

St. Lucia Budget 2001-2002

Delivered by Prime Minister of St. Lucia
Dr. the Honourable Kenny Anthony

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INSPIRING AND SUSTAINING DEVELOPMENT IN A CHANGING WORLD

INTRODUCTION

Mr. Speaker, it is with great pride that I rise to present this fourth and penultimate budget to this seventh Parliament. A sense of pride, because there is so much which has been demanded of us and so much that has already been achieved; so much of which this team can be proud. Of those achievements, we place greatest value on the modernization of St. Lucia's economic environment, the reform of the legislative system, renewed investment in human capital, and the revalidation of social priorities. These Mr. Speaker, are the principal components of a modern economy. They are also the areas that showed the most conspicuous neglect before the advent of this administration. Therefore, we should not now be surprised at the sporadic eruptions betraying strains and stresses left too long to fester beneath a veneer of false prosperity.

On the other hand, I have mixed feelings because history is such a long and painful road. It is full of ironic twists, valleys of desolation and peaks of elation. And though vanity and ego may tempt us, like the mythic figure of Icarus, to soar too close to the sun, we ought always to remember that under this sky there is but one destination: the moment of accounting with the People who set us on our journey.

Of late Mr. Speaker, history has sprung its strange ironies. In order that we may learn and remember, history often repeats herself, first as tragedy and then as farce. And in the last few weeks, we have been the silent and bemused spectators at a most unusual comedy.

Under the pretext of principle and statesmanship, the most atrocious infelicities have been committed. In the name of national unity, more division, deceit and dementia have been sowed and assiduously cultivated. I am moved by a sense of history to quote the words of Grenadian poet, Merle Collins:

*...Be quiet/ Words born of pain/ And oozing with hurt/ Are often not
worth/ The paper they're on.*

Or would it have been more appropriate Mr. Speaker, to quote Shakespeare that

...Those whom the Gods wish to destroy, they first make mad.

In either case, there will be little more said about the inflated and over-rated comedy of the past few weeks. We prefer instead, to focus on the business of accounting to the people for the economy that has been entrusted to us, and sharing with them the governance we have sought to exercise.

In this regard, Mr. Speaker, few will dispute the impact of globalization on our local economy. Indeed, we see the impact of international economic forces inherent in every facet of our daily lives: in the prices we receive for our bananas, in the price of gas at the pump, in the cost of a loaf of bread. Global realities also influence the types of industries that come knocking on our door and determine whether or not they will prosper or run aground.

Added to this has been the impact of natural disasters - and we have had our fair share—from Black Mallet to Boguis to Lenny. The challenge for Government has been to remain consistent in our approach and to respond to these difficulties and disasters in the best interest of the many. Whether it be our response to the land slippages or the pressures of international market forces on our local industries, we have always sought to act with sensitivity and compassion to the needs of the most vulnerable.

We are an open economy Mr. Speaker, a microcosm of the regional and global market, and with previous Administrations having done so little by way of preparing our country for competition, we must now face the challenges on all fronts. That, Mr. Speaker is the disservice which has been delivered unto us, and against which we are confidently and consistently battling.

The people of St. Lucia will not be blinded to our many achievements as communities, as an economy and as a nation. To paraphrase the words of the late U.S. President John F. Kennedy: there is nothing wrong with St. Lucia that cannot be fixed by St. Lucia.

A STRANGE ECONOMIC CRISIS

Mr. Speaker, this Government has not exactly gone around touting its accomplishments. We have largely busied ourselves doing the people's work. Take the economy for example, of which so much has been heard. There is evidence that some of our economic sectors are undergoing traumatic change. It is equally true that these adjustments - particularly in the retail trades, manufacturing and agriculture – are unavoidable if we are to survive the global pressures impacting on economies everywhere.

So Mr. Speaker, when E.C. Express, a regional airline based in St. Lucia, ceases operations because it could not cope with regional competition, this cannot be blamed on the domestic economy. When a business place closes its doors in response to domestic competition or because it is restructuring operations and management, this cannot be blamed on the economy.

The skeptics may continue to ignore independent assessments of the economy when these differ with their allegations, and prognostications. However, the ECCB cannot be accused of playing "politics" when the Governor, in his report to the Meeting of the Monetary Council on February 20, 2001, concluded that:

The central government has exercised strong and prudent fiscal discipline in its management of the economy, which has translated in a stable and sound economic base that will, with continued prudent macro-economic management, provide the means for a self-propelled private sector led growth. (page 68)

But the ECCB is hardly alone Mr. Speaker. In the recent Article IV assessment of the St. Lucia economy, the Executive Directors of the International Monetary Fund...

...welcomed the recent strengthening of the St. Lucia economy and the reduction in unemployment, stemming from the stabilization of banana production and the development of tourism along with related activities. They stressed that further diversification and enhancements to international competitiveness are needed to permanently raise long-term growth and to reduce the external vulnerability of the economy, particularly in light of the market uncertainties facing the crucial banana industry. This called for fiscal discipline and perseverance with structural reforms to raise national savings and investment, and to preserve macroeconomic stability.

This is public information, and the original text is even available on the Internet, at www.imf.org. Mr. Speaker, we are fully sensitive to the belt tightening demanded by economic adjustment, and Government for its own part has been under pressure to preserve and expand economic and social services while containing costs. But it is, indeed, a strange crisis when the positive milestones are deliberately overlooked or denigrated. Allow me, Mr. Speaker, to refer to some simple everyday signs which speak to people at all levels.

Consider Utilities, Mr. Speaker, and specifically water services. There were over 3,100 new connections in the year 2000 alone. This compares with just 1,355 new connections in 1998. In the last three years, from 1998 to 2000, over 5,800 customers were connected to the water system for the first time. Mr. Speaker, this represents an improvement of over 229% in the rate of new connections. All this, with total WASCO expenses in 2000 below WASA's 1997 levels, and administrative expenses decreasing steadily. Mr. Speaker, WASCO is finally emerging from the dark hole of chronic deficits where we found it less than 4 years ago.

Consider Electricity for a moment. Between January 1998 and December 2000, over 7,600 households and businesses received first-time electricity service. Some of the pundits will find this amazing. They will say something must be wrong with the statistics. Sometimes, Mr. Speaker, the truth is far simpler: Could it be that so many people were without electricity after 2 decades of independence?

Consider too, Mr. Speaker, the provision of telephone services. Nearly 10,000 new connections have been made every year since 1998. In the last three years, more than 28,300 new consumers came on line with Cable & Wireless telephone services, bringing more people closer to the digital age.

In the Financial Sector, commercial banks approved 28,700 new loans in the last three years. This represents a 10% increase in loan approvals between 1998 and the year 2000. This must reflect improving creditworthiness of local borrowers. It is also consistent with the increase in savings deposits which expanded from \$719 million in 1998, to over 1 billion dollars in the year 2000, the first time ever that this threshold has been reached. Moreover, 46% of these savings are held with our largest bank, the People's Bank, the National Commercial Bank of St. Lucia.

The National Commercial Bank, Mr. Speaker, increased its (pre-tax) profitability from 3.9 million dollars in 1998, to 15.8 million dollars in the year 2000: an increase of 305%, Mr. Speaker, due to improved efficiencies, a Government inspired privatization programme and sound management.

Still in the financial sector, the St. Lucia Development Bank increased its net profits from 2.56 million dollars in 1998 to 4.08 million dollars in 2000. This represents a 60% improvement in just two years. Its return on capital has more than doubled during this period, and so has its return on equity. Lending is up 11%, and as mandated in the Bank's charter, Mr. Speaker, these are loans to St. Lucians. Moreover, they are good loans for sound projects, as reflected in the Bank's total asset value - which has increased by 11% - and its net worth which has increased by 6%. Few would have believed this possible, Mr. Speaker, in such a short space of time.

Another everyday figure which everyone can understand is the number of Building Approvals granted by the Development Control Authority. These figures tell us what St. Lucians might have been borrowing for. It appears that they were borrowing to build, Mr. Speaker, and to invest in their own country. In the year 2000, one thousand and forty-one building applications were received and approved. This is an increase of 122% over the year before, and more than 225% cumulatively over 1998.

Indeed, this pattern of investment - by St. Lucians, in St. Lucia - is further confirmed by looking at the figures for new companies established here. No less than 280 companies were registered here in the year 2000. Twenty new companies were registered in December 2000 alone. Overall company registration for 2000 is up 16.7% over the previous year and 154% over 1998. This is consistent with the increase in the number of companies paying tax, Mr. Speaker. This has increased by over 15% since 1998. In addition, greater

efficiency by the Inland Revenue Department and the positive effects of growth on business earnings, have generated a 29.4 percent increase in the contribution of the corporate sector between 1998 and 2000, without any discretionary increases in the tax rate. I am left to wonder what sort of economic crisis encourages the registration of new companies. Clearly, St. Lucians are repositioning themselves and their companies, forging new economic and financial partnerships, and diversifying their options.

This upsurge in new private sector initiatives has been driven and supported by a major policy departure. This is the policy of this government to make concessions and incentives generally available to St. Lucian businesses of every description. No longer do you have to be a large hotel or a super factory to enjoy these benefits. This Government has liberalized and simplified the incentive regime to offer equal advantage to businesses large and small, local and foreign. Some examples, Mr. Speaker:

Between 1998 and 2000, no less than 46 new and existing businesses were granted duty-free operator status. Many of these are outside traditional duty free zones, indicating the significant liberalization of the duty free shopping regime. In the same period, no less than 75 entities large and small, received incentives under the Tourism Incentive Act.

Another 51 small businesses received assistance and duty-free concessions through the Small Enterprise Development Unit (SEDU) located within the Ministry of Commerce.

An additional 151 companies received Fiscal incentives between 1998 and 2000 for various new investments and expansion and for diversification of existing enterprises.

Under the Private Sector Development Strategy, the Office of Private Sector Relations (OPSR) has committed 2.6 million to interventions directed at improving the business environment and enhancing competitiveness of St. Lucian businesses and St. Lucian Products in the global economy. Of this amount no less than 1.9 million is allocated directly to private sector firms and institutions.

Additionally, the Office of Private Sector Relations has dedicated another 2.7 million dollars to a National Technology Training Fund, which has already approved its first disbursement of some 0.5 million dollars. This fund is designed to support private sector led growth in the information and communication technology sector.

The OPSR has also processed duty-free concessions to 12 business enterprises undertaking renovations and reconstruction of commercial premises in urban areas. This is consistent with the drive to enhance Castries as a cruise ship/shopping destination.

Under the Special Development Areas Legislation introduced in 1998, several more businesses have received concessions for investments in designated areas such as Vieux Fort, Anse La Raye, Canaries, and Micoud North. This programme is also managed by OPSR.

REDUCED UNEMPLOYMENT

Let us now Mr. Speaker, focus on employment. In its Article IV Assessment of the economy of Saint Lucia, the International Monetary Fund noted the significant reduction in unemployment, from 21.5% in 1998 to 15.5% in 2000. Some may find this difficult to follow, but bear with me, Mr. Speaker.

NIS figures for the last 3 years reveal that persons actively insured under the scheme increased from 35,902 in 1998 to 40,519 in the year 2000, an increase of 12.86% or 4,617 persons. And just in case those were beneficiaries who are not actively employed Mr. Speaker, we must note that contributions also increased from 38.5 million dollars in 1998 to 45.2 million dollars in 1999, to 48.2 million dollars in 2000. Not only that, Mr. Speaker, but also the dollar value of contributions is growing faster than the number of persons registered with NIS. This suggests rather strongly, that average income is increasing. This is not to overlook

our significant unemployment situation, Mr. Speaker, but we might accept the fact that more people are working today in better paying jobs than in 1998.

The pattern of steady improvement continues with Statutory Corporations. It is a mixed picture, Mr. Speaker. For example, Radio St. Lucia and the National Development Corporation are still critical, but let me provide some of the better examples of improved management.

The St. Lucia Tourist Board has moved from a deficit position in 1998 of 4.0 million dollars to a surplus of 699,000 dollars in the year 2000. As Honourable Members will note, that is a 4.7 million dollar turn-around.

The Housing and Urban Development Corporation has moved from a deficit of over 2 million dollars in 1998 to a surplus of a quarter of a million dollars in 2000, Mr. Speaker.

The St. Lucia Marketing Board has moved from a deficit of half a million dollars to a surplus of \$285,000. Unfortunately, the same cannot yet be said for the Cul de Sac Industrial Zone Ltd, which we inherited with 16 million dollars in debt and nothing to show but a loan of 10 million dollars which had never been serviced, and unpaid, accumulated interest of 6 million dollars.

Mr. Speaker, if these are examples of an "inexperienced Government", then it must be our inexperience in the science of deficits and deception that is most glaring. Mr. Speaker almost every statutory corporation we inherited was in chronic deficit due to years of mismanagement. The decisions needed to reverse mismanagement, settle debts, restructure and reposition our economy, have been tough and in some cases unpopular. But that does not mean that they have not been necessary. Indeed, they have been inescapable in order to remove the millstone of indebtedness from around the neck of the taxpayer.

It gives me no pleasure Mr. Speaker, to be the one to shatter the illusion of unending prosperity. That illusion seduced us into a false complacency, while much of the rest of the world was painfully putting its house in order, removing inefficiencies, bolstering productivity, and partnering with civil society. That illusion was maintained at considerable cost Mr. Speaker, and now the bills have to be paid. And since the spendthrifts have also spent themselves, it falls to us to pay those bills Mr. Speaker, all of us working together, slowly and surely.

Be that as it may, I do not mention these basic indices to inspire blind faith. Despite these tentative improvements in the economy, the underlying fiscal position is still "fragile". After all, Mr. Speaker, a country which has lost over 60% of foreign exchange receipts from its leading agricultural export, is bound to experience "after-shocks", particularly in the circulation of income.

The real impact of reduced production and export revenue can be examined in Appendix I to this Budget. Whether we will continue to maintain the upward trend in per capita income and continue to reduce unemployment and poverty on a sustained basis will depend, in large measure, on how we manage the transition forced upon us by a worsening international economic environment.

A WORSENING INTERNATIONAL ECONOMIC ENVIRONMENT

An examination of the global economy in 2000, in particular, OECD countries, reveals two contrasting phases: growth followed by a rapid reversal in economic fortune.

On the one hand, the high growth rates experienced during the latter part of 1999 continued during the first half of 2000, giving rise to strong average growth for the year as a whole. Indeed, the world economy expanded by a robust 4.8 percent in 2000, compared to 3.5 percent in 1999, and compared to an average of approximately 3.2 percent between 1992 and 1999, and 3.3 percent during the previous ten years. In addition, the growth experience of all the major country groupings in 2000 (namely, Advanced, Developing and Transitional economies) was well above their average for the two decades just mentioned.

To mention a few countries, the United States grew by 5.0 percent, Canada by 4.7 percent, France and Germany by 3.2 percent and 3.0 percent respectively, the Euro area as a whole by 3.4 percent, developing countries by 5.7 percent, including China by 8.0 percent and India by 6.2 percent, and countries in transition by 5.8 percent (including Russia by 7.5 percent). There was some recovery in Japan, which grew by 1.5 percent compared to 0.8 percent in 1999. Despite inflationary pressures generated by rising fuel prices, strong demand conditions in industrial (including newly industrialized) countries helped stimulate world economic growth in 2000.

On the other hand, if we take a closer look at developments in 2000, it becomes evident that the high growth rates experienced by developed countries during the first half of 2000, were followed by a rapid deceleration during the second half of the year, particularly during the final quarter.

The United States, which grew at an annual rate in excess of 5.25 percent during the first half of 2000, could only manage 1.1 percent during the last quarter of the year. Even more dramatically, in the words of Business Week newsmagazine dated April 2nd, 2001 (just three days ago), "From the last quarter of 1999 to the last quarter of 2000, annual gross domestic product growth tumbled from a supercharged 8.3% to just 1.1% - the most rapid decline since World War II". The combination of contractionary monetary policies, tight financial conditions (including weak and volatile financial markets), and high fuel prices, contributed to the dramatic slowdown. The slowdown was characterized by virtually no improvement in investment, productivity and employment, all of which had been growing vigorously for many years.

Similarly, growth in Europe and Canada was lower towards the end of 2000 due to higher oil prices and lower business and consumer confidence. The decline, however, was moderated because domestic demand in Europe seems to have declined only slightly.

The story is similar in Japan, where the recovery enjoyed in the first half of 2000 ground to a halt amid weak consumer confidence, severe problems in banking and financial systems, and significantly lower external demand caused by the global slowdown.

The fact that faltering growth in the world economy has continued into 2001, is of vital importance to St Lucia and other Caribbean countries. A recession in the United States or Europe could seriously damage our tourism income and, to a lesser extent, earnings from other export sectors. The strength of demand in Europe is expected to insulate European economies from recession, but the outcome is much more uncertain in the United States. The concern has to do with the appropriateness of the policies being pursued by the new Administration, and whether or not they will prevent the United States economy from experiencing the hard landing that some observers foresee.

The major international economic institutions, particularly the International Monetary Fund, have revised downward their prediction for global growth in 2001, from 4.2 percent to less than 3.5 percent. This growth rate is well below the 4.8 percent of last year and the same as the 1999 rate. The forecast for the main industrial economies for 2001 is a mere 1.9 percent, or half the growth in 2000. The prediction for the United States is 1.7 percent in 2001, compared to 5.0 percent in 2000 and 4.2 percent in 1999. The forecast for Japan is 1.0 percent compared to 1.5 percent last year and 0.8 percent the year before, while Canada's growth rate is expected to decline to 2.5 percent compared to 4.7 percent and 4.5 percent in 2000 and 1999 respectively. The European economies are expected to fare better, but even there, growth will be slower: 2.7 percent in the United Kingdom, compared to 3.0 percent last year, 2.2 percent in Germany, compared to 3.0 percent and 2.8 percent in France, compared to 3.2 percent.

One favourable implication of the global slowdown is the expected moderation in inflation, from 2.3 percent to 2.1 percent in advanced countries and 6.2 percent to 5.2 percent for developing countries as a whole. St Lucia and other Caribbean countries, which depend increasingly on tourism and on the demand of consumers in the United States and Europe for our goods and services, must be concerned by these developments. Approximately 73 percent of our stay-over tourists come from the United States and Europe,

with around 36 percent of total stay-over arrivals coming from the United States and 27 percent from the United Kingdom. The number of stay-over tourists from the United States increased by 16.8 percent to 97,532 in 2000, and from the United Kingdom by 0.5 percent to 73,433 persons. In order that these trends are strengthened and not reversed, and mindful of the economic slowdown in the United States, United Kingdom and Europe, it is imperative that we, in both the public and private sectors, concentrate on increasing our share of these markets.

Our focus this year, in the budget and in the formulation and execution of policy throughout the year, is on penetrating key markets, resolving any transportation difficulties that might exist, expanding our room capacity, developing the tourism product at home and providing a safe and pleasant environment for all persons in St Lucia - residents and tourists alike. However, this can only be achieved effectively in full partnership with the private sector and the people of St Lucia.

WEAKENING ECONOMIC PERFORMANCE IN OECS STATES

The slowdown in economic activity in the main trading partners of the O.E.C.S countries during the latter part of 2000, together with high and generally rising oil prices, and an appreciating E.C. dollar, all had adverse effects on the economic performance of the region as a whole.

Contraction in the U.S.A. and Europe, combined with a declining Euro and depreciating pound sterling, had a negative effect on export receipts from tourism (which fell by 1.7 percent), sugar (which dropped by 18 percent), bananas (which declined by 4 percent) and nutmeg and mace (which fell by over 1 percent). The drop in earnings occurred despite increases of 7.7 percent in banana exports by volume and 4 percent in sugar, as well as growth of 5.4 percent in tourist arrivals. However, it should be noted that half the OECS countries experienced decreases in stay-over arrivals, while all but one enjoyed increases in cruise tourist arrivals. We are yet to capitalize fully on the expanding cruise sector.

As a consequence of these, and related, developments, economic growth was significantly lower in 2000 than in 1999 for all the OECS countries, with the exception of St. Kitts, which, due to reconstruction expenditure following hurricanes, grew by approximately 3.8 percent compared to 2.8 percent the year before. There seems to be little chance of improvement in the international environment this year, and the growth prospects for our region remain challenging. Governments and the Eastern Caribbean Central Bank have a number of key concerns.

Firstly, the 5 percent increase in the import bill of the region (exacerbated by rising oil prices in 2000), combined with lower export receipts, have led to a widening of the balance of payments deficit on current account. Although the region was able to finance the deficit through capital receipts, there is concern that growing deficits may not be sustainable. Given the decline in concessionary development finance from external sources, O.E.C.S countries have been compelled to borrow on commercial terms. However, this has already had a negative impact on public sector savings and on debt servicing capacity.

The second concern is that, with the growth in current expenditure out-pacing revenue growth, Government savings which are utilized by our countries to help finance the capital investment programme, declined significantly in all countries of the region, with the exception of Grenada. In addition, debt service and the size of outstanding debt increased significantly in all the (five) countries for which data are available. Saint Lucia continues however, to be within acceptable limits.

Thirdly, higher costs in the export sector brought about by a combination of imported inflation, domestic price rigidities, low productivity and unfavourable movements in the exchange rates of Sterling and the Euro relative to the U.S. dollar, all have adverse effects on export competitiveness. It is essential for the regional economy to find creative ways of containing inflation, particularly that which is domestically generated, and improving productivity in the export sector.

Fourthly, liquidity remains tight throughout the region, and in some countries financial sector stability is threatened by high levels of delinquency in the commercial and banking sectors. A broadening and deepening of the diversification effort is required in order to increase export earnings, improve liquidity and create additional income to enable economic agents to meet their debt obligations in a timely manner.

Fifthly, although the offshore financial sector performed well on the whole, its long-term viability is not assured. The industry has to be adequately regulated and well managed throughout the Region. It is, therefore, no accident that we in St. Lucia have taken all the fundamental steps to ensure that our jurisdiction is properly set up. We are doing this as part of a regional effort, and in this regard, we will benefit from technical assistance from international organizations.

Sixthly, high unemployment remains a concern, though in the case of St. Lucia, a significant reduction has been achieved within the last three years. The region needs to achieve economic growth of around 6 percent per annum in order to have a sustained reduction in the level of unemployment in the medium to long term. The concern is that the volatility of economic activity in the world economy over time will not permit us to achieve the necessary consistency in our economic performance to generate sufficient savings consistent with the desired rate of growth.

PERFORMANCE OF THE DOMESTIC ECONOMY

Unquestionably, Mr. Speaker, there has been a deceleration in the rate of growth in the economy in the fiscal year under review. In its Article IV Assessment of the St. Lucia economy, the International Monetary Fund estimated a growth rate of 2%. However, our statisticians estimate a more conservative rate of 0.7%. In any event, either figure confirms a deceleration in the rate of growth compared to 1999, when the economy grew by 3.5%. However, it must be emphasized that there is a significant distinction between a contraction of the economy and a lowering of the rate of growth. The attainment of positive growth in the context of rising fuel prices, depreciation of the pound sterling and decreasing banana prices, must be viewed as a credible achievement. This reflects the ability of the government to manage the economy in the face of turbulent external conditions.

Continued Growth in Tourism

The services sector, led by the tourism industry, continued to increase its dominance of the emerging economy. Activity in the tourism sector, based on value-added in the restaurant and hotel sector, the largest component of GDP, grew by 2.5%. The sector's share of output grew by 0.25 percentage points to 13.28%. Stay-over arrivals grew by 2.3%, benefiting from a 16.8% increase in visitors from the US market and a 13.8% growth in arrivals from the Canadian Market. The cruise ship segment remained extremely buoyant with recorded growth of 26.3%. Consistent with the growth in arrivals, total visitor expenditure is estimated to have increased by 1.6% from 740 million dollars to 752 million dollars.

Encouraging Performance In Agriculture

The performance of the agriculture sector during 2000 was encouraging. Value-added in the sector rose by 7.4%. The transformation of the sector was very evident, as the traditional dominance of the banana industry continued to be offset by the growth in the non-banana sub-sectors, livestock, crops and fishing. Value added in the banana industry contracted by 1.3%.

Despite the reduction in the relative contribution of the banana industry, agriculture's share of national output increased from 7.2 per cent to 7.7 per cent. This emerging trend reflects the success of the ongoing diversification efforts of the government. The diversification program is specifically aimed at reducing the dependence on bananas, thus mitigating the impact of the contraction in the banana industry.

Banana exports and production rebounded in 2000 following the appreciable decline of 10.7% in 1999 and a modest improvement of 2.3% in 1998, to record a 7.7% increase in output to 70,281 tons. The rate of growth of output in the banana industry was broadly in line with that of the sub-region. This positive development can be attributed to the lagged effects of the implementation of the Production Recovery Plan (PRP), through which various mechanisms were instituted to increase farmers access to critical inputs.

The quality of fruit produced improved substantially in 2000. St. Lucia recorded a quality score of 77.7% compared to 73.9% in 1999. This performance was slightly above the Windwards average of 77.4%.

Banana Prices

Despite the expansion in banana output, export earnings contracted by 1.2% to 85.97 million dollars. This was due to negative price and exchange rate movements which eroded positive increases in output. The average free-on-truck (FOT) price for St. Lucia fell by 8.2%, while the pound sterling depreciated by 17.0% relative to the Eastern Caribbean dollar.

Non-Traditional Crops

The performance of the non-traditional sector is a key indicator of the success of the various diversification initiatives instituted by Government. Increases were recorded in the exports of grapefruit, sweet potato, yam and oranges. Hotel purchases of agricultural products increased by 14.3%, as the integration of the tourism industry and agricultural sector accelerated. Sustained investments in the fisheries industry are proving to be extremely rewarding, with fish landing increasing by 8.47%.

Continued Challenges In Manufacturing

The manufacturing sector continued to experience difficulties in 2000. The expansion experienced in the previous year was reversed as value added in the sector contracted by 4.0% and its relative share of GDP declined. The major impact of the contraction was felt in the food and beverage sub-sectors, wearing apparel and textiles, paper products, wood and wood products. Despite government's attempt to provide assistance in the form of consumption tax rebates, waivers of environmental Tax and Fiscal incentives, the negative trend in output continued. This development reflected the inability of the sector to effectively compete within Caricom and the new world order characterized by liberalization and globalization.

Expected Resurgence In Construction

The construction sector was one of the most significant contributors to growth in 1998 and 1999. However, last year, there was a 4.6% contraction in construction activity. This development is not surprising as this is wholly consistent with project cycle trends, where periods of heightened activity in the sector are followed by a slight lull due to a lag between the completion of ongoing major projects and the intensification of works on newly implemented projects. For example, following growth of 20% and 18.9% respectively in 1991 and 1992, the sector contracted by 2.7% in 1993. The sector then grew by 4.9% in 1994 and 2.4% in 1995, followed by a decline of 4.0% in 1996. In 1998, value added in the sector increased by 10.5% whilst in 1999, the sector expanded by 12.8%. During the coming financial year it is projected that there will be a significant resurgence in the sector with the intensification of works on major projects in the private and public sector.

Major projects in the Public Sector this year include the National Stadium, Bordelais Correctional Facility, The National Cricket Ground at Beausejour, Gros-Islet, the commencement of construction of three CDB financed schools, two fisheries complexes, and the repair and rehabilitation of our major roads.

Stable Inflation

The rate of inflation, measured by the percentage change in the twelve-month moving average, remained stable at 3.5%. The relatively stable rate of inflation experienced, despite sharp and persistent increases in the price of fuel, which is a critical input in the production process, represents a major policy success for the government. The absence of inflationary pressures was a direct result of the policy decision by the government to absorb a substantial portion of the recent oil shocks.

Whilst the containment of inflation will remain a key policy priority of the government, the attainment of this objective in the context of rapidly rising fuel costs, is extremely expensive. At present the market price of oil is relatively stable. However, its future path is uncertain due to the high levels of price volatility.

Government will keep current prices stable for as long as possible, but will continue to monitor market developments and will keep the price under review during the ensuing year.

Fiscal Performance

The policy of maintaining inflation at reasonable levels has impacted negatively on the fiscal operations of central government. The choice of price stability as a key macroeconomic objective implied that the government had to accept a lower revenue intake from consumption tax on petroleum. Thus current revenue declined to 24.7% of GDP from 30.6% of GDP. Despite the continuous increase in the demand for government services, particularly in the area of Law and Order, recurrent expenditure was contained and stood at 20.4% of GDP. Central government savings remained high at 4.3% of GDP, thus illustrating the ability of this government to practice fiscal prudence, whilst achieving a key macro-economic objective of price stability. Government capital investment in the social and economic sectors remained significant, representing 28.25% of GDP.

The Government exceeded its key savings and current expenditure targets last year. In particular, the effort made to control current expenditure, underscores our determination to improve efficiency and productivity, and to deliver value for money.

PERFORMANCE INDICES

DESCRIPTION	TARGET	ACTUAL
1. Central Government savings to GDP	Min.3% Desired 5%	4.3%
2. Central Government current revenue to GDP	Min. 26%	24.7%
3. Central Government current expenditure to GDP	Max. 25%	20.4%
4. Public Sector savings to GDP	Min. 7.8%	7.2%
5. Central Government capital expenditure to total expenditure	Min. 30%	27.8%

However, we fell short of our revenue target mainly because of the deliberate policy decision to absorb most of the fuel price rise, in order to contain inflation. The approach bore fruit as inflation was kept to a moderate 3.5 percent, but resulted in lower receipts by Government. Similarly, we failed to achieve our capital expenditure target of 30 percent of total expenditure, partly because of the revenue shortfall which would otherwise have been available for higher expenditure, and partly because we have not improved on our project implementation rate sufficiently. There is still much work to be done in this area after decades of neglect.

Management Of National Debt

The government is committed to ensuring sustained investment to develop the economic infrastructure, facilitate private sector development and upgrade the existing social infrastructure. These activities require substantial resources, which have to be acquired from external sources to avoid crowding out of the private sector. However, the government is conscious of the need to ensure debt sustainability, and thus, as a policy, will seek to maintain debt ratios within acceptable international norms.

The public sector external debt to ratio GDP increased from 25.4 % to 29.1%, debt service to exports of goods ratio increased by 0.7 percentage points to 4.8%, whilst the ratio of debt service to current revenue rose from 10.0% to 13.5%. These indicators clearly illustrate that St Lucia's debt ratios are within internationally accepted standards. In addition, St Lucia's debt profile remains amongst the most favorable in the ECCB monetary area.

Money and Credit

Money supply expanded by 7.9%. Of this, private sector demand deposits, savings deposits and time deposits grew by 9.7%, 7.5% and 14.5% respectively. Domestic credit grew by 7.4%, while outstanding credit to the private sector expanded by 6.3%, as business credit increased by 4.1%. Liquidity of the banking system improved, as the deposit to loan ratio rose from 103.7% in 1999 to 104.8%. Reflective of the strength of the economic base, St. Lucia continued to accumulate foreign reserves. Indeed Mr. Speaker, this expanded by 36.7% to \$111.2m.

Strength of Economic Base

Despite the slowdown in the rate of growth, the underlying macro economic management framework remains extremely sound and St Lucia is well poised to experience sustained growth in the medium to long term. Under the skillful management of this government, the economy has been able to respond quickly and appropriately to ensure sustainability, despite the erosion of EU market preferences. Although many are fearful of this rapid shift, the emerging new orientation is more in keeping with St Lucia's resource base and ensures that future growth will not be predicated solely on special arrangements, which can easily be dismantled. This assessment is consistent with reviews of the domestic economy conducted by international and regional economic institutions.

One of the most reliable measures of the strength of a country's economic base is its ability to attract foreign investment. Foreign capital will only flow into a country if the projected rate of return on investment is internationally competitive. St Lucia continues to attract high levels of foreign investment, especially in the all important tourism sector. New investments in that sector will be addressed later.

ECONOMIC POLICY MEASURES

Mr. Speaker, Honourable Members, I now propose to announce and explain the economic and fiscal measures for this financial year. The measures are designed to:

1. Ease the direct tax burden on Saint Lucians by reducing

- a) income tax; and
 - b) land and house tax
2. Reduce the legal cost of doing business;
 3. Maintain and expand investment in the public sector and in particular the construction sector;
 4. Continue the policy of eliminating nuisance taxes and modernizing the tax system;
 5. Strengthen liquidity and in the process, boost economic output and performance.

The range and depth of the measures that I shall outline shortly are now possible because of the fiscal reforms that this Government introduced over the past three years. The redesigning of the regime of indirect taxation now allows the Government to tackle issues of direct taxation more aggressively. I start with the issue of improving liquidity.

EASING GOVERNMENT PAYABLES

The capacity of the private sector to finance its operations, manage its cash flow adequately, meet its debt obligations and finance its investment is affected by the liquidity of the financial system itself. The liquidity of the system is, in turn, related to export earnings and economic growth. Also, the liquidity available for private enterprise is undoubtedly affected by the timeliness with which government pays its bills to the private sector. Permit me, Mr. Speaker, to share with you and this Honourable House, some extremely revealing and instructive statistics on the growth performance of the economy and how Government's payables have changed over the years. I am sure that you and all St. Lucians will want to pay particular attention to these numbers.

YEAR	ECON. GROWTH (%)	LIQUIDITY (Dep./Loans %)	DATE	PAYABLES (E.C.\$ Million)
1992	7.42	119.5	31.03.93	11.4
1993	1.05	108.8	31.03.94	12.2
1994	1.83	107.4	31.03.95	16.3
1995	1.69	107.6	31.03.96	26.7
1996	1.37	102.1	31.03.97	33.9
1999	3.50	103.7	31.03.00	32.9

It is interesting that the year of highest liquidity and moderately low payables of \$11.4 million occurred in 1992 when St. Lucia had the second highest level of banana earnings on record. Between March 1992 and March 1997, the payables rose dramatically from \$11.4 million to \$33.9 million. In the same period, liquidity tightened substantially from 119.5 percent to 102.1 percent, and economic growth weakened from 7.62 percent in 1992, to 1.05 percent in 1993, 1.83 percent in 1996, 1.69 percent in 1995, 1.37 percent in 1996 and 0.57 percent in 1997. It is highly significant that the economic slide began in 1993, with an average growth rate of 1.3% between 1993 and 1997. The payables escalated in line with the economic rot that had been allowed to set in. Mr. Speaker, so much for the captaincy of the "Great Helmsman", who is allegedly responsible for the "solid and consistent economic growth strategies unparalleled in the Eastern Caribbean". Fortunately, facts do not lie. Let no one try to fool you or pull the wool over your eyes on these matters.

The prevailing view in the ranks of the current opposition was that the 1997 election was "a good election to lose". What they had in fact lost, was the will, capacity and creativity to stimulate and manage the economy.

It must be emphasised that the slowdown in the rate of growth commenced in 1993. At that stage, a concerted policy was required to inject liquidity into the system by reducing payables. This would have reversed the emerging trend of lower growth by boosting Private Sector confidence, thereby avoiding a prolonged slow-down. The then government in their economic wisdom accumulated arrears, thereby furthering the economic slide. However, unlike previous Administrations, we recognize the importance of the private sector to this economy, and the need to reduce government's indebtedness to that sector.

Consequently, I have instructed my officials to pay off \$20 million of the outstanding payables during this financial year, \$15 million of which will be paid by the end of April. This will put greater liquidity in the hands of private businesses and enhance their ability to consolidate, expand and in general, finance their operations.

Financial Sector Rationalization

Mr. Speaker, Honourable Members will recall that in 1998 the Government of Saint Lucia took the decision to increase the equity capital of the National Commercial Bank of Saint Lucia by inviting the public to subscribe to shares up to the value of \$20 million. The intention was to create a company that would be 60% state-owned and 40% private sector owned. In response to the tremendous demand, the success of the offer and the desire by indigenous banks in the OECS and Barbados to participate, the Government agreed to an immediate privatization of the institution with the state owning 38% of the shares and the private sector 62%.

NCB has just ended the year 2000, its first full year of operation as a privatized company. For that year, NCB earned record profits of \$15.4m compared to \$3.9m earned in 1998, NCB's last full year as a state-owned bank, and \$11.1m in 1999. This performance has benefited more than 3000 shareholders who have now been empowered with bank ownership and who are earning handsome returns through dividends and enjoying capital gains on their investment. The economy as a whole is also benefiting, as the Bank has been able to increase its loan and investment portfolios by \$122.5m during the first year and a half of its privatization. The Government, too, has been a beneficiary of these developments, as its revenue has increased from the significantly larger tax and dividend receipts earned from increased profits of the Bank. Significantly, these achievements have been realized contrary to expectations from some quarters, without any downsizing of staff. In fact, since privatization, the Bank's staff complement has increased from 198 to 207.

The Government and the NCB Board of Directors intend to propose another bold move with respect to the Bank. We are proposing, subject to NCB shareholder agreement, to merge the NCB with the Saint Lucia Development Bank, into a new banking institution. It is currently proposed that the new entity will be called the Bank of Saint Lucia Ltd. It is also proposed that this will be a private sector bank with no more than 40% of Government ownership. It will provide all the services that the two separate institutions currently provide, and more. The proposed merger will not result in any downsizing in the staff of the existing institutions and will provide more commercial and development-banking services than the two institutions have provided as separate entities. It will also allow the Government to make more shares in the new bank available to the public, thereby broadening share ownership in Saint Lucia, and consistent with the development of the domestic capital market.

The goals of the new bank are to make more and larger loans available at lower cost, to provide better returns to depositors, to provide more appropriate finance and related banking services to Saint Lucians and local companies, while being an exemplary, consumer-sensitive corporate citizen and providing an attractive return for its shareholders.

If we are to be guided by the privatization experience of the NCB, this second stage in the financial evolution of the indigenous banking sector should result in similar success. Once the merger is effected, the new bank will become the largest in the OECS.

REDUCTION AND REFINEMENT OF THE PROPERTY TAX REGIME

Mr. Speaker, in my last budget presentation to this Honorable House, I indicated my intention to refashion the management of property tax. The first step in this process was the very generous write-off and amnesty programme, implemented last year. Total property tax arrears collected for the year amounted to \$ 1.7M. This was an encouraging start as without the amnesty the Government would have been unable to encourage defaulters to meet their obligations.

Mr. Speaker, I need to emphasize that the process of refashioning the Property Tax regime is not aimed at overburdening the taxpayer, for I know that in any country there is an element of resistance to the payment of taxes. However, I am of the view that everyone who can contribute, should contribute to the functioning of Government, so that the clamor for the provision of services can be met at a reasonable cost. Our approach, therefore, is to ensure that there is an equitable application of taxation measures and no more so than in Property Tax.

Mr. Speaker, in an effort to achieve these objectives, I see the need to make further adjustments to the current Property Tax regime. It is our expectation that over time, there will be a gradual reduction in the rate of tax applied against valuations. It is still my intention to introduce the open market basis of valuation, as this is the method of valuation that is generally accepted as the most appropriate for our circumstances. However, conversion from the present system of annual rental value to open market value will take some time, as the two systems are not interchangeable. It is a fact that market conditions influence the determination of value. We will respond to prevailing market conditions by adjusting rates or changing the exemption structure.

Therefore, Mr. Speaker I propose to introduce measures which will reduce the amount of property tax paid, in order to promote equity and encourage compliance. There are presently four rates of property tax in place in St. Lucia, brought into being by the following Acts of Parliament:

- Land and House Tax Ordinance of 1950 maximum 7% of assessed annual rental value
- Local Authorities Ordinance of 1887 maximum 8% of assessed annual rental value
- Castries Corporation Act of 1967 up to a maximum of 14 % of assessed annual rental and \$1 per square foot in certain areas of Castries

While these rates made sense in the years in which they were implemented, it is clear that their application in today's environment will make them undesirable. What we need Mr. Speaker, is a more appropriate system for today's conditions and a rate structure which is more in line with those conditions.

Mr. Speaker, in order to better manage the conversion, I intend to classify properties into residential and commercial. Commercial properties will be valued on the basis of open market value, while residential properties, for the time being, will be valued on the basis of annual rental value.

Tax On Residential Properties

As indicated earlier, Mr. Speaker, I intend to continue using the assessed annual rental value as the basis for valuing residential properties, in the short term. There are good reasons for this, as there are many more residential properties in diverse areas of the country, and residential properties have different characteristics to commercial buildings. We need some time to bring these properties in line so that all properties are valued on the open market basis.

I propose to reduce the rates of 7%, 8% and 14% to a single rate of 5% on the assessed rental value on residential properties, irrespective of their location. This rate will be effective April 1, 2001, and will lead to significant reductions. Based on a typical property in the following areas, estimated reduction in taxes paid can be determined.

Property Location	Present Tax	Proposed Tax	Actual Rdxn.	% Rdxn.
Rodney Bay	\$ 1,920	\$1,200	\$ 720	37.5%
Bois D'Orange	\$ 2,940	\$2,115	\$ 725	28%
Castries City Area	\$10,797	\$7,500	\$3,297	30.5%

Tax On Commercial Properties

In the case of commercial properties, the process of determining open market value will be an interactive one. I propose to allow property owners to submit to the Government their valuations for tax purposes. These valuations will need to be certified by a reputable valuer and would be subject to confirmation, review and/or adjustment by the Inland Revenue Department. Should the valuation submitted prove to be inappropriate, the Department will modify or revise the valuation in accordance with established standards. This method Mr. Speaker, is unique in its approach as it affords property owners the opportunity to assess themselves. This is the kind of trust and confidence that I want to convey to taxpayers.

I therefore propose to apply a rate of 0.25% on open market values. This rate will be effective April 1, 2001, and will lead to significant reductions. This can be illustrated as follows:

Property Location	Present Tax	Proposed Tax	% Rdxn.
Castries City Area	\$10,797	\$7,500	30.5%
	\$8,580	\$4,250	5%

New Exemptions

The current Land & House Tax Ordinance provides for certain exemptions from property tax. Cabinet can grant the waiver of property tax on the grounds of poverty. Certain public buildings are also exempt from property tax.

However, I intend to streamline the exemption process and also introduce the following additional exemptions with effect from April 1, 2001:

1. The owner occupied dwelling houses of persons who qualify as pensioners as defined in the National Insurance Act, will be exempt from property taxes; that is to say Mr. Speaker, this exemption is on properties occupied by these persons for the sole purpose of providing accommodation to themselves and their families rent-free. Properties or portions thereof, which are used for generating of income, will not be granted exemption;

2. To ease the burden on first time homeowners, an exemption from property taxes will be granted for the first three years of occupancy of their owner occupied dwelling house. The exemption will be based on the value of mortgage, as follows:

- Mortgages of a value up to \$200,000 – 100%;
- Mortgages between the value of \$200,001 and \$400,000 – 75%;
- Mortgages between the value of \$400,001 and \$600,000 – 50%;
- Mortgages over \$600,000 – 25%

3. New commercial buildings completed after April 1, 2001, will be exempted from property tax for a period of 3 years.

4. An owner-occupied dwelling house will be exempted where the household income of the owner(s), is less than \$6,000 per annum.

Mr. Speaker, property tax payments for both individuals and companies can be claimed as deductions for income tax purposes. In the case of individuals, it is claimed under Section 55 of the Income Tax Act, which provides for the deduction of mortgage interest – up to a limit of \$15,000 - rates and insurance. It is my intention to amend Section 55 of the Income Tax Act to allow the mortgage interest deduction only when the Property Tax has been paid on the property for which the interest deduction is claimed. After reducing the rate of property tax, we need to ensure that it is paid, so that we are not faced with the significant arrears that occurred in the past.

REDUCTION IN INCOME TAX

Mr. Speaker, for some time now I have been signaling my intention to reshape the Income Tax legislation. The process of change has been one of consultation, debate and introspection. Let me say Mr. Speaker, that despite the suggestions being bandied about, the Government has not been made to cower into a corner licking its wounds. Rather, we have been taking measured approaches towards reforming of the Income Tax legislation.

You will recall Mr. Speaker, that a broad based committee under the chairmanship of the Managing Director of the National Commercial Bank, was set up to examine the proposals contained in the draft bill, as well as those provided by other interest groups. I am pleased to announce that the committee has submitted for Cabinet's consideration, several proposals for changes to the income tax regime, some of which are quite innovative. I wish to thank the members of the committee for their hard work, as well as members of the public who made meaningful contributions to the deliberations.

I have carefully studied the proposals submitted by the committee and I am of the view that while they all have merit, it will be necessary for me to introduce the changes over an extended period of time. I propose that the changes should be phased over three years, starting from the current income year. The phased approach is intended to soften the impact of these changes on the economy, and on government revenue. Consequently I propose for this income year and for the subsequent two income years to increase the income tax threshold from \$10,000 to \$12,000 in income year 2001, \$14,000 in income year 2002 and \$16,000 in income year 2003.

In other words Mr. Speaker, an individual who earned an annual income of \$12,000 or \$1,000 per month and who paid tax on \$2,000, will in income year 2001, i.e. this year, be exempted from the payment of income tax.

As a result of these changes 3,264 persons will not pay income tax in income year 2001, a further 996 will not pay income tax in income year 2002, and a further 922 will not pay income tax in income year 2003. Therefore, by Income year 2003, close to 5,200 persons will not be paying income tax.

These changes in the tax threshold can be illustrated as follows:

A store clerk whose annual salary is \$14,474 and who now pays \$258 annually in income tax will pay \$58 for income year 2001 – a decrease of \$200 or 77%, and no income tax in Income year 2002;

An accountant whose annual salary is \$44,400 and who now pays \$2,177 will pay \$1,971 for income year 2001 – a decrease of \$200 or 9%, \$1,521 in 2002, (\$656 or 30% less than at present), and \$1,371 in 2003, (\$806 or 37% less than at present).

A top executive whose annual salary is \$128,212 and who now pays \$17,148 will pay \$16,548 for income year 2001 – a decrease of \$600 or 5%, \$15,648 in 2002, (\$1,500 or 9% less than at present) \$15,348 in 2003 (\$1,800 or 11% less at present).

A public servant at grade 3 whose annual salary is \$13,949 and who now pays \$194 annually, will no longer be required to pay income tax, in income year 2001;

Similarly, a public servant at grade 12 whose annual salary is \$39,766 and who now pays \$1,310 will pay \$1,110 for income year 2001 – a decrease of \$200 or 15%, \$910 in 2002, (\$400 or 30% less than at present) and, \$710 in 2003, (\$600 or 45% less than at present).

While, a public servant at grade 18 whose annual salary is \$56,978 and who now pays \$6,015 will pay \$5,415 for income year 2001 – a decrease of \$600 or 10%, \$4,605 in 2002, (\$1,410 or 24% less than at present) and \$4,310 in 2003, (\$1,705 or 28% less than at present).

It is important to note, Mr. Speaker, that these are typical examples, and that individual circumstances would change the computations I have given. Suffice it to say, that most individuals in the middle-income bracket would enjoy a decrease of approximately 10% in this income year to over 40% in the subsequent income years, compared to what they are paying now.

REGISTERED RETIREMENT SAVINGS PLAN

Mr. Speaker, in my 1999/2000 budget presentation, I introduced the concept of a Registered Retirement Savings Plan to encourage self-employed persons and professionals to set aside money for their twilight years. I am happy to report that this measure has been adopted and refined by some of our progressive insurance companies, and while there is room for further marketing of the product, reports indicate that many individuals are expressing an interest in the initiative.

Consequently, I wish to propose an enhancement to the income tax deduction which can be claimed. Presently, the level of deduction is combined with the amount claimed for life insurance premiums and N.I.S. contributions. I propose to allow a deduction of \$8,000 for contributions to a registered retirement savings plan.

TAX DEDUCTION ON PURCHASE OF NEW SHARE ISSUE

Mr. Speaker you will recall that I indicated in the Supplementary Budget of 1997 that we would be allowing a deduction for the purchase of new share issues. I propose to implement this provision this year, in light of the upcoming public offer of shares in the proposed Bank of St. Lucia. I propose a maximum deduction of \$5,000.

Mr. Speaker, it is anticipated that these changes will take effect from June 1, 2001.

TAX CONCESSION FOR PURCHASE OF SOLAR HEATING

Mr. Speaker, the heating of water, accounts for more than 20% of electricity generated in Saint Lucia. The cost of generating that electricity is now vastly more expensive due to high oil prices. Alternative energy systems must therefore be encouraged.

I therefore propose that 100% of expenditure on solar water heaters purchased in Saint Lucia be tax-deductible for the purchaser, in the year of assessment in which the purchase is made. Such a concession

would not merely be an incentive for saving energy, but also an incentive for energy replacement, which, depending on its utilization, could immediately generate considerable savings.

This concession shall be allowed for a period of three (3) years, initially. This onus is now on our local manufacturers to maximize their marketing and promotion efforts during this period in order to convince Saint Lucians that it is wise to invest in solar water heating.

REDUCTION OF STAMP DUTY FOR COMMERCIAL TRANSACTIONS

Mr. Speaker, consistent with this Government's approach to updating and modernizing legislation, I propose to effect amendments to the existing stamp duty legislation. Three areas in particular, will be revised and amended: the Stamp Duty on Share Transfers, the Stamp Duty on Leases, and the Stamp Duty on Banking Transactions.

Stamp Duty On Leases

Mr. Speaker, hardly any one in St. Lucia who executes a lease bothers to pay the Stamp Duty. This in turn means that they do not register their leases even in cases where registration is required by law. The real reason for this is that the Stamp Duty being charged on leases is far too high. Most shopkeepers and small business owners lease premises, particularly at the start of their business ventures. They simply cannot afford the additional expense of Stamp Duty on their lease which works out at 8% of the first year's rent. The non-payment of Stamp Duty and the failure to register leases, incur losses of revenue to Government and deny vital protection to injured parties. I propose to reduce the rate chargeable to 2% to encourage compliance and avoid the unnecessary exposure to leasing parties.

Stamp Duty On Share Transfers

Mr. Speaker, it has become almost impossible to advise Saint Lucians or foreign investors who purchase shares, of the amount of Stamp Duty which they will be required to pay. This is because Stamp Duty is based, according to the Stamp Duty Ordinance, on the par value of shares. Since the enactment of the new Companies Act, shares no longer have a par value. An alternative basis for calculating Stamp duty must, therefore, be devised. Consequently, I propose to adjust the base, so that except for publicly traded shares, the value of the consideration will be based on the net assets of the company. The rate will be adjusted to ½%.

Stamp Duty On Banking Transactions

Presently, many persons who make withdrawals from their savings accounts at banks are required to pay stamp duty based on the amount withdrawn. This has proven to be an inconvenience, as most persons embarrassingly have to search for ten or twenty-five cents to secure withdrawal of their funds. Besides, the same transaction can be completed by simply accessing their accounts via the auto teller machines and pay no stamp duty. Therefore, I propose to exempt withdrawals up to \$2,000 from stamp duty charges. This threshold is equivalent to the maximum transactions that an individual can make on a daily basis from ATMs. One more nuisance tax repealed!

FOREIGN TAX CREDIT FOR BUSINESSES OPERATING IN FINANCIAL SERVICES SECTOR

Mr. Speaker, our International Financial Services Sector has taken off, despite challenges from competing jurisdictions. I wish to propose a measure, which is designed to encourage growth in this sector. This

proposal is intended to send a signal to Registered Agents, Trustees and Providers, of related accounting, secretarial and legal services that Government is interested in encouraging growth in the sector. Such growth will result in increased registration fees, more local employment and an influx of ancillary services such as the provision of corporate office space and other executive services.

I therefore propose the following:

Where in Income Year 2001 and subsequent income years, a person carrying on business in St. Lucia derives assessable income for income tax purposes, from certain qualifying professional services in the International Financial Services sector, and where the Comptroller of Inland Revenue is satisfied that an amount of foreign currency earned has been transferred to the credit of that person within the income year or within such later time as may be allowed by the Comptroller of Inland Revenue, a foreign currency tax credit will be granted against income tax payable for that income year. The amount of the credit will be proportionate to the level of foreign currency earned. In other words Mr. Speaker, the higher the foreign currency earned, the greater the tax credit.

The qualifying professional services will include such activities as:

- Application Preparation;
- Incorporation;
- Provision of office facilities;
- Directorships;
- Secretarial Work; and
- Audit and Accounting services

Mr. Speaker, I am confident that this measure will add a great incentive to this pioneer business activity in St. Lucia. I therefore want to send a signal to the local business community, that there is real opportunity in this sector and that Government is willing to facilitate and reward the investment of effort and capital by enterprising business persons.

Small Business Enterprises

Mr. Speaker in my Supplementary Budget of November 1997, I indicated my interest in encouraging the development of small business enterprises. The income tax legislation was amended to offer tax incentives for that purpose. Encouragingly, there have been approximately 143 companies since 1998 that have taken advantage of the assistance rendered through the Small Enterprise Development Unit. Young business entrepreneurs run most of these companies, and we applaud their pioneering spirit.

In order to give a further boost to the development of this sector, I propose to adjust the income tax rate for qualifying small-scale businesses from the five-tier rate structure over five years to a single rate of 10%. This rate will apply for a five-year period starting from income year 2001.

LIBERALISATION OF TELECOMMUNICATIONS

Mr. Speaker, Honourable Members, I wish now, to enunciate the Government's policy on Telecommunications. I shall not review recent history. Suffice it to say that Government has in its discussions with Cable and Wireless achieved its policy objectives.

Consistent with the Agreement between the OECS and Cable and Wireless Plc which is due to be signed in St. George's, Grenada on Saturday, the Telecommunication Policy of Saint Lucia will be guided by the following:

- Liberalization of the Telecommunications Sector will commence on April 1, 2001.
- There will be a phased approach to the liberalization.
- During Phase I, new licenses shall only be issued to operators other than Cable and Wireless for the provision of certain specified networks and services.
- Full competition and liberalization of the sector will commence not less than 12 months and not more than 18 months from the commencement date of April 1, 2001.
- During Phase I, the Government and Cable and Wireless will meet periodically within the framework of three joint working groups viz: Legal and Regulatory; Tariff and Rebalancing; and Communications.
- The Governments have agreed to use their best endeavours to prevent BY-PASS of the Cable and Wireless Network.
- The Principle of rebalancing local against international rates will be based on full disclosure of underlying cost data and its derivation.

This framework has vast implications for the citizens of Saint Lucia, as it signals the renovation of the telecommunications landscape in the interest of consumers. It also proposes opportunities for businesses, telecommunications professionals, technicians, and investors. These are exciting possibilities and I will now outline them:

Domestic Mobile/Cellular Infrastructure and Services Competition will commence in Phase I. It is expected that domestic Mobile/Cellular operators will be able to operate independently. International Mobile/Cellular services will go through the Cable and Wireless Network. This would involve Interconnection Agreements between New Operators and Cable and Wireless.

Customer Premises Equipment (CPE) will be fully liberalized from April 1, 2001 for both single and multiple lines. This means that there will be full competition from day one. The real benefit is that it will allow the development of local services for the sale, installation and maintenance of telecommunications equipment. It would also allow for outsourcing of wiring contracts for telecommunications systems. Present employees of Cable and Wireless could benefit immensely from this initiative.

The Resale of International Minutes will be partially liberalized from April 1, 2001. This means that international resale of minutes is a way of introducing competition to the sector by allowing new providers of international services to enter the market but only through the Cable and Wireless Network for the time being. It is expected that new operators will enter into interconnection agreements with Cable and Wireless. It is envisaged that once interconnection charges are fair and non-discriminating, the entry of new service providers will result in a decrease in international calling charges.

Very Small Aperture Terminals (VSAT) Licences will be issued in Phase I. This would serve private Networks such as Call Centres, Telemarketing Agencies and Data Entry Businesses. This would open the door for providing these services to US and other Corporations.

It is estimated that, with the entry of five Call Centres, the employment of about three thousand persons can be achieved. The employment profile of Call Centres as exemplified by the new HT Systems center at Union, can be varied. Call Centres can provide employment at various levels, from young school leavers to retirees.

It is important to note that Institutions with VSAT Licenses do not have to connect to the Cable and Wireless Network.

As of April 1, 2001 Licenses for Internet Service Providers can be obtained. Voice-over IP will be allowed privately. Interconnection to the Cable and Wireless Network will be required.

Non-voice commercial service over the Internet will be available through independent operators.

Callback Licensing will also be allowed in Phase I. This is a service that would technically be offered by overseas providers. However, only entities licensed in Saint Lucia will be allowed to provide the service.

It is expected that total liberalization of these facilities and services partially liberalized in Phase I, can be achieved after 12 months. We shall be feverishly working towards that goal. At that time, it is hoped that international facilities-based competition, voice and data including Internet will be open. The domestic fixed infrastructure will also be open to competition, as will international mobile/cellular services.

It is anticipated that, as a result of full liberalization of the Telecommunications Sector, several benefits will accrue to the country. These benefits will include:

- Increased foreign investment
- Increased employment opportunities
- Growth in local enterprises especially the service sector
- Increased penetration of telecommunications goods and services
- Creation of a strong informatics industry
- Increased volume of business in the financial sector especially offshore banking, and finally
- Overall economic, social and cultural improvements.

Mr. Speaker, I wish to make it clear that Government intends to ensure that the issuance of licenses is a revenue generating measure. The days of granting concessions for Telecommunication Services are over.

Declaration Of Cul-De-Sac As Special Development Area

In the 1998/99 Budget Statement, I indicated that Cul-de-Sac Ltd., set up by the former Government to develop the Cul-de-Sac Valley, owed the National Insurance Scheme some \$13.8 million. This was made up of \$10 million in principal and some \$3.8 million in interest due on a debt that had never been serviced. By 2000 the outstanding liability to NIS had climbed to \$16m. The Government of Saint Lucia and Geest Plc. jointly owned that company. I am pleased to advise Honourable Members that the company is now jointly owned by the National Insurance Scheme and the Government of St. Lucia. Geest Plc. has been paid a deeply discounted price for their small share holding, and the liability to N.I.S. has been transformed into equity.

As the Government and N.I.S. consider the options for the future development of the Valley, the Government welcomes the new investments by the private sector currently taking shape in the Valley. In particular, Government notes the proposed establishment of, a wholesale cash and carry by Julian's Supermarket, an electrical outlet by the Vieux Fort based company WIZO, and the efforts of a young Saint Lucian entrepreneur, Mr. Clifford Alleyne, to develop an industrial estate. These efforts deserve further support and encouragement. I therefore, intend to declare Cul-de-Sac a Special Development Area under the Special Development Areas Act, No. 2 of 1998. Investors are reminded that an "Approved Development" is, inter alia, exempt from the payment of the following taxes and duties:

1. Import duty, stamp duty, and consumption tax on inputs for the construction of new buildings and the renovation or refurbishment of existing buildings.
2. Land and house tax
3. Stamp duty payable by vendors and purchasers on the initial purchase of property, whether by nationals or non-nationals.
4. Aliens Landholding License fee.

Existing Special Development areas include Anse La Raye/Canaries, Vieux-Fort North and South Soufriere and Dennery South. I propose to declare Micoud North a Special Development Area shortly.

INTRODUCTION OF ELECTRONIC COMMERCE

Mr. Speaker, Saint Lucians have begun to experience the mysteries, joys and sheer convenience of electronic commerce. E-commerce, as the activity is described, has redefined the way business is conducted in every corner of the globe. Saint Lucians can now order items on the Internet, receive such items within days, and in the process, by-pass local business houses. Already, the commerce via the Internet has begun to impact on traditional business practices. While some are petrified by the growth and expansion of e-commerce, others recognize its potential benefits. Our growing International Business Sector can be induced to conduct e-commerce activities using Saint Lucia as its home base. Small manufacturers, musicians, hoteliers, craft persons, and even our artists can all utilize e-commerce for more effective marketing of their products and services.

A worrying possibility is that as e-commerce develops, there may be a loss of national revenue. The simple fact is that many tax concepts were developed for trade in tangible goods, and are inapplicable to trade in digital goods and services.

Saint Lucia must, however, rise to the challenge. Government will, in the course of this year, introduce legislation to establish a legal framework to govern the conduct of business transactions in e-commerce. Provision will also be made for e-commerce transactions through the banking system. Government too, must lead the way by quickly becoming a model user of e-commerce.

Mr. Speaker, allow me to take a few moments to applaud the Minister of Commerce, Consumer Affairs and Financial Services.

The Ministry of Commerce has taken the lead in the development of an e-commerce industry and a broad-base committee has been formed, comprising the National Development Corporation (NDC), Chamber of Commerce, OECS Reform Unit, Ministry of Communications and other relevant parties. St. Lucia's main telecommunications provider, Cable & Wireless is actively involved in this committee and has already promised to assist in the setting up of an e-commerce incubator where e-commerce transactions can be generated.

SECTORAL POLICY INITIATIVES

Redesigning Of Incentives For Manufacturing Sector

Mr. Speaker, this Government welcomes the formation of the St. Lucia Manufacturers Association (SMA). The existence of this Association will allow for more focus and dialogue. In the course of this year Government will work with the SMA to:

1. Simplify the fiscal concessions procedures and make them more automatic;
2. Increase the scope of tax draw backs and remissions in exchange for higher consumption tax compliance and the achievement of performance indicators such as exports, employment growth, value added, technological innovation, import substitution, and the use of domestic resources;
3. Replace the protection afforded by Article 56 using licensing, with the alternative of gradual tariffication;
4. Increase penalties against dumping and unfair competition from imported substitutes and rogue or dummy manufacturers.

Refashioning Incentives For Investment In Tourism

Mr. Speaker, unquestionably, investment in the Tourism Industry continues to be buoyant. Several new developments are anticipated in the course of this financial year.

Already, the construction of a three hundred-room hotel in Troumasse, Micoud is underway. The Islander Hotel will be demolished and replaced by a 254-room hotel to be managed under the flag of Crown Plaza. Some fifty-four rooms will be constructed at Marigot. Then that brave venture - Ti Kai Village, - a development of 70 rooms located between Anse La Raye and Canaries - is expected to be completed this financial year.

What is astounding Mr. Speaker, is the sheer growth of the small hotel sector. Over six new small hotels will be developed this year, contributing at least sixty rooms.

Later this year, the Government expects to announce new developments at Point Hardy in Cap Estate and at Marquis Estate.

Mr. Speaker, Honourable Members, with the competition for tourism-related investment resources, there is the temptation to over-compensate by offering excessive incentives to investors. We believe that St. Lucia has a relatively favourable investment climate with several attributes to its credit. We also believe that investors are attracted by an ordered, but business-friendly incentive regime.

Accordingly we intend to:

1. Introduce greater transparency and predictability in the granting of concessions by standardizing eligibility criteria;
2. Link concessions to dollar amounts invested, while ensuring that St. Lucia remains competitive in respect of concessions granted to large investors; and
3. Use an objective incentive system to encourage hotels to purchase greater quantities of locally produced goods and services.

In that context, I propose to invite Honourable Members to amend the Tourism Incentives Act, No. 7 of 1996 to permit the existing maximum of 15 years on the duration of the concessions period to be extended by an additional year, for each E.C. \$10 million invested up to a maximum of twenty (20) years.

In order to encourage our hotels to purchase more goods and services locally over a sustained period of time, I further propose that, where a hotel conclusively proves that it has purchased at least thirty percent (30%) of its goods and services from local businesses over a period of four years, it will automatically be granted a further extension of one (1) year with concessions for each period of two (2) years.

Mr. Speaker, these concessions are made in the recognition that St. Lucia is a high cost destination and we need to encourage up-market investment and higher local value added. Government will, therefore, work with the sector to reflect its priorities in major policy instruments such as the Annual Budget.

In return Mr. Speaker, Government needs to see the hotel sector particularly larger hotels, continue to invest in physical and human capital and in particular to reduce their age of payables to small local producers of goods and services.

The practice of financing operations from accounts payable is crippling small producers and increasing their cost of operations and age of receivables. I intend to meet sector representatives to discuss this issue further.

Marketing Of Small Hotels

Mr. Speaker, the Government is mindful of the challenges which face the small hotel sector. There are approximately twenty-seven small hotels and some have experienced severe financial difficulties. Explanations vary from mismanagement to their inability to attract concessionary financing. One thing is clear: many of these small hotels do not enjoy economies of scale.

One matter of concern for the small hotels, is the cost of marketing their product. Most of the hotels do not generate sufficient income to allow expenditure on individual marketing. Clearly, joint marketing is the most cost-effective approach. I propose to assist the small hotels by establishing a Marketing Fund specifically for the sector. I propose to place in this fund, proceeds of the Hotel Accommodation Tax collected from the Small Hotels over the current fiscal year and allow the fund to be managed jointly by the Tourist Board and representatives of the Small Hotels. As a guide to the amount available, it is noted that in 2000 an amount of \$346,673.90 was collected in Hotel Accommodation Tax from the Small Hotel sector. This amount will be separate and apart from the annual allocation made to the St. Lucia Tourist Board for marketing.

SUPPORT FOR BANANA INDUSTRY

Mr. Speaker, I now turn to the crucial Banana Industry. I am reminded of a certain local publication which "never ceases to amaze me". Well, it never ceases to amaze me Mr. Speaker, that persons who should know better continue to issue inaccurate and often incoherent ramblings about this Government's position on the Banana Industry. Over the past four years, this Government, has demonstrated its commitment to the industry and banana farmers in the following ways:

1. Government assumed responsibility for SLBGA's debt of \$44 million. Every Saint Lucian worker contributes to the payment of that debt incurred by the former SLBGA.
2. In November last year, Government announced a cessation of the three cents per pound levy for leaf spot control, for a period of five months. Government has had to inject an additional \$600,000.00 to make up for the shortfall in the amount collected under the levy. This relief is now to be extended for a further three months.
3. Government introduced a relief package to farmers which lowered the cost of cartons. This relief package involved a reduction of \$1.00 per carton to banana farmers during the period October 2000 to January 2001. This support has cost the Government of Saint Lucia \$1,426,250.00.
4. Government removed all duty and consumption tax on inputs, and imposed price controls on fertilizers and pesticides. These price controls may be examined in Statutory Instruments No. 27 of 1999 and No. 29 of 2001.
5. Government granted 100% duty and consumption tax exemptions on vehicles purchased by banana farmers for purposes of transporting their bananas. Between August of last year and March of this year, over 20 banana farmers have made use of this facility.
6. Government constructed with E.U. Funds, three (3) Inland Reception and Distribution Centres at Odsan, La Caye, and Vieux Fort, at a cost of some E.C.\$12.5 million.
7. Government facilitated under the Production Recovery Plan, the disbursement of over \$22 million for certification, incremental inputs, labour and working capital.

BANANA COMMERCIALISATION

Mr. Speaker, we appreciate that despite the significant financial investments of OVER \$100 million already made by this Government in the banana industry, it is necessary that we explore all possibilities for increasing productivity. We remain optimistic about the future of the banana industry. However, we understand that for St. Lucia to remain competitive and maintain its access to the United Kingdom markets, we must increase our yields. In effect, we must maximize our output per unit effort. This can happen only if we have an industry comprising efficient, productive, and business-minded certified farmers. It is our intention, therefore, to embark on a new commercialization drive within the banana industry.

Support For Inputs

Mr. Speaker, last year our banana companies were hit with a significant reduction in the price paid for bananas. This had an adverse impact on cash flows. One of the unfortunate consequences of this was an inability of our banana companies to extend credit to their farmers for the purchase of inputs. This has had

far-reaching negative effects. The poor nutrition status of the banana plants compromised their ability to recover from Leaf Spot. Now, the farmers have to cope with the crippling effects of an unrelenting drought. We further anticipate that as a result of our farmers not having access to fertilizer during the latter half of last year, our production during this year will suffer. This situation needs to be remedied.

As a result, the first phase of this new initiative will involve the supply of inputs to certified producers farming in approved agro-ecological zones, who meet certain threshold requirements, which will include access to water for irrigation or rain-fed production with a potential for yields of at least 12 tonnes per acre.

The Government will make available to the Banana Industry Trust an amount of \$3.50 million for on-lending to banana companies to be used to re-establish a credit line for farmers for the purchase of fertilizer. We have estimated that this credit line will fund, in the first instance, the application of two cycles of fertilizers and facilitate the production of 150 million pounds of bananas. By placing this money in the Banana Industry Trust, we will also ensure that the money revolves, and becomes available in subsequent periods for use by efficient certified banana farmers. We also intend to pursue during the course of the year a restructuring of the Banana Industry Trust in order that it may be better positioned to respond to the needs of the industry.

Land Preparation and Replanting

The second phase of the productivity drive will require the allocation of an amount of \$4.5 million. It has recently been drawn to our attention that an additional and previously un-programmed envelope has been made available to St. Lucia as a result of a global re-allocation of European Union resources. Presently the Ministry of Planning and the European Development Fund Programme Management and Coordinating Unit (EDF PMCU) are engaged in discussions with the European Commission to work out the modalities for utilizing these funds. We have signaled our intention, however, to allocate a portion of the funds to the banana industry.

This second phase will cater to land preparation, soil amelioration, replanting, the introduction of superior tissue culture varieties, and farmer training. Again, this programme will support only farmers who are commercially viable.

Irrigation and Drainage

The third phase will involve a comprehensive irrigation and drainage programme, to be funded through an allocation of \$14 million under the EU Special Framework of Assistance (SFA) Programme. Of this amount, \$1.2 million will go towards drainage works, \$1.2 million for reservoir construction for irrigation, and \$7.4 million for the purchase of irrigation equipment. A further \$319,000 will be used to set up and operate agronomic support units.

Mr. Speaker, when was the last time that any Government has provided such support to the banana industry? While we appreciate that the industry is going through a somewhat painful period of readjustment, we have put in place mechanisms that will allow efficient certified producers to become even more efficient and productive, and we are providing safety nets for those who are incapable of making the changes that the competitive liberalized external markets now dictate. It is a pity, Mr. Speaker, that despite all of the warning signals that were so plain for all to see in the early 1990s, we never started to prepare for this eventuality before the latter half of 1997, when this Government assumed office.

FISHERIES COMPLEXES FOR CHOISEUL AND SOUFRIERE

Mr. Speaker, I now wish to shift my attention to the Fisheries Sector, a sector that has grown in its economic importance to Saint Lucia. This year, the Government will take its programme of fisheries infrastructure development to the scenic West coast. New fisheries complexes will be constructed in Soufriere and Choiseul and will be financed the Government of Japan. Design drawings have been finalized, and the signing of the tender documents will take place in September. Construction is scheduled to start simultaneously in Soufriere and Choiseul in November of this year.

The Fisheries Project for Soufriere will comprise the construction of: a jetty, slip-way, a revetment to stabilize the river banks, an in-port road and parking facilities, an administration building, ice storage facility, a workshop, lockers for the fishers to store their equipment, shower and toilet facilities, and a retail fish market.

In Choiseul, the Project will consist of the construction of a new access road to the site, the reclamation of land parallel to the shoreline and the construction of: a break-water, a wharf, a slip way, an administration building, an ice storage facility, an engine repair shop, lockers for the storage of equipment, toilet and shower facilities, and a retail fish market.

Additionally, the Project will provide 20 open-type fiber glass reinforced pirogues, equipped with 85 H.P. engines, to aid in the transition from the traditional wooden canoe to a safer, more stable fishing vessel. The Project will also supply fishing equipment, tools and equipment for the workshop in Choiseul, and an ice-making machine.

In total, the Soufriere and Choiseul Fishing Complexes are expected to cost US\$16 million, and are expected to be constructed within 18 months.

REORGANISATION OF THE NATIONAL DEVELOPMENT CORPORATION (N.D.C.)

For some time now, the Government has been carefully considering the future of the National Development Corporation, (N.D.C.). A decision is now at hand.

Section 4 (1) and 4(2) (1) of the National Development Control Act, states that:

... it shall be the function of the Corporation to stimulate, undertake the economic development of St. Lucia. It shall also be the function of the Corporation to undertake and promote the development of land and industry in St. Lucia.

An evaluation of NDC's performance over its 30-year life-span reveals that these objectives have not been achieved. Apart from the development of industrial estates, the economic development strategy pursued in the 1970s to attract light manufacturing and industries by invitation, has produced few permanent benefits. The development of a hotel site along the west coast, has not proven to be a magnet for further sustainable development.

One of the major problems confronting the NDC is the fact that its monopoly ownership of land is incongruent with the need to address the local community's need for land for settlement, services and small-scale industry. This, coupled with ineffective development control legislation has led to rampant and uncontrollable squatting.

As a result, the NDC's role has changed to quelling squatter disputes, and selling land at concessional prices to facilitate local demand. This has led to the uneconomic use of land, a general decline in the NDC asset base and a population dependent on government for land at less than commercial prices.

This unintended social function has distracted NDC from its role as an enabler of national economic development.

This state of affairs cannot continue. The National Development Corporation will be re-configured to focus primarily on investment promotion.

NDC's involvement in the development of large tracts of real estate will be reduced. To achieve this, legislation will be introduced during this Parliamentary session to transform NDC into a "one-stop shop", in order to enhance its role of investment promotion.

Simultaneously with the creation of the new NDC, Government will create the Southern Development Corporation Ltd. to take over the role of NDC in real estate development in the south of the island. NDC will retain land of strategic value, for example, the Vieux Fort Industrial Estate and the Vieux Fort Industrial Free Zone. Other lands will be vested in the Southern Development Corporation Ltd and the Crown.

Against the background of the economic policy initiatives just outlined, I now propose to indicate how this budget will be financed.

FINANCING THE BUDGET

In the context of substantial increases in the demand for social services, against reduced revenues from taxes on international trade liberalization and relatively high fuel prices, acquiring the required resources to finance expenditure represents a significant challenge. However the Government has risen to the challenge without resorting to the imposition of new tax measures.

Through prudent management by this government the available resources will be utilized to optimize the provision of essential social services and enhance the infrastructure of the country, whilst ensuring long-term sustainability.

During the financial year 2001/2002, planned expenditure is projected at \$857.3 million dollars, 18 percent higher than the previous financial year. Of this amount, \$362.9 million dollars or 42.3% will be utilized to enhance the capital assets of the country. Current expenditure accounts for 53.7% or \$460.6 million of total planned spending and 4% is earmarked to service principal repayments on the Public Debt.

This Budget seeks to achieve high and stable levels of economic growth and sustained reductions in the rate of unemployment. In support of this thrust, capital investment is projected to increase by 20.0 per cent.

Current expenditure of \$460.6 million represents 22.5 per cent of GDP. The growth in current expenditure is mainly associated with improvement of services provided by the judicial and law enforcement sector.

Revenue Estimates

It is the intention of Government to finance the total budgetary expenditure of \$857.3 million dollars from the following revenue sources:

1. Capital Revenue of 3.2 million dollars
2. Grants of 127.5 million dollars
3. Loans of 206.0 million dollars
4. Recurrent revenue of 520.6 million dollars

Of the loans of 206.0 million dollars, 95 million will be raised this year, the balance being loans already contracted.

The budget is designed to achieve a current surplus of \$60 million dollars or 2.9 percent of GDP, of which \$26.2 million will be utilized to finance capital expenditure. The balance of capital financing comprises loans totaling \$206 million dollars and grants amounting to \$127 million dollars.

Mr. Speaker, for fiscal year 2001-2002, total recurrent revenue is projected at \$520.6 million dollars, representing growth of 1.0%. As a share of GDP, recurrent revenue declined to 25%, from 26% for financial year 2000-2001.

The overall projected growth in current revenue is mainly attributed to taxes on Domestic Sales and Services and receipts from taxes on Income and Profits.

Mr. Speaker, this budget contains no new tax measures. Indeed it is a budget that grants substantial tax relief. The minor increases anticipated during the financial year 2001-2002, are due to improvements in the collection efficiencies of the Inland Revenue Department and the Customs and Excise Department.

Distribution Of Expenditure

The following points highlight the distribution of total expenditure among the various Agencies, and the components of investment expenditure contained therein.

The Office of the Governor General and the agencies of Parliament, namely, the Legislature, the Service Commissions, the Electoral and Audit Departments will receive a total of \$4.814 million. This represents a marginal decline over last year's expenditure.

The General Service Agencies, which comprise the Office of the Prime Minister, the Ministry of Public Service and the Parastatal Department are earmarked to receive a total allocation of \$23.605 million. This allocation includes \$3.0 million for the Private Sector Development Program and \$1.1 million for Establishment and Facilities Management.

For the Justice Sector, which includes portfolios such as the Ministry of Legal Affairs and Labor, and the Attorney General's Chambers, a total of \$78.972 million dollars is allocated. This represents an increase of \$5.7 million. The allocation includes \$1.0 million for the procurement of Fire Fighting Vehicles and Equipment for the new Fire Stations; \$2.853 million for the capacity building component of Police Reform, which includes 60 Special Reserve Officers, 50 New Police Recruits and other related charges.

A total amount of \$498.95 million is allocated to the Economic Service Sector. Of that amount, \$108.264 million dollars is provided for Debt Service, Pensions and Contingencies. This represents a reduction of \$13.736 million over the prior year's allocation.

A sum of \$362.918 million is allocated to the Capital Investment Programme.

The Capital Inputs will be shared as follows:

1. \$45.721 million for the Ministry of Agriculture, Forestry and Fisheries. Of that amount, \$14 million is for the establishment of 800 Acres of Irrigation and 200 Acres of Drainage; \$1.2 million to commence construction of the National Abattoir; \$2.9 million to commence implementation of a five (5) year Diversification Strategy; \$3.5 million for assistance to Banana Farmers to aid in the purchase of critical inputs in the production process; \$15.3 million for the construction of two (2) Fish Landing Complexes in Soufriere and Choiseul. In addition, a further \$10.0 million is provided for the repositioning and strengthening of the sector.

2. \$1.105 million for the Small Furniture Manufacturers Project, for Consumer Education and Research, for further development of the Financial Services Sector and for the development of e-Commerce.
3. \$46.48 million to the Ministry for Communications, Works, Transportation and Public Utilities. Of that amount, \$38.178 million is for the upgrading and improvement of the road network island-wide. In addition, \$1.2 million is allocated for Community Infrastructural Development.
4. \$15.250 million to the Ministry of Finance and Economic Affairs.
5. \$116.742 million to the Ministry of Planning, Development, Housing and the Environment. This includes allocations for Land Acquisition, the Black Mallet Landslide Response, Hurricane Response, A Northern Water Supply Project, A Labor Intensive Rural Employment Programme, Renewable Energy Technologies, A Shelter Development Programme and the other relocation programmes.
6. \$23.698 million to the Tourism Sector. This represents an increase of \$1.248 million over last year. Of that, \$15.0 million is for Tourism Marketing and Promotion. This is an increase of 10% over last years marketing Budget.
7. \$251.00 million is being injected into the Social Services Sector. The Ministry of Education, Human Resource Development, Youth and Sports; the Ministry of Community Development and the Ministry of Health, Human Services, Family Affairs and Gender Relations are the administrators of this sector. This includes an allocation for the establishment of the National Cultural Foundation which will subsume the amended functions of the existing Department Of Culture.

Capital inputs into this sector include:

1. \$600,000 for preparatory works for the construction of Human Resource Development Centres at Laborie and at Grace in the Vieux-Fort North constituency.
2. \$4.273 million for the rehabilitation of schools, \$1.519 million for the National Skills Development Center, \$48.980 million for the establishment of sporting facilities; and \$45.0 million for the continuation of works on the construction of the National Stadium.
3. Of the total allocation, an amount of \$935,000 is earmarked for the purchase of equipment for Victoria Hospital, and \$5 million for the preconstruction works on the new National Hospital. Amount of 1.83 million will be allocated to fund the institutional strengthening component of Health Sector Reform.

PUBLIC SECTOR INVESTMENT

Mr. Speaker, I will now highlight the most important components of the Public Sector Investment Programme.

Road Development Programme

This Government, Mr. Speaker, in its continuing effort at improving the road network, will embark on the most comprehensive road programme ever undertaken in St. Lucia. At present, the network boasts 216 km of primary and secondary roads, of which 46.5% is in good condition, 26% is in satisfactory condition and 27.5% is in poor condition.

Mr. Speaker, this has to change. This Government has developed a project entitled, The Road Development Programme (RDP), to address this disturbing situation.

The Road Development Programme (RDP) will be implemented over a five-year period (2001 – 2006) and will involve the rehabilitation and reconstruction of over 116 km of roads island-wide.

The RDP comprises periodic maintenance and improvement works on a number of roads on the island, and strengthening of institutional arrangements in the road sector. RDP will provide for:

1. Periodic maintenance or improvement works on approximately 91.1 km of main road;
2. Periodic maintenance or improvement works on approximately 25.6 km of secondary road;
3. The engagement of consultants to undertake a study to determine the most appropriate structure for the administration and management of the road sector;
4. Engineering and consultancy services for the development of operating procedures and the establishment of quality control mechanisms for the Ministry of Communications, Works, Transport and Public Utilities;
5. The development of a capital works programme for the rehabilitation of feeder roads, village streets, and other tertiary roads.

In addition, the Ministry of Communications and Works will be implementing a preventive maintenance programme by allocating EC\$ 5 million per annum towards routine maintenance of repaired roads for the duration of the programme. We intend to ensure that the maintenance programme goes well beyond the project life and includes other critical roads.

The major roads identified for rehabilitation and improvement during this fiscal year (2001/2002) are as follows:

ROAD PROGRAMME - YEAR 1				
Roads	Start Date	Completion Date	Length (km)	Cost EC\$ (Mn)
(1) Soufriere/ Choiseul	Aug.2001	Dec.2002	14.1	11.92
(2) Choiseul/ Black Bay	Aug.2001	Dec.2002	14.1	11.31
(3) *La Resource/ Derniere Riviere	Nov.2001	Jan.2003	-	-
(4) *Richefond/ Grande Ravine	Nov.2001	Jan.2003	-	-
(5) *Deglos/Trois Piton	Nov.2001	Jan.2003	-	-
(6) *La Croix/ Grande Riviere	Nov.2001	Jan.2003	-	-

*Note: the last four (4) roads mentioned, have been tallied together

Provision has been made in the Capital Estimates for expenditure of \$23.788 million for the roads which I have just mentioned. Of that amount, \$7.2 million is allocated from local revenue, while \$16.588 million is to be funded by the Caribbean Development Bank. The full programme in years two, three and four is as follows:

ROAD PROGRAMME - YEAR 2		
Roads	Start Date	Completion Date
(1) La Toc/Morne Road	July 2002	Dec. 2003
(2) Castries/La Toc	July 2002	Dec.2003
(3) Morne Road/Cul de Sac	July 2002	Dec.2003
(4) Cul de Sac/Barre de L'Isle	July 2002	Dec.2003

ROAD PROGRAMME - YEAR 3		
Roads	Start Date	Completion Date
(5) Piaye/Saltibus	Aug. 2003	April 2004
(6) Barre de L'Isle/Dennery	July 2003	Dec. 2004
(7) Dennery/Praslin	July 2003	Dec.2004
(8) Praslin/Fond Bridge	Oct. 2003	Mar. 2005
(9) Fond Bridge/Anse Ger	Oct.2003	Mar.2005
(10) Micoud Bridge/Anse Ger	Oct.2003	Mar.2005

ROAD PROGRAMME - YEAR 4		
Roads	Start Date	Completion Date
(11) Anse Ger/Desruisseaux	Sept. 2004	Aug.2005
(12) Anse Ger/Vieux Fort	Sept.2004	Aug.2005

This programme, on completion, will ensure that St. Lucia has one of the finest road networks in the region. The fact that the Government secured funding from the CDB for this programme, allows it to divert its own resources to repairing roads in communities, particularly, in farming belts.

I am pleased to inform Honourable Members that the feasibility study on the Four Lane Highway is completed and will be presented to Government shortly.

Community Infrastructure

The Government of St. Lucia has recognized the need to improve welfare and standard of living in various communities by the provision of adequate infrastructure. Accordingly, the government seeks to address infrastructural problems which have retarded development in a number of previously neglected communities. This will be achieved via a joint approach between the Ministry of Communications, Works, Transport and Public Utilities and the communities themselves.

To this end, the government has initiated a works programme to provide solutions to problems linked to poor road infrastructure and drainage identified through constituency visits. The government has approved EC\$1 million dollars per year which will be made available to the Ministry of Communications, Works, Transport and Public Utilities. These funds will be utilized to provide, materials, labour, equipment and technical expertise necessary to address infrastructural deficiencies in various communities.

This programme will assist the government in responding to the social needs of communities, reducing social deprivation and improving the economic well-being of their members.

TOWARDS UNIVERSAL SECONDARY EDUCATION

Mr. Speaker, I turn now to a subject and portfolio dear to my heart – Education. In the past four years, this administration has chalked up an impressive record of achievement in the field of education. Notwithstanding this record, there is much that still needs to be done as education is the essential key to the possibilities of the future and, as a developing country with limited resources, there is much leap-frogging that we need to do to place ourselves on the cutting edge.

The efforts made to date have been both simple and strategic. They seek not only to solve long-neglected problems, also to build a stronger foundation for the future. The simple things that have made a difference have included working visits by Minister Michel and his team, to schools islandwide. In almost every school visited, the Minister has been told that never before had the school been visited by a Minister for Education. The more complex initiatives have included training in management for all education administrators by the Institute of Business of the University of the West Indies. They have also included the development of an Education Sector Development Plan involving the most participatory approaches. Both of these initiatives have been recognized by the World Bank as "best practices" coming out of our region for replication elsewhere.

St. Lucia has assumed a leading role in the OECS Education Reform process. We are piloting the Education Information Management System which, when fully implemented, will revolutionize the administration of schools. We are also the first country to pilot, with CLICO insurance company, a recognition scheme for teachers, designed to reward their contribution to national development.

Mr. Speaker, this government has always maintained the highest regard for the teaching profession. The OECS Education Reform Unit has called for governments to provide every teacher with a computer. However, we recognize that the education process extends well beyond the ambit of the school, embracing the community groups, family and even the society as a whole.

At present, there are no import duties and consumption taxes on computers. Nevertheless, an anomaly still exists in that duty is still charged on Hard Drives and C.D. ROM drives if they are imported separately. Therefore, if someone wishes to assemble a computer by importing the constituent parts, the Hard Drive and C.D. ROM will attract duty, whereas it will not do so if the computer is imported pre-assembled.

In recognition of the fact that a computer must be considered to be an essential learning tool, and should be routinely upgraded, we will go one step further and remove import duty and consumption taxes on all imports of C.D. ROM drives and hard drives. In addition, government will introduce a facility to make computers available to teachers at minimum cost.

A Place in Secondary School for Every Child

Mr. Speaker, in the world of politics, it is all too easy for incumbents to downplay the positive things that they have inherited and to overplay the things that they have themselves achieved. We have tried, Mr. Speaker, to avoid this temptation and in the sphere of education, we have never sought to negate the positive legacy inherited from the past. St. Lucia has always been – in the context of the wider Caribbean and within the developing world – among the most educationally progressive countries. And we continue to be so, now more than ever. One of the leading educators of our region, Professor Errol Miller asserted in an address to St. Lucian teachers of District 4, that "education is never about reconstructing the past; it is about constructing the future". And that, we submit, is our mission.

The future now requires that St. Lucia move from limited secondary opportunity to full and universal secondary education. We must move from a situation in which, even with the construction of one replacement and three new secondary schools, secondary education is accessed by only 53%, of the school age cohort. We must move rapidly to provide an opportunity for every child to enter secondary school. I am pleased to announce that the Government of St. Lucia is now entering the final stage of discussions with the World Bank for a new loan agreement that will make this dream a reality.

In our move to universal secondary education, we will be avoiding some of the pitfalls that have affected other countries. Too often the emphasis has been on the provision of more school places without due attention to other vital, related issues such as the quality of that schooling, adequate facilities, trained teachers, and student remediation. In our case Mr. Speaker, the project will involve several major elements:

- Increased access to secondary schooling, providing opportunities for the additional 6,000 students aged between 12 and 17 who do not now enjoy that right.
- Improved Quality in the provision of secondary education. Existing schools will be rehabilitated, modern facilities installed (including laboratories, libraries, computer networks and proper staff and student facilities).
- Better management and school governance The Education Management Information System will be extended to all schools.

In short, Mr. Speaker, this project with the World Bank embodies the fundamental principles of this government. Our approach to its conceptualization, its modality of implementation and its content, demonstrates what is so different between this administration and those that preceded it. Mr. Speaker, we are confident that within the next three years, we will be entering a brave new world of greater and improved opportunity for all our children, with universal secondary education of the finest quality.

Youth Development

Mr. Speaker, the state of our youth continues to concern my administration and, I am sure, the entire nation. It is also significant, Mr. Speaker, that the presentation of this annual budget will be followed by the commemoration of youth month - that determined effort by youth organizations to call attention to the achievements and potential of our younger generation.

Accordingly, we have, over the past four years, pursued a clear strategic approach to issues of youth development, and I am sure that we can address the social and economic needs of our youth in a more comprehensive and integrated manner.

We started by combining education, youth and sports into one Ministry to provide that integrated approach to the laying of the foundation of the future. At the same time, as part of a Commonwealth-wide effort, we undertook the most creative and comprehensive formulation process for youth policy. Mr. Speaker, this model is now heralded as a model to be followed by countries intending to formulate policies for youth. Last year, we launched a redesigned skills training programme which is intended to provide employable skills for our many unemployed youth. The opening of the new modern skills training center at Bisee has proven an immediate attraction as over five hundred (500) young people have registered for training.

However, the priority for this Government during this financial year will be to expand skills training to a number of other communities through the newly established National Skills Development Centre. Mr. Speaker, I am pleased to announce that \$1.5 million will be allocated for that purpose. For the first time, we will implement an apprenticeship programme for trainees of the skills programme and will offer financial assistance for youth wanting to undertake small business initiatives.

Sports

Mr. Speaker, the importance of sports in engaging the potential and promoting the capacity of our youth, is indisputable. This government has been deliberate in its attempts to re-organize and re-focus sporting development. We have completed the formulation of a sports policy to guide our actions and are near completion of a policy for physical education and sports in schools. At the national level, the construction of a national stadium and a national cricket ground are well underway, and will provide modern facilities for our sportspersons. We have provided a number of full time coaches in the Department of Youth and Sports to assist in developing a national coaching programme. Mr. Speaker, we have provided assistance to national sporting bodies to improve their programmes and, most importantly, we have increased our expenditure on school sports.

Major work will be undertaken during this financial year on the national stadium through a development grant from the Chinese Government. The national cricket ground, which is being financed largely through the National Lottery, is expected to be completed during this financial year. Mr. Speaker the Government will continue to improve on the quality and availability of playing facilities to various communities islandwide. During this financial year 600,000 dollars will be spent on the establishment and upgrading of playing fields, whilst an additional 500,000 dollars will be expanded on the upgrading of Multipurpose Courts.

Mr. Speaker, allow me to turn now from matters of Youth and Sports to the provision of water.

CONTINUED INVESTMENT IN RE-ORGANIZATION OF THE WATER SECTOR

Mr. Speaker, I am pleased to report that WASCO has entered into a technical assistance programme with the World Bank and the Caribbean Development Bank for the re-organization of the water sector. The assistance is intended to support the reforms at WASCO. They are designed to achieve more effective and efficient management, the delivery of a reliable and safe water supply, improved wastewater services and to continue the transformation of the company into a viable and marketable entity.

The project is expected to move into implementation mode by September 2001. The principal components of the project are:

1. A comprehensive review of the institutional and legislative environment of the water sector;
2. An examination of the possibilities and options for private sector participation;
3. Urgent capital works to help stabilize the water supply and improve wastewater management systems in highly vulnerable areas;
4. Institutional strengthening of WASCO; and
5. The establishment and maintenance of a Project Management Unit.

The estimated project cost is US\$7.0 million (EC\$18.9 million).

Northern Water Supply Improvement Project

The Government of St. Lucia also took the policy decision to construct a new 20-inch water transmission pipeline from Bannanes Bay to the Choc Estate Storage Facility. This is the initial component of a 3-phase project, aimed at improving the water supply to the northern part of the island, where approximately 60% of the population resides, and over 80% of the hotel plant is located. These areas are severely affected by irregular water supply, primarily due to inadequate transmission capacity from the Roseau Dam. This gravely impacts on social and commercial activities.

The pipeline, which will start at the Ciceron Water Treatment Plant, will eventually service the extreme north of the island, upon completion of phase 3 of the project.

It is expected that contractors will be mobilized by May 2001, and the project completed within 12 months. The project will cost approximately 12.2 million dollars and will be financed by a loan from the French Funding Agency, Agence Française de Développement.

Rural Water Supply Improvement Project

This Administration will tackle the relatively bigger issue of increasing transmission capacity to the north, and will ensure that WASCO has the institutional capacity to keep pace with market demand. The needs of some of the smaller rural communities will not be forgotten.

In this financial year, EC\$1.5 million dollars will be made available to improve existing water treatment and storage facilities in six (6) highly depressed communities: Thomazo, Aux Lyons, Patience, Desruisseau, Dennery and Anse La Raye. The quality of the water supply in these communities is generally compromised throughout the year, and this is particularly so during the rainy season.

INVESTMENTS IN AIR AND SEAPORTS FACILITIES

Further Improvements to Facilities at Hewanorra

During the coming fiscal year ongoing improvements to most of the systems and services at Hewanorra Airport will be accelerated. These will include further efficiency-oriented enhancements to the passenger lounges, the airport administration offices, the airline offices and other areas of the terminal.

The increased aircraft and passenger activities at Hewanorra, along with the inefficient design and layout of the terminal building have resulted in serious congestion problems in all areas of the airport during peak periods. Thus during the financial year, a comprehensive study will be conducted in order to ascertain future infrastructural requirements. A master plan for future expansion, which takes into consideration the growth in the demand for usage of the airport over the next twenty years, will be developed. Central issues which the plan must address include the development of:

- a) A Terminal facility requirements for the next 10 to 20 years
- b) A Parallel Taxiway
- c) A New Technical Block
- d) Expansion of the Apron for increased parking

It is estimated that such a study will cost approximately 2,670 million dollars and will provide the basis for a major port rationalisation and development program.

Rehabilitation of Port Vieux-Fort

This project was undertaken to repair storm damage and upgrade the facility in order to increase its ability to withstand future disasters. The final component of this project entails the completion of substantial rock armouring works on the southern slope and will be undertaken during the ensuing year.

Technical Study on the Development of Ports

There is the need to conduct a comprehensive study on the rationalisation of ports in Saint Lucia to determine future infrastructural and service requirements. It is absolutely essential that such a study be undertaken prior to further infrastructural development at the seaports.

Presently there are six (6) ports operating in Saint Lucia:

1. Castries which is a multi-purpose port for containers, general cargo and passengers;
2. Vieux - Fort which is a multi-purpose port and can be used for the same purposes as Castries;
3. Rodney bay, which is utilised by small cruise vessels and pleasure craft;
4. Marigot Bay for pleasure craft ;
5. Soufriere for cruise and, pleasure craft and selective cargo operations; and
6. The HESS, facility which operates a Free zone for petroleum oils.

The rationalisation study will help determine the direction, in which the ports will be developed over the long term.

The vision for the transformation of the port of Castries into a cruise dominant port will be captured in that study as well as the possibilities for the development of the Cul De Sac waterfront and other areas.

It is estimated that the study will cost approximately 2.670 million dollars and will provide the basis for a major port rationalisation and development program.

IMPLEMENTATION OF HOUSING PROGRAMME

Mr. Speaker, in the 1999/2000 Budget, I outlined in great detail Government's policy thrust in Housing. Since then, considerable success has been achieved. We are now ready to move further in implementing the Housing Programme.

This ambitious programme will be financed by funds already sourced from the CDB, to the tune of EC\$25 million. This project will commence in this fiscal year and comprises several components over a three-year period.

One component is The Home Repair and Improvement Programme which will supplement available financing for home repair, improvement and retrofitting for disaster mitigation. It is anticipated that over 355 households will benefit from this Programme. The total cost of this component of the Project is set at 3 million dollars.

Of the 25 million dollars provided by CDB, 11.8 million will be allocated to a Sites and Services Programme. This programme will provide for serviced lots and basic starter houses of differing designs and various levels of completion, to cater to the varying socio-economic circumstances of low-income households. The National Housing Corporation (NHC) will implement this component. Proposed sites include Monchy in Gros Islet, Cresslands in Soufriere, Dennery, Micoud, La Fargue in Choiseul, Black Bay, Bisee and Anse La Raye. The first phase of this component will develop infrastructural works for the first three sites, yielding 400 serviced lots. Proceeds from the sale of serviced lots will be paid into the Sites and Services Fund and used to undertake similar infrastructural work at the other sites.

PROUD Programme

I am pleased to advise Honourable Members that the Programme for the Rationalization of Unplanned Developments (PROUD) is now fully operational. The PROUD Unit was established on April 3, 2000, and has commenced Phase 1 of the programme. This Programme involves the rationalization of illegally occupied areas, relocation of residents where necessary, and mechanisms for land title transfer. PROUD will enable more Saint Lucians to own land in their own country.

Over 2001-2002, the project will cost 5.88 million dollars, of which \$5.0 million has been sourced from the Caribbean Development Bank loan mentioned earlier. The balance of \$880,000 will be provided by the government.

During 2001-2002 the PROUD Unit is expected to undertake:

1. The implementation of rationalization plans in Des Barras, Pays Perdu/Garrand, La Ressource (Vieux Fort), La Tourney, (Phase One), Piaye Village, La Croix, and Ravine Poisson.
2. The relocation of residents from the communities of Des Barras, Piaye, and La Tourney.
3. The relocation of residents within the communities of Pays Perdu/Garrand, La Croix/Laborie and La Ressource (Vieux Fort).
4. The construction and installation of infrastructure (roads, drains, water & electricity) in Pays Perdu/Garrand, Des Barras, La Croix/Laborie, La Ressource (Vieux Fort), La Tourney, (Phase One), Piaye and Ravine Poisson.
5. The issuing of land title deeds to residents in Pays Perdu/Garrand, Des Barras and La Ressource (Vieux Fort, Phase One), Ravine Poisson and La Croix/Laborie.
6. Commencement of the collection of land payments in all targeted areas.

New Standards In Construction

Mr. Speaker there is one matter relating to the construction industry which I wish to address.

Public perception of the performance of building contractors is poor. It is generally felt that the construction product is not being delivered within acceptable parameters of quality, time and cost. Many of the problems of inefficiency, low productivity and general lack of competitiveness with which the industry struggles have been attributed to a general decline in the levels of skill and competence of construction personnel, and the absence of a regulatory framework. Mr. Speaker, let us be frank. Some contractors are downright dishonest and this has led to a significant loss of confidence in the sector by the general public. This we must remedy.

A mechanism for the registration and licensing of building tradesmen is to be established under the "Construction Sector Registration, Licensing and Standardization" Project. Work commenced with the preparation of a pilot project to be co-funded by CPEC.

The Project proposes to address three key areas of concern:

1. Training – to deal with the issues of skill and competence;
2. Certification – to deal with the issue of regulated entry into the industry; and
3. Standardization – to address the issue of raising the level of professional practice in the industry, better enabling its members to compete locally and regionally.

This pilot project will commence this month and will be funded by a grant of CDN\$76,000 from the Caribbean Program for Economic Competitiveness (CPEC), a subsidiary of the Canadian International Development Agency (CIDA), and from local revenue (Government counterpart contribution) and contributions from other stakeholders. The Sir Arthur Lewis Community College will undertake the training and certification programmes.

It is anticipated that representatives of organizations such as the Association of Professional Engineers, the Society of Quantity and Valuation Surveyors, Bankers Association, the Insurance Council, the Housing and Urban Development Corporation, Architects Association, the Association of Land Surveyors and the Ministry of Communications and Works, will comprise a Steering Committee to oversee implementation and facilitate continued consultations among all stakeholders.

CONCLUSION

But Mr. Speaker, it is widely believed by those schooled in the art of propaganda that that if a lie is told often enough, it will eventually be believed as truth. It is a sad reflection of the current intellectual life in St. Lucia, that cheap propaganda now serves as a substitute for honest economic discussion and debate. Indeed Mr. Speaker, chief among those guilty of this practice, are persons who once told us that our so-called friends in the international community would always look after our interests. It is ironic, Mr. Speaker, that the ones who attempted to delude the country into a false sense of security through their misplaced confidence in the benevolence of the global economy, are now the chief exponents of despair, doom, and disillusionment.

But the work of this government, Mr. Speaker, cannot be deterred by the naysayers and doomsday prophets who remain conveniently blind to the progress which this government has made in inspiring and sustaining development in this rapidly changing world of globalization and liberalization. This budget, Mr. Speaker, seeks to deepen and strengthen the process of modernization, on a sustainable and sound economic base.

More importantly, this budget breaks new ground as it effects one of the most significant reductions in direct taxes in this country in over ten years. The increase in the taxable threshold from 10,000 to 12,000 dollars means that more than 3,543 income earners will benefit from the government's tax relief measures in the first year. The combined reduction of property and income tax is a clear indication of the government's resolve to reducing the tax burden and of its commitment to ensuring that more money remains in the hands of income earners.

It is therefore, with pride and confidence, buoyed by the popular endorsement which shaped the formulation of these estimates, that I commend this budget to this Honourable House for consideration.

I move, Mr. Speaker, the second reading of the Appropriation Bill 2001/2002.