

Budget Address 2007/2008

“Furthering our Development, Responsibly”

INTRODUCTION

IMPROVING THE QUALITY OF LIFE

EDUCATION and HUMAN RESOURCE DEVELOPMENT

HEALTH and SOCIAL SECURITY

COMMUNITY DEVELOPMENT and LOCAL GOVERNMENT

HOUSING

KEEPING THE NATURE ISLAND GREEN

AGRICULTURE

TOURISM

ENERGY

INTERNATIONAL BUSINESS

ENHANCING the CLIMATE for BUSINESS

FOREIGN POLICY IN SUPPORT OF NATIONAL DEVELOPMENT

REVIEW OF ECONOMIC PERFORMANCE

THE PUBLIC DEBT

BUDGET 2007/2008

THE PUBLIC INVESTMENT PROGRAMME

FISCAL MEASURES

INCOME TAX REFORM

CONCLUSION

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Introduction

Madam Speaker, Cabinet Colleagues, Members of this House, Fellow Dominicans: -

I thank God for the opportunity to present to this Honourable House and to the people of our beautiful Nature Island, Dominica, the Budget Address for fiscal year 2007/2008.

The country has experienced a challenging past twelve months, but our Government is proud of its achievements, in the face of the many challenges we have had to confront.

The economy continues to be on an upward trajectory, as I will demonstrate later in this address. Government has continued to maintain its fiscal stance, and ensure that the economic fundamentals remain in place, because Madam Speaker, there can be no real progress unless these economic fundamentals remain securely in place, and we continue to adhere to the tenets of good economic management.

Economic growth is the surest way to raise living standards of our population and improve the quality of life of our people.

The following is a summarised statement of the challenges that we will face over the coming year. However, we are confident of surmounting them, and sustaining the good record of performance that we have achieved so far:

- To increase the pace of implementation of the capital programme;
- To continue to provide space for the private sector to grow, by continuing to enhance the climate for business;
- To make greater and more targeted efforts to increase the flow of direct foreign investment into the country;
- To maintain the focus on the conditions of the poor, including the working poor – to raise standards of living of the population as a whole, and enhance quality of life through job creation, our social protection programmes, and environmental management; and
- To do all these things effectively, Government will have to ensure continued prudence in its fiscal, debt and economic management.

Improving Quality Of Life

Madam Speaker, this Budget Address will focus on quality of life of every Dominican, because this Labour Government believes that improving the quality of life of our people is the quintessential purpose of Government.

Our country is on the upswing from the economic decline and fiscal crisis we experienced in the first years of this decade. It is easy to forget the depth of the challenges that we had to deal with; and the sacrifices that it took for us to get over them successfully.

Madam Speaker, it is difficult if not almost impossible, for a declining economic situation to be unaccompanied by a concomitant reduction in living standards, just as the decline in the banana industry was perhaps the most important factor in the economic downturn.

Your Government is proud that even in the throes of difficulties, we ensured that there was no reduction in social spending. Spending on education, health and social protection programmes were not reduced, even as cutbacks were made in other areas. Such was Government's commitment to people, and to preserving the quality of life that they had enjoyed.

Indeed Madam Speaker, the evidence shows that expenditure in these areas increased once the fiscal crisis was over, as will become clear later in this presentation.

Quality of life is difficult to measure, as it includes both an objective and subjective criteria. It is not merely a question of economics. It includes education, health, housing, job creation, people empowerment, poverty reduction, child welfare, personal security and preservation of the environment.

Government intends to allocate additional resources for accurate reporting on social indicators, and better tracking of changes in quality of life.

Indeed, as I speak, preparatory work has commenced, with support from the Caribbean Development Bank (CDB) and the United Nations Development Programme (UNDP), towards a new survey of living conditions, to include a poverty assessment. We believe this will make for better accountability regarding the economic and social programmes of Government, and make for better governance of our country.

In the next few pages, Government's activities over the past year will be reviewed from the perspective of ways in which they have contributed to improving quality of life.

In addition, programmes and projects planned for the next fiscal year, and going forward in general, will be linked to the quality of life goal. Progress will be reviewed and plans and programmes identified.

Education and Human Resource Development

We begin this review with education.

Madam Speaker, this Government's achievements in the field of education are unparalleled.

Education is a major quality of life indicator. An indicator on which this Government has most certainly performed and performed with honours.

This is evident in our efforts and achievements on all points of the education spectrum, from pre-primary to tertiary. Government's education and human resource development programmes have been based on four pillars: learning to know, learning to do, learning to live together and learning to be. These programmes have also been informed by the strategic objectives of:

- Improving access and quality of education through curriculum reform; and
- Improving quality of teaching and learning through a number of initiatives.

The programmes have begun at the pre-primary level with a focus on teachers and pupil development, which have been embodied in a policy document and a curriculum for Early Childhood Education. Both documents, supported by UNICEF, will benefit from inputs to be provided by stakeholders during planned consultations.

At the primary level, our measurements indicate that there has been a significant improvement in reading levels. There has been increased emphasis on developing literacy and numeracy levels. Over 95% of Grade-K teachers islandwide have been trained. Guidance counsellors continue to provide pastoral support to teachers and students.

Your Government has intensified efforts to ensure an enhanced quality graduate from the primary school system which in turn has led to a smoother transition to secondary school.

Efforts have been stepped up to train all teachers by the year 2010. With the assistance of the Dominica State College, teacher-training programmes have been organised to match the schedules and needs of both temporary and permanently appointed teachers.

Pre-service programmes are also being offered. In addition, twenty scholarships will be awarded in this financial year to teachers who have been accepted to pursue studies at the University of the West Indies.

Madame Speaker, cutting across both primary and secondary levels of education, was the completion of the National Curriculum Framework Document, which was approved by the Cabinet of Ministers last year. Programmes of study, which outline the attainment

targets, learning outcomes and success criteria for each subject have been finalised for, the primary years.

Your Government's policy is not only to stimulate and develop the intellectual abilities of our students, but also to mould them into community-minded and patriotic individuals. It is with this in mind, that the National Curriculum provides for community service and citizenship to be pursued by our students, to assist in their personal development and instil the values of service to others and country.

Your Government is currently focusing on refurbishing and maintaining new and existing labs at schools. Two hundred computers have been installed in 10 schools across the island.

Through its policy on Information and Communications Technologies, the Ministry of Education is actively pursuing its goal of providing access and training to every student at every school in Dominica by the year 2010.

Madam Speaker, there is a well-established correlation between the ratio of its students in tertiary education and a country's level of economic development. At the level of tertiary education, the Government's strategy is two-pronged: to continue to expand and enhance the quality of education at the Dominica State College; and to expand the array of opportunities available to Dominican students for tertiary education overseas.

The Dominica State College continues to be a critical component in the human resource development of our country. To date, the College has been able to provide access to all secondary school graduates who meet the enrolment criteria. In addition, we have been able to increase our matriculation on agreements with colleges and universities throughout the world.

Over the last academic year, the Dominica State College received accreditation from the University of the West Indies for almost all its courses in the Humanities.

This new agreement will allow our students to transfer to, and in some cases to receive advance placement, at the UWI after having completed the Associates Degree at the Dominica State College. An invitation has been extended to the University of the West Indies to also assess the natural sciences and negotiations are continuing with the UWI to offer its franchise courses at the State College.

Madame Speaker, We have recently reviewed the development plan for the College. Our Government is committed to the development of the DSC. This will include but not limited to:

- i. developing the library and student services;
- ii. the development of the Hospitality and Arts Training Centre;
- iii. the expansion of the Agricultural Science program by the relocation and expansion of the facilities and by forging strong partnerships;

- iv. the redevelopment of the Faculty of Education; and
- v. the development of the human resource capacity of faculty.

In addition, plans are unfolding for the college to offer full degree programs in Nursing and Education through partnerships with well-established Universities such as the University of the West Indies.

As for the second prong of the strategy, Dominicans would be well aware of the considerable strides that we have made to secure opportunities for our students in higher learning. The record is clear, and it is unmatched by any other administration in this country. In the last academic year alone, your Government facilitated ninety-two (92) awards to Dominican students for study in various universities across the globe.

I can report that a total of \$1.4 million was made available during the last fiscal year, to Dominican students to support their pursuit of higher education locally and overseas. Approximately 350 students benefited from this allocation. This is in addition to the \$2.2 million that the Government provides to students who were awarded scholarships by legislation and by policy and was provided for in last year's budget.

Madam Speaker, this Government is proud of its many achievements in skills training and human resource development that go beyond the formal education system. Government is aware of the imperative of, and is strongly committed to, engaging our young people in a continuous process of re-education and re-equipping for the world of work.

Our Skills Training Programme continues to prepare young persons for self-employment, with special emphasis on small enterprise development.

During September 2006 to May 2007, 285 young persons were trained in electrical wiring, arc welding, computer literacy, computer maintenance, bartending and waiting, building maintenance, spray painting and care of the elderly.

During the last year, Government made available \$1.0 million to the Dominica Youth Business Trust, as was promised in last year's budget. Under the Dominica Youth Business Trust, 86 persons have been trained in business and entrepreneurial development. Out of those trained, 48 young entrepreneurs are currently in business, 24 of them having received loans from financial institutions amounting to over \$0.2 million for starting businesses, \$0.2 million of this amount has been guaranteed by the Dominica Youth Business Trust.

Madam Speaker, the Government and every Dominican look forward with eager anticipation to the formal opening of the long-awaited Windsor Park Stadium. This major milestone in the annals of sporting history of this country is scheduled to be opened later this year for which Government is planning an appropriate programme and ceremony.

Everyone is aware history of this facility; and the considerable achievement of this Government in making it finally available to the people of this country, at only minimal cost to the taxpayers of our country.

There will be much more to be said at the formal opening of our excellent sports facility, but surely, it is appropriate in the context of this Address, to express appreciation to the Government and people of the People's Republic of China, for making this stadium possible as a gift to the people of Dominica.

Youth Empowerment Programme

Madam Speaker, I must make special mention of Government's Youth Empowerment Programme, because this programme represents a concerted effort to increase the employability of young people. It targets persons between the ages of 18 and 35, and its three-fold purpose is to:

- Provide training for young persons in various fields, by competent persons who are already operating within their respective communities;
- Improve the competence of young persons who have been trained, through a programme of apprenticeship within their respective communities; and
- Provide employment for young persons.

Madame Speaker, in the coming year training will be provided to selected young people in an existing business within their respective communities. The areas of training will include agriculture, including green house farming; fisheries, including boat building and the servicing of engines; garment manufacturing; catering and culinary arts. It also includes auto body repair and auto mechanics, welding, plumbing, electricity and electronics, refrigeration, joinery and masonry.

During the period of training, the trainees will receive a stipend of \$300 a month to defray the cost of transportation and meals and to serve as an incentive. After the period of training, the trainees move into an apprenticeship programme. This will include a payment to the apprentices for an initial period of six months.

During that time, the apprentices receive an allowance, with 70% coming from the Ministry and 30% from the partner trainer. The estimated cost of the programme, assuming 200 apprentices, is \$720,000 per annum.

Madam Speaker, there is a component of the programme costing approximately \$280,000, which will assist in developing cottage industries linked to the areas of training. The hope is to both enhance and expand existing cottage industries, and to foster the creation of new ones.

Madam Speaker, the Youth Empowerment Programme is designed to foster skills development, foster entrepreneurship and create self-employment. It seeks to empower young persons to take responsibility for improving their quality of life.

Health and Social Security

Madam Speaker, the health of the people of Dominica is the wealth of the people of Dominica. There can be no meaningful economic development without a healthy workforce, and so Government sees health as an integral part of our country's development and an inalienable right of the people.

During the last fiscal year, Government continued to address the depletion of nursing staff created by migration. With assistance from the Government of the Republic of Cuba and funds from the Government of Dominica, in July 2006 we saw the official opening and handing over of the Princess Margaret Hospital Nursing School and Hostel.

At the commencement of the new academic year in September, students in the nursing programme moved to the improved facilities. Some students have begun to take up residence at the hostel and can now pursue their training at reduced cost.

Twenty-six Graduate Nurses who completed their training in April this year are now employed at the Princess Margaret Hospital. Additionally, three Community Health Nurses completed training at the Barbados Community College, and are added support to our efforts at strengthening our primary health care services.

A training programme to upgrade 40 Nursing Assistants to Registered Nurse status will commence for the first time this September. A second cohort of 56 students began a two-year Registered Nursing Assistant (or Level I) Programme in April 2007, bringing the current number being trained under the Cuban Assisted Programme to one hundred and seventy-two (172).

While we await the redevelopment of the Princess Margaret Hospital in the not too distant future, renovation works are being undertaken at PMH to ensure the safety and comfort of patients and staff. These renovations include work on Imray Ward, the old Private Ward and the main corridor, at a cost of a little over \$0.3 million. The Ministry of Health is also undertaking renovation works on the Old Stronach Ward building.

Madam Speaker, in November 2006 a new Intensive Care Unit was opened at the PMH. This three-bed facility is staffed by Dominican and Cuban health professionals and is an important achievement in the development of our health services. The functioning of this facility has reduced the need for patients to travel overseas to countries such as Martinique and Guadeloupe for critical care, and in so doing has reduced the social and financial burden on patients who need this level of treatment.

Chronic non-communicable diseases are the leading causes of major illness and death in Dominica. Cancers are the leading cause of death; prostate cancer is the leading cause of death from cancer; prostate cancer is also the number one cause of death for men over 60 years.

One of the key strategies to addressing the challenge of the management of chronic non-communicable diseases is the strengthening of Primary Health Care Services. Last year, with tremendous assistance from the Republic of Cuba we established a Diagnostic Centre at the Reginald Fitzgerald Amour Hospital in Portsmouth. This Centre has been performing various tests that were not previously available in the North of the island.

We have made investments in the infrastructural development of Primary Health Care. A modern Type 3 health centre is being constructed at Castle Bruce at a cost of \$1.2 million. This facility, which is about 98% complete, will offer services in child health, reproductive health, nutrition, health education, dental health and environmental health to the people of the Castle Bruce Health District that includes Castle Bruce, Petit Soufriere, San Sauveur, Good Hope and the Carib Territory.

Madam Speaker, the Government of Dominica in its effort to prevent avoidable blindness, has embarked on an initiative to meet this goal through technical assistance from the Governments of the Republic of Cuba and the Bolivarian Republic of Venezuela – the Miracle Eye Care Programme.

Over 1700 Dominicans from all walks of life have received free eye surgeries in Cuba. With the efforts of our local eye care programme we are well on the way to achieving the goal of Vision 2020.

The Government of Dominica remains committed to guaranteeing the availability of essential drugs and medical supplies at all our health care facilities. Madam Speaker, I am pleased to report that our debt to the OECS Pharmaceuticals Procurement Services and to other suppliers was cleared in its entirety at the beginning of the fiscal year.

Your Government is mindful of the potentially devastating consequences of HIV and AIDS on individuals and on communities. Government therefore will continue to provide the support necessary to see a reduction in the occurrence of the disease as well as improvements in the care and treatment of those infected.

Indeed, all persons identified as requiring such treatments now receive antiretroviral drugs free of cost, and preliminary evaluations indicate that there has been a reduction of deaths from HIV infection since the introduction of these new treatments.

Madam Speaker, Government continues to give high priority the prevention of the use of illegal drugs in our communities. The National Drug Abuse Prevention Unit continues to increase public awareness through educational programmes in schools, through community organizations and through the media. We thank the European Union for

funding the Drug Demand Reduction Third Work Programme 2006 – 2007 at a cost of \$0.2 million. Institutional development, Training, Awareness Education and Alternative Development were the main areas addressed under this programme.

Madam Speaker, I call upon all stakeholders – parents, students, community leaders, educators and law enforcement officials to work together to reduce the demand for illicit drugs in our society. We must work with our young people to provide positive alternatives to the use and abuse of drugs and alcohol.

Madam Speaker, Government has also paid considerable attention to preserving the future social security of pensioners. We have worked hard to restore the integrity of the Dominica Social Security, a scheme which was under threat when this Government got into office.

The Dominica Social Security embarked upon an intense programme of public education on the various pension reform measures that were being considered for implementation.

This unprecedented campaign resulted in general acceptance by the populace of the proposed reform measures, which was a prerequisite for Cabinet's approval. These measures are intended to make the Dominica Social Security viable, while payments to beneficiaries remain meaningful.

Government, earlier this year, approved the proposed reform measures along with the implementation plan for pension reform. The following measures came into effect on 1st March 2007:

- A 2% increase in the weekly rate of pensions payable in respect of all pensions that were being paid prior to 1st March 2007;
- An increase in the minimum pension payable from \$25 to \$35 weekly;
- Increases in amounts payable as funeral grants:
 - Death of an insured person - \$1800 to \$2000;
 - Death of an uninsured spouse - \$1500 to \$1680; and
 - Death of a dependent child - \$750 to \$840;
- A 100% increase in the minimum spousal survivor's pension from \$12.50 to \$25 weekly
- Persons qualifying for both age and survivors' benefit shall now receive the higher of the two pensions and half of the other pension, rather than just the higher of the two as previously obtained; and
- A 1% increase in the contribution rate payable by employees (from 3% to 4%), and self-employed persons and voluntary contributors (from 7.65% to 8.65%).

During the last fiscal year, the Dominica Social Security recorded increases in its active population of employers, employees and self-employed persons. There was an 8.4%

increase in the number of employees and self-employed persons contributing to the programme, while the number of active employers paying contributions increased by 11%. Madam Speaker it is heartening to see such increases in the number of persons covered by the Social Security Scheme.

Government has been successful in eliminating all arrears owed by the Government during the last fiscal year.

Madam Speaker, Government recognizes the important role that the private sector must play in the development of our national health care system, and we recognise the contributions that have been made towards this end. I must make mention of the significant contribution of the Private Sector Foundation for Health which to date has purchased and pledged equipment for the PMH to the tune of \$0.2 million, and has assisted several Dominicans in accessing medical services within Dominica as well as overseas, at a cost of \$0.1 million. We salute all those organizations and companies that have made donations.

Community Development and Local Government

It will be obvious, Madam Speaker, that the work of the Ministry of Community Development, Gender Affairs and Information is of major importance in the context of improving the quality of life of the population. This is evident in the activities of the Welfare Division, Division of Local Government and Community Development, the Basic Needs Trust Fund, the Women's Bureau and the Culture Division.

The Welfare Division assists the poor and less fortunate through its various programmes: Public Assistance, Child Care, Probation and Rehabilitation, Counselling, Migrant Services and Care of the Elderly.

Through its Welfare Division, \$3.2 million was disbursed on public assistance. Under the Child Care programme, the "Place of Safety for Children" in Jimmit is nearing completion. This is being constructed at a cost of over \$2.0 million.

Through these various mechanisms, including its counselling and rehabilitation activities, the Ministry of Community Development makes a direct contribution to alleviating the plight of the less fortunate.

Local Government

The Department of Local Government and Community Development is responsible, *inter alia*, for the promotion of the concept and practice of Local Government. It provides for the continuous development of the administrative and legislative competence of the Councils, in order for them to respond effectively to their changing environment and community needs.

Highlights of the work of Government in this area include the following:

- The commencement of Local Government reform exercise funded by the CDB and the Government of Dominica in the amount of US\$148,000.00.
- The Short-term Employment Programme (STEP) created employment for over one hundred and sixty persons with over \$500,000.00 circulated in poor communities.
- Continuation of its Community Resource Internet Centres Programmes, (CoRICS). Centres have been located in Good Hope, Petite Soufriere and Paix Bouche, thus increasing access to ICT and bridging the digital divide between the rural poor and the rest of the population.

Government is pleased with the work in this area, in particular from the perspective of its people empowerment function, and its contribution to improving the quality of life of our people.

Adult Education

Continuous education is surely one way to empower people – to empower people to be self reliant, through exercising the opportunity of making choices in life.

Government's work in Adult Education seeks the development of human resources through community non-formal education, enabling each adult citizen, group and community to progress and participate meaningfully in the spiritual, social, economic, cultural and political development of the country.

Work of the Women's Bureau

Madam Speaker, it should be clear from what I have said so far, that Government recognises the need to pay attention to human and social development. The National Policy on Gender Equity and Equality, adopted in 2006, is indicative of Government's commitment to attaining social justice, in the process of development.

The successful implementation of the recommendations in the national gender policy, will remove any existing inequalities, inequities or discriminatory practices that bar women and men, girls and boys from contributing effectively to sustainable and equitable development.

Resource allocation is crucial to the attainment of goals set out in the gender policy. However, gender is crosscutting and a responsibility of all sectors. In the new fiscal year, Government looks to the work of the Women's Bureau to complement other empowerment programmes of Government.

Culture

Madam Speaker, I have insisted on making mention of the work of the Division of Culture in this Budget Address. In the month of May 2007, Cabinet approved the national Culture Policy. This document will serve as a road map to continue creating the environment for culture to flourish.

With the approval of this policy, Dominica will certainly see further improvement in our efforts at embracing cultural values and heritage, manifested through our many celebrations and festivals. Emancipation and Independence celebrations, Heritage Day, National Wob Dwiyet, World Creole Music Festival, Cultural Gala, Village Feasts -- each of these enriches and sustains the culture, and empowers our people.

The Basic Needs Trust Fund

I now turn to the Basic Needs Trust Fund. As is now well known, the Basic Needs Trust Fund Programme (BNTF) is a regional programme supported financially by the Caribbean Development Bank.

The local component of this programme is 80% funded by the CDB and 20% by the Government of Dominica. The Fund targets the improvement of living conditions in poor rural communities. It assists low-income communities to improve their access to public services through the provision of social and economic infrastructure, and the development of skills to enhance employability. BNTF construction activities have provided short-term employment for residents of rural communities.

The programme is focussed on contributing to poverty reduction and enhancing quality of life in rural communities.

It is expected that the BNTF Programme, (BNTF 5), will spend close to \$2.0 million in the new fiscal year, to implement a range of projects.

The following can be noted:

- Through BNTF 4, Government has already provided basic social infrastructure to 55 communities. So far, BNTF 5 has impacted 36 communities.
- Eight hundred persons were provided with short-term employment through construction activities under BNTF 4, while 200 have so far benefited under BNTF 5.
- The programme provided marketable skills to 284 youth and women under BNTF 4 and so far, 150 persons have received training under BNTF 5.

Many of these projects create opportunities for increased income and access to affordable and improved services, for example: the Dominica Association of Disabled People development centre in Goodwill, (\$93,882), the rehabilitation of Health Centres in St. Joseph, (\$57,129), Warner (\$33,450), Laudat (\$30,741) and Mahaut River, Carib Territory (\$45,950).

Using participatory and empowering approaches, the programme has allowed poor people and their institutions to influence project ideas, which in turn inform public spending.

National Security

Government is mindful that the proper management of crime is critical to the overall development effort and is therefore determined to eradicate criminal activities in our country.

Government has ensured as far as possible, that the Police Officers are well equipped to do their job. In addition to normal budgetary allocations, Government is in discussions with friendly Governments for an additional \$8.0 million dollars to better equip the Force to combat crime effectively.

The funds will be used to increase the fleet of vehicles by a further twenty-one (21) and with one mobile scene of crime and one mobile police station.

Attention will also be given to the Coast Guard Unit with the view to significantly enhancing the Unit's mobility and Government will proceed with its plan to construct a Police Station in Grand Bay.

We will continue to place emphasis on the recruitment of, and specialised training for, the Police. In this regard, I would like to announce that thirty (30) police recruits will commence training in the next few weeks, following the graduation of twenty-four (24) recruits earlier this year.

Madam Speaker, Government considers it essential to strengthen the capacity of the Police Force to ensure effective crime prevention and detection with the view to maintaining a sense of safety in respective communities across the country. We believe that such initiatives are important to quality of life.

The Police Department has been mandated to develop and implement a community-policing programme, through which effective and meaningful alliances can be forged between police and communities for maintaining law and order.

At the end of the day, safety and security are everybody's business; and proper management of crime is critical to the overall developmental effort.

Finally, the issue of congestion in our State Prison has been a longstanding one. Government has responded. The recent opening of a new cell, and medical and recreational block at the State Prison, is a manifestation of Government's commitment to introducing a rehabilitative model of corrections in the prison system, and ensuring that prisoners are kept in a safe, secure and humanitarian environment.

Permit me, Madam Speaker, to express Government's gratitude to the British Government for its financial assistance for the construction of this new cell/medical and

recreational facility at the State Prisons. The facility cost \$0.9 million, of which the British Government provided \$0.2 million. The inmates provided the labour component.

Housing

Madam Speaker, improving people's quality of life requires responding to their needs for adequate shelter. Housing is an essential component of quality of life.

Our efforts over the past years have now all been put together, within a clear strategic policy on the provision of housing and shelter, a package of measures that we have been describing as the "housing revolution". Allow me to sketch out the main elements of the housing revolution.

Squatter Regularisation Programme

- During the fiscal year just ended, eight squatter communities were regularised; and 186 squatters now qualify for borrowing, under the Special Mortgage Facility operated by the AID Bank and the Credit Unions.
- Over the same period, 58 lots were regularised in Ravine Bernard in Canefield; 31 in Stock Farm; 25 in Chemin Neuf in Pointe Michel; 45 in Fond Colé; two in the Guillet/Savanne Paille Housing Scheme, five in Tarish Pit, one in Geneva, four in Chance, ten in Gutter East and five in Soufriere Squatter area, making for a total 186 squatter lots that have been regularised through the sale of occupied lots at the princely sum of \$1.00 per square foot.
- Indeed, this is the most significant achievement by any administration in addressing the issues of squatting and land tenure.

We think that through this programme, we have brought some economic and social stability to a troubling situation, empowered a large number of persons and families, and added to their quality of life.

Site and Services Infrastructure

The second element of the Housing revolution is the provision by Government of sites and services infrastructure, more specifically the provision of serviced lots for purposes of housing construction.

During 2006/07, 272 serviced lots were made available to low-to-middle income earners from a cross section of the island – 120 in Union Estate, Pointe Michel; 80 in Chance Phase III, Portsmouth; and 72 in Jimmit, Phase III.

The National Housing Rehabilitation and Sanitation Programme

For purposes of the National Housing Rehabilitation and Sanitation Programme, the third component under the Housing Revolution, Government procured \$1.5 million worth of building supplies in 2006/07.

We will execute the \$2.1 million renovation and sanitation component of this programme during the new fiscal year. This initiative is meant to bring immediate relief to marginalised and indigent persons within our communities. It is targeted at about 400 homes in 28 communities, at a total cost of \$3.6 million.

The Special Mortgage Facilities

- The Government of Dominica has disbursed \$4.0 million and \$3.0 million to the Government Housing Loans Board and the AID Bank respectively, for financing of home construction undertaken by lower income earners within the public and private sectors. A further amount of \$3.0 million will be made available to the GHLB and another \$2.0 million to the AID Bank.
- The Housing Loans Board has already disbursed \$3.5 million to 40 persons from all walks of life, including nurses, teachers, police officers, ward aides and junior clerks. The AID Bank has disbursed \$1.8 million, making for a total disbursement of \$5.3 million that has been pumped into the economy through this Special Mortgage Facility.

National Shelter Development Programme

The \$6.3 million National Shelter Development Programme is intended to provide an all-inclusive framework for shelter development in Dominica, and better-planned human settlement.

- The Shelter Programme is being devised within the framework of the overall macroeconomic and social development process as it seeks to address:
 - a. An all-embracing National Shelter Policy with a special focus on low income housing;
 - b. Sustainable development and environmental management;
 - c. Improved standards and practices within the construction industry;
 - d. The use of risk reduction and disaster mitigation in development planning;
 - e. The identification of key issues for comprehensive physical planning to include zoning and land use policies; and
 - f. Development of an improved system for processing of construction plans and projects.
- Government expects to have the Draft National Shelter Development Policy within twelve months and this will guide its future actions and thinking in terms of stated policy goals, objectives and principles, and on shelter strategies and priorities.

The 2007/08 Major Low-Income Housing Development

Finally, I am most gratified to be in a position to confirm that Government will be spending \$11.7 million in the new fiscal year, in the provision of low-income housing. During fiscal year 2007/2008, Government will be constructing 97 such houses, at seven different sites nationally. This first construction phase to take place during the new fiscal year, will lay the platform for launching an even more aggressive continuation of the housing revolution.

Actual construction of these housing units will commence by the end of August 2007, and will constitute tangible commencement of this Government's medium- to long-term strategy, to make safe, quality affordable housing available to the average citizen of this country.

The economic and social impact of this expenditure on housing is not to be underestimated. The planned direct expenditure of \$11.7 million will create close to 400 construction-related jobs. Using a multiplier of say, 1.2, this will mean an economic benefit to the economy of our country of approximately \$14 million.

Construction will take place simultaneously at Bellevue Chopin, Charlotte Valley, Hillsborough Gardens and Chance.

In addition, necessary infrastructure will be laid down at Jimmit/Tarreau, Wesley, Carib Territory, Castle Bruce, Lilly Valley (in Trafalgar), with housing construction taking place thereafter. The programme is funded from grant financing provided by the Bolivarian Alternative for the Americas, (the ALBA Fund) of the Bolivarian Republic of Venezuela, and local counterpart funding provided by the Government of the Commonwealth of Dominica.

Government is grateful to the President and people of the Bolivarian Republic of Venezuela for the provision of the financial support without which this housing thrust would not have been possible. The Government of Dominica supports the fundamental principles of ALBA and applauds the Government of Venezuela for this noble cause. I also acknowledge the support of the Caribbean Development Bank for making the Shelter Development Project possible.

Madam Speaker, ultimately, this housing revolution signals a drastic shift in gears in the drive for a safer, more affordable and sustainable shelter provisions for our Dominican society.

Agriculture

Madam Speaker, this Government is certain that the quality of life of the people of this country will be improved through the various efforts that I have already mentioned. We are however well aware, that sustained improvements can only be achieved through Dominica becoming a more productive nation.

The agricultural sector continued in 2006 to make a significant contribution to GDP (17% of GDP). Crop production is still a primary foreign exchange earner led by banana production, which has reached 12,000 tons.

Production increased from 10,558 tons in 2003 to 11,689 tons in 2006, an increase of 11%. During 2006, export revenue increased from \$15.5 million to \$18.4 million an increase of 19%. Export tonnage has shown a 7% increase over the first 20 weeks of 2007 as compared to the same period in 2006, while export revenues are up by 25% from \$3.8 million for the first quarter of 2006 to \$4.7 million for the first quarter of 2007.

However, as we are all aware the Agricultural Sector continues to operate in a very challenging climate both locally and globally. Some of the major challenges locally include the aging farmer population; low productivity of agricultural labour and low investment in the sector.

Notwithstanding these challenges, Madam Speaker, Dominica has enjoyed a positive and preferential advantage over other banana producers within the UK market, with the Tesco's "Nature Choice" brand. Fair Trade sales feature prominently within the ethical foods sector and have shown consistent annual increases.

In this regard, Government recognises the contributions from the Fair trade premium of approximately \$1.3 million received in 2006 and utilized for a range of social investments including health clinics, roads, water supplies and training within the rural communities.

It is Government's view that the industry will continue to be of vital importance to the rural and indeed the National economy. As such, my Government remains steadfastly committed to the continued survival of the banana industry.

Madam Speaker, even as we pursue output and productivity increases in the banana sub-sector, Government continues with the assistance of the European Union, the People's Republic of China, the Bolivarian Republic of Venezuela and other regional and International donors to relentlessly pursue a program of diversifying the agricultural sector as a tool for diversification of the wider national economy.

Considerable investments amounting to over \$4.0 million have been made in feeder and farm access road rehabilitation, farm infrastructure, irrigation infrastructure, plant tissue cultivation, and capacity building for the extension services. In this regard, thirty-four (34) farm access roads were rehabilitated island wide, under the SFA 2001 Agricultural Diversification Program, which benefited in excess of 200 farmers.

Work continued on the establishment of the two Multi-purpose Packing houses at Roseau and Portsmouth and the establishment of a Certified National Centre of Testing Excellence at Stock Farm, in support of boosting Dominica's fresh produce exports.

With the assistance of the People's Republic of China, substantial progress was made on the rehabilitation of the Hillsborough Agricultural Station, in ongoing efforts to convert it into a Modern Horticultural Centre for the efficient transfer of advanced agricultural technologies. An amount of \$1.4 million was invested in this project.

Madam Speaker, the Livestock and Fisheries sub-sectors maintained their contribution of 10.0% and 12.1% respectively to overall agricultural production in 2006 and remain extremely important to food security and to rural employment, whilst providing a vital source of protein for local consumption.

Madam Speaker, the Fisheries sub-sector employs approximately 3,100 fishers and fish vendors. Both the quantity and value of fish landings have increased by approximately 18% between 2005 and 2006, In order to maintain this growth, your Government is actively pursuing discussions with the Venezuelan Government to obtain the necessary assistance for building a Modern Fishing Fleet which will improve the quality and quantity of our fish catch.

Madam Speaker, support to the livestock sub-sector continued with the new Central Livestock Farm becoming operational. It is envisaged that the new farm will provide improved livestock breeds and services for Livestock Farmers islandwide. This development has been at a cost of \$1.5 million.

In Forestry and Wildlife the Government's efforts at the conservation of the natural resource base have been tremendous. In this regard, plans are well underway for the establishment of a captive breeding facility for the Mountain Chicken.

Additionally, the people's Government has secured an EU grant of Euro 4.4 million (EC\$14.9 million) for the construction of the Waitukubuli National Trail, a project that seeks to facilitate the sustainable utilization of the natural resource base while at the same time raising awareness among citizens and visitors alike, of the need to maintain and enhance this valuable resource.

Madam Speaker, the above outlined achievements clearly demonstrate Government's commitment to the Agricultural Sector. The Government remains fully committed to the sector and will continue to make and seek the required investments for propelling the sector forward in keeping with the vision outlined in Government's Medium-Term Growth and Social Protection Strategy.

In this context, a highly successful National Symposium on Agriculture was held from the 14th – 15th March 2007. Government expresses its thanks to those many persons and institutions who participated in the symposium, which identified several opportunities for investments.

- Pineapple, Pumpkins, Ginger, Passion fruit, Citrus, Dasheen, Hot Peppers and Cocoa were identified by both the productive and marketing sectors as having

significant opportunities in the crop sector, whereas, poultry, pigs and small ruminants were identified in the livestock sector.

Government has committed \$1.5 million to providing financial assistance to support incentives for modernization and mechanization, and off farm investments for crop and livestock production and agro-processing.

The Government has recently received the approval of the EU Delegation/Barbados for the rehabilitation of six major farm access roads island wide. These roads are expected to benefit approximately 200 farmers and work will commence shortly.

Madam Speaker, Phase II of the Agricultural Technical Assistance Programme of the People's Republic of China will commence with the new financial year, at a cost totalling \$2.71 million dollars and will involve the establishment of a Tissue Culture Laboratory for the production of tissue culture planting material for the agricultural sector.

The transfer of modern agricultural technologies, will also feature strongly in this phase and include research and demonstrations in a number of areas including exotic fruit, flowers and non-traditional vegetables.

Madam Speaker, Government also recognizes the importance of agriculture to the Tourism Sector for allowing our visitors to savour our rich cuisine and providing food for the local population thus enhancing domestic food security. The recently launched "**Food Based Dietary Guidelines (FBDG)**", an educational instrument that adapts scientific knowledge of nutritional requirements and food composition will serve to facilitate the population in the selection of a healthy diet, based on the diverse range of production in agriculture.

The Agricultural diversification program will support our Food Based Dietary Guidelines and encourage consumption of locally produced fruits, vegetables, root crops and locally produced livestock products; Madam Speaker, we must "eat what we grow"!

Construction of the Certified Citrus Propagation Facility at the Botanic Gardens is nearing completion. This will produce Tristeza tolerant disease free citrus seedlings for rehabilitation of the citrus industry. Upon completion and becoming operational, it will have the capacity to produce up to 50,000 plants per year. It is estimated that over \$1 million, would have been invested in this urgent initiative to date.

Plans for the construction of a micro-processing citrus juicing plant in the Syndicate area are well advanced. The Ministry of Agriculture is collaborating with a group of citrus farmers of the Syndicate area on this project; other partners on this project include the (GEF) Small Grants Facility and the Rare Species Conservatory Foundation. The project aims to work with these farmers to process their citrus crop ahead of potential damage by parrots.

Madam Speaker, the Forestry and Wildlife Division will pursue the following in the 2007/2008 financial year to facilitate linkages with the Tourism sector:

- Construction of a facility at the Botanic Gardens to breed the Mountain Chicken in captivity, with funding assistance from the Darwin Initiative through the Zoological Society of London at a cost of \$200,818.
- Revision of major pieces of legislation under which the Forestry, Wildlife & Parks Division operates, viz. Forestry and Wildlife Act; Forests Act and Regulations; National Parks & Protected Areas Act and Regulations; in addition to new legislation on access to Genetic Resources and Benefit Sharing; and
- Commencement of construction of the Waitukubuli National Trail that I referred to above.

This Government recognises the importance of the bay oil industry to the farmers of the East and Southeast and to the economy of Dominica. We are therefore examining ways to overcome the challenges confronting the processing and marketing of bay oil and will provide incentives to bay oil farmers as part of the process.

Government has recognized the potential of Agro tourism as a means of bringing growth to local communities by facilitating the production of traditional farm based products for sale to visitors. These opportunities are broad based and include the organization of farm tours where visitors will have the opportunity to work alongside the traditional agro-processors of cassava and bay oil or wade knee deep in the sea with fishermen hauling in their nets.

We see Agro tourism as having the potential to revive our traditional culture while counteracting rural urban drift. The strong endorsement of the Waitukubuli trail project and the inclusion of an agro-tourism component in the development of the Hillsborough Horticultural Centre are just some examples of Government's commitment to expanding rural based incomes.

Currently, Government is in negotiations with friendly Governments and the donor community about addressing the issue of the transportation of agricultural produce to the neighbouring islands. This we consider will be a major achievement and will no doubt increase the production and export of fresh agriculture produce.

Madam Speaker we are pleased to announce that the Government of Dominica has in collaboration with IICA, developed a National Agricultural Policy Framework which will guide the future development of the critical Agricultural Sector up to 2025. This policy was developed using a participatory approach of all key stakeholders within the sector.

Your Government will be making the document available for public scrutiny prior to development of the Strategic plan for agriculture. The Government looks forward in particular to receive the comments of the Honourable members of the opposition to

make this document a truly National Agricultural policy as opposed to a Government policy.

Tourism, Industry and Private Sector Relations

Madam Speaker, during fiscal year 2006/07 Government focussed its energies on completing the implementation of the Eco-Tourism Development Programme which came to an end in June 2007; the long-awaited restructuring of the National Development Corporation; (NDC); engagement of prospective investors for the realisation of development projects in the North East and Portsmouth; and fine-tuning our marketing strategy to ensure that we reach our target market and increase tourist arrivals.

Dominica saw an increase in tourist arrival by 6% in 2006, compared to 2005. It is noteworthy that there were double-digit increases in arrivals from the European and US markets. In the cruise sector, similar increases were recorded, as Dominica was maintained by the cruise lines as an attractive destination. Cruise arrivals increased from 234 calls in 2005 to 246 calls in 2006.

In the yachting sector, there has also been encouraging news. Though no hard data are available at this time, the private sector in the North and South report more yacht visits and longer stays per visit. The private sector has responded positively by expanding the range of services offered and actively participating in efforts to enhance the safety and security of visitors. To facilitate the sector further, Government through the Eco-Tourism Development Programme (ETDP) has put down 50 moorings in Portsmouth, Mero and Newtown.

The aforementioned increases have impacted positively on employment creation, income generation and hotel occupancy. The Ministry of Tourism attributes these increases to sustained destination marketing targeted at our niche markets in the UK, US, Germany and the French Caribbean. Thanks to the European Union, through the ETDP, \$1.2million was spent on promotion and marketing activities. This was complemented by Government funding of \$2million. In addition, we saw a refocused approach to marketing of the destination, with a new branding image, and e-marketing through a redesigned website, www.DiscoverDominica.com.

Attention was also given to customer relationship marketing using databases and e-mail marketing, online banner advertising on three major online sites, and *keywords* have been purchased through Google to increase traffic to the Discover Dominica Authority website.

Madam Speaker, the ultimate credit for increased occupancies and arrivals is due to our committed and hard working hoteliers and stakeholders in the cruise and yacht sub-sectors.

They are the ones who close the deals and bring in the visitors. Government can only create the environment for success, but it is the hotelier and stakeholder generally who have to make the success happen.

The effort and work of public and private sector partnership resulted in the completion of the final report for the Tourism Master Plan, thus providing the Ministry of Tourism with a development framework tool for sustained growth and development within the sector.

Under the Eco-Tourism Development Programme funded by the EU and the Government of Dominica, \$18.9m was spent on a number of projects and activities:

- Technical assistance in Strategic Marketing to the NDC amounting to \$0.9 million;
- Enhancement of natural sites and attractions to include the Emerald Pool and Trafalgar Falls Visitor Centres and refurbishment and expansion works at the Soufriere Sulphur Springs, amounting to \$0.5 million;
- Implementation of some 15 community tourism projects island wide. A sum of \$1.7 million has been spent on these projects to create tourism entrepreneurial activities at the community level.
- A sum of \$1.4million for the renovation and extension of the Roseau Ferry Terminal thereby enhancing access to Dominica via our sea port; and
- Restoration of our Fort Shirley/Cabrits to the tune of \$0.9 million, thus enabling us to enhance one of Dominica's historical icons.

On 2nd April 2007, Parliament approved two Acts – *Invest Dominica* Authority and *Discover Dominica* Authority – thereby granting approval for the establishment of the two entities -- *Discover Dominica* charged with tourism marketing and product development; and *Invest Dominica*, which will provide investment promotion and facilitation for the enhancement of growth in the economy.

The transition from the former NDC to the two new agencies has been proceeding satisfactorily. The Government, through the Ministry of Tourism thanks all the staff of the former NDC, who in one way or another contributed to the overall development of tourism and investment promotion and facilitation in Dominica.

Air Access

The Ministry of Tourism will continue to collaborate with the Ministry of Ports to work with major airline companies to bring increased airlift and seats to Dominica. We have been having successful talks with American Eagle about night landing and we are optimistic of the outcome.

Product Development

Product development includes human resource development, upgrading and expansion of tourism sites, development of new and existing niche markets, and upgrading of existing and expansion of new hotel rooms.

The Ministry of Tourism, Dominica Hotel & Tourism Association and the *Discover Dominica* Authority will continue the partnership with the Dominica State College to provide specialised training to equip our people with necessary skills for the enhancement of the human resources for the tourism industry.

In keeping with the Tourism Standards Act 2005, Government ensured that through technical assistance, support and monitoring, our export ready rooms were increased from 300 to 350.

We have a total number of 846 rooms on island. Government provided concessions to eight hoteliers to enhance their properties to meet tourism standards and regulations. The Ministry of Tourism was anticipating that more hoteliers would have taken advantage of this offer.

In an effort to revitalise the heritage and architecture of the city of Roseau, attention will be given to restoring the “Ruins” building into a Vendors Arcade, for the relocation of vendors from the Dame Eugenia Charles Boulevard to this proposed facility. Government has allocated funds for acquisition of land and restoration of the building. Government will continue to pay attention to the North North/East, with the aim of increasing visitor arrivals to that part of the island.

Madam Speaker, more work needs to be done to promote the development of Portsmouth to make it attractive for visitors when the cruise ships are docked at the Cabrits. Government plans to continue its focus on further uplifting the tourism facility at the Indian River site. With the renovated Fort Shirley/Cabrits and added sites along the Penville/Gillette Road, the North/North East will see increased tourism activities in fiscal year 2007/08.

With specific reference to accommodation in the North North/East, the Government expects further progress during the new fiscal year, for three projects. The hotel marina project in Portsmouth is progressing satisfactorily; all agreements between the hotel owner (Raven Mount PLC and Geest PLC) and the operators (Six Senses) for the Woodford Hill project are in the final stages and negotiations between owners and operators for the Hampstead project are progressing satisfactorily.

Investment Promotion and Facilitation

Madam Speaker, Government continues to focus on expanding key priority sub-sectors in the economy such as hotel accommodation, ICT Services, Agri-business and Light manufacturing. Government gives tangible support to these sectors through the granting of fiscal incentives and tax holidays.

During the fiscal year 2006-2007, twenty-four enterprises in the accommodation sector received fiscal incentives. In agri-business and light manufacturing eleven enterprises received concessions.

If all these initiatives are undertaken successfully within the fiscal year, then approximately 800 new jobs will be created within the economy. Fiscal incentives and technical support to small and medium enterprises continued to be the focus of the Ministry's industry and private sector development thrust.

With support from the World Bank and USAID's Caribbean Open Trade Support Project, technical assistance will be provided for the completion of an investment strategy to guide investment into Dominica, and in particular the creation of the one-stop-shop to facilitate investors. This will sharpen the focus of the newly established *Invest Dominica* Authority.

The Government of Dominica wishes to express its sincere thanks to all stakeholders for working with us to get where we are today. Their support and contributions will always be required, keeping in mind that "Tourism is Everybody's Business". Special thanks to our donors – the European Union, the Caribbean Development Bank and USAID/COTS who have generously provided us with financial and technical assistance as we enhance and expand the tourism sector in Dominica.

International Business

Madam Speaker, Government continues to view international business as having the potential to be an important avenue for economic growth in Dominica, notwithstanding the difficult international environment. Steps have been taken to facilitate the attraction of suitable new business into Dominica, within the frame of the country's revamped supervisory and regulatory framework.

The work of the Financial Services Unit, set up in 2002, remains an important plank for preserving Dominica's good standing as a host country for international business. The FSU considers the *bona fide* of entities wishing to domicile here, and monitors for performance and compliance others that are operating here.

Madam Speaker, the FIU has been engaged with cases that are currently under investigation. The impact of Dominica's support and co-operation with other enforcement agencies on these matters stands to enhance our image as a serious jurisdiction, while also contributing direct inflows from fines into the Forfeiture and Consolidated Funds.

We have taken steps to implement a Registry of International Business and Intellectual Property, a move that received some impetus during the last fiscal year, with the creation of the position of Registrar, International Business. Applications to fill this position have been received and recruitment of personnel should take place very soon. The International Business Registry will cater to the diversity of entities requiring registration in the context of Dominica's emerging service-based economy.

With the enactment of intellectual property-related legislation in recent times, it is necessary to establish the legal and institutional framework for the services sector, and

it is hoped that this will serve to enhance the environment for the attraction new business.

Madam Speaker, in 2007-08, Dominica is expected to come up for performance review to assess its continued maintenance of international standards in its regulation of the financial services sector. It is also our intention to assess ourselves periodically against international core principles and requirements.

The FSU is currently engaged in a self-assessment exercise against applicable banking, insurance, and credit union principles. Substantial progress has been made over the past two years, but there is more work to be done, particularly in the enactment of legislation such as the proposed Acts on the FSU, Insurance, and Money Services, and the proposed amendments to the Co-operative Societies Act.

The effectiveness of the FSU's processes, administrative systems and legislative framework are important aspects of this review, and indeed the effectiveness of the FSU is an essential complement to the national promotion efforts to attract international business into Dominica.

I am in a position to report, Madam Speaker that many new international business companies have been registered, and our registry now houses 12,200 companies. There are currently four offshore bank applications that are being processed and there are increasing signs that Dominica's participation in the international business sector is being recognised.

Keeping the Nature Island Green

Madame Speaker, I am sure that Dominicans are duly proud of the fact that our island aptly qualifies as the Nature Isle of the World. Unfortunately, Madam Speaker, this pride is not always reflected in our personal behaviour. Nor perhaps is this pride sufficiently reflected in our national economic and social planning. It is incumbent on every Dominican to ensure that in his or her personal behaviour, a consciousness of and pride in our Nature Isle is manifested.

At the broader level, Madam Speaker, we need more consciously to integrate green principles into our national economic management and planning, and marry environmental preservation and management into our strategy for achieving higher levels of sustained economic growth.

In this Budget Address, Government is sending a signal to the population and a message to the world, that we will be seeking consciously to ensure that our Nature Island takes the lead in enshrining green principles as the guide to our national planning, and to inform initiatives in all sectors.

Madam Speaker, as the Nature Island, it behoves us to pay attention to the larger environmental issues such as biodiversity, land degradation, climate change and the

emission of green house gases that cause global warming. Small island states like those in the Caribbean are among the most vulnerable to the impacts of global environmental phenomena like climate change.

Government believes that we have to give priority to pursuing policies and programmes that are consistent with well-researched proposals and programmes developed by the international community, and are consistent with our countries' needs and capacities.

To this end, the ongoing work on "organic island agriculture" will be expedited.

This work aims at producing a 10-year plan of action to establish Dominica as an "organic island" and health tourism destination. I take this opportunity to remind you that the main objectives of this plan of action are to:

- Establish Dominica as a world leader in the production of organic agricultural products;
- Introduce agricultural practices that will reduce the introduction of harmful substances into rivers and soils and promote sustainable land management;

Madam Speaker, the creation of a green economy will require investment in taking a detailed inventory of the major marine and terrestrial natural resource systems of this country. Indeed, it is high time that we take a comprehensive assessment of our country's natural resources with a view to determining their capacity for sustainable use, and informing planning and policy decisions. Fresh water, soils, forests reefs, and renewable energy systems are at the top of the stocktaking exercise.

As regards waste reduction, there are a number of initiatives that Government is considering. Some of these initiatives focus on the recycling of non-bio-degradable, while other solid waste investment initiatives are focussed on converting biodegradable waste into farm inputs for planned organic agriculture programme.

One particularly encouraging initiative in the tourism sector is the recent community tourism thrust. This component of the project has moved along quite successfully, and Government is duly proud of this success.

This programme and the individual community tourism projects need now to be managed in such a way as to maximise benefits to the communities. One of the lessons gleaned from these unfolding success stories in community tourism, is that we have to bring into play key committed persons from the respective local communities.

These are the people who will ensure the maintenance and preservation of the benefits that some of these projects have already begun to manifest. I am advised that the Giraudel/Eggleston Community Gardens and Culinary Tour, already on sale to the

Cruise Sector for two years now, is one such project that has attracted several responsible and committed persons from these villages.

It is my hope that such examples will inspire other communities to manage their respective projects in ways that are compatible with our new green economy thrust. Government will be standing by to provide such support for initiatives that help to demonstrate that green investment is good business.

Other measures that have been proposed to Government for consideration include the incorporation of “green spaces” into city and town planning and development, and the introduction of energy saving and renewable energy streetlights in the major population centres.

I fully anticipate that these and other energy-related investments will find a home in the provisions of the National Renewable Energy Policy that is currently being prepared. In anticipation of this enabling environment for investment in renewable energy, I encourage the representatives of local and overseas firms already engaged in aspects of this emerging sector, to come to the table with your ideas, proposals and investments that can accelerate the greening of our economy.

The role of our Environmental Coordinating Unit will explicitly provide for its engagement with other sections of Government, in reviewing proposals for the exploitation of our natural resources and investment proposals in these sectors. The ECU will be assisted to become more proactive in promoting our country’s green thrust.

Even as we launch out on this new thrust, we do this, not without acknowledging the considerable efforts of others who have given yeoman’s service to our country in preserving our environmental integrity, and on whose continued efforts will hinge our future success. In particular, let us take account of the efforts of the Forestry Division, the environmental NGOs, the local Government and Youth programmes, which have all helped protect our natural patrimony to this day.

As the Nature Island, we owe it to ourselves to send this message to the world. We also owe it to current and future generations to exercise our duty of care in this regard.

Water

We have identified water as one of the most abundant and renewable resources of our island. The recent drought in the Caribbean has exacerbated the water deficiency problem of a number of Caribbean states notably Trinidad and Tobago, Barbados and the islands to the north.

In looking at the question of food security in CARICOM the issue of secure potable water supply for all CARICOM Member States is being examined. We have argued that Dominica’s abundant water resources can assist in meeting the water needs of

CARICOM Member States once the catchment, storage at source, transmission, transportation and storage at points of consumption are in place.

In this regard, we are in active discussion with the government of Trinidad and Tobago and Barbados at the highest level on this matter.

Bottled water from around the world is consumed in CARICOM and the potential for Dominica supplying bottled water to CARICOM and further afield is being actively pursued.

Our water resources also have the potential to expand hydroelectric generation and reduce our dependence on imported fossil fuels. The full exploitation of our water resources is a matter of priority going forward.

Energy

Petro Caribe

The PetroCaribe initiative was borne out of a wider concept of cooperation and integration being promoted by President Hugo Chavez president of the Bolivarian Republic of Venezuela known as the Bolivarian Alternative for the Americas (ALBA).

The concept seeks to integrate among other things energy exploration, production, refining, transportation, and distribution among participating countries of South and Latin America and the Caribbean.

Madam Speaker, The fundamental objective of PetroCaribe, is to contribute to energy security. It also serves to foster social and economic development and the integration of the countries of the Caribbean, through the sovereign use of energy resources.

This approach is referred to as the Bolivarian Alternative for the Americas (ALBA). It is indeed pleasing to note that our country is already reaping the benefits of the ALBA Fund under the 2007/08 major housing development initiative.

Dominica's energy sector faces immense challenges amidst unstable and speculative global fuel prices, as its small consumer and commercial base, results in diseconomies of scale and very high energy costs.

The construction at Jimmit, of a 5.3 acre Oil Derivative Terminal, a Marine Docking Base and piping distribution network for refined petroleum import, has already commenced, and will be ready for use by October-November of this year. Upon completion of the Jimmit Fuel Storage and Distribution Terminal, the facility will consist of the following:

- Five fuel storage tanks (of circular steel superstructure on reinforced concrete foundations) with total storage capacity of 37,600 barrels, that is, about 1,339,162 gallons;

- One 20,000 barrels Diesel Storage Tank;
- One 5,000 barrels Diesel Storage Tank;
- Two 5,000 barrels Gasoline Tank;
- One 2,600 barrels Jet Fuel Tank;
- One 2,140 barrels LPG Tank and Bottling Facility;
- One jetty with mooring dolphins among other facilities;

The project is estimated to cost approximately US\$18.0 million, with the bulk of the financing provided by the Bolivarian Republic of Venezuela.

Dominica can expect a number of benefits from the facility, including:

1. During the construction phase, the project will provide jobs for over thirty locals.
2. For the operation phase, about twenty full-time jobs will be provided, with opportunities for training and development for recruited technical and administrative staff.
3. Guarantee of a direct trade relationship without intermediaries, in the supply process, thus generating additional savings for the consumer.
4. Adoption of training programmes designed to strengthen professional capacities and promote a non-contaminating, more energy-efficient and rational use of conventional and renewable energy.

Renewable Energy

Madam Speaker, Petro Caribe will make a difference, it will redound to the benefit of the consumers in our country. It should be clear however, that the long-term answer to our country's energy issues rests in our identified renewable energy potential.

Expert evidence suggests geothermal energy holds great promise for our country and is the most viable renewable energy option for Dominica at this time.

Since I addressed this matter in last year's Budget presentation, surface investigations have been done by French institutional companies and their successive reports have shown up very good prospects for a geothermal field development in the Wotten Waven area.

Government's position, Madam Speaker, is that it has to assess very carefully, the bids that are on the table from the various companies seeking concessions and drilling rights. We want to be very careful to ensure that a cheap and continuous supply of electricity is available to the Dominican people.

In particular, Government is seeking to ensure that the rights are given to developers who present a complete project scheme, “including exploratory and production drilling, design and construction of the power plant with appropriate state-of-the-art technologies, with clear commitments on investment costs and project timing”.

Indications are that within a period of two to two and a half years from the granting of the license, a 2 ½ to 5-megawatt plant can be ready to meet local needs, with subsequent expansion to supply the export market.

Madam Speaker, Government expects to take a decision shortly on the granting of the appropriate license. The people of Dominica will appreciate that this is a decision that cannot be taken in haste, and can only result from very careful analysis of the claims of the competing companies.

The cost of electricity is certainly a major concern to our people – the only viable long-term answer to this serious concern consists in shifting our reliance away from fossil fuels to renewable energy. Government will do its utmost to move as speedily as possible in this matter.

I spoke earlier on keeping the Nature Island green. Madam Speaker, Government has also taken the decision to provide incentives to consumers to make use of available alternative energy sources. We will provide special concessions for the importation of materials and products for use in the generation of energy from solar, wind and hydro for the generation of bio-diesel and biogas.

We are working with the Customs and Excise Department on a comprehensive list of the specific items that will be eligible for these concessions.

Let there be no doubt however, of Government’s policy in the matter – that everything possible will be done to encourage the use by consumers and manufacturers of alternative energy products. This list will also include specific electrical devices, including light bulbs.

The Climate for Investment

Madam Speaker, last year’s Budget Address was presented under the theme, “Enhancing the Investment Climate”. We said last year that:

“... Restoring fiscal health to our country, and confidence in the governance of our country, were major steps in enhancing the investment climate. Countries do not attract investment when their public finances are in a state of disarray; when debt is very high and out of control.”

We pledged last year to pay attention to putting in place the reforms necessary for an enhanced climate for investment. We have much progress to report in three key areas.

We have been tackling reform at the Customs. This is being approached through a number of exercises.

Critically, the reform of Customs hinges on the introduction and use of the trade facilitation software, ASYCUDA World. The entire system is expected to cost close to \$1.0 million as it includes software, hardware, specialised technical assistance from UNCTAD, training of Customs Officers, employment of new staff with specialised IT skills and up-grading of existing infrastructure.

This is a major investment in Customs, and one that Government considers well worth it, given its potential for reducing the time and cost of doing business in our country. It is indeed a major contribution to enhancing the investment climate in our country.

Madam Speaker, Government is establishing at Customs Intelligence/Investigations and Risk Management/Post Audit Units. This ongoing consultancy will provide a Risk Management Strategy and operating procedures for undertaking intelligence gathering, investigations and post audits.

When these Units become operational, they will facilitate other needed reforms such as the more selective inspection of containers. This will be a positive response to one of the crying needs of the business community.

Customs will also be provided with a Customs Adviser whose job will be to provide guidance, technical assistance and management expertise to the Customs and Excise Division, in the implementing the reform initiatives.

A Cash Automated System, Customer Improvement Service and Public Relations Programme are other areas of the reform programme that will be implemented in the new fiscal year.

We have carried out a human resource capacity assessment at the Customs Department. This was intended to ensure a right fit between the proposed new staffing structure at the department and the current staffing complement, and identify capacity development needs of the staff.

When these reforms are completed, and Customs is transformed into a more trade facilitative role, the public and the rest of the world will be informed through an organised public information campaign that will be supported by the USAID/COTS project.

The second major reform area that has been tackled is land tenure and administration – the long and bureaucratic process involved in owning, transferring and registering land. This has been identified as an impediment to doing business.

Government has undertaken institutional and administrative review of all Government departments involved in land administration and planning, with a view to streamlining

and modernising their operations. We have specific recommendations for reform activities at the Registry, Lands and Surveys and Physical Planning, with implementation of these reforms expected to commence within a few months. This work will be complemented by development of a National Land Use Plan and a Unified Land Information System for Dominica.

Madam Speaker, I indicated earlier that there has finally been definite movement on the restructuring of the NDC, something that has been talked about and recommended for many years. Government looks forward to the new successor agencies fulfilling their respective mandates, and increasing the numbers of both vacationers and investors.

In terms of other investment climate reforms, Government convened a Doing Business Workshop in April of this year. This brought together businesspersons to identify additional reforms that would assist the business environment.

The reforms identified related to the following areas: labour laws, including the minimum wage and Sunday as a public holiday; need for increasing efficiency in the process of registration and at the magistrate's court; cost and logistics of shipping; need for better information and other services to potential investors; making more effective use of the internet to promote the country and to service investors; and the need for regular meetings between Customs and Inland Revenue and the private sector organisations.

Government is pleased to report that a number of the recommendations coming out of the Doing Business Workshop have been examined by the Business Environment Task Force, (BETF), a group appointed by the Ministry of Tourism, Industry and Private Sector Relations. The BETF has been looking into four specific issues:

- Establishing a one-stop agency for dealing with investors;
- Work rescheduling to allow flexible working hours, including Sundays and public holidays, in the context of the State's employment protection legislation;
- The process of litigation of commercial agreements in the Magistrate's Court; and
- The review of the process of enforcing judgments by financial institutions.

The work of the Task Force is nearing the end, and Government expects shortly to be in a position to take its recommendations to the next stage. There were other recommendations coming out of the Doing Business Workshop that Government will also be pursuing.

Madam Speaker, I wish to signal Government's intention to revisit the level of the minimum wage. I consider that we owe it to the many persons who labour at minimum wage levels, to seek to align these wages with modern-day realities.

Government anticipates the cooperation of the trade unions as well as employers in bringing about this needed reform.

Government is aware that minimum wage reviews can be lengthy exercises requiring much data and consultation with social partners. It is my hope, given that the last

minimum wage order was issued in November 1989, Government can collaborate with the relevant stakeholders, to find a way to fast-track decision-making on this matter. We will be seeking to pull the various parties together as a matter of great urgency.

Madam Speaker, records from the Central Statistical Office show that there was an increase in the consumer price index of 35.6% since 1990. I am confident that all the parties will identify with my wish to seek to restore a measure of equity to the categories of workers so affected, and to do this quickly.

Our intention, as stated last year at this time, is to bring about a significant improvement in this country's climate for doing business, with a view to attracting into Dominica, the investment that we need to assist us to achieve our goals of economic growth and improved quality of life of our people.

Other Structural Reforms

Madam Speaker, there are additional structural measures that are on the Government's agenda. While not necessarily directly affecting the investment climate, they are intended to increase the efficiency of Government's operations.

The amendments to the Electricity Supply Act were finalised and approved by the Parliament in December 2006. This we hope will set the framework for much needed regulation of the sector. The new framework also seeks to liberalise the sector by creating opportunities for the generation of electricity through alternative energy sources.

As a consequence of the passage of the Act, the Independent Regulatory Commission, chaired by Mr. Curtis Tonge, has been appointed. The Commission is charged with monitoring activity in the electricity sector to ensure that consumers have the best possible electricity supply at prices that are competitive.

In this new financial year, attention will be given to reforming the Magistrates' Court. Urgent attention will be given to modernising and upgrading the Magistracy. Far-reaching structural reform measures are being considered, including possible integration of the Magistracy into the Eastern Caribbean Supreme Court.

The Public Works Garage was privatised and is now the Public Works Corporation. It is expected that under this new dispensation, the work of this entity will be undertaken more efficiently. The road maintenance function of the Government has been contracted out to the new Corporation.

I can inform that the merger of the air and seaports has been implemented. While there have been some teething issues, as is normally expected with such matters, by and large, this reform has been successful.

Work will continue in the new year, on other aspects of the public sector reform programme, and in addition to the activities I have already mentioned, this year will witness continuing work on:

- Reform at the Ministry of Agriculture to make that organisation more modern, relevant and responsive;
- Management development and succession planning in the public sector;
- A public Sector audit; and
- Reform activities at the Audit Department.

Foreign Policy In Support Of National Development

Madam Speaker, I now turn attention to foreign policy, trade, labour and regional issues.

Trade and Foreign Policy Issues

As a matter of deliberate and proactive policy, trade and foreign policy are critical to our country's development thrust. Dominica now has the opportunity, with the adoption of the Growth and Social Protection Strategy, to refocus and realign its foreign and trade policies, to advance its development priorities.

Despite the current volatile and challenging international climate, the positive outcome of Government's ambitious diplomatic efforts is self-evident. In the past year Dominica has, through its relations with friendly bilateral partners, benefited from access to several technical and financial assistance schemes and offers of training from a number of Governments.

These include the Bolivarian Republic of Venezuela, the People's Republic of China, Canada, the Republic of Cuba, the United States of America, the European Union, Japan, Mexico, the Republic of Korea, , India, France, the United Kingdom and Nigeria.

A few notable developments were the signing of five new cooperation agreements with the Bolivarian Republic of Venezuela in the fields of education, tourism, information, and economic and social cooperation, during the inaugural visit of His Excellency Hugo Chavez Frias, in February 2007.

The signing of a cooperation agreement with the Regional Council of Guadeloupe in February, governing the sharing of experiences in various sectors, and an agreement with the Government of France for visa-free travel for Dominicans wishing to visit the French Departments of the Region, for periods less than fifteen days at a time.

To service its foreign policy drive, Government will continue to engage prominent Dominicans, and qualified nationals of member states with which Dominica has established relations, who are willing to serve as Resident and Non-resident Honorary Ambassadors or Honorary Counsels.

This clearly is a cost-effective means of establishing a diplomatic presence in capitals of the world with which our country has diplomatic relations. Our achievements to date provide the needed encouragement to continue to pursue this new course.

Madam Speaker, our policy therefore must continue to be aggressively directed towards the promoting and safeguarding of Dominica's national interest, securing international financing, promoting investment in tourism, identifying potential export market opportunities, pursuing the international recognition of the interests of small vulnerable economies, enhancing regional cooperation and developing bilateral and multilateral relations.

With just one exception, Dominica has removed all restrictions on the free movement of goods, services and capital. We have enacted rights of establishment and provided for freedom of movement of the identified categories of CARICOM nationals.

The issue that remains is the restriction on non-OECS CARICOM nationals to acquire and hold land above a certain size without an Alien Landholding Licence. Dominica was declared CARICOM Single Market compliant on June 30, 2006 by CARICOM Heads of Government.

Madam Speaker, the current focus on increased domestic production and productivity, coupled with free movement of persons within the Region, will necessitate the raising of the profile of Dominica's Labour Division. The structure of the Division will be reviewed accordingly, with the ultimate goal of placing workers at the centre of unfolding developments relating to new national and regional initiatives.

OECS and CSME

Madam Speaker, as everyone knows, I assumed the chair of the OECS in May of this year. I fully intend to use this opportunity to contribute to improving the quality of life of citizens of Dominica and the other member countries of the OECS.

The progress towards an OECS Economic Union must be seen in the wider context of the progress being made at the level of CARICOM towards a CARICOM Single Market and Economy (CSME), to which our country is irrevocably committed. The OECS Economic Union project aims at transforming the OECS countries into a single economic space.

The proposal for an OECS Economic Union has been worked on for many years and I intend to contribute to seeing it through to completion. It will not necessarily be easy.

We have a year-long process of public consultations, at which we can expect to hear the views of cross-sections of our people across the seven islands. We know that there is concern at the prospect of joining our island spaces into a single space where people, goods and capital can move freely across the countries.

However, I intend to play my part in providing the information and education necessary to help our people to understand that this is the way to go. Indeed that there really is no other way to go if we are to give ourselves the best chance of survival and advancement, within the frame of the globalisation that currently envelops us.

Madam Speaker, I have to make it clear that the purpose of the planned consultations on the OECS Economic Union is to share with Dominicans and other people of the Region, what we the leaders have gleaned so far, and invite you to participate with us in mapping out the next steps. In the process, you will be giving us your take on the options we will be presenting. It is you the people who have the final say as to how to move on this, or whether we move at all.

I say this to help you understand that in our approach to economic union, we have taken no final positions at all. In our intimations to you of what we have been undertaking, there cannot be any suggestion that we are back to the old road of making decisions on OECS unity, and merely calling for your endorsement.

I view my leadership of the OECS as an exciting opportunity. You know it is my joy and style of leadership to consult, to invite other views. On this, I am on sound footing. Proverbs 11:14 gives it the finest expression: "In the multitude of counsel there is safety ..."

Let the dialogue begin. Let the ideas contend. In the words of former President Kennedy: Let us not dialogue out of fear but let us not fear to dialogue.

Madam Speaker, even as we press on with creating the OECS Economic Union, we remain steadfast in our commitment to forging integration at the wider CARICOM level. The purpose of Caribbean integration is to pull our resources together for the betterment of all our peoples.

This Government has been ever aware of the potential of Caribbean integration as a force for the betterment of the people of Dominica, and with the help of God, I will be playing my part to register a significant advancement of the integration processes at the levels of both the OECS and CARICOM.

During my tenure as Chairman of the OECS, I will be giving special attention to issues affecting young persons, and to agriculture. In my capacity as Patron of the OECS Youth Initiative, I will help develop programmes that will target youth in Education, Sports, Community, Science and Technology, Business, Leadership and Mentoring. I will be playing this role in the hope that these efforts will facilitate the release of the youths' tremendous potential for creative achievement and excellence.

My efforts in agriculture will be grounded in my faith in "the power of the plate". I have called on OECS leaders and Governments to get moving on a new initiative that maximises the application of new technologies, to increase the productivity of our

limited land resources while targeting regional and extra-regional markets and the land-based and cruise tourism markets.

This Government has repeatedly reaffirmed its commitment to the OECS and CARICOM movements. Regionalism is not a pie-in-the-sky objective or commitment – regionalism is about growth; and it is ultimately about improving the quality of life of people.

Economic Performance during 2006/2007

A sound macro-economic framework, underpinning all economic activity, is the bedrock for national advancement.

We have continued to do well. All economic reviews, (and not only from the IMF), pointed to strong economic performance in 2006.

The economy grew by an estimated 4.0% last year, the strongest in nearly two decades, while inflation was below 2.0%.

The overall growth performance was driven largely by the growth in tourism and construction. In 2006, the Tourism sector grew by 15.0% (as measured by value added by hotels and restaurants), compared with 6.5% the previous year. Madam Speaker, this was better than the average performance for the OECS Region, which realised growth of 6.1% in the tourism sector.

Construction, and mining and quarrying, grew respectively by 8.5% and 8.5%, compared with 3.5% and 3.5% respectively. The agriculture sector registered 3.4% growth in 2006 after registering a decline of 0.4% in 2005, with fisheries registering 12.0% compared to the previous year's 3.6%.

The public finances have continued to perform satisfactorily. In fact, Madam Speaker, of the eight member territories, only Anguilla and Dominica registered fiscal surplus in 2006. The public debt ratio has continued to decline, reflecting the country's fiscal effort and the economic expansion. Indeed, Dominica's debt to GDP ratio was below the average for the ECCU area. Fiscal and debt issues will be elaborated upon later.

Bank credit to the private sector has expanded apace partly because fiscal consolidation freed up resources, while prudential indicators have largely improved. The external current account continues to show a double-digit deficit, reflecting buoyant private demand.

Not only was economic performance strong in 2006, but the outlook remains positive, in spite of the projected deceleration in growth in the U.S. and Europe, and the likely continuing upward trend in petroleum and other commodity prices.

Madam Speaker, we expect that growth in our economy will be supported by tourism and construction. We recognize that it will take considerable effort and determination, from the public and private sectors, and from the entire work force, to respond to the challenges that could affect growth. I am confident that we can do it together.

Public Debt

Madam Speaker, we have continued this Government's policy of prudent management of the public debt. We have continued the debt-restructuring programme aimed at reducing the debt to sustainable levels by either reducing the stock or reducing the cost of servicing, or both.

During the fiscal year 2006/07, we were able to reach agreements with two large creditors, bringing our restructured total debt portfolio to approximately 83.0 percent. During fiscal year 2007/08, we will focus our efforts on restructuring the debt of the one remaining major holdout creditor.

During fiscal year, 2006/07 there was further consolidation of the Government's debt portfolio. Only two loans amounting to \$16.3 million were contracted during the year. \$12.2 million was contracted to meet Government's premiums for the first two years, under the regional Catastrophe Insurance Fund.

This insurance programme is intended to provide coverage to participating countries in the event of a major hurricane or earthquake. \$4.1 million was obtained from the World Bank by way of a Poverty Reduction Credit, to be used to finance technical assistance and reform activities of the Government.

Madam Speaker, these loans were obtained on highly concessionary terms from the World Bank, in keeping with our stated policy of limiting our borrowing to concessionary loans while gradually working towards achieving a national debt portfolio that is sustainable. Both loans are to be repaid over thirty-five years at 0.75% interest with a grace period on ten years

Total Central Government debt now stands at \$657.8 million¹. External debt is \$458.3 million or 69.7% of the total, and \$199.6 million or 30.3% is domestic debt. Madam Speaker, the ratio of central government debt to GDP stands at 75.5%, which represents a reduction of 10.7 percentage points from 86.2% at the end of June 2006. That reduction is due to the success with the continuing debt restructuring, and the fact that GDP has grown.

Madam Speaker the systematic reduction in arrears has continued during the financial year 2006/07.

¹ This excludes amounts owing to the major creditor for which an agreement has been reached and the documents are now being finalized.

The value of unpaid cheques has been reduced to such an extent, that the amount on hand represents cheques that our suppliers had not yet collected at the end of the fiscal year. The value of unpaid cheques has been reduced from \$31.0 million at the end of June 2005 to EC \$2.4 million at the end June of 2007.

It is noteworthy that unpaid cheques to Dominica Social Security have been fully paid up and Government contributions have remained current. As at 30th 2007, all Government bank balances were positive. The Government of Dominica has made minimum use of the overdraft facilities at the commercial banks.

The proposed debt service cost for the year is estimated at \$20.2 million, while debt amortisation will cost EC\$22.4 million. The ratio of total debt service payments to recurrent revenue for the budgeted year is 15.5%, which is equal to the ratio for financial year 2006/07.

Madam Speaker, we have more work to do in some areas, but we are able to report with confidence that our country's debt indicators are moving in the right direction.

Budget for 2007/2008

Budget Parameters

Madam Speaker, as with the Budgets that have been presented by this Government previously, this Budget maintains its continuing commitment to prudent fiscal and economic management. The 2007/08 estimates are being presented within the context of a broad three-year framework, and is consistent with the policies outlined in the Growth and Social Protection Strategy. The framework is built on the assumption that economic growth in the medium term will average 3.0% per annum.

The policy goal remains:

- Maintaining as the centrepiece of the Budget, a primary surplus target of 3.0%²;
- To continue on the path of increasing sustainability of the country's fiscal position;
- To continue working towards increasing sustainability of the level of the national debt;
- Continued strengthening of management of the public finances; and
- Continue to create the conditions for achieving and sustaining economic growth levels at an average of 3.0% per annum.

² The primary balance is defined as [total revenue (not including grants)] minus [total expenditure (not including debt service and grant related expenditure)]. This is a widely used indicator of fiscal stance in highly indebted countries, such as those of the OECS and Jamaica. Grants and grant-related expenditures are left out of the calculation because of their volatility and unpredictability

Attainment of the primary surplus target requires that the wage bill be held at 13.1% of GDP. The capital programme for the new fiscal year is projected to be 13.4% of GDP – 77.8% of this is to be financed by grants; 14.9% by loans; and 7.3 % by local funds.

The capital programme for the year is more than the targeted annual average of 10% of GDP, but this projected spending is made possible because of the high level of grants that Government has been able to negotiate. Indeed, Madam Speaker, grants have surged, and are estimated to account for a record high of 14% of GDP during the fiscal year just ended. This has helped the Government to be in a position to undertake crucial investment projects at little or no cost to the taxpayers.

These numbers keep the Budget comfortably on the correct fiscal track, and continue to manifest Government's prudent and responsible management of the country's public finances.

Budget for 2007/2008

Table 1 depicts the overall Government summary for the fiscal year 2007/2008. Total revenue is projected at \$389.7 million, overall expenditure at \$385.5 million, thus making for an overall surplus of \$4.2 million during this fiscal year.

Table 1. Budget Summary, 2007/2008

	Estimate 2007/2008	Estimate 2006/2007	Projected 2006/2007	Actual 2005/2006
Revenue				
Recurrent Revenues	274.3	244.1	258.1	269.4
From Grants	95.4	70.9	82.0	46.7
From Loans	17.4	11.4	9.8	3.3
(Government)	2.6	4.1	0.7	15.6
Total Revenue	389.7	330.5	340.8	335.0
Expenditure				
Salaries and Allowances	120.5	112.6	113.3	111.9
Expenditures	105.7	89.3	98.1	87.6
Debt Service	20.2	20.8	19.9	23
PSIP (Capital Expenditure)	116.6	85.1	78.4	66.8
Total Expenditure	363	307.8	309.7	289.3
Debt amortization	22.4	16.9	20.0	16.6
Primary Surplus	29.5	30.8	28.0	65.3
Current Account Surplus	5.5	4.5	6.8	30.3
Overall Surplus/(Deficit)	4.2	5.8	11.1	29.1
Overall Expenditure	385.5	324.7	329.7	305.9
Primary Surplus	3.39%	3.77%	3.43%	8.27%

Recurrent Expenditure

The recurrent expenditure projection for 2007/2008 is \$268.9 million. This compares with estimated expenditure in 2006/2007 of \$240.9 million, which represents an increase of 11.6% over the previous year budget.

The wage bill is projected at \$113.4 million, or about 13.1% of GDP reflecting the increase in wages and salaries of Public Officers.

This has affected the Government's stated commitment to reduce the wage bill to not more than 12.5% of GDP by 2007/2008. However, the Government has acted in full awareness of the justifiable claims of public officers for a salary adjustment at this time.

Government transfers are projected at \$51.3 million, and include \$27.6 million for grants and contributions to local, regional and international institutions, \$3.7 million for public assistance and \$20.0 million for pensions and gratuities.

The budgeted amount for transfers represents \$4.6 million more than the amount budgeted for 2006/2007, due mainly to an increase in the allocation to regional and international organizations.

The amounts budgeted for retiring officers have remained the same since the number of public officers retiring is not expected to increase over fiscal year 2006/07, as the staggered increase in the retirement age takes effect.

An amount of \$20.2 million has been provided to meet interest payments. This amount is identical to the provisions of fiscal year 2006/07. The allocation continues to reflect the benefits from the debt restructuring, and also includes amounts paid into the escrow account at the Central Bank to meet interest payments of creditors who have not fully signed on to the restructured terms.

Goods and Services were allocated \$52.1 million this year, up \$9.6 million from the last year's amount of \$42.5 million. During the recent past, the fiscal difficulties meant that public officers were inadequately equipped to provide the level and quality of service required.

The increased provision for Goods and Services is partly to enhance the working conditions of the officers, and thereby facilitate the increased productivity of the public service.

The summary of recurrent expenditure by economic classification, as shown in Table 2 reveals that personal emoluments, wages, salaried and non-salaried allowances together account for 44.8% of recurrent expenditure, total debt obligations 15.8%, transfers 19.1% and goods and services 19.3%.

Table 2. Recurrent Expenditure by Economic Classification, 2006/2007

	Estimate 2007/2008		Projected 2007/2008		Budget 2006/2007	
		%		%		%
<i>Personal Emoluments</i>	103.8	38.61%	98.5	39.19%	96.2	39.92%
<i>Wages</i>	4.2	1.57%	4.8	1.91%	5.8	2.42%
<i>Salaries and Allowances</i>	5.3	1.98%	4.1	1.63%	4.9	2.04%
<i>Non-salaried Allowances</i>	7.1	2.65%	6.0	2.37%	5.6	2.34%
<i>Interest</i>	20.2	7.52%	20.0	7.95%	20.8	8.63%
<i>Retiring Benefits</i>	20.0	7.44%	23.3	9.28%	20.0	8.30%
<i>Grants and Contributions</i>	27.6	10.26%	23.9	9.50%	23.0	9.55%
<i>Subsidies & Public Assistance</i>	3.7	1.38%	3.7	1.45%	3.7	1.52%
<i>Refunds</i>	2.5	0.93%	2.5	0.99%	1.5	0.62%
<i>Goods and Services</i>	52.0	19.35%	44.7	17.77%	42.5	17.62%
<i>Loan Repayments</i>	22.4	8.33%	20.0	7.96%	16.9	7.03%
	268.9	100%	251.3	100%	240.9	100%

Current Revenue

Madam Speaker, revenue collection during 2006/07 reflects the improved state of the economy in part, and the success of the recent tax reform. The growth in the economy has resulted in improved performance over the budgeted revenue. Collection in most areas outperformed budgeted estimates, including the outturn from the VAT.

Current revenue for 2007/2008 is set at \$274.3 million, compared with \$244.1 million budgeted for 2006/2007, while the projected collection for the latter year is expected to be approximately \$258.1 million, that is, \$14.0 million or 5.7% over the budgeted amount.

The main sources of revenue are projected to be: Personal Income Tax of \$30.3 million, Corporate Income Tax of \$18.3 million, International Trade Taxes of \$57.2 million, VAT \$86.7 million and Other Domestic Taxes including Excise Tax of \$56.0 million.

A more detailed breakdown of these estimates is, of course, available from the Draft Estimates that have been circulated to all members of this House. Table 3 provides a breakdown of current revenue.

Table 3. Breakdown of Current Revenue Projection, 2007/2008

<i>Item</i>	<i>Estimate 2007/2008</i>	<i>%</i>	<i>Projected 2006/2007</i>	<i>%</i>	<i>Budget 2006/2007</i>	<i>%</i>
<i>Personal Income Tax</i>	30,259,200	11.0%	30,839,013	12.0%	33,450,000	13.7%
<i>Corporate Income Tax</i>	18,280,000	6.7%	18,307,599	7.1%	16,200,000	6.6%
<i>VAT</i>	86,755,500	31.6%	73,852,246	28.6%	69,976,000	28.7%
<i>Other Domestic Tax</i>	56,034,745	20.4%	53,203,718	20.6%	47,976,400	19.7%
<i>Int'l trade taxes</i>	57,195,800	20.9%	56,373,479	21.8%	55,934,200	22.9%
<i>Non-tax Revenue</i>	25,755,862	9.4%	25,508,943	9.9%	20,609,350	8.4%
<i>Totals</i>	274,281,107	100.0%	258,084,998	100.0%	244,145,950	100.0%

In summary, Madam Speaker, the current revenue estimates for fiscal year 2007/2008 is \$274.3 million, against a current expenditure estimates (excluding amortization) of \$246.4 million, making for a current account surplus of \$27.9 million. The total revenue budget of \$389.7 million, against total expenditure budget of \$385.5 million (including loan repayments – \$22.4 million), makes for an overall budgeted surplus of \$4.2 million.

These numbers demonstrate Government's continuing commitment to pursuing prudent fiscal policies, geared at controlling expenditure and debt; the main objective to keep the country's finances strong, and to facilitate sustained economic growth.

The Public Sector Investment Programme

Madam Speaker, the Public Sector Investment Programme (PSIP) constitutes a critical element in our quest for sustained growth and poverty reduction in the Commonwealth of Dominica.

Government has been able to raise considerable grant funding to support the PSIP over the next three years. This significant inflow of grant funding will help ensure that Dominica's national debt remains under control, and current and future generations of Dominicans will not be saddled with a crippling national debt burden.

After much efforts over the past few years we have been able to put together an indicative three (3) year Public Sector Investment Programme. I say indicative because the PSIP must remain flexible to respond to changing circumstances, even as we lay down plans for future project spending, within agreed parameters.

For this year 2007/2008, the PSIP amounts to \$116.6 million or 13.4% of GDP to be financed in the following manner:

Grants	\$90,676,660 (77.8%)
Loans	\$17,377,986 (14.9%)
Government Resources	\$ 8,545,746 (7.3%)

The above distribution, Madam Speaker, suggests that Government has done better than anticipated. The original target for loans was set at 17.3% and Government's resources at 13.0%. This distribution again speaks to the fiscal and economic benefit to the country and the citizens of Dominica from the Government's success at raising grant funding.

For this fiscal year, I wish to highlight the following major projects in the public sector investment programme:

Housing Revolution

An amount of \$16.0 million has been allocated to implement the housing revolution, which I have discussed earlier in this Address.

Economic Infrastructure

Air Access

Work is continuing on the land excavation (airside works), and on the terminal building and car park. During this fiscal year, work will commence on the extension of the runway in preparation for lighting.

Madam Speaker, we have experienced some delay on this project, but after much dialoguing among all parties, we are confident that we will bring this project to a satisfactory and timely closure. In this financial year, we have allocated \$15.1 million to this project, of which \$7.0 million will come from the Venezuelan Government and the balance of \$8.1 million from the European Union.

The Road Improvement and Maintenance Programme (RIMP)

Madam Speaker, in last year's Budget Address I announced the imminent commencement of work on this project. The necessary preliminary works have proceeded, and the physical works will begin in the last quarter of this year.

The delays were mainly technical and the project is now poised to commence. For this fiscal year, we have allocated \$2.5 million. This project will cost in total approximately \$17.0 million, and will be implemented over 18 months. Financing for this project is provided by the Caribbean Development Bank.

Rehabilitation of West Coast Road

Madam Speaker the feasibility and design components of this project have entered a new phase, with the arrival of thirteen (13) officials from the People's Republic of China.

The team, which consists mainly of engineers, will be on island for approximately one and a half months, advancing the technical work. We are grateful that the Government of the People's Republic of China has kept its commitment to the Government and the people of Dominica, regarding the total rehabilitation of this major road. Only a preliminary allocation of \$0.1 million is made for spending in this fiscal year.

The PRC team will work with officials from the Ministry of Public Works on preliminary designs for 48km of road from Roseau to Portsmouth. The objective of this project is to rehabilitate the road to accommodate two and four lanes, with hard shoulders, and to construct new bypasses for the section of the road along Massacre/Mahaut and Glanvillia.

Roseau to Melville Hall Road Improvement

As I have previously indicated, this road project will bring about major upgrading of the Roseau to Melville Hall Road. This project, Madam Speaker, envisages in its design an integration of leisure, site seeing and pleasurable driving, in a way that has not been experienced before in this country. Once completed, it will considerably enhance the national landscape. In the new financial year, an amount of \$4.5 million has been allocated to this project.

Roseau Road Reinstatement

Madame Speaker, as I indicated in my budget address of 2006/2007, this road project will be implemented in phases. During this fiscal year, the Bath Road Bridge and road works will be undertaken. The road works involve the construction of a road along the south bank of the river, joining the Valley Road, and into Goodwill. These works are expected to ease the flow of traffic in and out of Roseau. Approximately \$6.2 million has been allocated to this project in this year's budget.

Soufriere /Scotts Head Sea Defence and Road Rehabilitation

Madame Speaker everyone is familiar with the problem of access to our country's southernmost villages during and after the passage of tropical weather systems. Over the years, there has been much discussion as to how best this problem can be addressed, in particular, given the very high costs involved.

Government has taken this matter very seriously, in keeping with our promise to the people of Soufriere and Scotts Head. We have succeeded in raising \$12.6 million from the Venezuelan Government for the construction of a sea wall and the rehabilitation of the Soufriere/Scotts Head road.

This project started in fiscal year 2006/07 and we have seen much progress in implementation to date. The construction phase is expected to be completed in this financial year and an amount of \$8.4 million has been budgeted for spending during the new financial year. The project will see the construction of 1625 metres of sea wall between Soufriere and Scotts Head at an average height of 3 metres above mean sea level.

CARICOM Petroleum Fund

Madam Speaker, based on timely intervention, this Government has been able to raise the significant sum of \$25.0 million from the CARICOM Petroleum Fund, by way of a grant.

This amount has been invested in a wide range of infrastructural projects throughout Dominica. These projects, some of which were implemented during the fiscal year under review, goes to the heart of the matter to which I speak – the improvement of the quality of life of the Dominican people.

We see the improvements that have taken place in the City of Roseau and its environs, in sidewalks and road improvements, Roads, bridges and sidewalk rehabilitation in Portsmouth and its environs, and improvement works all over Dominica.

These projects contributed to ongoing efforts at improving the employment situation, primarily among young skilled persons.

One of the major projects to be undertaken under this facility is the replacement of the Indian River Bridge that was damaged during the earthquake of 2004.

Government has made a concerted effort to ensure the productive use of these funds. In this year's budget, \$8.7 million is being allocated to various projects to be financed from this facility. These projects include the Blenheim to Vieille Case road, Joe Burton Road, Bellevue Rawle Main Road, Carib Territory-Pagua-Sineku road and Paix Bouche – Moore Park.

Upgrading of Carib Territory Water Supply

Madame Speaker, among Government's many efforts to improve the quality of life of the people of the Carib Territory, will be the upgrading and rehabilitation of the Carib Territory Water Supply. A total of \$1.5 million is allocated to this project, with funding provided by the European Union.

Other Road Infrastructure

Madame Speaker, work on a number of road rehabilitation projects will be undertaken with funds provided by the People's Republic of China.

Government has proposed to upgrade Federation Drive in Goodwill, continue road rehabilitation in Portsmouth and undertake a number of road projects in rural and urban communities – Federation Drive up to St Aroment, Cockrane, Wotten Waven, Mahaut, Laudat, Pointe Michel, Bay Street, (Portsmouth) and Castle Bruce. An amount of \$2.0 million has been allocated in this year's budget.

Education and Sports

North East Comprehensive School Technical Block (BNTF)

Government is working relentlessly to ensure the full completion of this facility. This year, with funding support from the BNTF, a technical block will be constructed. An amount of \$1.0 million has been allocated to this project.

Dominica Grammar School Phase II

Madame Speaker, construction work on the Dominica Grammar School Phase II began on 3rd July 2007, following the signing of a contract in the amount of \$3.5 million. When completed, this phase will make available additional classrooms, and auto mechanic, woodwork, biology, physics, chemistry and food and nutrition labs.

This will ease large classroom size, and create a better learning environment for both teachers and children. Approximately \$2.0 million has been allocated in this fiscal year.

Construction of Roosevelt Douglas Primary School

Madame Speaker, the contract for the construction of the Roosevelt Douglas Primary School in the amount of \$6.2 million was signed on 27th June 2007, and the contractor commenced work on 10th July 2007.

As mentioned in my previous budget address, Government has signed an agreement with the French Regional Council of Martinique for the funding of that project. An amount of \$1.5 million is allocated to this project in this year's budget.

Construction of Salybia Primary School

Work on the reconstruction of the Salybia Primary School is still ongoing. We have been faced with several challenges in implementation. However, we are confident that all the initial challenges have been overcome and we are ready to commence work on that project. We have therefore budgeted \$ 2.0 million in this fiscal year from the CARICOM Petroleum Fund. The total amount for the project is \$3.4 million.

Renovation of San Sauveur Primary School

Madam Speaker, over the years the students and teachers at the San Sauveur Primary School have been faced with tremendous difficulties due to the deteriorating condition of

the physical plant. In order to respond to these challenges the Government has started the process of reconstruction.

The preliminary work has already been done for the design phase. In this financial year, work will continue to finalise the design and to identify the source of funding. As an immediate response for the next academic year, the Government will be constructing temporary facilities to the tune of \$0.2 million on the existing site.

The Expansion of the Portsmouth Secondary School

Madam Speaker, over the years, the student population at the Portsmouth Secondary School has risen rapidly as a result of Universal Secondary Education. There is therefore, an urgent need to enhance the physical plant. With funding from the Libyan Government we will be implementing Phase III which will consist of the following:

- Administrative block

- Laboratory and Classroom Block

- Technical Vocational Block

The entire project is estimated to cost \$5.4 million.

Windsor Park Sports Stadium

Work on the Windsor Park Sports Stadium is now practically completed. Work is continuing on the grassing of the field and improving the security of the facility. This year we have budgeted an amount of \$1.0 million to provide for the furnishing and fencing of the facility. When all is said and done, Madam Speaker, the people of Dominica will have at their disposal a modern, well-equipped Sports Facility.

Agriculture

Madam Speaker, during the financial year 2007/2008 the Ministry of Agriculture will continue the implementation of the EU-funded diversification programme at a cost \$1.4 million. Work is also ongoing on the PRC-supported rehabilitation of the Hillsborough Horticultural Centre, \$2.5 million.

The implementation of the Citrus Certification programme will continue with an amount of \$0.3 million budgeted this year.

Madam Speaker, this year we will also see the construction of Waitukubuli National Trail. This project will be implemented over a three- year period at a total cost of \$14.9 million with an amount \$3.0 million being budgeted this year. Funding for this project will come from the European Union. This project will add yet another feature to our tourism product.

Tourism and Industry

Tourism, Marketing and Promotion

The marketing of Dominica is continuing. Dominica has to maintain a presence in the market place in an effort to grow and preserve the tourism industry. Much work has been done in diversifying Dominica's tourism product, to enhance its attractiveness as a nature destination.

This fiscal year an amount of \$1.0 million has been allocated for marketing and promotion. However, it is anticipated that an additional \$1.0 million will be made available from grants. We expect also that the new Discover Dominica Authority will serve to improve our marketing strategy and yield better results.

Construction of Vendors' Arcades

We are continuing our efforts to better package Dominica's tourism product. A better-organised and more attractive place for vending will help improve the image we are seeking to build.

This year we will focus on building a Vendors' Arcade in Roseau, and another at the Fresh Water Lake. A total of \$1.9 million has been allocated for this purpose.

Development of a Diversified and Vibrant Tourism Industry

There are three basic elements to this programme: support to rural tourism development, destination marketing and tourism advisory services. A total of \$2.5 million is allocated for these purposes during this financial year. Under this allocation, technical support will be provided to Discover Dominica Authority and Invest Dominica Authority, to refine their strategies and techniques for destination marketing and investment targeting respectively.

Social Sector Projects

Implementation of a Gender Policy and Action Plan

Government is concerned with the growing risk and vulnerability of our young and middle-aged male population. Some of these issues are being addressed as we seek to implement the gender policy and action plan. An amount of \$0.3 million will be made available for this project.

Local Government Reform

A sum of \$0.3 million has been allocated in this budget for continuing work on local government reform, about which I spoke earlier.

Country Poverty Assessment

Preliminary work on the Country Poverty Assessment has started, and the field surveys are expected to commence within the next three months. This will be the second major country poverty assessment for Dominica, the first having been carried out in 2002. An amount of \$0.9 million has been allocated for this exercise.

Dominica Social Investment Fund

I am happy to announce that the Dominica Social Investment Fund (DSIF) is now operational. The delay in setting up the fund was a result of the unanticipated prolongation of negotiations with the European Union. However, the first tranche of the three-year budget of \$13.5 million has been received. Staffs have been recruited, and an office located on Independence Street is now open.

Madam Speaker, the expectation is that this programme will complement other social protection programmes such as the Basic Needs Trust Fund (BNTF).

A total of \$2.6 million has been allocated to the Social Investment Fund for the new fiscal year.

Basic Needs Trust Fund

The Basic Needs Trust Fund (BNTF) remains an important programme in Government's community development and poverty reduction thrust. We are budgeting \$1.8 million for the BNTF.

Growth and Social Protection Technical Assistance

A project has been developed with the assistance of the World Bank to provide support by way of a Poverty Reduction Credit, to facilitate the implementation of activities identified in Dominica's GSPS. This project will fund a number of actions geared at doing the following:

- Making the public sector more efficient and effective;
- Improving the investment climate;
- Reforming the regulatory framework for the energy sector; and
- Improving social protection.

An amount of \$2.3 million has been allocated under this project.

Public Sector Reform

Funding of \$3.7 million has been allocated in pursuance of Government's commitment to the public sector reform activities I identified earlier.

Health

Madam Speaker, in this fiscal year, work on the Castle Bruce Health Centre (\$0.4 million); and rehabilitation work at the Princess Margaret Hospital and Psychiatric Unit, (\$0.5 million) will be completed.

Government continues to work towards the creation of a modern hospital through the significant rehabilitation of the Princess Margaret Hospital. This project reflects one of the funding commitments from the People's Republic of China. We will continue to explore the possibility of commencing work during the new fiscal year. An amount \$0.9 million has been allocated for work to be undertaken during this fiscal year.

HIV/AIDS Project

Madame Speaker, Government is continuing to undertake programmes geared at protecting our people from the HIV/AIDS pandemic supported by the International Donor Community through the OECS Secretariat. Government fully commits itself to the implementation of this project aimed at educating and sensitising the general public and to provide those affected with essential drugs to combat the disease and prolong lives. This year an amount of \$0.7 million has been budgeted.

Regional Catastrophic Insurance Project

With funding and other support from the World Bank, the OECS is currently implementing a Catastrophic Risk Insurance project. The aim of the World Bank funded Regional Catastrophic Insurance Project, is to provide participating countries with insurance coverage against natural disasters.

The negative effects of natural disasters on our people, economy and natural environment are well known. It has been estimated that a natural disaster inflicting damage equivalent to more than two percent of GDP, can be expected to affect the Region every two and a half years. An amount of \$3.4 million has been allocated in the budget for this fiscal year.

Madam Speaker, our PSIP for the new fiscal year covers the spectrum of imperatives for growth and social protection. As such, it is fully consistent with our Growth and Social Protection Strategy. The size of the programme is consistent with the budgetary parameters established for the fiscal year.

In fact Madam Speaker, members of this House will recall that in recent years, Government's planning and budgeting have improved to the point of preparing three-

year rolling capital budgets, even though the budgets for the last two years can only be indicative at this stage.

We can also inform this Honourable House that our capital spending is expected to climb from \$116.6 million in 2007/2008 to \$128.3 million in 2008/2009. As at this time, the indicative figure for 2009/2010 is \$103.2 million, but this includes so far only those projects that can be identified with certainty at this time, and will be adjusted to a more realistic figure in the course of time.

What Government now has to do, Madam Speaker, is to implement the programme, speedily and effectively. Government will be the first to admit that the pace of project implementation has not been as rapid as we expected, a situation that has characterised implementation of the PSIP during the term of every Government.

Most of the delaying circumstances were largely beyond the control of the Government system. However, there is no question that we have to do better, if our country's growth and quality of life goals are not to be too severely compromised.

Fiscal Measures

Madam Speaker, before I deal with the much-anticipated fiscal measures to be applied in the new fiscal year, 2007/2008, I wish to speak to two admittedly burning issues affecting the population – cost of living, and particularly the cost of electricity.

Cost of Living

Cost of living has become a major issue over the past year. Government is aware of the many complaints from consumers regarding what appears to be a significant increase in prices over the past year or so. Indeed, the cost of living is a major issue in all countries of the Caribbean, so that the issue of escalating prices, especially food prices, is in no way unique to our country.

Madam Speaker, a review of the consumer price index shows that the food price index over the period January to March 2007 increased by 3.9% compared with the corresponding period in 2006.

The increase in the overall consumer price index was 2.4% over the corresponding period, so that food prices have indeed increased at a faster rate than the overall price index.

As a result of these concerns, Government has investigated the matter through its Ministry of Foreign Affairs, Trade and Labour, with a view to determining the reasons for the escalation in prices.

Inquiries revealed, Madam Speaker, that much of the reason for price increases is imported inflation. The cost of goods imported into the country from the rest of the world has increased, and local merchants have no alternative but to pass these increases on to the consumer. Worldwide increases in prices in the countries from which we import are in part due to the increased cost of petroleum products, which in turn affects the cost of cargo transportation and has repercussions down the line.

Rising costs of petroleum products beginning in the second quarter of 2004, translated into higher costs of production of goods and services. Dominica's largest share of imports comes from the US (35.0%); US consumer price index rose on average 3.0% during the period 2003 to 2006. More specifically, there was an annual average increase in the export-index of 3.4%. One of the strongest effects of imported inflation may be on fuel and light as well as food prices.

This is the cause and source of the increasing prices that we have been experiencing here in Dominica, a phenomenon that is in no way unique to this country.

Inquiries also reveal however that there are significant variations in prices as between retail outlets, and consumers would do well to be vigilant as to which prices obtain where, so that they can be well informed prior to making shopping decisions.

The Consumer Protection Unit of the Ministry of Foreign Affairs and Trade will resume its price-monitoring programme, as a contribution to ensuring that consumers have the level of awareness that would assist them to make informed purchasing decisions. The Consumer Protection Unit will publish information on food prices obtained at various retail outlets in order to help consumers to make informed choices when purchasing.

Finally, Madam Speaker, the Consumer Protection Unit, the Women's Bureau and other agencies will collaborate with the Government Information Service to produce a series of Consumer Awareness Programmes for the edification of the public.

Electricity

The high cost of electricity has been put forward as a disincentive to investment and as a burden on individual households. The main reasons for the high costs of electricity are not tax related, which is evident in the fact that this was an issue before the introduction of the VAT. It is true that the VAT has the potential to increase the already high cost of electricity.

However, it is to be remembered that Government has made adequate provision for residential consumers, in particular low-income earners, by exempting the first 100 units of electricity. This is consistent with, or more generous than, other countries in the region. For example, in Antigua and Barbuda the first 50 units of electricity are exempt, while in Belize it is the first BS\$150 (Belize dollars). Because of this measure, 14,526 or 56% of total consumers do not pay any VAT on their light bills, and all other consumers are exempted from VAT on their first 100 units of consumption. Truth is that the VAT is not a significant element of the average consumer's light bill.

For businesses, while they pay the VAT on electricity (the industrial use of electricity is about half of total electricity consumption), they are entitled to input tax credits for the tax paid. In reality therefore, the VAT should not affect the cost of doing business since VAT paid can be claimed as refund or credits.

Excise Tax on Fuel used in the Generation of Electricity

Madam Speaker, it has been suggested that one way of dealing with the high cost of electricity is to remove (or reduce) the excise tax on fuel.

The facts are that excise tax is charged on all fuel imported into the country and is an important revenue earner for the Government. Total removal of the excise tax on fuel would result in a 12% reduction in the bills of consumers, or 13.6 cents per KWH, and would result in a revenue loss of \$9.0 million.

However, in an effort to bring relief to consumers Government will reduce the excise tax on Fuel used by DOMLEC by 50%. This will reduce electricity bills by approx 6% or \$0.068 per KWH. This reduction in the Excise Tax will further result in a reduction of the VAT of \$0.01 per KWH, giving total relief to consumers of \$0.0782.

Madam Speaker, Government met with DOMLEC prior to the budget and sought their agreement to match our reduction in the Excise Tax of \$0.068 per KWH, with an equivalent reduction on their side from efficiency enhancements. DOMLEC turned this down and instead offered a mere \$0.02 per KWH, subject to certain conditions including payment of arrears. Madam Speaker, Government accepts their offer of 2 cents per KWH but reject their conditions.

The 50% reduction in the Excise Tax plus the 2 cents per KWR reduction offered by DOMLEC, will result in total savings of 10.12 cents per KWH inclusive of VAT.

Of course, these reductions could quickly be cancelled out by the continued upward movement in world oil prices, since it is the movement in world oil prices that is mainly responsible for changes in average tariffs.

Madame Speaker, it may be considered that DOMLEC should not be given any incentive to relax its pursuit of increased levels of efficiency, which is what removal or

reduction in the excise tax may have the effect of doing. Available data suggest that there is room for DOMLEC to increase its efficiency and reduce its operating costs. At 17.1%, DOMLEC'S energy losses to gross generation are the highest in the Windward Islands, way above GRENLEC and LUCELEC (10.2%) and VINLEC (8.6%).

Apart from APUA (Antigua and Barbuda), at 32.6 US cents per KWH, DOMLEC (32.4 US cents per KWH) is the highest cost electricity provider in the OECS Region. Administrative costs and other operating expenses account for 14.7 US cents per KWH – of the OECS countries only Antigua and Barbuda (16.5) is higher.

Madam Speaker, there certainly appears to be scope for efficiency increases at DOMLEC and consumers need to be satisfied that these opportunities are fully exploited, even as efforts continue towards finding medium- to long-term solutions to the problem of high electricity rates.

Government is determined to hold DOMLEC accountable for this lack of efficiency and the resulting high prices to consumers. The Electricity Supply Act No. 20 of 2003 Schedule 5A actually sets efficiency benchmarks with respect to Performance Targets. This Schedule sets an efficiency rate of 17.5 KWH per Imperial Gallon of fuel and a line loss limit of 14.5%.

Investigations reveal that DOMLEC has failed to meet both targets, with an actual efficiency rate of 17.1 KWH per Imperial Gallon and line losses above 17%.

In reviewing the performance of DOMLEC with respect to line losses, plant efficiency rate and discount factor for the period since the 2003 amendment was passed into law and the present time, it would appear that there has been excess fuel used by DOMLEC when compared to the 2004 performance targets. This has resulted in more fuel being used over and above the fuel required if the targets had been met. This excess fuel has been charged to consumers by DOMLEC through the fuel surcharge.

It is Government's view that the resulting higher cost of electricity that consumers have had to bear as a result of DOMLEC failing to achieve these benchmarks, amount to some \$3.0 million over the last three years and should be rebated to consumers.

It is important for the public to understand that the main purpose of the 2003 Amendment to the Electricity Supply Act was to protect the public interest having regard to:

- (a) *the prevailing market and economic conditions and the need to protect public interest, by providing just and equitable mechanisms as regards the computation of costs, income, price and rates respecting the generation and supply of electricity in Dominica; and*

(b) prescribing performance targets that ensure an adequate and sustainable supply of electricity at competitive rates while maintaining the financial viability of the electricity utility.

In other words, where the utility company has a guaranteed 'rate of return', it is incumbent on the Government to protect the interests of the people (consumers) by placing reasonable targets with respect to fuel efficiency and line loss, to ensure the competitiveness of the operations of the utility when compared with other regional utilities.

This was the purpose of the Act of 2003.

Government intends to meet with DOMLEC to review this situation in detail and reach an agreement on how this situation can be corrected.

There is, of course, nothing that Government can do about international increases in the cost of fuel. Taxes are only a small part of the price build-up, and to reduce prices by removing or reducing taxes would have a severe adverse effect on the country's public finances, without making a major difference to the cost to consumers.

Madame Speaker, this phenomenon affects all non-oil producing countries, developed and developing. Government's involvement in the Petro Caribe initiative is one attempt to bring relief on electricity prices in the short-term. The issue of energy taxation has to be approached from a broad medium-term national energy strategy. Issues to be considered in the strategy include demand management policies, choice of hydro versus diesel generation, and the extent of government support or involvement in harnessing the country's geothermal energy potential. These are all issues being addressed by Government and every effort will be made to accelerate this work.

I mentioned earlier the amendments to the Electricity Supply Act and the anticipated benefits of the provisions of the new Act.

Madam Speaker, I need to mention an important initiative taken by Government to assist in reducing the cost of electricity to the consumers. This was the energy-saving light bulbs programme. In January 2007, a team of 30 Cubans volunteers arrived on the island to execute the programme. 136,404 bulbs were replaced in some 23,650 homes at an average of six bulbs per home. It is estimated that through the change of bulbs, there was a reduction in consumption by approximately 560,416 KWH, which would represent a saving to consumers of \$8.0 million in the first year. We will continue to work with DOMLEC in an effort to verify the impact of the programme on the consumption of electricity and consequently the savings as a result of the programme. At an average of \$8.00 per bulb, over \$1.0 million was invested by the Cuban Government in that programme. The Government of Dominica wishes to express its deepest gratitude to the Government and People of the Republic of Cuba for its assistance in that regard

Madam Speaker, as for the issue of Government's arrears to DOMLEC, time does not allow me to deal with this matter at length in this Budget Address. Suffice it to say at this time, that over the years, Government has engaged DOMLEC on numerous occasions in an effort to address the debt overhang, an issue that goes back many years. Various options for settling the debt have been placed on the table. In spite of Government's best efforts in the matter, it was unable to reach resolution with the company. In the meantime, Government has been making good progress in its debt reduction with DOMLEC.

At the beginning of fiscal year 2006/07, the outstanding arrears to DOMLEC stood at \$4.7 million. I am proud to report, Madam Speaker, that all outstanding arrears to DOMLEC have now been cleared.

In addition to eliminating the backlog of debt, Government has made good on its commitment to remain current on payments.

Madam Speaker, Government is proud of its success in substantially reducing arrears to the private sector as a whole, including to DOMLEC. This was one of Government's commitments under the programme of economic stabilisation and growth.

Salary Increases for Public Servants

Allow me to make mention here of the fact that last month more than \$3.0 million was paid to public servants by way of back pay.

It symbolises the progress that this country has made under the stewardship of this Government. Moreover, because it further vindicates the fiscal stance of this Government over the past few years, and the careful attention we have paid to ensuring that the economic fundamentals were right.

This has entailed careful monitoring of recurrent expenditure, ensuring a revenue system that was effective and well administered, keeping a watchful eye on the incurring, servicing and restructuring of the national debt, and effective implementation of the public investment programme, even as we have continued to ensure our mechanisms of poverty reduction and social protection have remained in place.

I take this opportunity to renew to the people of this country, Government's determination to stay the course, and continue to steer this economy in the right direction. I also wish once again, to commend the people of this country for their support to this Government and to the fiscal measures that had to be put in place in the early years of this decade. In particular, I wish to express this Government's appreciation of the professionalism and commitment of public officers during and after the fiscal stabilization measures which had to be put in place for the recovery of the economy.

Without these sacrifices, the increase in salary, not to mention other relief measures to be announced in the course of this Address, would not have been possible.

Salary Adjustment for Ministers and Members of Parliament

Madam Speaker, there is one matter that has been hanging around for a long time, and which now needs to be dealt with. I refer to the adjustment of the salaries of parliamentarians and ministers of Government. It is Government's view that it is more than time that this matter is put to the House.

The annual emoluments currently paid to parliamentarians and ministers are the following:

	<i>Annual salary</i>	<i>Allowances</i>
Prime Minister	58,500	18,000
Other Ministers	52,800	18,000
Parliamentary Secretaries	29,280	10,080
Speaker	19,500	4,800
Deputy Speaker	15,600	4,800
Leader of the Opposition	19,500	4,800
Elected Representatives	13,680	4,800
Senators	7,800	4,800

This makes for monthly salaries as follows:

	<i>Monthly Salary</i>
Prime Minister	\$4,875
Other Ministers	\$4,400
Parliamentary Secretaries	\$2,440
Speaker	\$1,625
Deputy Speaker	\$1,300
Leader of the Opposition	\$1,625
Elected Representatives	\$1,140
Senators	\$ 650

There is no gainsaying the fact that the level of these parliamentary emoluments is extremely low by whatever standards one chooses to apply. These salaries were last adjusted in 1988, 19 years ago. The salary of ministers, including the Prime Minister, is less than those of top civil servants. Indeed the 1997 report had used the salary of the Cabinet Secretary as the denominator against which their recommended salary adjustments were based.

It is not that Government was unaware of the imperative of a salary adjustment – simply, that it was our judgment that the economic and financial circumstances of the country did not constitute propitious timing of an upward adjustment in emoluments.

It may be noted here that at the time that public servants took a 5% downward adjustment in pay, ministers and other parliamentarians accepted a 7% reduction in their pay. So that the Cabinet has been well aware of its responsibilities in these matters, and has walked the walk along with the rest of the population.

We believe that the necessary adjustment cannot be delayed any longer, and Government has decided to propose to this House, acceptance of the recommendations coming out the review carried out by a three-man committee appointed by the Local Branch of the Commonwealth Parliamentary Association. The members of this Committee were Mr. Frederick Baron, Chairman, Mr. Patrick Pemberton and Mr. David Bruney, and produced their Report on the Terms and Conditions of Service of members of Parliament in May 2006.

This committee had before it for consideration the report of a committee with similar terms of reference, headed by Dr Nicholas Liverpool and included Mr. Gordon Moreau and Mr. Conrad McIntyre. The latter report was produced as far as back as 1997.

The Frederick Baron Committee evaluated the recommendations of the 1997 committee and recommended “an acceptable level of increase in the remuneration of Members of Parliament ...”, “in the context of the economic and social changes that have taken place during the period 1997 to 2005”.

Government has endorsed the Committee’s recommendations, and decided to make financial provision for their implementation in the Budget for 2007/2008, pending parliamentary approval for the necessary legislative adjustments. Government has also taken the position that in future, increases in the salaries of parliamentarians and ministers will be indexed to increases in the salaries of public servants.

These adjustments will go some way to restoring appropriate relativity with the salaries of public servants, the private sector and other regional Governments.

	Salary	Combined Allowance
Prime Minister	\$89,084.00	\$24,424.00
Minister of Finance	\$84,630.00	\$24,424.00
Other Ministers	\$80,176.00	\$24,424.00
Parliamentary Secretaries	\$44,542.00	\$13,677.00
Speaker	\$29,398.00	\$ 8,076.00
Leader of the Opposition	\$29,398.00	\$18,000.00
Deputy Speaker	\$24,053.00	\$ 8,076.00
Elected Representatives	\$20,489.00	\$ 8,076.00

Senators	\$15,145.00	\$ 8,076.00
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The VAT and Excise Regime

Madame Speaker, in the Budget Address of June 2005 Government held out the promise of tax relief to be announced in the Budget Address of 2007, in the expectation of an increased revenue take from the VAT, which was implemented in March 2006 as the first phase of a tax reform programme.

In an effort to assess the outcome and administration of the VAT, Government is undertaking a comprehensive review of the first year's operations. This review is being conducted in two parts – the first focussed on administrative and implementation issues and an action plan is currently being prepared in pursuance of the recommendations made.

The second part focuses on issues of policy, with the full report scheduled to be completed in the third quarter of this calendar year. Government will not be making any major adjustments to the VAT regime until this review work is completed, and the full report received. In the meantime, however based on analysis that we have carried out, Government is in a position to announce a measure of reform to the overall tax regime, and these will be announced later in this address.

Madam Speaker, I need to make the point that the VAT is intended to be the mainstay of Government revenue. Its fundamental objectives are to simplify the tax system and to broaden the tax base. The general result is expected to be lower prices on goods (other things being equal), and some increase in the prices of services. More fundamentally, the VAT makes for a more efficient system of indirect taxation. The VAT replaced a tax system where the tax rate was just under 30% (20% consumption tax and 7.5% sales tax) but there were many exemptions under the old system.

It is extremely difficult to collect the same amount of revenue under a VAT and excise regime, with a rate of 15%, while retaining as many exemptions as obtained under the old tax system. The granting of additional exemptions therefore, could mean increasing the VAT rate if revenue collection is to be neutral. Otherwise, revenue collection will be less than what was collected under the old system, quite apart from making administration of the VAT more difficult.

Madame Speaker, as a general principle, one should avoid compromising the integrity of the VAT by instituting a string of exemptions or differential rates. There is no shortage of special cases – everyone's case is special, and it is important that Government does not yield to the many cases of special pleading to which it will inevitably be subjected. There is the danger of getting on to a slippery slope of increasing VAT exemptions, differential rates and administrative complexity. Each exemption granted creates direct pressures for further exemptions.

Madam Speaker, the following are the areas on which Government is in a position to make definitive announcements at this time:

Agricultural inputs

There is need to review the inputs that are now exempted in order to include items that are critical to increasing agricultural output. A notable omission in the current list of exemptions is spray oil, which is used to ward off leaf spot disease. The Act makes provision for the exemption of fungicides, but not spray oil, which the trade codes do not define as a fungicide. While output of bananas has increased this year, quality has dropped considerably and this is attributed to 'short-cuts' made as a result of the cost of critical inputs such as spray oil. The revenue cost of including spray oil as an exempt item is \$0.1 million per year, but the positive impact on banana output is likely to be significant.

Government will exempt spray oil used for protection against leaf spot disease, from payment of the VAT. This measure will take effect at the passage of the necessary amendments to the legislation.

VAT on Education Services

Government has taken steps to clarify the position regarding the treatment of education services. Under the VAT Act, education services are tax exempt. This exemption means that the VAT is not paid on education services, but it also means that since no VAT is collected, then institutions that provide these services cannot claim refunds for taxes paid on inputs. The Ministry of Finance will continue discussions with education institutions on the island, with a view to agreeing on a policy that will allow some relief to such institutions, without adversely affecting the tax system.

In this way, it is hoped that a greater measure of certainty and predictability will be brought to both the institutions concerned and the VAT Unit as to the specific treatment to be accorded to education institutions operating on the island.

Raising the Threshold for VAT Registration

One of the suggestions made in the consultations with stakeholders, to which Government has been giving careful consideration, is the suggestion to increase the threshold for VAT Registration, from the current turnover level of \$60,000.

This suggestion has the important advantage of easing the burden of VAT administration and increasing its efficiency. Most of the revenue is being collected from persons who generate business of more than \$120,000 per year. Increasing the threshold, say, to a sales turnover of \$120,000 per year would have the effect of exempting relatively small businesses, i.e. businesses with gross sales, on average, of less than \$10,000 per month, from the requirements of the VAT system.

The VAT Unit had anticipated between 400 and 500 VAT registrants, and the staffing of the VAT Unit had been determined accordingly. The number of VAT registrants currently stands at 680 persons. An increase in the VAT registration threshold would therefore have the effect of averting the need to increase the staffing of the VAT Unit in order to cope with a larger than anticipated number of VAT registrants. Customers may also benefit from this measure through some reduction in the cost of some services offered by persons no longer required to register.

Madam Speaker, the VAT registration threshold will be increased to \$120,000, except for the provision of certain select services where the \$60,000 threshold will be maintained. These services are hotel-like accommodation, (in particular, student accommodation), commercial rent, and professional services such as accounting, legal, consulting, funeral, surveying and engineering services. The lower threshold of \$60,000 will apply to anyone engaged in the provision of mixed services that include one of the services listed above.

The operation of the two thresholds will reduce the number of VAT registrant to 548; and the revenue loss from this measure is approximately \$1.0 million. This measure will take effect at the passage of the necessary amendments to the legislation. In the meantime, we will proceed to make the necessary administrative preparations to allow for any necessary de-registration.

Income Tax Reform

Madam Speaker, it may be worth reminding that this Government has been on a clear strategic path over the past years. We found it necessary to rein in the public finances, as a way of stabilising the economy and preserving the social protection of our citizens. I take this opportunity once again to congratulate our people for their resolve in working with this Government, to rescue our country from the despair and desperation of the time.

Government advised the population that the stabilisation levy was a necessary but temporary measure – it was reduced one year later; and eliminated altogether the following year.

In announcing the VAT in my Budget Address of 2005, I stated that if the VAT performed satisfactorily, I would be happy to be in a position to announce income tax relief in my Budget Address of 2007. Government understands the expectations of the population for income tax relief. Government understands the need of the population for income tax relief.

Madame Speaker, I am pleased to report that the VAT has indeed performed satisfactorily, and we are indeed in a position to give back to the population, as much as we reasonably can at this time. As I have said at various times and in various places over the past few months, an imperative of this Government's duty of care to the population is to act responsibly. It is Government's business to ensure that we do not

return to the situation of the first years of this decade. Our economy continues to be in fragile condition, and we can easily slip back if we are not careful about decisions that we make. Back then, we called on the population to make sacrifices to stave off the worst. We did this successfully then; but surely do we want to go back there.

When we introduced the VAT, we indicated that it was the first reform element of Government's ongoing tax reform. We are now in the second phase – reform of the income tax regime.

Adjustments to Income Tax Rates

Madame Speaker, when we introduced the VAT in March 2006 it was then the most important significant tax reform introduced into this country for many a year.

I now wish to announce the second most far-reaching tax reform measure to be introduced in this country in a long time. In line with the recommendations of the Income Tax Task Force, and after careful review by Government's advisers, Government will be increasing the non-taxable personal allowance for individuals, and lowering the rates applicable to the three tax bands.

Let me inform this House and the public as to the two broad considerations that have informed Government's decision-making on this matter.

First, Government has sought to provide tax relief across the spectrum of taxpayers of this country. In other words, we have sought to benefit taxpayers in every tax bracket, and ensure a reasonable degree of equity across the income categories of taxpayers.

Secondly, Government has been minded to improve the climate for investment, and send a positive signal to potential investors, domestic and foreign.

Madam Speaker, also of utmost relevance is the size of the resource envelope that can prudently be made available for purposes of income tax relief at this time. The utmost caution and a measure of conservatism need to be exercised in decision making on this matter, even as we commit to providing needed income tax relief. This is so for the following reasons:

- There are VAT credits that may become due, which cannot yet be definitively quantified.
- The VAT is sensitive to price levels. In a period of rising international and domestic prices, the revenue take from the VAT will be increased. The opposite could also occur and it may not be prudent to assume similar levels of VAT revenue in future, especially in the face of any further erosion of the tax base through exemptions.
- Any income tax reforms announced this year could not be easily reversed in the event of a less than anticipated fiscal outturn in the future.

Taking all of the foregoing considerations into account, and taking also into account Government's wish to announce tax relief measures in this Budget, Government has set itself the goal of achieving the following income tax adjustment over a three-year period. Over a three-year period, beginning 1st January 2008, Government's intention is to:

- Increase the tax free allowance threshold to \$20,000;
- Reduce the rate on the first \$20,000 of taxable income to 15%;
- Reduce the rate on the first \$30,000 of taxable income to 25%; and
- Reduce the rate on taxable income above \$30,000 to 35%.

If this level of adjustment were to be implemented straight away, i.e. from 1st January 2008, the cost to the Treasury would be a minimum of \$12.0 million, an amount that it would not be prudent to forego at this time, all other things considered.

Madam Speaker, I wish to announce the first phase of the above plan. With effect from 1st January 2008, the following are the measures that will take effect in this, the first year of the three-year personal income tax adjustment period:

- The non-taxable personal allowance will be increased from \$15,000 to \$18,000.
- The rate on the first \$20,000 of chargeable income will be reduced from 20% to 18%. This band has been broadened from \$18,000 to \$20,000 so that more persons fall in a low tax bracket.
- The rate on the next \$30,000 of chargeable income will be reduced from 30% to 28%; and
- The rate on chargeable income above \$50,000 will be reduced from 40% to 38%.

Madame Speaker, the cost to the Treasury of these measures, to take effect on 1st January 2008, will be a minimum of \$7.7 million.

This planned level of adjustment has the following characteristics:

- The increase in the taxable income threshold caters to the needs and interests of the lower-paid and in particular the "working poor".
- The reduction in the top rate provides enhancement to the climate for business and investment in Dominica.
- The across-the-board reduction serves the interests of middle-income earners and brings a measure of equity to bear on the reforms.

Madam Speaker, as a result of the increase in the non-taxable personal allowance, an additional 1,036 persons will no longer pay any income tax. Taking into account only

those persons who have filed returns with the IRD, this brings the number of such exempt persons to a minimum of 3,149.

These measures represent clear and positive movement towards continuing reduction in the income tax. We are hopeful that next year and in subsequent years, Government will be in a position to announce additional relief, including possibly an adjustment to the income tax bands. We are keen to join those other countries that are characterised by lower income tax regimes, and continue to send a positive message thereby, to both consumers and investors. Needless to say, this will hinge critically on the performance of the economy, and of the Value-added Tax.

Madame Speaker, I need to congratulate the population for working so closely with us, thereby facilitating the success we have had in the implementation of the new tax system. I urge the few who may not have been as compliant; to act responsibly in the matter of their obligations to the Treasury of this country I urge them to be VAT-responsible. There are persons and institutions that use any means necessary, including subterfuges and other dishonest means, to evade their VAT responsibilities. Government is sending a message that such behaviour will not be tolerated, as it is unfair to the rest of the population that behaves in a manner that is honest and responsible.

I now wish to announce some additional income tax adjustments.

Withholding Tax

Effective 1st January 2008, the withholding tax will be made uniform, at the current, lower rate of 15%, for the various categories currently specified. This adjustment contributes to increasing our country's attractiveness as a place for investment by rendering it more internationally competitive in this area.

The revenue loss from this measure is projected to be \$0.9 million.

Travelling Allowance of Private Sector Persons

Government will be moving to exempt from income tax, a part of the travelling allowance received by private sector employees who are travelling officers. Effective 1st January 2008, the non-taxable portion of that allowance will be fixed at the level of that received by public officers. The current rate is \$658.00.

Tax on Redundancy and Gratuity Payments

Madame Speaker, the applicable legislation will be amended to provide for redundancy payments to be exempt from taxes; and for the final gratuity payment received from one employer, to be tax exempt. The amendment in regards to the redundancy will take effect on 1st September 2007, after the consequential amendment will have been made to the relevant legislation.

Tax Exemption for Pensioners

I am pleased to announce that this Government has taken special note of the situations of most pensioners in this country, and their need for additional relief. With effect from 1st January 2008, all pension incomes will be exempted from payment of income tax. This measure will be of direct benefit to persons in receipt of pension incomes from both Government and the private sector. Government believes that such relief is deserved and well earned. We believe that persons who have laboured all their lives and now have only their pensions to sustain them deserve relief in the form of exemption from payment of income tax.

The revenue loss from this measure is projected to be approximately \$0.5 million.

Madam Speaker, there are some additional fiscal measures that I wish to announce, and which members of this House and the population as a whole, will be pleased to hear.

Exemption of Taxis from Import Duty

Government has decided to respond to representations made by taxi drivers for assistance in maintaining an enhanced quality of their fleet of vehicles. It is considered that such support will go some way towards enhancing the tourism product that Dominica offers, and complement other product enhancement efforts currently underway in the tourism sector.

Government has decided to exempt purchases of new vehicles and vehicles less than five years, for use in tourism transportation, from import duty. This exemption will take effect from 1st September 2007. This will allow time for the Ministry of Tourism to establish clear and transparent guidelines for the implementation of this import duty exemption to taxi owners.

If all members of the Combined Taxi Association were to make use of this concession, the cost would be approximately \$1.0 million.

This exemption is to be reviewed after one year.

Reduction of Import Duty on New Vehicles of 1500cc and below

Consistent with my earlier proposals on the greening of the economy, and the need to ensure the environmental integrity of our Nature Island, Government is taking action to encourage the use of smaller, more fuel efficient vehicles and to assist consumers, particularly the less able consumers to purchase a personal vehicle.

Effective 1st September 2007, the import duty on new and used vehicles below 1500 cubic centimetres, will be reduced by half. However the existing environmental levy on used vehicles will remain in place.

Government hopes that this combination of measures will contribute to preserving our environmental integrity while facilitating those persons who wish to purchase a motor vehicle.

Energy Saving Bulbs

Members of this House will recall that the Government of Dominica received the support of the Government of Cuba, in making a massive investment in the installation of energy-saving light bulbs, in practically every home in this island. These bulbs were installed at no cost to the recipients. Government considers it prudent to facilitate the continued use of these bulbs by households, as a means of assisting them to keep their energy consumption costs under control, and as a means also of preserving the Government's investment in these energy saving light bulbs. Members will also note that this proposal is consistent with the green thrust that I referred to earlier.

Even as we continue to discuss with Customs and Excise, a more comprehensive listing of energy-saving devices, for duty-free treatment, Government is taking steps to reduce the cost to the consumer of energy saving bulbs, by reducing the import duty on these bulbs to zero. This measure will take effect on 1st January 2008.

Increase in Allowances to Holders of Scholarships and Bursaries

Madam Speaker, we are aware that the allowances received by holders of scholarships and bursaries, have not been adjusted for some time. It is proposed that effective this academic year 2007/08, the allowance to holders of bursaries will be increased from \$100.00 per year to \$250.00 and for scholarship holders from \$300.00 per year to \$500.00 per year.

School Transfer Grant

Madam Speaker, Government has also taken note of the situation of needy families in this country, in relation to the educational needs of their children. By now, it ought to be well known that this Government places major emphasis on education. We want to make education even more affordable and accessible. I am introducing this year, a Primary to Secondary School Transfer Grant, through which the State assists with the preparation of needy students entering secondary school for the first time. Government will make available a grant of \$250.00, for each needy child graduating from primary to secondary school.

Madam Speaker, this measure will take effect with the commencement of the new school year in September 2007, and is expected to cost \$150,000.

Institutional mechanisms for giving effect to this measure, including the criteria that will determine eligibility for this grant, will be announced well before the start of the new school year.

The grant is not for everyone. It is intended for needy families, but we expect that over 590 families will be in a position to take advantage of it. We expect that it will contribute to their meeting the additional one-time costs involved in making the transition from primary to secondary school.

Transportation Allowance

Finally, Madam Speaker, currently students who win scholarships to secondary school are favoured with a transportation allowance of \$50.00 per month. This has been the amount paid going back many years. Government will be increasing this amount to \$70.00 per month, this measure to take effect with the new school year. This is a further contribution to meeting the needs of the population, and enhancing access to affordable education.

Tax Reform is Ongoing

Madam Speaker, tax reform is an ongoing process. Indeed, this Government considers tax reform to be an ongoing imperative of good governance. There are other income tax proposals that are on the table for continuing consideration and analysis. As I have indicated, the comprehensive review of the operation of the VAT will be completed before the end of 2007, and this review will identify areas for possible adjustment in the administration of the tax.

There are a few areas where legislative change may not be called for, but where administrative or policy clarity may be required. The Inland Revenue Division and its VAT Unit will attend to all of these matters, with the efficiency that has so far characterised the operations of these offices.

Madame Speaker, it is Government's wish to ensure a tax system that satisfies the requirements of equity and efficiency; that provides an incentive to work and to investment; and can be implemented with administrative efficiency.

This Government is appreciative of the work of the Income Tax Reform Task Force, under the Chairmanship of Mr Gilbert Williams, and hopes that the team will continue to function in the interests of our nation and people. We are also grateful to the experts from institutions of the Caribbean and world communities, that have lent their expertise to the effort at various times. Government expects to be in a position at this time next year, to announce additional tax reform measures, as part of the continuing process of ensuring a competitive economy, and improved quality of life for our people.

Future Relationship with the IMF

Madam Speaker, in last year's Budget Address I laid out the options that the country had to ponder as regards Dominica's relationship with the International Monetary Fund. Members of this House will be aware that Dominica's three-year Poverty Reduction and Growth Facility (PRGF) concluded in December 2006. The Prime Minister and members of the Cabinet have engaged the public on the matter and there have been consultations at the technocratic level.

As is now well known, the facts show that after taking appropriate action to restore fiscal stability and lay a platform for growth, growth has returned to the economy and has been sustained every year from 2004. This is a remarkable turnaround from the recession of 2001 and 2002. Under the PRGF arrangement, the IMF disbursed \$29.7 million on very concessionary terms, and provided support for growth-inducing measures based on fiscal reforms, debt restructuring and structural reforms to strengthen competitiveness. The PRGF arrangement also resulted in significant technical and financial assistance from the donor community.

The Government continues to assess the situation and to weigh all relevant considerations. We expect to be in a position to make an announcement within the next few months, as to whether Government will enter into a relationship with the IMF that goes beyond the regular, annual Article IV Consultations.

Conclusion

Madam Speaker, this Government is proud of what it has been able to achieve. We are proud of the approach that we have adopted towards managing the affairs of the State. We are proud that we have stayed the course over the years – from the early days of fiscal austerity to the present. That I have been able to announce today that Government is giving back \$7.7 million to the people of Dominica by way of income tax relief, is a major achievement in and of itself. When we add to this figure, the additional relief measures that I announced earlier, we are looking at a sum of approximately \$16 million that is being poured back into the pockets of the taxpayers of this country, through this Budget.

Surely, we have moved far away from the dark days of late salary payments, massive Government indebtedness to Social Security, the banking and business community, statutory corporations and the international community. We have moved far away from those days of gloom, and have slowly, through the careful economic management that has characterised our time in Government, brought relief and restored hope. We could not have done what we have achieved to date, without the understanding and support of the population.

Our people have borne the sacrifices that were called for at the time. Without those sacrifices, without the measures taken by Government at the time, far from being in a position to announce income tax relief today, our economy and country would only be

more deeply mired in a deeper financial crisis. If we did not do what we did, the quality of life of our people would have taken a nosedive.

Madam Speaker, it is not just our country's economic growth performance that has been encouraging in recent years, but also our ranking on the UNDP Human Development Index, an index that is often used as a proxy to measure quality of life. In the latest rankings, Dominica moved up the ladder from a ranking of 95 in 2004, to 70 in 2005, to 68 in 2006. So that based on the economic indicators used by institutions like the IMF, CDB and ECCB, and the quality of life indicator we get from the UNDP Human development Index, our country is doing something right.

In addition, for good measure, Madam Speaker, there is the "happiness index", prepared by the New Economics Foundation (associated with Friends of the Earth), Dominica placed fourth in the world on this index, one that gives a heavy weight to ecological concerns. At any rate, in terms of quality of life, it is also a ranking for which our people can be proud.

Madam Speaker, we know that we have to do more. We hear the concerns of our people that the undeniable improvement in our country's overall economic performance has not yet begun to filter down to their individual lives.

This is a call, Madam Speaker that can be heard in many advanced economies, and certainly in every Caribbean country, including those that are experiencing record high levels of economic growth. So that coming out of economic crisis as recently as we have, and only now beginning the climb up the performance ladder, it really is no surprise at all that we hear what we hear locally.

Madame Speaker, let this Budget Address serve to remind our people of the considerable efforts of this Government towards improving the quality of life of our people. Moreover, let it also represent Government's commitment to striving in concrete ways towards a "great society", a society that is "concerned not with how much, but with how good: not with the quantity of goods but with the quality of lives."

I give this Honourable House the undertaking, Madam Speaker that this Government will continue to work towards the advancement of our people. We will do this by ensuring continued good management of our finances and economy.

Madam Speaker, Ladies and Gentlemen, next year we celebrate 30 years of endeavour and achievements as an independent nation. To facilitate the coming together of the Dominican people in the celebration of this landmark, we have established the Reunion 2008 Committee under the Chairmanship of Mr. Hubert Charles, President of the Dominica State College. Already, the Committee, which is made up of some 32 Dominicans from all walks of life has stimulated the interest of the Nation and the Dominican Diaspora with an exciting launch of its Logo, Mission Statement and Theme Song.

Government will continue to support the work of the 2008 Reunion Committee. We are fully behind the idea that 2008 should not only be a year of thanksgiving and celebration, but one of renaissance and renewal. Development is not simply a matter of physical construction or material preoccupation. It is fundamentally the demonstration of commitment and capacity to grow, share and live together. It is for this reason, that we have allocated a sum of \$400,000 for the projects and programmes planned within the framework of Reunion 2008. We call on every Dominican at home and abroad to join in this grand celebration.

Madam Speaker, I commend this Budget to this Honourable House.

May God bless or efforts, our country and our people.

I thank you.