ships of 100 tons and over	8.00	10.00
(b) for ships under 100 tons	6.00	7.50
(c) General declaration for aircraft	6.00	7.50
(2) Other documents:		
(a) Entries for warehouse, each set	6.00	7.50
(b) Shipping for local produce, each set	6.00	7.50
(c) Shipping bills, all other per set	5.00	6.00
(d) Landing Certificates	5.00	6.00
Deeds	15.00	18.00
Duplicate or counterpart	5.00	6.00
Emergency Certificate	5.00	6.00
Exchange, Partition or Division	30.00	40.00
Exemplification	60.00	75.00
Licence for marriage	20.00	25.00
National Act	5.00	10.00
Policy of Insurance		
(c) fire, against loss or damage by	0.50	2.00
Power or Letter of Attorney or Substitution	30.00	40.00
Protest of any Bill of Exchange or Promissory Note	0.50	2.00
Voting Paper	10.00	15.00
Wills		
(a) Office Copy	6.00	8.00
(b) Exemplification	6.00	8.00