



SAINT VINCENT AND THE GRENADINES

2009 BUDGET ADDRESS

*“SOCIO-ECONOMIC DEVELOPMENT, COMPETITIVENESS,
AND FISCAL CONSOLIDATION AT A TIME OF FINANCIAL
TURMOIL AND ECONOMIC UNCERTAINTY
INTERNATIONALLY”*

Delivered by



Prime Minister and Minister of Finance

DR. THE HON. RALPH E. GONSALVES

on Monday December 1st, 2008

INTRODUCTION

Mr. Speaker, Honourable Members:

This is the eighth consecutive annual Budget that I am presenting to this Honourable House, and it is the fifteenth in which I am participating as a Member of Parliament. Never in living memory are the circumstances, internationally and regionally, as challenging in which to craft a Budget for St. Vincent and the Grenadines as at the present time. To be sure, there have hitherto been adverse external factors ranging from modern globalisation and trade liberalisation to hurricanes and storms to the economic trauma consequential upon the terrorist attacks of September 11th, 2001, in the U.S.A. to huge hikes in commodity prices especially for food and oil, but never in the last eighty years since the “Great Depression” has there been such a period of profound financial turmoil and economic uncertainty, world-wide. Expressions such as “*financial meltdown*”, “*economic tsunami*”, “*deep recession*”, and “*once-in-a-life-time economic depression*” have been uttered by responsible leaders in business, academia, and government in the capitals of the world’s major economies to describe the current condition of the international economy. And there is no informed consensus as to how deep the recession is likely to be or when the turmoil will end.

In the U.S.A. and Europe a monumental economic crisis has emerged in which the principals are innocent of the extent of the condition and have no settled or clear ideas as to the way forward. In the U.S.A. some 1.5 million persons would have lost their jobs in 2008, swelling the ranks of the unemployed to in excess of 11 million persons. Confusion reigns in the citadels of international capitalism. Meanwhile the faces of men and women are strained and anxious in New York, London, Paris and elsewhere. Workers in the developed countries and emerging economies are more concerned about holding their jobs than in seeking pay increases. Investors are focussed more on holding on to their investments, not creaming off abnormal profits.

Small, developing, open economies like that of St. Vincent and the Grenadines are particularly vulnerable from the ill winds which blow from this vortex of turmoil and uncertainty internationally. Beneficial trade, tourism, investment and remittances become casualties to one degree or another. Regionally, there has already been a marked economic slow-down in 2008 and the economic prospects for 2009 are not rosy. For example, the regional economic power-house, Trinidad and Tobago, has recently had to slash some EC \$3 billion from its approved budget for 2008-2009. Prices for its energy exports have declined. Still, the Government of Trinidad and Tobago, intends to remain faithful to its

regional commitment to make assistance available through its Caricom Petroleum Facility.

In St. Vincent and the Grenadines we have so far been spared any instability in our banking and financial system because the banks are well-regulated through the Eastern Caribbean Central Bank as part of the Eastern Caribbean Currency Union. However, in the macro-economy there has been a deceleration of economic growth in 2008 compared with the robust acceleration recorded in 2006 and 2007. In 2009, modest economic growth is forecast. We must ever be cognizant that St. Vincent and the Grenadines is a small, vulnerable, open economy with a relatively narrow economic base. It is remarkable, though, that despite all the external economic and climatic shocks of recent years, our country has not only survived but thrived. Still, we must be ever mindful of our level of development or under-development, and of our goals, our possibilities, our strengths, and our quest for upliftment.

Meanwhile, the fiscal situation of the central government in St. Vincent and the Grenadines has remained stable, though challenging, through careful management of the available resources.

It is in this immediate context and against the pre-existing background of our economy structurally and empirically, that this Budget is fashioned. The central focus remains the quest to build a modern, competitive, many-sided, post-colonial economy which is at once local, national, regional, and global. There is no need to alter the fundamental underpinnings of the government's people-centred vision, its well-articulated over-arching economic philosophy, grounded in a tri-partite base of the private, public and cooperative sectors, its socio-economic policies, and specific programmes. At the same time, prudent adjustments, re-fashioned emphases, boldly creative responses, and other targeted strategic interventions are demanded for these more challenging times and circumstances.

Accordingly, the central theme of our Budget for the upcoming year revolves around continued socio-economic development, competitiveness, and fiscal consolidation at a time of financial turmoil and economic uncertainty internationally. This country's monetary policy remains focussed on currency stability, an efficacious regulatory regime, economic growth, the containment of inflation, and fiscal consolidation. All this has been recently re-confirmed at the October 2008 meeting of the Monetary Council of the Eastern Caribbean Central Bank.

On the fiscal side, more than ever, the Government remains committed to a counter-cyclical fiscal policy which is at once prudent and enterprising. Any other approach in these especially challenging

economic circumstances would be folly in the short-term and short-sighted in the long-run. A pro-cyclical fiscal policy would merely hasten hardship and halt the prospect of an economic advance when the next up-turn occurs internationally. Indeed, a pro-cyclical fiscal policy is a path to economic ruin, especially for the poor and working people, but also for the nation as a whole. Thus, my government rejects as a wholly bad idea, uttered by those who embrace a “reckless conservatism”, that because of a supposedly short-term macro-economic compulsion, we must cut capital spending on worthwhile public investment, especially in productive infrastructure, education, and health, or chop worthwhile social programmes designed to protect and advance our citizens, particularly the most vulnerable.

At the same time, the admixture of prudence and enterprise in fiscal policy and practice must become ever more refocused and creative to ensure continued socio-economic progress, sharpened business competitiveness, further tax reductions, targeted public sector investments, sensible debt management, fiscal consolidation, and overall macro-economic stability. This Budget contains several initiatives, in addition to pre-existing ones, to achieve these commendable objectives.

Central to this bundle of creative initiatives and focussed continuity are the following:-

1. The deepening and consolidation of the Education Revolution, including a more rapid absorption of relevant know-how, technology, and applied science, for living and production.
2. An intensification of the war against poverty - especially the seemingly intractable pockets thereof. This is vital in ensuring, too, an increased equity and an equality of opportunity in the society. The elderly, poor and economically-disadvantaged children constitute a special focus for action.
3. The creation of more jobs, particularly quality jobs, and a continued reform of the labour market. These policy issues are inextricably bound, too, with the twin processes of rural transformation and rapid urbanisation.
4. The further reduction of taxation to the benefit of companies and individuals. Moreover, there will be a refashioning of the tax system to bolster business competitiveness, fairness and equity.
5. The provision of additional and targeted financing and incentives for the private sector in fishing, tourism, agriculture,

the information technology industry, and specified manufacturing enterprises.

6. An emphasis on the National Food Production Plan and Rural Transformation.
7. A sharpened focus of the public sector investment programme on infrastructural enhancement linked directly to production, and on economic and human resources development, within the context of fiscal prudence. Indeed, this kind of sensible government spending also facilitates the private sector in their investments in existing and newer industries.
8. A more robust mobilisation of direct private investment, from local, foreign and diaspora sources.
9. An appropriate and developmental National Energy Policy, including initiatives in alternative energy such as solar, wind, and geo-thermal.
10. A strategic focus on more efficient road transportation, airport and seaport development, air and sea transport.
11. A more profound deepening of regional integration within the OECS and CARICOM as a strategic imperative.
12. An improved good governance apparatus including further public sector reform, the enhancement of the partnership between government and civil society, the final realisation of constitutional reform, and a proper maintenance of law, order, and national security.
13. The further broadening of a productive foreign policy, including that related to the economy and trade, which is at once principled, progressive and pragmatic.
14. The continuing quest to uplift the spirit, dream, and reality of our nation and our Caribbean civilisation. Our “Vincy Homecoming” venture for 2009 is thus vital in this regard.

So Mr. Speaker, Honourable Members, my government is presenting its many-sided Budget for life, living, production, and efficacious economic management. This is truly a “People’s Budget”, a “Budget Fit for the Challenging Times.” All this, and more, will be encompassed in the National Social and Economic Development Plan, 2009 to 2025, which will be unveiled in the first quarter of 2009. Critical accompanying policy

documents include the Interim Poverty Reduction Strategy, The Social Contract hammered out in unison with civil society, The Draft Fiscal Covenant, The Strategic Plan for Rural Development, and the evolving Strategic Plan for Urban Development.

DOMESTIC ECONOMY

Economic growth in SVG has strengthened in recent years, averaging about 6.0 percent per annum during the period 2004-2007. Domestic demand has been one of the key drivers of this growth reflecting robust private consumption and investment spending. Preliminary data indicate that economic activity increased by 7.0 percent in 2007, following a 7.6 percent growth in 2006. Moderate to robust real growth rates were recorded for all sectors and associated sub-sectors, except the Air Transport sub-sector, which recorded a 13.3 percent decline.

For the second consecutive year, the agricultural sector experienced positive performance. In 2007, the sector grew by 9.3 percent compared with 6.6 percent in 2006. This growth was occasioned by expansion in all subsectors with the fishing subsector registering a 26.6 percent growth, while crops grew by 6.6 percent, livestock 2.9 percent and forestry 1.0 percent. Bananas grew marginally by 1.6 percent despite the negative impact of the Moko disease and damage caused by hurricane "Dean".

The Construction sector remained the major driver of economic activity in 2007 with value-added increasing by 14.4 percent compared with an 11.4 percent growth in 2006. The sector's share of real GDP rose to 11.0 percent from 10.3 percent in 2006. Construction growth was fuelled by both public and private sector projects. Public sector projects included road rehabilitation, airport redevelopment and expansion, construction of several primary and secondary schools and the national library complex. Private sector activity focused on residential housing, hotels and resorts. The increase in residential housing activity was evidenced by an expansion of 18.6 percent in commercial bank credit for home construction and renovation, well above the 3.2 percent rate of increase recorded in 2006. Concomitant with increased activity in construction, real value-added from Mining and Quarrying, comparatively small in dollar value, increased by 14.1 percent.

Value-added in the manufacturing sector is estimated to have increased by 1.1 percent, compared with 3.0 percent in 2006. This growth was influenced by expansion of 4.8 and 3.6 percent in the production of feeds and flour respectively. The output of rice (17.2 percent) and brewery

products (1.4 percent) declined as a result of a fall in domestic and external demand and increases in production and transportation costs.

Activity in the Transport sector which has contributed, on average, 16 percent to real GDP over the last three years, remained buoyant despite a slow-down in the rate of increase in value-added. In 2007, real value-added in this sector increased by 11.5 percent compared with 17.5 percent in 2006. This growth was propelled by a 13.9 percent increase in road transport and a 13.3 percent increase in sea transport. Meanwhile, there was a 13.3 percent decline in air transport.

Value-added in the Hotels and Restaurants sector, which is used as a proxy for Tourism, rose by 1.0 percent as it did in 2006 and its contribution to GDP fell marginally to 1.9 percent in 2007. Value-added in the Communications sector increased by 8.2 percent compared with 10.3 percent in 2006. In the Government Services sector, value-added rose by 7.1 percent, reflecting salary increases and reclassification payments made in the latter part of 2007.

The Banking and Insurance sector grew by 5.4 percent while value-added in Wholesale and Retail Trade, Electricity and Water and Other Services increased by 5.0 percent, 4.9 percent and 5.0 percent, respectively.

The Consumer Price Index revealed that the rate of inflation for 2007 was 8.3 percent compared with 4.8 percent in 2006. The group "food" which accounts for 53.6 percent of the weight in the basket of goods and services, rose by 9.4 percent. Higher prices were recorded for milk, chicken, beef, dairy products, flour and vegetables. Increases were also recorded in the group "fuel and light", which rose by 8.4 percent mainly associated with higher fuel surcharge. The group "transport and communication" increased by 4.8 percent on account of higher petroleum prices.

The fiscal operations of Central Government improved in 2007 relative to its position in 2006. The overall deficit decreased to EC\$53.7 million (3.7 percent of GDP) compared with a deficit of EC\$65.2 million (4.9 percent of GDP) for the comparative period in 2006. A Recurrent Account Surplus of EC\$52.1 million (3.5 percent of GDP) was recorded compared with one of EC\$40.2 million (3.0 percent of GDP) in 2006.

The actual capital expenditure for Central Government in 2007 amounted to EC\$145.1 million. This is a 24.0 percent increase over the fiscal year 2006. It reflected a similar implementation rate of over 60.0 percent for the same period in 2006. Financing of this capital expenditure came from external sources namely; grants \$45.3 million and external loans \$39.8 million, and domestic sources which include

local loans amounting to \$52.4 million and revenue of \$7.6 million. The main sources of grant financing came from the European Union, Taiwan and Trinidad and Tobago.

A significant amount of the capital expenditure was spent on further development of the education sector (\$35.4 million), rehabilitation of the Windward Highway (\$19.5 million), upgrade of the Arnos Vale Playing Field (\$16.5 million), improvement of the Canouan Jet Airport (\$21.6 million), and for the enhancement of security services.

The overall balance of payments position worsened in 2007, moving from a surplus of EC\$32.7 million (2.4 percent of GDP) in 2006 to a surplus of EC\$22.4 million (1.5 percent of GDP). This outcome was as a result of a large decrease in net inflows on the capital and financial account.

Liquidity in the commercial banking system fell during 2007 but remained at a high level. This was evidenced by a 1.4 percentage point decline in the liquidity ratio and a 5.6 percentage point increase in the loans to deposits ratio. Mirroring the expansion in output, the broad money supply increased by 9.6 percent in 2007, relative to 7.8 percent in 2006. This expansion reflected an increase in both narrow money (10.8%) and quasi-money by 9.0 percent. The counterpart to the expansion in the money supply was a 16.0 percent expansion in domestic credit (16.2% in 2006), reflecting in part a 27.9 percent increase in net borrowing by the Central Government. Private sector credit rose by 14.0 percent to \$863.6 million associated mainly with increased lending to households.

Economic activity in St. Vincent and the Grenadines continued to expand during the first nine months of 2008, albeit at a slower pace compared with the corresponding period of 2007. The main impetus for this growth was provided by the construction sector which is estimated to have increased by 10 percent, as reflected in a significant increase in commercial bank lending for construction and land development.

Activity in the construction sector was sustained by ongoing public sector projects, including rehabilitating the Windward highway, Canouan Airport Redevelopment, the National School Building/Expansion programme and the National Library Complex.

The consumer price index rose by some 11.6 percent for September of this year, mainly attributed to increases in food, transport and communications and fuel and light sub-indices.

The fiscal operations of the Central Government resulted in an overall deficit of \$12.4 million in the first ten months of 2008, compared with

one of \$37.1 million in the corresponding period of 2007. Developments on the capital side were mainly responsible for the smaller overall deficit as spending declined by \$23.8 million (22.1%) to \$84.1 million. The current account surplus declined by 6.8 percent to \$44.1 million compared with \$47.3 million in the corresponding period of 2007, as growth in current expenditure outstripped the 11.8 percent increase in current revenue.

Current revenue increased by 12.9 percent to \$415.2 million reflecting the full implementation of the VAT and improved compliance. Receipts from taxes on income and profits rose by \$8.0 million (9.1%) despite the reductions in tax rates which took effect from January 2008. Revenue from taxes on international trade also increased by \$13.7 million (10.6 %) due largely to an increase in the value of imports.

Current expenditure grew by 16.0 percent to \$343.3 million mainly due to increased outlays for personal emoluments, goods and services and transfers. Overall expenditure grew by 5.8 percent to \$427.6 million for the first ten months of 2008.

Mr. Speaker, real economic growth for 2008 is projected at 2 percent which amounts to a consolidation of the robust growth of recent years, but which, at the same time, reflects a slowing down of the rate of growth itself. Undoubtedly, this slowing of the rate of real growth is attributed mainly to imported inflation particularly in respect of oil, other energy products, food, building materials, raw materials for the production of goods and services, and other goods and services themselves; the weaknesses and even recession in the developed and major emerging economies; the marked decline of the preferential trade regime and market conditions for bananas in Europe; the challenges and rising cost of air transport which has adversely affected our tourism, including visitors from the Caribbean; and the inherent problems with the still narrow economic base of this small country.

Yet, amidst all the on-rushing and pressing challenges, real economic growth, admittedly modest, is occurring in 2008. There is a continued buoyancy in the construction sector, non-tourism services, and some stirrings in the fisheries sector. The growth in construction activity, resulting from domestic resources and external capital inflows, inevitably, has a positive impact on non-traded sectors, particularly wholesale and retail trade, and transport. Activity in the tourism sector is likely to decline in 2008 as St. Vincent and the Grenadines like other Caribbean countries, feel the impact of the global economic downturn, but high-end tourism products in places such as Mustique, Canouan and Palm Island are not likely to be as adversely affected immediately, or

at all. The performance in agriculture, too, is expected to have decelerated following the impact of the Moko and Leaf Spot infestations.

AGRICULTURE AND FISHERIES

During 2007, the agricultural sector faced many challenges, which undoubtedly affected the sector's performance. Notwithstanding, preliminary data indicate that value added in the sector increased by 9.3 percent over 2006. The sector's percentage contribution to GDP also remained virtually unchanged at 9.3 percent from 2006.

Some of the major challenges faced by the agricultural sector in 2007 include:

1. A severe leaf spot infestation which affected 28 percent of the banana production, and Moko disease which affected over 239 acres.
2. Steep increases in the prices of fertilizer, chemicals, seeds and other agricultural inputs due to problems in international market conditions. Further, these inputs were not always readily available.
3. Low returns associated with problems of labour availability and productivity.
4. The ongoing difficulties associated with the loss of the preferential market regime in Europe for bananas.

In 2009, the government will intensify its efforts to address these challenges. In this regard, the land-bank will become operational. This will, among other things, assist farmers whose lands have been affected by Moko disease to access alternative land. We will also ensure that the Agriculture Training Institute, which is geared towards the training of farmers in the various disciplines of agriculture, is completed. In addition, we will move forward with the modernizing of the National Agricultural Production Plan and Marketing Information System. We will also upgrade the buying depots at La Croix, Langley park, Walliabou and Belmont. When completed, these facilities will possess cool and cold storage facilities for the grading, sorting, storage and distribution of produce, including non-banana agriculture. Further, in collaboration with the Ministries of Health and Education, we will be taking deliberate steps to link agricultural production with consumption, nutrition and healthy lifestyle in support of the Wellness Revolution.

In the thrust to develop agriculture, this administration will in 2009, implement a number of agriculture-related activities. They are contained in the National Agriculture Production Plan for agriculture and fisheries and related programmes.

Mr. Speaker, Honourable Members, the Ministry of Agriculture and Fisheries unveiled in late 2007, and commenced in 2008, the full implementation of a comprehensive National Agricultural Production Plan focussed on agricultural diversification particularly in fruits, vegetables, and root crops; livestock and poultry development; rehabilitation of bananas and restructuring of the industry generally; strengthening of the arrowroot industry; agro-processing; horticultural expansion; feeder roads improvement; improved advisory and extension services; fisheries development; an upgrade in the quality of the administrative work of the Ministry; and the fight against praedial larceny.

Agriculture, Forestry, and Fisheries have been allocated a total sum of \$29.6 million in the overall Budget for 2009 comprising \$14.6 million for recurrent spending and \$15.1 million for capital expenditure. The recurrent budget for 2009 is up \$3.6 million over the actual recurrent spending in 2007 in agriculture. The capital budget for 2009 for agriculture is more focussed than before.

I am aware of some real challenges facing agriculture but I am also satisfied that much more can and should be done by the Ministry, especially in certain critical areas in both banana and non-banana agriculture. This year the nation, particularly the farmers, expect their beloved Ministry to accelerate the pace and quality of its delivery of the capital projects and on-going services. They have the quantity and quality of staff to do so; they have the material resources, including vehicles; they have been allocated a sufficiency of financial resources to implement their plans and programmes; and they possess quality administrative, technical and political leadership to put it all together. To be sure, the Ministry has chalked up many impressive achievements in many respects, but these more challenging times demand a more decided lifting of its game.

Mr. Speaker, the Ministry of Agriculture in conjunction with the Ministry of National Security has done excellent work to ensure the passage late last year of the revamped law dealing with the scourge of praedial larceny. Budgetary allocations were made in 2008 to hire twenty (20) Rural Constables to assist the Police with the implementation of the praedial larceny law. Advertisements were placed in newspapers, and on-the-ground recruitment was done but unfortunately up to now the government has been unable to secure the appointment of suitable

candidates simply because almost 100 percent of the quality applicants are female. My government has been advised that more males are required to be part of the recruitment mix; so, we are trying again. I am hopeful that all twenty persons would be appointed by January 2009. I urge qualified males to respond.

The on-going problem of poor quality feeder roads in some areas continues to limit agricultural activity. In the 2009 capital budget, under the Ministry of Works, there is an allocation of \$3 million by way of a loan from Venezuela to improve feeder roads. There is also a specific allocation of \$800,000 to rehabilitate further the Congo Valley and Kama Cabou Roads. There is, additionally, a \$2 million grant from the European Union to survey, design, and rehabilitate the road network throughout the country, from which farming communities will benefit.

Mr. Speaker, the agro-processing facilities, namely the Cassava Factory, the Coconut Water Bottling Facility, and the Lauders Dasheen and Root Crops' Plant are critical for enhancing local value-added. Each remains important despite challenges which attend them. These challenges are being sorted out.

Banana production and exports decreased in 2007 compared with 2006 reflecting the effects of untimely application of inputs, high costs and unavailability of inputs, intense dry spells, and more stringent certification standards. Exports amounted to 17,584 tonnes at a value of EC\$24.5 million. This trend continued and for the first nine months of 2008 export volumes fell to 9,057 tonnes compared with 14,553 tonnes for the corresponding period in 2007. In addition to the aforementioned factors, the fall in production also reflects a continued reduction in the retail price in supermarkets in the UK.

The impact of these challenges are exacerbated by the changing marketing regime and, as a result, we have taken measures to restructure the organization. This reorganization involves:-

The establishment of a Banana Unit within the Ministry of Agriculture, Forestry and Fisheries with responsibilities for pest and disease control, education and training, quality control, farmers registration, and a database. The restructuring also involves transferring to WINFA/Fair Trade responsibilities for marketing and farmers' liaison.

Legislation to give effect to these arrangements will soon be presented to this Honourable House.

This administration continues to place emphasis on the creation of a commercially viable fishing industry while ensuring the sustainability of

fisheries resources. The development of the appropriate infrastructure continues to play a critical role in the stimulation of growth and economic activity in the sector, and during the past year, significant achievements have been made in this regard. The project for the construction of the Owia Fisheries Complex which commenced in May 2007 would be completed by the end of December 2008. This facility, which will be managed by a government-owned company will cost over EC\$33.0 million dollars when completed.

In 2009, this administration will commence the development of the fishing port at Barrouallie which is estimated to cost EC\$1.7 million. This facility will house all blackfish processing activities and it will facilitate the improvement of hygienic standards and the general aesthetics in the Bottle and Glass area of Barrouallie.

The fleet expansion financing facility of \$6 million made available by my government for the fisher-folk is in the process of being utilized by at least two (2) entrepreneurs in the fishing industry. Others are in the pipeline. The bottlenecks in the facility are being ironed out satisfactorily. Regarding the resumption of the export of fish and other marine food products to the EU, including Martinique and Guadeloupe, the long awaited visit of the technical-administrative team from the EU was made last month to assess the Kingstown Fish Market and other fisheries facilities as satisfactory export locales. The Ministry of Fisheries is confident that SVG would be permitted, within the next 6 months, to resume our fisheries exports to the EU. This would be a tremendous boost to our fishing industry.

TOURISM

Tourism is one of the central pillars in Government's overall economic diversification strategy. It has the potential to transform the economy, increase foreign exchange earnings, as well as create quality jobs.

Total visitor arrivals in 2007 amounted to 326,609, a 6.9 percent increase over 2006. The major contributor was the cruise ship sub-sector which increased by 35.7 percent to 145,455 visitors, reflecting the increased marketing efforts of the Tourism Department. There were declines for the Stay-Over, Same-Day and Yacht categories by 8.0 percent, 24.7 percent and 7.4 percent, respectively. The decline in the stay-over category reflects largely increased cost of air travel, which particularly affected visitors from the Caribbean. At the same time, visitor arrivals from the UK and Canada registered increases of 12.8 percent and 3.1 percent, respectively.

The tourism industry continues to face many challenges. These include:

- § High airfares;
- § Decline in airlift due to closure of some airlines;
- § Lack of well-priced packages by many hoteliers;
- § Crime and harassment against visitors;
- § The credit crisis in the US and the resulting global economic slowdown.

The Government is cognizant of these challenges and is according high priority to measures aimed at counteracting their effects. Accordingly, the following activities would be pursued during 2009 and beyond:

- Establishment of the Tourism Authority to manage the sector and to provide greater focus to our marketing efforts. In this regard, the 2009 Estimates provide \$14.0 million as a subvention to this entity.
- Intensification of our tourism public awareness programme, aimed specifically at improving the knowledge and understanding of citizens about the importance of the tourism industry to St. Vincent and the Grenadines.
- The development of our products and services, the hallmark of this programme being the \$19.0 million, EU-funded Tourism Development Project phase II through which 19 sites are being upgraded. An amount of \$3.9 million has been budgeted to be spent on this project in 2009.
- Strengthen the collaborative public-private sector approach to tourism development, management and marketing. In this regard, we have already commenced work with public relations companies with a view to increasing tourist arrivals. Specifically, we are exploring our options to enhance SVG's profile as a yachtsman's paradise in the international market.
- We have purchased several vessels which will be used to increase joint patrols between the Customs and the Coast Guard. We are confident that this would help to reduce the level of crime and harassment to yachters and other visitors as well as to increase the collection of revenues.

Contingents of the Rapid Response Unit (RRU) of the Police Force are currently placed at Chateaubelair, North Windward, and Union Island to assist with the tourism security issue, among other things.

- **Develop tour packages and site-specific programmes, as part of the enhancement of our marketing thrust.**

During 2008 we completed the construction of the Jet Airport at Canouan. In addition construction work on the international airport at Argyle (details of which I would provide later in this address), is scheduled for completion in 2011. Together, these facilities will significantly enhance air access to SVG. Regarding the Canouan Jet Airport we will soon be signing a contract for the management of the Airport between the Government and a Joint Venture Company. The government is optimistic that its request for LIAT to provide air services to Canouan would be approved. These services will connect Canouan to both Barbados and Puerto Rico. American Eagle is expected to resume the Canouan flights on February 01, 2009. Meanwhile, charter jets, private jets and SVG Air provide services in and out of Canouan.

Improvements in air access are critical to the success of the many planned and ongoing private sector investments in Tourism. Some of these are:

- § **Ongoing works on Buccama, which is now estimated to be completed by 2010. This project experienced some problems in the early part of 2008 and I am happy to note that these have been worked out, and the project is now back on stream, with a work force of more than 300 persons.**
- § **Development of a resort at Baliceaux at a projected cost of over US\$200 million.**
- § **A major planned tourism development at Princess Margaret beach in Bequia involving the construction of several large villas.**
- § **Proposed expansion at Palm Island in tandem with the further development of Anchorage, Union Island.**
- § **An ongoing resort development project at the Bequia Beach Club by BM Resort Properties Limited.**
- § **Tourism development projects are also slated at several other locations in Bequia, including at Adams Bay and St. Hillaire.**
- § **A joint venture project between the Government and the Canouan Developers to build a top-class marina and real estate development project at the southern end of Canouan.**

- § Interest has been shown by respective developers for Petit Mustique, Chatham Bay in Union Island, and at Mt. Wynne/Peter's Hope and Bambereaux in St. Vincent.
- § The owners of Quatre Isle are pursuing actively a resort development there in accordance with the Quatre Isle Development Act.

Mr. Speaker, in 2009, a study will be carried out to examine the feasibility of establishing another Cruise Ship Pier, this time in North Leeward, to maximise the benefits from Cruise Tourism.

I am concerned with the accuracy and reliability of some of our economic statistics, particularly the statistics on tourist arrivals by yachts. The primary discrepancy lies in categorizing of the data. In some case all persons on board visiting yachts are categorized as crew, while in other cases the data are disaggregated. Also, yacht arrivals at some ports of entry are not captured where offices of the Immigration Department are closed, such as on holidays, weekends, and after working hours. This is just a small sample of the litany of problems with the data collection generally and for the tourism sector in particular. This is an age-old problem which we must get right.

I have therefore asked yet again that this matter be addressed with immediate effect and we have included a project in the 2009 Estimates for the upgrading of the Statistics Department through which we hope to implement corrective measures.

Mr. Speaker, in the 2009 Estimates there is a total budget of \$24.6 million allocated to Tourism. This is a significant sum and when taken in tandem with tourism-related expenditure on items such as airport development, air transport, security, roads, and health and the environment, there are ample resources available, in conjunction with the private sector to lift tourism upwards.

PRIVATE SECTOR DEVELOPMENT

The private sector in a competitive economy is a major driver of investment, growth and development. Accordingly, it is incumbent on government in conjunction with the business leaders to prod the private sector forward towards greater competitiveness and modernisation. In creating a modern, competitive economy, government has to be a catalyst for change by working in collaboration with the private sector by harnessing the creative energies of all the citizenry. These are the working premises which underpin the creation of the National

Investment Promotions Inc. (NIPI) and the Centre for Enterprise Development (CED).

The NIPI, an investment facilitation agency, which this administration established in 2004 has achieved moderate successes so far. The most notable of these are:-

- 1. Facilitating investment projects of over EC\$474.0 million of which 75 percent are for tourism-related projects. So far, 42 percent have progressed to full implementation stage.**
- 2. Securing Euro 1.1 million grant (approximately EC\$3.3 million) from the European Union under the Special Framework of Assistance (SFA) 2004, for the Investment Promotions Project.**

Mr. Speaker, Honourable Members, central to the government's thrust to stimulate private sector development, economic growth, and job creation in 2009, is the making available the sum of \$25 million, to be financed by the National Insurance Services (NIS) for on-lending to businesses and entrepreneurs in tourism and tourism-related services, selected manufacturing enterprises to enhance their regional and international competitiveness, information technology industries, commercial agriculture, and the fishing industry. These loans would bear attractive terms. The modalities of this facility would be fashioned in conjunction with the state entities and private sector over the next few weeks.

During 2007, through the CED, we began implementation of the Business Gateway Project which aims to:

- § Provide further business development services.**
- § Improve the business environment through specific policy, legislative, regulatory and institutional reforms.**
- § Develop and execute training programmes for the private sector.**
- § Provide support to private sector bodies and institutions.**
- § Establish and operationalise a business information and knowledge management system.**

Target beneficiaries have been coming forward to take advantage of the services offered through the project. As at September 2008, \$3.0 million of the total budget was spent. Expenditure is expected to increase during the first half of 2009.

Meanwhile, the successful Micro-Enterprise Loan Programme (MELP) through the State-owned NCB continues apace.

AIRPORT DEVELOPMENT AND AIR TRANSPORT

The Government of St. Vincent and the Grenadines is committed to improving air access to and from this country. This fact has been manifested in the completion of the Jet Airport in Canouan and the commencement of earthworks on our International Airport at Argyle. This, too, is reflected in my government's role as a major investor in LIAT and as a leader in pushing LIAT to enhance its services at the most competitive prices.

All of the preliminary works for the Argyle airport project have been completed and the final designs, done by a team of Cuban designers, have been completed and handed over to the Government in December 2007. IADC has been discussing these designs with local stakeholders and the regional regulatory body, the Eastern Caribbean Civil Aviation Authority (ECCAA). ECCAA has expressed its satisfaction with the designs and the quality of work done by the designers.

In August 2008, earthworks on the first kilometer of the project starting from the Stubbs Bay Cliff began in earnest. The project has so far created employment for 52 Vincentians. Many of these are technical workers who form part of the Chatoyer-Che Contingent, which also includes 47 Cuban Engineers, Technicians and Operators.

IADC's associated meteorologists at the E.T. Joshua Airport and in Venezuela continue to monitor the wind at Argyle. To date, wind data have been collected and analysed for more than two and a half years from weather stations installed within the airport zone. The results so far show that there is no significant crosswind component to necessitate the construction of a crosswind runway. IADC will continue to monitor the wind for the duration of the construction phase of the airport project to determine whether there is a need to build a crosswind runway.

With the detailed designs available to the IADC, its engineers were able to review and update the estimated cost of construction. IADC revised upwards its estimate of the project to EC\$589.0 million which is EC\$108.0 million above the 2005 estimate provided by the international consulting firm, Marshall, Macklin and Monaghan (MMM) of Canada. This revised estimate is broken down as follows: Land & House acquisition \$107.3 million; Earthworks \$279.0 million, Apron, Runway & Taxiway \$45.1 million; Terminal Building, Control Tower, Roads & Support Services \$59.5 million; Project Management \$55.0 million; and Contingencies \$43.0 million.

The higher cost of the project is reflective of a general rise in prices in the world economy and the higher than projected cost of acquiring properties on the site.

Government has been successful in putting in place a “Coalition of the Willing”, to assist in financing of the Airport. Apart from Government’s commitment to meeting the cost of property acquisition and project management (totalling EC\$163.0 million), we have now received from our coalition partners, grants (cash) and pledged grants totalling EC\$388.0 million, as follows:

Country	Grant Amount	Component to be funded
Cuba & Venezuela	EC \$279 million	Earth and site works
Austria	EC \$502,000	Equipment for earth works
Taiwan	EC \$81 million	Terminal building, roads & support services
Trinidad & Tobago	EC\$27.7 million	Earthworks and other components

The grants from Cuba and Venezuela are mostly in kind, in the form of technical expertise, machinery and materials to be used on the project. In the case of Trinidad and Tobago, a cash grant of US\$10.0 million has already been received; Austria made a payment of EC\$502,000 directly to the supplier of equipment as its contribution, and Taiwan paid EC\$6.7 million of the promised EC\$81.0 million to the government. My government is seeking further assistance from other countries so as to ease the burden of those who have pledged to contribute so much.

My government has also formally requested from the Caricom Petroleum Development Fund, financial support in the form of a soft loan and grant totalling EC\$44.8 million towards the apron, runway and taxiway component of the project. Government remains confident that CARICOM will give favourable consideration to its proposal when the Fund becomes operational in 2009.

The project will benefit, too, from technical and financial support from other countries, including Mexico, which is now providing technical assistance with the airport Master Plan, and has promised to provide training for the staff who would manage the airport. Similarly, other friendly countries, including Turkey and Malaysia have pledged to provide support.

To date, IADC has raised over EC\$70.0 million bridging loans: National Insurance Services (NIS) provided EC\$40.0 million, and the First Caribbean International Bank, EC\$30.0 million. These loans will be

repaid from sale of public land which were vested in the IADC. Thus far, the sale of land has exceeded \$21.0 million.

The IADC is also coordinating the building of a road that begins at Stubbs, crossing the airport zone at the southern end of the runway, and terminating in Argyle, in the area known as Corner Rock. The designs for this road have been completed and construction works will be done concurrently with the earthworks on the first kilometre of the runway. Meanwhile, the Windward Highway bypass road is currently under construction at a cost of US \$5.5 million and is scheduled for completion early next year.

The environmental impact assessment (EIA) of the Argyle International Airport has been completed. As part of the process of implementing the proposals contained in the final report, IADC assigned an in-house *Environmental Auditor* to lead a team of professionals drawn from other government agencies and civil society to put together and implement an Environmental Monitoring Plan. The Cuban Environmental Agency has agreed to assist with the development of the Environmental Management Plan and train the persons involved in the implementation of this plan.

IADC and the National Trust have now agreed on a plan to preserve the heritage sites within the Argyle airport zone. IADC approved an amount of EC\$460,000 requested by the National Trust to implement its Cultural Heritage Action Plan. This plan covers work on (a) retrieval and documentation of archaeological artefacts discovered during earthworks, (b) preservation of the derelict sugar mills at Escape and Argyle Gardens, and (c) preparation of a book to document the cultural heritage of Argyle. IADC and the National Trust continue to collaborate on reaching the best solution for the safe relocation of the affected petroglyphs at Yambou.

IADC is working with both the Roman Catholic Community and the Ministry of Health on the relocation of the RC Church, Cemetery and Shrine, to a four (4) acre plot of land at Spring. IADC continues to provide the RC Community with project management services for the rebuilding of their Church and infrastructure works at the site.

The Ministry of Health, assisted by the IADC, is spearheading the relocation of the cemetery. The next-of-kin of those known to have been buried at the cemetery have already been contacted for their input with the removal and reburial of the remains at the new cemetery.

Last month the IADC held a most successful symposium of local, regional and international stakeholders, including representatives of airlines, regulators, and travel agents, to address a number of relevant issues relating to the Argyle International Airport.

This mammoth undertaking of constructing an international airport is expected to be completed by the end of 2011. The Argyle site is most challenging with its three huge hills, valleys and a river. But nature did not provide us with an abundance of flat lands. So, we apply our collective talents and gifts, also with those of our friends, to turn this magnificent landscape and our enduring dream into a reality to serve our people now and for generations to come. We shall always be grateful to those who have come to our help. And posterity will record that the heroic and self-sacrificing people of Cuba and Venezuela, led respectively by Commandante Fidel and President Hugo Chavez, acted nobly in the finest traditions of internationalist solidarity.

Air Transport

The air transport sector in the region continues to exist in a state of flux as it grapples with the challenges which beset the aviation industry internationally. In the case of LIAT, we continue to safeguard our strategic interest by ensuring that there is an adequate level of airlift to and from St. Vincent and the Grenadines. We are cognizant that at times the airline has failed to live up to its promises not only to the shareholders but also to the travelling public, not least of all persons moving in and out of this country. And while we do not offer an excuse for what may be described as the airline's insensitivity or perhaps ineptitude at times, several initiatives are on the way aimed at, among other things:

- Improving the airlines technical reliability;**
- Tightening of operational controls and performance;**
- Reducing or eliminating the various airport passenger facility charges imposed by various governments;**
- Implementing cost reduction measures in the areas of maintenance, staff costs and fuel among others;**
- Maintaining and improving the collaboration with Caribbean Airlines (CAL); and**
- Seizing the opportunities created by the cessation of American Eagle's flights out of Puerto Rico to a number of Caribbean destinations.**

In addition, the airline has been having discussions with various stakeholders, including the pilots, in furtherance of its decision to open a southern base in Trinidad.

A major component of the Airline's restructuring efforts is an institutional strengthening exercise which is funded by the Caribbean Development Bank. The process is fairly advanced and is at the stage

where a consultant is being selected to make several determinations on all facets of LIAT's operations in comparison with industry standards through a thorough and objective benchmarking exercise.

EDUCATION

My government intends, in 2009, to deepen, widen, strengthen and consolidate further the Education Revolution which has been underway since 2001. Education, training, applied knowledge, science and technology are at the centre of my government's public policies for individual and collective development. They are vital for enhanced quality living and production.

In the 2009 Budget, the educational sector, broadly-defined, has been allocated approximately \$127 million or 23.0 percent of recurrent spending and \$36.8 million or 18.7 percent of capital expenditure. Every single area of education and training touching upon quantity and quality, physical facilities and equipment, students and teachers, administrators and parents, at all levels and sub-sectors of the educational system has been positively touched by this remarkable budget.

Together, all the stakeholders led by this historic Education Government, are being called upon to enhance and consolidate the gains thus far of the Education Revolution. This is a strategic imperative. It is our solemn duty, too, to ensure that the profound accomplishments of the last seven years are irreversible. Nothing this government is doing is more important than this enduring Education Revolution. Accordingly, all of us who have fashioned this policy, articulated its underlying philosophical and practical premises, implemented the programmes, and charted their ennobling trajectory, in the people's interest, must be steadfast on this veritable star ship of an epoch-making enterprise of transformation in the economy, society, and polity. We have resisted successfully, and will continue so to do, all those who have allowed their unreasonable doubts, their vanity, their commitment to a discredited ancien educational regime, or their distorted agendas, to slow-down, impede or halt this splendid Education Revolution. To be sure, there are on-going difficulties and challenges with it but never must there be any doubt of its efficacy. This is a great cause; and great causes have never been won by doubtful men and women. To this government, and to me personally, the Education Revolution is not merely a policy; it is a passion; it is profoundly solidarity-in-action; it is our civilisation at teaching and learning, living and working, adopting and adapting, parenting and mentoring, loving and caring.

Mr. Speaker, Honourable Members, from 2007 until now, my government has been in the process of constructing five secondary schools at Union Island, Barrouallie/Peter's Hope, Edinboro, Mc Kies Hill, and Fountain/Belair, and two primary schools at Port Elizabeth (Bequia) and Fair Hall. The total cost of constructing, not equipping, these seven schools is approximately \$56 million. Never in the history of St. Vincent and the Grenadines has so many schools been under construction at one and the same time.

The Fair Hall Primary School was completed in August 2008 and was opened for instruction six weeks later. The first phase of the Intermediate High School at Mc Kies Hill was completed last year and the second phase is nearing completion. The Barrouallie Secondary, the Bequia Primary, and the Edinboro Secondary (originally ear-marked as a primary school) have targeted completion dates in the first half of the next year. The Union Island Secondary is due to be completed late next year. And construction is about to start-up on the Fountain-Belair Secondary in West St. George consequent on the "no objection" from the World Bank last month for the award of the contract to the lowest evaluated responsive bidder.

The schools at Fair Hall, Edinboro, Barrouallie, and Bequia have been financed largely by loans from the Caribbean Development Bank (CDB) and local funds: the Intermediate High School has been financed wholly by the Government of St. Vincent and the Grenadines; the Fountain-Belair School is being financed mainly by a loan from the World Bank; and the one at Union Island is being financed substantially by a grant from the European Union. Indeed, the loan component of the construction of these seven schools is in excess of \$52 million. This adds to our national debt but my government considers that it is money well-borrowed and well-spent on the present and future of our young people.

Further, through grants from the European Union, by way of the 9th ACP-SVG Education Support Programme and the Special Framework of Assistance (SFA) amounting to in excess of \$12 million, a series of other educational initiatives, in physical facilities, equipment, and training have been underway over the 2007 to 2008 period, and continuing. These include the upgrading of Rural Science Laboratories at secondary schools at Adelphi, North Union, St. Clair Dacon (Carapan), Bethel High (Campden Park), and Petit Bordel. The combined cost for this upgrading amounts to \$2.95 million of which \$2.2 million is from the European Union and \$727,979 from the Government of St. Vincent and the Grenadines.

Mr. Speaker, a list of targeted educational interventions, over the 2007-2008 period, financed by the European Union, also includes: Training for

Grade 6 teachers and primary school principals; Education Management Degrees with Options; Post-Graduate Diploma in Education Management for 30 Secondary School Principals; Procurement of software licences for the teaching/learning of Physics, Chemistry, Biology, Mathematics and Language Arts; Procurement of Laptops, LCD Projectors, Computers and Microscopes for Secondary Schools; Development of Arts and Craft/Creative Arts Programme; Improved Support for Underachievers in secondary schools; Remedial Education Strategies “Certificate in Learning Support with Emphasis on Literacy and Numeracy” for 62 Primary and Secondary School Teachers at a cost of \$1.1 million; 2008 Grade 6 Assessment of Reading Capability and Evaluation of 2006-2007 Grades 7 and 8 Literacy Programme; Expansion of the Ministry’s Reading Programme in Primary Schools; Phonics Workshops for 160 Kindergarten and Grade 1 Teachers; Establishment of School Boards of Management in Primary and Secondary Schools; Comp TIA Microsoft A+ Certification Training and Needs Assessment for the Science and Technology Curriculum; and In-Service Training Workshops for Science, Maths, ICT, Arts and Craft, Drama, Music and English Language.

Mr. Speaker, Honourable Members, the SFA 2003 Education Support Programme focuses on improving access to, and quality of, early childhood education, adult, and non-formal continuing education and skills training. My government committed in our Manifesto of 2001 to lifting adult literacy for all and skills training, and in our Manifesto of 2005 to universal access to quality early childhood education for children between the ages of three and five years by 2010. We are on target.

In 2009, early childhood education centres, operated by the Ministry of Education, mainly in primary schools, would be at sixteen locations throughout St. Vincent and the Grenadines: Owia, Langley Park, Argyle, Park Hill, Biabou, Marriaqua, Cane End, Gomea, Fair Hall, Stubbs, Calliaqua, Edinboro, Layou, Troumaca, Bequia, Union Island. Moreover, there has been a substantial increase in assistance in the 2009 Budget for all privately-operated, registered pre-schools, including their physical upgrade.

Mr. Speaker, at the government-operated early childhood centres, trained staff will be available to receive the children as early as 7:00 a.m. before formal instruction begins at 9:00 a.m. and after instruction ends later in the day to enable working parents or guardians to drop off and pick up their children. This is a major development.

Mr. Speaker, Honourable Members, there has been a reorganization and consolidation of the Adult and Continuing Education (ACE) Division, which includes Skills Training, to better deliver the critical programmes therein. The Adult Literacy Crusade was quite successful over its 18-

month cycle and there has been since a mopping-up operation of pockets of illiteracy. The learners from the Crusade, however, having tasted the joy and liberation of functional literacy, are most keen on upgrading their continuing education and skills. The ACE Division will have this as a critical focus in 2009. There is currently on-going training at the Diploma and Certificate levels for 20 Adult Educators.

In 2008, construction work commenced on ACE and Skills Training Centres at Westwood Primary School, the Glen Community Centre and the Paget Farm Community Centre. Further, contracts to provide modern equipment and tools for furniture-making and carpentry have been awarded in the sum of more than \$150,000. Training has been provided, too, for instructions in competency-based programmes for skills enhancement and also specific training programmes have been unveiled in electrical installation, plumbing, drapery and dress-making, navigation and seamanship, and leather craft designs. The private sector is actively engaged in the ACE and Skills Training Programmes.

Mr. Speaker, especial recent efforts are continuing to be made in the area of Special Needs Education (SNE). Construction has commenced on the SNE Facility at Georgetown and some rehabilitative work on the Facility at Kingstown. And in August 2008, the final phase of training for 15 SNE teachers was concluded.

Under the CDB-funded Basic Education II Project, in addition to the construction of the particular schools earlier identified, a number of other components were recently completed or in the process of completion, namely: Thirty-four specialist under-graduate scholarships for secondary school teachers and fifteen additional fellowships at a cost of \$3.2 million; teacher education at the Master's level for four teachers in the Community College system; 15 fellowships for untrained graduate teachers; the training of 30 principals (15 primary, 15 secondary) in instructional leadership via the distance mode; nine fellowships at the Master's level have been awarded in the area of Curriculum Development and four in Education planning at a cost of over \$800,000; and the implementation plan for the Education Management Audit.

Mr. Speaker, Honourable Members, under the OECS Education Development Programme funded by a loan from the World Bank, in addition to the allocation for the construction of the Fountain-Belair Secondary School, there is a number of other vital interventions, on-going or prospective for 2009, including: The establishment of a Learning Resource Centre at the Curriculum Unit; the training of 67 teachers for the In-Service Pedagogical Training for Uncertified Graduate and Non-Graduate Teachers; the professional Development Grant Programme for teachers; the training of 20 teachers in the B.Ed degree in

literacy studies, on-line with UWI; the training of five teachers at undergraduate degree levels in Guidance and Counselling; the training of parents programme; and an Extra-Curricular Programme in a wide range of areas.

Mr. Speaker, Technical and Vocational Education and Training (TVET) is expanding markedly in quantity and quality. Last year, the modern Technical Centre at Kingstown, replacing the one at Richmond Hill, began operation though there has not yet been a formal opening. The facilities at the Technical College have been enhanced; so, too, the operations at the Technical Centres, nation-wide. More varied programmes are being offered and regional certification has been boosted. The private sector is fully involved, too, in this area of education.

Mr. Speaker, Honourable Members, violence has raised its ugly head in schools, in some more than others. The Ministry of Education and the SVG Teachers' Union have been making serious efforts to arrest the spread of school violence and to stamp it out altogether. Efficacious interventions including professional counseling and strengthened security measures have been taken. A Superintendent of Police has been assigned to address aspects of this problem. Parents have a critical role to play in this exercise.

Mr. Speaker, additionally in the 2009 Budget, I highlight the following:-

1. The further expansion of secondary schools at North Union, Colonarie, Buccament, Adelphi, West St. George, Sandy Bay, and J.P. Eustace, Kingstown, at a cost of \$2.5 million.
2. Upgrading of school premises at a cost of \$700,000.
3. The Book Loan Scheme Phase II at a cost of \$1.5 million;
4. The consultancy for the development of a master plan for the rehabilitation of the Grammar School and Girls' High School and for some immediate renovations to the GHS, at a cost of \$1 million;
5. The completion of the Modern National Library and the start-up of the Lecture Theatre/Performing Centre, spending \$8.5 million in 2009;
6. The completion of construction of two Learning Resource Centres at Marriaqua and Barrouallie and the start-up of

construction of two LRCs in Central and West Kingstown, and a Marine LRC at Canouan.

7. The improvement of education through Information Communication Technology (ICT).

Mr. Speaker, Honourable Members, this ICT project is of vital, overwhelming importance in the process of deepening, broadening and strengthening the Education Revolution. This ICT project is being financed through a grant from the 9th European Development Fund (EDF) at a cost of \$47 million. An allocation of \$2.8 million in the 2009 Budget is to finance the first operational phase of the project. The bulk of the grant would be spent in 2010 and 2011. This is massive!

The Government, recognising the critical importance of education to poverty alleviation, economic competitiveness and social development and in order to streamline its intervention in this sector, had developed an Education Sector Development Plan (ESDP, 2002-2007) and an accompanying Action Plan and has finalised the plan for 2008 – 2013.

As St. Vincent and the Grenadines proceeds with the implementation of the ESDP, there has been emphasis on ensuring greater relevance of the curriculum. One key overarching challenge has been the use of ICT to improve the educational management and the quality of the teaching/learning process, both in the formal and informal education system. The Government of St. Vincent and the Grenadines has recognised that ICT utilisation requires a systematic change in the delivery of educational services – administrative, teacher training, classroom delivery, and learning.

The overall objective of this programme is to develop human resources in St. Vincent and the Grenadines, through the sustainable provision of learning opportunities for all persons in the State so as to equip them with the required values, skills, attitude and knowledge necessary for creating and maintaining a productive, innovative and harmonious society. The purpose of the project is to improve the quality of education at all levels nationwide by creating opportunities to use ICT in innovative ways such as its integration into the teaching/learning process. The project has three focussed result areas:-

1. Improved educational management, administration and governance through the incorporation of effective ICT strategies.

2. Improved quality of basic education and Technical and Vocational Education and Training (TVET) through the integration of ICT.
3. Improved infrastructure at the St. Vincent and the Grenadines Community College (SVGCC) to include ICT-enhanced facilities.

Mr. Speaker, Honourable Members, in the Estimates Debate last Wednesday, I addressed a number of practical issues relating to teachers including the considerable benefits arising from reclassification for these professionals, salary increases, special incentives for teachers in secondary schools who teach Science and Mathematics, the pension arrangements for teachers in government-assisted schools, the appointment of senior graduate teachers in secondary schools and at the Community College, the scheduled appointment of graduate teachers in primary schools in 2010, and the consequences of the full operation of the autonomous integrated Community College. I do not intend to traverse that ground again today, save and except to reaffirm that no government in the history of St. Vincent and the Grenadines, from colonialism to independence and thereafter, has uplifted the teachers in every single material particular like my administration. It will continue to do so even beyond what the Teachers' Union may sometimes advocate. This government's splendid record in this regard does not have its equal anywhere in CARICOM and it stands aloft, comparatively, with other countries the world over. Long may that remain the case. My government and I personally treasure our partnership with the Teachers' Union, in the people's interest.

Mr. Speaker, Honourable Members, our students continue to perform commendably at all levels from early childhood to university level. But as always better can be done. The results this year at the Common Entrance, CXC, "A" Level, Technical and Teachers' Colleges, Technical Centres, School of Nursing, and Universities world-wide have shown marked improvements. So outstanding were the Cambridge "A" level and CAPE results that a record of thirty-four national scholarships, national exhibitions, special scholarships and awards/bursaries were awarded in September 2008. In the year 2000 there were only four! And there hangs a tale which symbolises the advance of this breathtaking Education Revolution. We are on track to achieve our aim of at least one university/college graduate on average per household by 2025, at the latest. Our students are now worldwide in practically every corner of the globe!

POVERTY REDUCTION

Mr. Speaker, Honourable Members, since 2001, the ULP administration has focussed on two main priorities, namely, the War Against Poverty, and its twin, the Education Revolution. We have emphasised that the most effective way to take people out of poverty is to put them in a position where they can work and earn income for themselves. So, first of all, at the macro-level, we have been creating the socio-economic climate to achieve higher levels of sustainable growth; and secondly, we have put in place a series of targeted strategic interventions to reduce poverty markedly. We have most assuredly made education and the empowerment of the family and the individual, vital tools in the struggle against poverty. In 2001, St. Vincent and the Grenadines had a poverty level of 37 percent of the population; indigent or “hard core” poverty stood at an unacceptably high level of over 25 percent.

In 2005, my government published a 74-page document entitled Four Years of Progress: Poverty Reduction in St. Vincent and the Grenadines, April 2001 to April 2005. In it we sketched our poverty reduction strategy, highlighted the challenges, and detailed our accomplishments accordingly. In the second term, my government has been re-emphasising the War Against Poverty as a top priority and has initiated a Country Poverty Assessment currently being carried out by Kairi Consultants out of Trinidad and Tobago. The Report of this Assessment is due in the first half of 2009.

Mr. Speaker, every major area of public policy over the past seven years has been linked inextricably to poverty reduction, especially those related to economic growth, fiscal policy, and job creation; workers’ empowerment and protection; education; health; housing and the physical infrastructure; land; disaster management; the elderly, the youths, women and the family; and good governance. Indeed, each of my budgets since 2001 has at its core the matter of poverty reduction. So, too, with this budget for 2009.

Mr. Speaker, the challenges arising from trade liberalisation, modern globalisation, imported price increases for food and fuel, the recent economic crash internationally, and climate change have impacted most severely on the poor, especially the indigent poor in St. Vincent and the Grenadines. It is for these reasons, and more, that poverty reduction remains at centre stage in our administration’s top considerations.

Earlier this year my government has had to intervene in a targeted way to relieve some hardship on the poor arising from the rising cost of food, including: An increase in minimum wages across the board; the payment of a \$20 month Cost of Living Support to persons on the state-financed

public assistance and the non-contributory aged pension at the NIS; transport subsidies for students; a subsidy on the electricity surcharge; extra monies for social welfare across the board; subsidies on agricultural imports; and special works programmes. Thousands of deserving Vincentians have obtained some relief accordingly.

Mr. Speaker, since then my government, consequent upon the requisite Actuarial Report, has secured enhanced minimum pension payments and assorted benefits for NIS beneficiaries, back-dated to January 01, 2008. Payments have been approved, too, for fisherfolk amounting to approximately \$500,000 to pay for the damage and loss to their boats and seine arising from Tropical Storm Omar. Additionally, since October 2008 a huge Special Works Road Cleaning and Repair Programme of \$3 million has been in progress.

Over the last six weeks, the reduction in the cost of imported fuel has resulted in a significant decline in the fuel surcharge for electricity and for gasoline and diesel at the pump. This has afforded all consumers, especially the poor, an ease in their financial strain.

Mr. Speaker, the overall provisions and fiscal stimuli of this budget help the poor considerably. But there are some specific allocations which I must highlight, namely:

1. Social Welfare payments (Public Assistance and Cost of Living Support) of over \$13 million;
2. Liberty Lodge for Boys: \$721,000;
3. Home-Help-for-the-Elderly: \$1.0 million;
4. The School Feeding Programme: \$2.2 million;
5. National Emergency Management Organisation: \$701,414;
6. The Nutrition Unit: \$367,446;
7. The Nutrition Support Programme: \$849,774;
8. Community Poverty Alleviation: \$900,000;
9. The Social Investment Fund: \$1.5 million;
10. Social Infrastructure Development: \$100,000;
11. Community Development: \$200,000;
12. The YES Programme: \$2.8 million;
13. Rural Poverty Alleviation: \$800,000;
14. Rural Electrification: \$150,000;
15. Rural Community Markets: \$400,000;
16. The Rural Development Facility (Georgetown): \$3 million;
17. The upgrading of Informal Human Settlements: \$750,000;
18. Housing for the Poor: \$750,000 from Central Government and \$4.6 million for first phase of the "No Income Housing Programme" through HLDC, financed by the government of the Bolivarian Republic of Venezuela.

19. Social Welfare (Transport Subsidy): \$436,800.
20. Social Welfare (Medical Administration): \$275,000

These are substantial interventions on behalf of the poor!

Mr. Speaker, Honourable Members, I would like to record my government's profound appreciation for the continued partnership with civil society in the National Economic and Social Development Council (NESDC) in addressing poverty alleviation in a focussed manner. It is NESDC which has fashioned, and published since 2003, the Interim Poverty Reduction Strategy Paper which guides my government's War Against Poverty. It is NESDEC, too, which has concluded a most important policy document entitled The Social Contract, to which my government fully subscribes. It is NESDC's veritable financing arm, the Social Investment Fund (SIF), which has done much to assist in this tough and many-sided battle with poverty. It is a matter of regret that the Opposition NDP has attacked NESDC and has pledged to dissolve it, if its forlorn hope of a return to office ever materialises. I urge the Opposition to rethink its position on this vital issue.

Mr. Speaker, undoubtedly the full and published articulation of my government's Strategic Plan for Rural Development and its evolving Strategic Plan on Urban Development will under-gird in the coming years our Nation's just War Against Poverty which it is determined to win!

HEALTH

Health maintains its place of prominence on the national agenda and the nation continues to make considerable progress in health care delivery despite the many challenges. Our vital health indicators remain stable at a level that is comparable with developed countries: maternal mortality is less than one percent, average life expectancy remains over 72 years and birth rates have fallen over the last 10 years, and infant mortality has declined markedly to 15 deaths for every 1,000 live births. These achievements are attributed to policy initiatives pursued by this administration and the emphasis placed on health care.

Primary Health Care continues to be the main axis of the health care delivery system within the state. The provision of primary health care is free to thousands of our people in their communities, with emphasis on the promotion of good health and prevention of illness. Further, with the assistance of Pan-American Health Organization, the Ministry of Health and the Environment has completed an evaluation of the Primary Health Care System and will use the results of this evaluation to embark on a

project to re-orient service to meet the changing epidemiological profile. These are important components of the Wellness Revolution which was launched formerly in September 2008.

This Revolution has several dimensions, including mental, spiritual, environmental and occupational, and is aimed at reducing the incidence of chronic non-communicable diseases, which has dominated this country's epidemiology profile in recent years. To achieve this, the entire population must work to create the enabling social, physical and economic conditions in support of wellness.

To support tangibly this Wellness Revolution, we have improved staffing in the medical and health services and in 2009, a total of 62 additional posts have been created to strengthen the medical and nursing staff in the Milton Cato Memorial Hospital (MCMH) and the Community Health Services. These new health care professionals include medical officers, staff nurses, ward sisters and nurse practitioners, among others. The emphasis on health and wellness is thus being accorded an ever higher profile as a companion to the Education Revolution.

This Wednesday, I will sign a Financing Agreement with the European Union under the 10th EDF programme. The focus of this Financing Agreement is the modernization and improvement of the Health Sector. Under this programme, it is envisaged that the intervention will be implemented through the budget support modality, which will ensure full ownership by the Government, and timely responsiveness to changing needs and priorities in the sector.

The intervention will support the following elements:

- Revision and finalisation of the National Health Sector Strategic Plan.
- Implementation of the National Health Sector Strategic Plan with interventions aimed at modernising the sector such as, among other things, cost containment and sustainable financing with modern accounting systems, rationalization and modernisation of the roles and functions of the Ministry.
- Review and update of Health Sector Legislation.
- Modernisation of ICT for the health sector.
- Quality Assurance and Monitoring & Evaluation for improved planning and management of the sector with evidence-based decision making.
- Development and implementation of a human resource development strategy.
- Finalisation and Implementation of the National Health Strategic Plan.

- The Programme will look on how to increase the effectiveness and impact of on-going HIV/AIDS initiatives.

Finally, construction work on the Georgetown Diagnostic Medical Complex which continued in 2008, is expected to be completed during the fourth quarter of 2009. This fine facility will, upon completion, provide diagnostic, surgical, laboratory, and dialysis services among other modern hospital services, and will significantly bolster the health care in our country. The estimated cost for the construction of this facility is EC\$15.0 million. The government of the Republic of Cuba is providing substantially all the equipment for this facility. The Cubans have designed this facility to our satisfaction. Currently, the Cuban professionals are spearheading the construction of this Medical Complex. It will be a beautiful 30th Anniversary Independence gift to our people.

HIV/AIDS

In the first half of 2008, we have witnessed a marked reduction in new cases of HIV/AIDS, despite an increase in the number of person tested.

Although we have revolutionized the care and treatment of HIV/AIDS, the incidence of HIV/AIDS remains an area of concern. The government remains resolute in its fight against HIV/AIDS. It continues to work with local, regional and international partners in the fight against this disease and to minimise the socio-economic impact on individuals and society. Government is currently implementing projects (from the World Bank and other donors) valued at over \$30 million on HIV/AIDS prevention programmes and activities. The National HIV/AIDS programme has gained tremendous momentum and its integrated approach involves various arms of government, Non-Governmental Organisations, Faith-Based Organisations and civil society as a whole. In 2009, emphasis will be placed on the decentralisation of care and service and the government is already negotiating grant funds through the Global Fund to continue the programme for another five (5) years.

WATER AND SOLID WASTE

One other aspect of the wellness revolution is the production of safe and reliable water supply at an affordable cost for the population. With the completion of the Windward Water Supply Project, we have increased the percentage of the population with potable water to 96 percent. In 2009, the CWSA will embark on further important expansion and improvement projects. Some of these include the first phase of the Grenadines Solid Waste Management Project, the National Water Resource Management

Project, the upgrading of water supply systems at Fancy, Dalaway, Hermitage and Layou and a new water supply system at Mamoon to address water shortages in Green-Hill and Upper Largo-Heights.

There will also be significant capital investment in information and communication technology. This will be accompanied by the construction of an additional office building at New Montrose to improve the working conditions for the technical staff of both CWSA and the Solid Waste Management Unit.

DISASTER MANAGEMENT

For yet another year, St. Vincent and the Grenadines was fortunate to be spared the brunt of each major storm and hurricane that swept the region and we thank Almighty God. Our neighbouring islands particularly Cuba and Haiti were not as fortunate and this government is committed to providing assistance to these countries in their efforts to rebuild.

Despite averting major disaster, St. Vincent and the Grenadines was adversely impacted by several periods of heavy and prolonged rainfall and storm surge(s) from Hurricane Omar. The latter, which brought surges in excess of 20 feet, resulted in an estimated EC\$6.0 million worth of damage to the western and southern coastline, fishing industry and infrastructure. In all instances, the relevant agencies were promptly mobilised to deal with immediate impacts and mitigate further disaster. In this light, our emergency responders have performed commendably.

This government is committed to mitigating the potentially devastating effects of natural disasters. During 2008, we embarked on a programme of systematic vulnerability assessments across St. Vincent and the Grenadines with funding from USAID, Caribbean Open Trade Support (COTS) Programme. The first phase of the project, comes to an end this year and will identify hazards along our coastline, and assess the likely impact of coastal erosion, sea level rise and the effects of storm surges. Steps are also being taken to mitigate disasters from landslides and the National Emergency Management Organisation (NEMO) is currently conducting a *Slope Stabilisation Project* in Paget Farm, Bequia. This UNDP funded project is aimed at establishing appropriate interventions for landslide risk. The focus will be on North Leeward in 2009.

NEMO is intensifying its efforts in disaster preparedness and will fully operationalise an FM Radio Alert Emergency System in 2009. This system, donated by the Anglican Diocese of the Northern Caribbean and Aruba is currently being tested and will allow for communication between NEMO and all key responders in the event of an emergency.

Over \$700,000 has been allocated directly to NEMO in the 2009 Budget. And NEMO has the support services of every department or agency of government and all state-enterprises, especially at the time of disasters or emergencies.

ROADS

In order to achieve economic growth and development, adequate road access is necessary and desirable. In addition, the increase in vehicular traffic necessitates the upgrade of our roads. In light of this, government has ear-marked EC\$25.4 million in the 2009 Capital Estimates specifically for road expansion and upgrade. This is in addition to approximately \$14 million in the Recurrent Estimates for roads, their maintenance, and drains.

During 2008, road expansion and rehabilitation have been hampered by the frequent unavailability of asphalt. Notwithstanding, major work continued including the Windward Highway Rehabilitation, Sans Souci to Diamond, Diamond to Kingstown, Rabacca to Sandy Bay and Sandy Bay to Fancy. Several secondary and village roads were rehabilitated during the year. We are spending more money than ever on road building and rehabilitation, but for several reasons, including lack of financial resources, topography, rainfall and inadequate institutional capacity, there is still so much undone and therefore needs to be done.

From an institutional standpoint, Government moved one step closer to establishing a statutory entity to assume the responsibilities now held by the Roads and Buildings Divisions and related entities, of the Ministry of Works. Further, an Act to establish the Roads, Buildings and General Services Authority was passed in Parliament and a Transition Committee was appointed to oversee the establishment of this Authority. The case is unanswerably strong that some divisions or units in the Ministry of Works as currently configured are not able to deliver optimally especially as regards to maintenance of roads, drains, and buildings. The Ministry seems to be better at the bigger infrastructural projects which it does in conjunction with top-class consultants and contractors and secure funding. Further, there is too much waste, inefficiency, and more, in the smaller repair and maintenance projects. This must be corrected.

During 2009, Government would undertake the following initiatives:

- Establish and operationalize the Roads, Buildings and General Services Authority as a fully functional institution.

- Begin construction of the third and final phase of the Cross Country Road linking the Leeward and Windward sides from Rose Hall to Fergusson Gap.
- Complete Rabacca to Sandy Bay of the Windward Highway Rehabilitation Project. Also, complete the Argyle realignment.
- Commence the rehabilitation of the South Leeward Highway.
- Commence a major feeder road project over a two (2) year period, targeting ten (10) kilometers of concrete road in two (2) phases. This project will focus on work in the Leeward constituencies, North Windward, North Central Windward and Marriaqua.
- Commence resurfacing of twelve (12) kilometers of village roads over a two (2) year period.

ENERGY

My government is in the process of further elaborating a comprehensive National Energy Policy through the instrumentality of the National Energy Committee, the Energy Unit at the Prime Minister's Office, and VINLEC. It is working, too, in a collaborative manner with regional governments for a Regional Energy Policy.

During the past year the cost of energy and energy related services has been one area that has occupied the close attention of this government. The spiralling cost of energy has impacted every sector of our economy and over the past year the Government has had to make strategic interventions to assist the most vulnerable in our society. In the case of electricity and transportation, these interventions have been applied through subsidies.

Despite the distribution of over 167,000 energy-saving compact fluorescent lamps to domestic customers in St. Vincent and the Grenadines during the first half of 2007, electricity consumption in 2007 was 5.8 percent higher than 2006. All sectors (i.e. domestic, commercial and industrial) saw modest increases. The average Fuel Surcharge Rate paid by customers for electricity in 2007 was 35.5 cents per kilowatt-hour or approximately 1 cent higher than the previous year 2006. During 2006 VINLEC spent EC\$44.0 million for the purchase of diesel for the generation of electricity, in 2007 that figure rose to EC\$48 million.

During the first ten months of 2008 the consumption of electricity is down 2.2 percent on 2007, and this trend is likely to continue to the end of the year. At the end of October 2008 VINLEC had spent EC\$59.7 million on diesel for the generation of electricity. The cost of diesel

projected to year end is expected to be approximately EC\$70.0 million. This significant increase in the cost of diesel has resulted in electricity consumers paying an average Fuel Surcharge of 54.5 cents for the first ten months of the year.

Mr Speaker, there is no doubt that the increases in the price of diesel in 2008 and the resulting impact on the cost of electricity have caused some distortion in our economy and social life in St. Vincent and the Grenadines, in that it has affected economic growth adversely. This Government is committed to finding a solution to reduce the country's dependence on diesel fuel for the generation of electricity. In this regard, the Government has several initiatives in conjunction with other interested parties, in promoting the use of energy from several services.

Within the next few days, VINLEC will be issuing a Request for Proposal to several companies for the development and operation of a Wind Farm of approximately 6 to 8 megawatt at Ribishi Point. If all goes well, this Wind Park could be in operation by the year 2012. In addition to this, VINLEC is requesting the services of contractors for the refurbishment of its hydroelectric plant in South Rivers and subsequently the hydroelectric plant at Richmond. When totally refurbished, the output from these generating plants is expected to increase by approximately forty percent.

The most significant impact on the cost of electricity to customers in this country would be the commercial production and use of geothermal energy. Geothermal offers the possibility of a stable and dependable source of energy at a much lower cost than the generation of electricity using diesel fuel. Mr Speaker, the Government has signed a Memorandum of Understanding with the firm Croghan Energy Limited, for the investigation of the country's geothermal potential. Representatives of the Government and Croghan Energy have been involved in several meetings. A formal agreement is in the offing, and if concluded soon, it is expected that drilling could begin sometime in the third quarter of 2009. There are some prospects, over time, for as much as 55 Megawatts of electricity from the identified Geothermal Area to be commercially produced. This is almost three times the current electricity consumption in St. Vincent and the Grenadines. More and cheaper electricity would stimulate tremendous investment and production.

Discussions are on-going, too, with investors from Germany to produce energy and heat from bio-mas.

While these are the major measures being undertaken by Government to address the cost and supply of electricity, there are several other important initiatives that are in progress or that will be implemented in

2009. One such is the building of the National Fuel Storage Facility at Lowmans Bay. This facility is expected to be completed in the fourth quarter of 2009 and will have the capacity to store 34,000 barrels (1.4 million gallons) of hydrocarbon products inclusive of diesel, gasoline, liquefied petroleum gas, and aviation fuel. With the capacity to receive large volumes of diesel and gasoline in a single shipment at Lowmans Bay, the country is expected to achieve better economies of scale in transportation, and the inherent savings should result in slightly lower fuel prices to consumers.

Mr Speaker, the Government has already announced the removal of all taxes and import duties on solar water heaters and photovoltaic panels and related accessories for the generation of electricity. In addition to this, VINLEC has announced that it is prepared to establish a relationship with individual households and businesses that are interested in installing grid-connected photovoltaic systems. During 2009 VINLEC will be installing a demonstration project at its corporate Headquarters in Kingstown, and the Government will be installing similar systems on some government buildings. Mr Speaker, I would like to encourage individuals and businesses that have the resources to make use of this initiative to use the sun's energy as a renewable form of energy in the generation of electricity and so reduce, over time, their own energy costs and the country's fuel bill.

My government has been engaged in meaningful discussion with a Taiwanese, company, MOTECH, a leader in the field of solar energy on this subject the practical action urgently. Mr Speaker, at the same time that we speak of the need to utilise more renewable forms of energy to generate our electrical energy needs, we must concentrate, too, on ensuring that we provide the infrastructure to ensure safety and security of the country's energy needs. During 2007 the Lowmans Bay Power Plant became operational, and to date VINLEC is extremely satisfied with its performance. Mr Speaker, the country is developing and there are some very important capital infrastructure works that are in progress that will place additional demands on the electricity infrastructure. In this regard, VINLEC signed last week a contract with MAN Diesel for the installation of an additional 8.6 megawatt of diesel capacity at Lowmans Bay. This phase of the expansion of the Lowmans Bay Power Plant is expected to be completed in 2011 and will cost the company some USD 17 million. The company is currently engaged in discussions with some institutions to finance this expansion of the Lowmans Bay Power Plant. This, too, will add to the public sector debt, but such an investment is inescapable and urgent.

In addition to the work completed on the Lowmans Bay Power Plant, the company expects to complete the expansion of its 33 kilovolt

Transmission Line and Substations during 2009. This project commenced in the last quarter of 2007, but has experienced some unforeseen delays. Upon completion, this project is expected to cost US\$ 9.0 million with the line extending as far north as South Rivers. Mr. Speaker, meanwhile the Petro Caribe Agreement is being implemented. The people of SVG are benefitting from savings on the deliveries of diesel for the Lowmans Bay Plant, cooking gas (LPG) and financial support. The Venezuelan government is to be appreciated for this remarkable initiative.

In respect of fuel, Cabinet has accepted the recommendation of the Monetary Council of the ECCB for the pricing of gasoline, diesel and kerosene to be done in a timely manner each time there is a change in the imported cost of the products. The price of these products will be adjusted monthly based on the average imported cost over the previous three months and in accordance with the formula which has been in existence for many years.

This three-month moving average will help to smooth out fluctuations in prices. Accordingly, in times of increasing imported cost the retail prices for petroleum products will increase at a much slower pace and in times of reducing imported cost the local retail price will be much slower to adjust.

In this collection I am pleased to announce that in light of the reduced cost of imported fuel prices for gasoline, diesel and kerosene will be reduced by \$1.60, \$1.50 and \$1.55 per gallon respectively with effect from 4 December 2008. This is the third adjustment that we have made in the past six weeks amounting to \$3.50 per gallon for gasoline and \$2.50 per gallon for diesel, per gallon, and we look forward to further downward adjustments in the coming months once the price of crude oil maintains its downward trend.

TELECOMMUNICATIONS

Just a few years ago we witnessed the dismantling of monopoly in the provision of telecommunications services in our country. Since then we have been benefiting tremendously from sharp competition in the market. Costs of telecommunications services provided have declined significantly and citizens and businesses are taking advantage of these reductions. The liberalized environment caused a seismic shift in customer loyalty and the preferred medium of communication. As a consequence, the use of the fixed-line services declined but at the same time the demand for internet services and cellular has grown.

To keep pace with these developments, the government has been modernizing its IT system in order to ensure the productivity and efficiency in the delivery of public services. The government has embarked on a campaign to interconnect all government-owned buildings and long-term-leased spaces in Kingstown. Also we will be moving towards the introduction of e-services to aid both the public and private sectors.

In our efforts to modernize the economy, special emphasis is being placed on the development of an Information and Communication Technology (ICT) Program. This program will create the appropriate environment and attract the pool of talent necessary to make it effective and sustainable. The Government of St Vincent and the Grenadines has received a grant of 4.5 million euros (approximately EC\$14.0 million) for the programme which has a special emphasis on the development of small businesses. Other components of this programme include:

1. Business skills development and e-business incubators;
2. The construction establishment of a national ICT training and incubator facility;
3. Business-oriented, e-government initiatives;
4. Networking and experience sharing.

Construction work of the facility at Diamond will commence early next year. A contract has already been awarded for this purpose.

The National ICT Advisory Forum (NICTAF) has been established. This body comprises persons from the public and private sectors and civil society.

Mr. Speaker, Honourable Members, the Ministry of Telecommunications, Science, Technology, and Industry has grown by leaps and bounds since its creation in 2001 by this government. At first, some not appreciating its strategic significance for the building of a modern, post-colonial economy scoffed at it derisively as a “Mickey Mouse” Ministry. Obviously, the mouse has roared and is now being lionised.

This Ministry has been allocated hefty sums in the 2009 Budget. Its recurrent budget is \$5.1 million or almost \$2 million more than its actual recurrent spending in 2007 and its capital budget for 2009 is \$14.7 million.

This Ministry has under its wings, among other vital departments or agencies, the following: The Bureau of Standards; Industry; the Information Technology Services Division; Science and Technology Division; and the National Institute of Technology. It is the Ministry

which interfaces with the hugely important telecommunications regulatory bodies, namely, the Eastern Caribbean Telecommunications Authority (ECTEL) and the National Telecommunications Regulatory Authority. It is the parent Ministry, too, for the Centre for Enterprise Development (CED).

Mr. Speaker, the revolution in information technology world-wide has spawned a range of services in this sector in St. Vincent and the Grenadines. Talented young entrepreneurs and professionals have gravitated into this business on their own or as employees in relevant service providers. My government is determined to provide them with every possible assistance, financial or technical.

One IT-based industry located in Kingstown, Discovery Works (Legal), employs over 320 Vincentians, including several university graduates and technologically-trained persons. It occupies two storeys of a four-storey building which stands on a quarter of an acre of land. Its core business is to process and arrange sophisticated data of a special type for its American customers. Its competitors are in India and elsewhere. Similarly, too, the Blue Sky Call Centre is another example of a modern information technology provider for the international market.

PUBLIC SECTOR REFORM

Public sector reform is paramount to sustaining development in St. Vincent and the Grenadines. As such, Government is committed to transform the Public Service into a dynamic, efficient and principled organization capable of delivering quality service. Government is also committed to the development of the appropriate human resource mechanisms in the Public Service to attract, develop and retain a cadre of professionals that is more responsive to the needs of the population.

In 2009, Government will continue the quest of achieving excellence in the Public Service. This would be done through building on quality work done to date, as well as revolutionizing human resource management to enhance the efficiency and effectiveness of service delivery. Accordingly, the following objectives would be pursued:

- Improve communication links between the public service and the citizenry.
- Optimise the use of knowledge and skills of all who demonstrate the potential for excellence through facilitating recruitment, selection, placement and retention of quality workers, as well as developing appropriate programmes for officers who do not meet the requisite standards.

- Improve the management of the public service by updating and modernizing public service statutes and regulations.

To facilitate these policy initiatives, Government will produce a comprehensive Human Resource Management Policy strategy. This strategy will be used to guide the functions related to human resource management. The document will also blend regional and international best practices into a local environment.

Restructuring of the public service, in recent years, has been far reaching. On the one hand, the reforms have involved economic restructuring and on the other hand, they have involved administrative restructuring through the creation of reformed organizational and institutional arrangements for managing and steering the public sector. In this manner we have made significant progress in public management reforms, although much remains to be done and customer's oriented public services are still some way off. That said, there are encouraging signs of progress along the following lines:-

- The state bureaucracy is being streamlined and its attention focused on improving service delivery.
- Reclassification of the public service has established the principle of an output-based system and we are now adopting modern, updated, quality standards and best practices for some public services.
- Allied to the reclassification exercise, performance measurement and pay although at the early states have been embraced by this government and is seen as a key element in the modernization of public services.
- Measures are strengthened to detect and punish public officials involved in corruption.

Youth

The largest slices of the national budget are in fact related to youth through the Education Revolution and the Ministries which touch and concern young people in one way or another. This is, as it should be, since young people between the ages of 15 and 35 years constitute the largest age cohort of the population. The addition of all children between the age of 15 years emphasises the overwhelming youthfulness of the population as a whole, although proportionately the elderly and senior elderly segments of the population are growing fast because people are living much longer than hitherto.

Mr. Speaker, in the 2009 Budget, sizeable sums of money have also been directly allocated to the category “Youth” and associated areas of Sports and Culture. Together, this amounts to \$7.6 million which includes \$2.8 million for the YES programme; \$710,000 for the National Sports Council; and \$550,000 for the Carnival Development Corporation. Additionally, the National Lotteries Authority spent in excess of \$2 million dollars in its last financial year on sports and culture; the Social Investment Fund (SIF) has ploughed more than \$2.5 million this year on youth and sporting facilities; the Special Development Projects at the Prime Minister’s Office allocate considerable sums routinely to youth, sports and culture; the Ministry of National Security has assigned \$150,000 in 2009 to “Pan Against Crime”, and the private sector contributes immensely, annually, to the youth, sports and culture. It is no wonder, therefore, that things are more than alive for youth, sports and culture in St. Vincent and the Grenadines under my administration. The poetic summation of William Wordsworth is an apt reflection of this reality:

*“Bliss was it in that dawn to be alive;
But to be young was very heaven”*

To be sure, there are real challenges to the youth such as unemployment for too many; the propensity of a small number of them, especially males, towards crime; dysfunctional families in some cases; and an insufficiency of opportunities for personal advancement. Still, much more opportunities than ever for the young have been opening up under my government and young people are progressing in innumerable ways, including their amazing creativity in diverse disciplines, as never before in the history of St. Vincent and the Grenadines. They are the jewels of our present; our inheritors and our protectors for the future, which of all times must not be desecrated.

Mr. Speaker, the review of the Result Indicators for 2008 in the Estimates briefly sketch the performance of my government regarding youth and related subject areas. Specifically, for the fiscal year 2009, the Ministry of Youth Affairs will focus on:

- § Working with the National Youth Commission and other umbrella youth organisations in revising the National Youth Policy;
- § Establishing the National Youth Foundation;
- § Lifting Further, the Youth Empowerment Service (YES) Programme to incorporate more decidedly civic education and entrepreneurship;
- § Continuing and broadening the implementation of a comprehensive “ Youth on the Block” programme,

tapping in on resources from other State agencies and public enterprises such as SIF, National Lotteries, the National Sports Council, the Micro- Enterprises Loan Programme (MELP) at the National Commercial Bank, the Land Bank, and the Centre for Enterprise Development (CED).

- § Involving the youth full in “Vincy Home Coming 2009”.
- § Developing further, and implementing a many-sided programme in sports and Physical Education;
- § Working closely with the Ministries of Health, Education Culture, Housing, Technology and Industry, Agriculture and Fisheries, National Security, and the Prime Minister’s Office on a range of youth-related activities.

Mr. Speaker, Honourable Members, the policies and programmes of the youth and connected activities can only be truly accomplished if the relevant civil society organisations are fully engaged in them. It is for this reason, among others, that my government provides grants and other supports to several such organisations including the National Youth Council, the various disciplined non-military groups like Boys Scouts and Girls Guides, Our Lady of Guadeloupe Home for Girls (\$30,000), and Marion House (\$75,000). We support, too, all sporting organisations materially. The SVG Football Federation, for example, can attest to this.

Mr. Speaker, one unsung but most remarkable area of youth development, effected this time through the Ministry of National Security, concerns the Cadets. In 2001, there were less than 100 members of the Cadet Force. It was in a state of decline despite the heroic efforts of its leaders. It received little or no support from the then Government. Today, the Cadet Force has an active membership of over 450 young men and women, including a Marine Corps. It has been strengthened institutionally and has been provided with much supportive resources. A modern headquarters for the Cadets is in the offing. And in this year’s budget an amount of \$100,000 has been allocated to the further development and expansion of the Cadet Force.

Mr Speaker, Honourable members, there are some things of which a Government as progressive and people-centred such as this one cannot do enough. These include: The provision of social welfare assistance, including building materials; road improvements and drains and back walls; housing; educational and medical services; support for culture; and, physical sporting facilities.

No government in the history of this country has spent so much in so short a time on sports facilities like my administration. Last year, we completed a comprehensively rehabilitated Playing Facility at Arnos Vale

in time for the Cricket World Cup at a cost of some \$55 million. Substantial upgrade were also done at Stubbs, Sion Hill, and Arnos Vale II. Currently prospectively in the next year we are addressing playing fields throughout St. Vincent and the Grenadines including Georgetown, South Rivers, Park Hill, Colonarie, Mt. Grenan, Sharpes, Buccament, Cumberland, Bequia, and Canouan. Further, the National Stadium Project is on track although we are expected to start-up construction fully at the earliest, very late next year or in early 2010. Additionally, several hard courts and schools' sporting facilities are being upgraded. This is a heavy work programme. Still, it is not enough but it is the most which we can realistically get done at the moment.

NATIONAL SECURITY

The Government of St. Vincent and the Grenadines is fully committed to be tough on crime and on the causes of crime. In this regard, we stand resolute to the cause of tackling head-on the criminal-minded elements in our society who will seek to destabilize the peace and tranquility of this blessed land.

An analysis of the current situation as well as the creation of mitigating measures against criminal activities demand collaboration at all levels. They demand a concerted effort locally, regionally and internationally; since criminal activities know no boundary and our region and neighbourhood is increasingly dangerous. This fact has been recognized by governments throughout CARICOM. This is manifested through the identification of a Plan of Action and a joint declaration which address the following:

- Maritime and airspace cooperation and asset sharing among CARICOM members.
- The rapid deployment of a regional joint security force.
- A region-wide information campaign against crime.
- Maximizing the use of information technology to fight crime.
- Engaging international partners in the fight against crime.

Furthermore, the Government of St. Vincent and the Grenadines in collaboration with our regional partners will operationalize at least two (2) radar systems on mainland St. Vincent. Moreover, a fully manned command system would be in operation to support this radar system. This command system would be connected to the regional security system to facilitate rapid deployment of security forces when necessary.

It is imperative that we substantively enhance the security of our coast. Therefore, we would supplement the establishment of the radar system with a continued upgrade of our fleet of coast guard vessels. With these interventions, continued success of interceptions and seizures, along with rescue missions at sea by our Coast Guard would undoubtedly be even more effective.

Additionally, the following areas would continue to receive specific attention for our security forces:

- Training in specialized areas with regards to crime scene management, firefighting techniques, school safety/security, human resource management.**
- Continuing the reform of the Royal St. Vincent and the Grenadines Police Force.**
- Further implement the main elements of the 14-point Strategic Plan on crime control and prevention.**
- The completion of the Questelles Police Station.**
- Continuation of work on the Georgetown Police Station.**
- Commencement of work on the Union Island Police Station.**
- Rehabilitation of other police stations.**
- Strengthening the excellent work of the National Commission on Crime Prevention (NCCP).**
- Expanding the successful “Pan Against Crime” initiative.**
- Developing further the Cadet Force.**

One of the most critical security issues facing our nation is the over crowded Prison with a population hovering around 390. This situation is totally unacceptable. It is for this reason that we have pursued the construction of the Modern Correctional Facility at Belle Isle. It is now anticipated that early in the New Year 2009, the transfer of some 288 Minimum Security Prisoners will be realized. A Transition team with technical assistance from the British Government is in place.

In the 2009 Capital Budget, expenditure on security amounts to \$22.5 million, or 14.4 percent of the total capital budget. Recurrent spending on the Police (inclusive of the Fire Service and Coast Guard) for 2009 is estimated at \$31.4 million and a further \$5.4 million on the Prisons.

Together, Police and Prisons account for \$36.8 million or 6.6 percent of the Recurrent Budget. These are significant sums spent to protect our people and to assist in the maintenance of law and order and to provide the safety and security necessary for legitimate economic activity to flourish.

PUBLIC DEBT

The outstanding public sector debt, that is, the public debt of the central government and State enterprises, is estimated to have increased by \$74.14 million when compared with the year ended December 31, 2007.

The sources of the growth in the public debt over the past year are as follows:-

1. An additional loan of \$40 million to the state-owned National Properties Limited from the National Insurance Services for the International Airport Development Company (IADC) in respect of the construction of the Argyle International Airport. This loan constitutes bridging finance for the IADC on the airport project and is to be repaid from the sale of lands owned by National Properties. This loan is backed by a mortgage on some of these lands and by a government guarantee.
2. A loan of \$14.6 million from the State-owned National Commercial Bank to the State-owned SVG Port Authority for the purchase of the crane now in use at the Campden Park Container Port. The amortisation of this loan is being done through the Petro Caribe agreement.
3. The disbursement of approximately \$15.44 million for the Windward Highway Rehabilitation and the Basic Education II projects financed by loans from the Caribbean Development Bank (CDB).
4. A 10-year bond, at 8.5 percent interest, totaling \$43.20 million issued on the international market. This bond was raised as part of the borrowing required to finance various projects in the Government's public sector investment programme.
5. An increase in the sum outstanding for Treasury Bills on the RGSM, which went up by \$12 million. These monies were used to assist in the financing of the capital budget.

Mr. Speaker, in 2001 when my government arrived here the public debt was 71 percent of GDP. Today, though higher in absolute terms, it is

67.4 percent of GDP. The challenge, as always, is the debt servicing which amounts to roughly one-quarter of government's recurrent revenue in 2009. In the 2009 Budget, debt servicing will consume approximately \$121 million but it is down by \$3.7 million or a 3.0 percent decline from the current year, 2008.

The details of the Public Debt are at Appendix I of the Estimates for 2009 at pages 655 to 661, inclusive.

Mr. Speaker, there are benchmarks on the Public Debt to which my government strives to adhere over the medium-to-long-term (2020), namely, a 60 percent debt-to-GDP ratio and a debt servicing indicator of 15 percent of recurrent revenue, within a context of a sustainable ratio of revenue collection to GDP. These benchmarks are sensible guidelines, not dogma of an Old Testament kind. So, both the text and the context are important for wise consideration.

St. Vincent and the Grenadines has the following ways open to it to raise monies to finance the public sector investment programme: (1) Savings or surpluses on the recurrent budget; (2) Grants, in-cash or in-kind; (3) Soft loans from multi-lateral funding agencies; and (4) Commercial loans. The simple facts of life are that the economic base of St. Vincent and the Grenadines is still too small, on account of its geographic and population size, and too narrow because of the nature of its colonial inheritance, to generate large enough savings or surpluses to contribute much more significantly in the short-run to the requisite public sector investment programme. Grants are becoming increasingly difficult to obtain. In any event, the labyrinthine and lengthy procedures of a major donor such as the European Union are exhausting; and soft loans from entities such as the World Bank and the Caribbean Development Bank are getting more expensive for a graduating country like St. Vincent and the Grenadines and are almost as procedurally problematic as those relating to grants from the European Union. Commercial loans have to be handled cautiously, skillfully, and prudently so as to avoid an excessive debt burden, yet sometimes the exigencies of the situation demand the facilitation of a commercial loan.

Mr. Speaker, these are the unvarnished facts, the compelling circumstances, the nuanced considerations, and the balancing judgements akin to those of Hebrew prophet which occupy the attention of a modern-day Prime Minister and Minister of Finance who is determined to uplift his people and their condition, a people who have become increasingly sophisticated and who are rightly in quest of more and better quality goods, services and facilities to be provided by the State.

Yet, no government has a bottomless pit of money. So, we must soberly consider all the circumstances and be prudent, yet enterprising, especially in these more challenging times. Accordingly, my government has elaborated and has been implementing, a debt management strategy which revolves around the following main elements:

1. Maintain a capital programme within the limit of our capacity to borrow while at the same time balancing our need to develop infrastructure critical to the continued development of St. Vincent and the Grenadines.
2. Strive for savings or surpluses in the recurrent budget, cutting waste, and excesses but consolidating and expanding vital social expenditure, including targeted spending on the poor. The aim is a current account surplus of at least four (4) percent of GDP.
3. Borrow on the most favourable terms especially from traditional soft-loan lenders and the Regional Governments Securities Market (RGSM).
4. Establish strict limits on the contraction of new debts and ensuring that the projects to be financed are feasible in terms of their contribution to economic development and poverty reduction, save and except in a very narrow band of special cases, where other national or social circumstances determine the projects' necessity and desirability.
5. Reduce operational losses of public enterprises. A more tightly-reined approach is to be exercised by the Monitoring Committee on Public Enterprises (MCPE), chaired by the Prime Minister, which was set up in 2001 to monitor the performances of all public enterprises.
6. Secure more desirable grant financing for the public sector investment programme.
7. Never default on a loan. On the Ottley Hall loan we deferred and entered negotiations.
8. Focus even more on the implementation of the Draft Fiscal Covenant which contains the following critical elements:
 - (a) Fiscal consolidation;
 - (b) Improvement in Public Revenue measures including compliance and administration;

- (c) Sensible management of deficits and debts;
- (d) Improvement in the productivity of public expenditure;
- (e) Transparency of public expenditure;
- (f) Safeguarding social equity through fiscal measures; and
- (g) Strengthening the institutional framework for democratic controls, accountability, and monitoring in fiscal matters.

Mr. Speaker, one final note on the Ottley Hall Project. The provisional liquidation of CCYY Limited has been terminated by an order of the Court. The assets have been transferred to the government. A State-owned Ottley Hall Development Company has been formed. And the government is receiving proposals from investors for the project's upgrade and continued operation.

FINANCIAL SECTOR

A well-developed and regulated financial sector is quintessential to the development of an economy for mobilizing savings, allocating funds to investments, and redistributing risks. If the financial system fails, this would have a devastating consequence for economic growth not to mention untold human suffering. This is why member countries of the Organisation for Economic Cooperation in Development (OECD) and other developed economies are now investing huge amounts of public funds to prop up their financial institutions.

In recent years the Government of St. Vincent and the Grenadines has made tremendous strides in modernizing the financial system and in improving the regulatory framework. We have introduced new legislation and substantially upgraded existing laws governing banks, insurance companies, pension funds, money transfer operations and businesses involved in securities and other investment products.

We have established a Regulatory Unit in the Ministry of Finance and Economic Planning to provide for a more efficacious regulation of non-bank financial institutions. The Unit currently encompasses only domestic institutions, but Government is giving active consideration for a merger of the International Financial Services Authority (IFSA) and the Regulatory Unit to form a new regulatory body. This new arrangement is one of the major components of our strategy for dealing with issues related to increasing interconnectedness of the financial system, the trend towards the formation of financial conglomerates and the blurring of distinctions between financial institutions.

We also established the Financial Intelligence Unit (FIU) in 2002 to deal with Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) issues in both our domestic and international financial institutions and

relevant businesses. The FIU has been doing extremely good work which has, among other things, resulted in successful money laundering prosecutions and convictions. There have also been many confiscation orders and as at September 2008 the balance in the Confiscated Assets Fund exceed \$650,000.00.

In 2008 we enacted the Payment System Bill to ensure, among other things, that the infrastructure and market for payment services work smoothly, efficiently and fairly to all participants and users; and to minimize the risk of transmitting shocks across the economy such as a failure to settle payment obligations by individual participants. The new Act will also enhance the role of the Central Bank in the supervisor and regulator of the payment system.

In the upcoming year we will transfer regulatory and supervisory responsibilities for credit unions and building societies to the Regulatory Unit within the Ministry of Finance and Economic Planning. In doing this we are mindful of the strong penetration which the institutions have made in our rural and urban communities and will accordingly ensure that they maintain their unique characteristics, even as we seek to enforce international standards and best practices.

We will also be amending the existing Co-operative Society Act in order to bring it in line with international prudential and accounting and financial reporting standards affecting the financial service industry. In this regard we propose to adopt the OECS Harmonized Co-operative Societies Act which has already been discussed and finalized by regional stakeholders with input from regional and international legal experts.

NATIONAL INSURANCE SERVICES

During 2008 the National Insurance Services celebrated its twenty-first year of existence and we can truly say that the organisation has reached the age of maturity. It is quite fitting therefore that this is the year that the NIS moved to its modern headquarters built at a cost of approximately \$18 million. The maturity of the NIS is also reflected in the ambitious plan to reposition the organisation to more effectively deal with the financial and demographic challenges.

In this year also the National Insurance Services conducted the Seventh Actuarial Review using projections for a fifty-year period rather than the thirty year period that was used previously. The review recommended increases in the current levels of pensions and other benefits. It also made recommendations for parametric reforms and contribution change in order to maintain the actuarial and financial soundness of the NIS

Fund. The recommended increases in benefits are which have been approved and are being paid.

The total cost of the current benefit regime as a percent of insurable earnings was 5.3 percent in 2007 and this is projected to increase to 31.6 percent by 2057, surpassing the current contribution rate of 8.0 percent of insurable earnings in 2017. At the end of 2007 there was enough reserve to pay expenses for the next 11 years, based on the current expense level.

The NIS is in its maturing phase during which time costs are expected to rise rapidly as new pensioners are receiving higher average pensions compared with their predecessors and the number of pensioners continues to grow. Indeed, the number of pensioners is now growing at a faster rate than the number of active contributors. In 2007, the Fund's dependency ratio was 100 contributors for every 15 pensioners; this is expected to change to 100 contributors for every 77 pensioners by 2057.

The report states that if parametric reforms are not adopted, it is projected that contributions collected will not be sufficient to cover expenses by 2016. The Fund would still have enough money to pay its future expenses, but the investment income, instead of being used for building up reserves, will have to supplement the contributions income to cover the expenses from 2017 to 2026. Thereafter, the reserves will also have to be used to cover the projected expenses. This will lead to a depletion of the Fund Reserves by 2040.

Accordingly, we have begun the analysis of the parametric reforms with the objective of making a final decision within the next year. This exercise will be done simultaneously with the proposed reform of the public service pension system. We will be working closely with the Pension Commission established by the Monetary Council of the Eastern Caribbean Central Bank. The final decisions would be taken after consultations with the actuary, the general public, employers and their representative organisations.

INTERNATIONAL FINANCIAL SERVICES AUTHORITY (IFSA)

Government remains committed to the further development of the International Financial Services Sector as a viable component of its economic diversification thrust. Accordingly, our strategy is one of moving from stabilization, after the delisting by the Financial Action Task Force (FATF), to growth. This growth will be pursued while at the same time ensuring that St. Vincent and the Grenadines continue to offer top

quality products and services which are in compliance with best international practices and legislation.

To achieve this goal, we will ensure that IFSA promotes efficiency in its licensing and processing of applications; that its organizational structure is appropriately adjusted to remain relevant in the market place, that its employees receive appropriate training and experience and that IFSA's technological capacity is modernized. IFSA will also forge relationships with international agencies and regulatory authorities to capitalize on opportunities for sharing of expertise and for institutional development. In October 2008, I led a team including NIPI and IFSA to four (4) European cities to promote the international financial service sector of SVG.

IFSA's immediate focus is on preparing for the upcoming mutual evaluation of our entire Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime. This evaluation will be conducted in the early part of 2009 by experts from the International Monetary Fund and would assess St. Vincent and the Grenadines' regime against the Financial Action Task Force "Forty Plus Nine Recommendations" on AML/CFT.

RESOURCE REQUIREMENTS

The Estimates of Revenue and Expenditure for the 2009 fiscal year amount to \$750.90 million. This represents an overall marginal decline of 0.9 percent or \$6.46 million when compared with the total Estimates for 2008. However, the recurrent expenditure budget is up \$35.99 million or 7 percent. On the other hand, the capital budget is down by \$42.46 million or 17.7 percent.

The reduction in total planned expenditure in 2009 resulted from an effort to present a more targeted and realistic capital programme which is aimed at stimulating economic activity within the productive sectors and through the provision of supporting infrastructure. As consequence, government's 2009 investment programme was reduced to \$197.31 million.

On the recurrent side of the budget, total recurrent outlays for 2009 amount to \$553.59 million made up of current expenditure of \$482.28 million and debt servicing of \$71.32 million. Total recurrent spending, inclusive of debt payments, is increasing by \$35.99 million or 7.0 percent over the amount budgeted for the current fiscal year, 2008.

The 2009 Budget is funded by Current Revenue of \$484.57 million and Capital Receipts of \$266.33 million.

In the context of the current global economic and financial crises, financing the 2008 Public Sector Investment Programme poses significant challenges for the Government. Our strategy is to depend as much as possible on grant financing and to borrow where necessary on the best terms available. In this regard grant financing for 2009 is projected at \$72 million or 36.1% of budgeted capital spending. This figure is much lower than the \$116.2 million projected for grant financing in the 2007 Estimates and stems from the fact that several major grant financed projects have been completed or are nearing completion. These include the Windward Highway Project Phase III (from Diamond to Kingstown), the Education Project, the Union Island Secondary School and the Owia Fish Landing Facility.

The major sources of grants for 2009 are the European Union followed by Taiwan, Trinidad and Tobago and Venezuela. The Government of St. Vincent and the Grenadines is eligible to receive some 11.8 million Euros (approximately \$40 million) from the European Union for budget support in the rural sector, representing the final allocation under Lome IV and the balances and interest under the 1993-1997 Stabex allocations. We have now satisfied the conditions for release of the first tranche of 2.6 million Euros (approximately \$12 million) and look forward to a speedy implementation of those projects to be funded from this budgetary support.

Mr. Speaker, I should point out that substantial grants in-kind from several countries, especially Cuba and Venezuela are not properly captured or at all, in the Estimates or the government accounts.

Other funding sources for the capital programme include (1) a proposed Bond issue of \$40 million which will be floated on the Regional Government Securities Market in February 2009; and (2) a proposed policy-based loan of approximately US\$25 million which we are seeking from the Caribbean Development Bank. A policy-based loan is a new quick disbursing loan product which is being used by the Caribbean Development Bank to assist its borrowing member countries in adjusting their economies. Disbursements are made against policies rather than the usual project-based disbursements to which we have grown accustomed.

FISCAL MEASURES

Fiscal measures for 2009 will concentrate on continuing the tax reform programme which we have been implementing with a high degree of success. This many-sided tax reform programme is intended to create a tax system that is efficient, equitable and simple while providing adequate and stable revenue. Further, recent developments such as the signing of the Economic Partnership agreement between the European Union and CARIFORUM means that we will need to reduce sharply, our reliance on foreign trade taxes without creating economic disincentives, by raising income taxes. To meet these challenges, we will have to get our policy priorities right and have the political will to implement the necessary reforms.

Now that the VAT has been successfully implemented the focus during 2009 will shift to the following three components:-

- (a) Continuation of the programme to improve client services and operational efficiency at the Customs and Excise Department in order to improve revenue collection and to reduce the cost of doing business in this highly open economy.**
- (b) Completion of the Property Tax Revaluation project.**
- (c) Accelerating the Income Tax Reform Programme.**

INCOME TAX REFORM

We will continue with our program of reductions in the tax rates which started in 2007. Accordingly, as from income year 2009, I propose to:-

- (1) Reduce the top marginal rate of personal income tax from 35 percent to 32.5 percent.**
- (2) Increase the tax threshold from \$17,000 to \$18,000 and**
- (3) Reduce the standard rate of company tax from 35 percent to 32.5 percent. The estimated cost of all these measures is \$8.5 million.**

Furthermore, it is my view that the policy and administrative provisions of the Income Tax Law require re-examination and fundamental reforms. This would simplify the law, improve the fairness of its distribution of the tax burden and put St. Vincent and the Grenadines in a better position to deal with developing trends in

the global economy. Among the reforms which we are considering are:-

1. Re-examination of the current preferential treatment of certain types of business income to determine whether such treatment is justified in the current environment.
2. Revisiting the differential tax treatment of economically similar types of income which complicates tax administration and presents opportunities for tax avoidance.
3. Introduction of provisions to address the needs of small businesses and to encourage their growth and development, including provisions to offset adverse impact from the introduction of the VAT.
4. The tax treatment of savings and pension income.
5. A review of the tax incentive and concession regime, and reform of the capital cost allowances to make them consistent with policy goals.
6. Review of existing tax provisions for certain sectors, for example banking and other financial institutions to bring them in line with best practices.
7. To include missing elements found in most modern tax laws, such as provisions to prevent transfer pricing issues, thin capitalization and certain types of corporate reorganization.

To facilitate this programme I propose to establish a Tax Reform Task Force, charged with developing and presenting proposals for reform of the income tax. This Task Force would seek submissions and proposals from interested individuals and groups and should complete its work no later than August 2009.

OTHER MEASURES

I also propose to carry out amendments to the Excise Tax Act and the Customs Warehouse Regulations to address certain problems which have developed.

First, the Excise Act will be amended to impose an excise tax of 10 percent on non-alcoholic beverages including mineral water and aerated water containing sugar, covered under Chapter 2202 of the Customs

Tariff. The estimated cost of this is \$0.5 million. This is to address a situation where certain items, mainly imported, have escaped the 5 percent excise imposed on aerated beverages in the 2008 Budget, on the basis of custom classification. This measure is estimated to yield approximately \$0.55 million per annum.

Secondly, the Custom Warehouse Regulations will be amended to impose a per-day charge for warehouse rent as a replacement for the current charge of \$5,000 per month or part thereof for a 40 foot container. This of course is a more rational basis for charging warehouse rent and should result in considerable savings to importers who for one reason or another are unable to clear their goods in a timely manner.

CONCLUSION

The ULP administration, from the outset, has been fully engaged in the comprehensive exercise to analyse coherently our nation's condition in its manifold interconnections, to elaborate and articulate with clarity a vision, a philosophy, a socio-economic strategy, a bundle of progressive public policies, and an array of detailed programmes by, and through, which an efficacious implementation is pursued. This administration is at once quintessentially about a vision, ideas, reality, and action. No sustained and credible intellectual or practical critique has been made of all that which has been advanced by the ULP administration.

I again summarise the central core of our administration's direction and purpose:

First, the possession of a people-centred vision of equity and equal opportunity for all, grounded in the belief in the supremacy of God and the freedom and dignity of man and woman.

Secondly, the articulation of a most progressive and advanced social democratic philosophical outlook fashioned and framed by, and in the context of, our Caribbean political economy and its Vincentian particularity, whilst drawing from a universal experience, historically.

Thirdly, the shaping of an overall conceptual framework of the further ennoblement, in socio-cultural terms, of our Caribbean civilisation and its magnificent Vincentian component.

Fourthly, the elaboration of an over-arching economic strategy which pivots around the quest to build a modern, competitive, many-sided

post-colonial economy which is at once local, national, regional, and global.

Fifthly, the adherence to an inclusive process, and deepening and broadening reality, of good, effective, democratic governance and its best practices internationally.

Sixthly, the crafting of a progressive, principled and pragmatic regional, and foreign, policy which delivers considerable benefits, all-round, to the people of St. Vincent and the Grenadines.

Within each of these broad rubrics, detailed policies and programmes touching and concerning all legitimate areas of organised society have been drawn up. Indeed, there are strategy papers, policy guidelines, reports, plans, and programmatic statements on a range of matters central to our administration's governance, including: National socio-economic development, poverty reduction, rural transformation, urban development, a social contract with civil society, education, health, housing, physical infrastructure, the core productive sectors, monetary and fiscal arrangements, sports, culture, regional integration, foreign relations, labour, business, social security, national security, energy, youths, women and children. In fact, there are additional policy and programmatic statements on sub-sectors of each of these categories, and more.

Further, the people are mobilised and properly led towards these achievable ends. As a consequence, much progress has been made, though, as always, better can surely be done. The occasional dissonance and oppositionism never focus critically on the fundamentals of the administration. Invariably they are preoccupied with trivia, side-shows, impracticalities, and vanity issues. On the central questions of the nation's governance no credible alternative is proffered. Indeed, none has been shown to be available elsewhere.

So, in the year 2008, the ULP administration has consolidated and extended the Education Revolution and Housing Revolution; launched the Wellness Revolution and enhanced the delivery of health services; stepped up its war on poverty; made giant strides in airport development; built up the physical infrastructure, including roads; created more jobs and helped to grow the economy; unveiled further developmental initiatives in the productive sectors; strengthened social security and national security; further consolidated and improved the fiscal condition of the central government operations; encouraged and facilitated in practical terms business and investment, both local and foreign; evolved a sensible energy policy; lifted our nation's cultural and political consciousness; advanced further on the road to imminent constitutional

reform; deepened and extended administrative reforms, including the conclusion of the reclassification exercise in the public service; uplifted sports and culture; profoundly engaged civil society; raised the overall quality of our citizen's lives; and targeted hitherto marginalised groups in the society for especial developmental attention. All this and more constitute an impressive record.

Mr. Speaker, in addition to a very sound performance through the central government, there have been again, this year, commendable progress in the operations of State enterprises such as the National Commercial Bank, the National Investments Promotions Incorporated, the National Properties, the National Lotteries Authority, the National Insurance Services, the International Airport Development Company, VINLEC, CWSA, and the International Financial Services Authority. To be sure, some other State enterprises have not performed as well as they ought to have done but in each such case there is on-going monitoring and sensible, practical reforms in train for improved performance, as determined through appropriate mechanisms of the State, including the Monitoring Committee on Public Enterprises.

In 2009 more development work would be done within the frame of the vision, philosophy, our Caribbeaness, the economic strategy, policies and programmes of our administration as laid out in this Budget and the Estimates. Sensible continuity from 2008 and fresh initiatives abound in the 2009 Budget. Among the core projects and programmes for 2009 include:-

1. The continued enhancement of the Education Revolution especially in the areas of Early Childhood Education, Special Education, Technical Education, and Adult and Continuing Education. All other areas, of course, are being beefed up markedly. Much construction work would be concluded on schools and other educational institutions. Work will begin on others.
2. The continuation of the construction of the Argyle International Airport.
3. The commencement of the central link road in the Cross Country Road Project to join the back of Rose Hall on the Leeward side with Fergusson on the Windward side.
4. The launch of the "No Income Housing Programme".
5. The completion of the Modern Library and the start-up of the construction of the Lecture Theatre/Performing Centre.

6. The completion of the Modern Diagnostic Medical Complex at Georgetown.
7. The operationalisation of the Modern Fishing Complex at Owia.
8. The on-going construction of several Police Stations and the completion of the construction of the Station at Questelles.
9. The continuation and initiation of a massive programme in the field of Information and Communications Technology (ICT).
10. The operational establishment of the National Tourism Authority and the Bridges, Roads and General Services Authority.
11. The completion of the process of Constitutional Reform, including the holding of the referendum.
12. The further deepening of OECS integration towards an Economic Union and of CARICOM.
13. The continuation of the integration initiative between the OECS and Trinidad and Tobago within the context of a quest for a more perfect union in CARICOM.
14. The commencement of the implementation process of the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union.
15. The full unfolding of Vincy Homecoming 2009.
16. The pursuance of additional fiscal and tax reforms, including the reduction of personal and corporate income tax.
17. The provision of EC \$25 million in loan funds on favourable terms to fisher-folk for fleet expansion, small hoteliers, selected manufacturers for regional/global competitiveness, entrepreneurs in the information technology businesses, and agriculture.
18. The start-up of the full implementation of the Rural Transformation Strategic Plan.
19. The completion of the National Social and Economic Development Plan, 2009 to 2020.

20. The elaboration of a comprehensive strategic plan for further urban development, and the revitalisation of certain sections of city Kingstown, including Little Tokyo.
21. The continuation or full flowering of considerable private foreign direct investment in tourism development at Buccament, several sites in Bequia, Mt. Wynne/Peter's Hope, Bambereaux, Quatre Isle, Canouan, Balliceaux, Union Island, Mayreau, and Petit Mustique.

Mr. Speaker, these measures and initiatives, among others, make up a formidable bundle in the quest to enhance significantly our nation's socio-economic development and to facilitate the process for economic take-off in the extant challenging circumstances. It is self-evident that the twin fiscal stimulus in this Budget of tax relief for both business and individuals, including those in the middle-income category, and the substantial, targeted public sector investment programme would contribute immensely to economic growth and business competitiveness. Additionally, the targeted investment monies, for the private sector, on favourable terms, to various productive sectors and specified enterprises, would lift the production of goods and services and create further employment.

Mr. Speaker, on the 29th anniversary of our nation's independence on October 27, 2008. I announced a series of measures which lifted the spirit of an overwhelming number of our nationals. First, the increase in a range of benefits under the National Insurance Services (NIS) including minimum provisions backdated to January 01, 2008. All these retroactive enhancements in NIS benefits touch positively over 3,244 beneficiaries directly at a cost of \$1.45 million. Secondly, a revised figure of in excess of \$490,000 is being paid, in full, to fisher-folk who suffered loss or damage to their boats and seine as a consequence of Tropical Storm Omar and an earlier storm. Thirdly, a massive Christmas Road Cleaning and Repair Works Programme of \$3 million is currently underway involving over 6,000 workers in road gangs and job-work. And fourthly, the importers of family barrels for Christmas again this year have these barrels enter duty-free between the period November 17th to December 31st, 2008. Over 17,000 barrels are expected to be cleared duty-free.

Mr. Speaker, earlier this year, from July 01, 2008, as part of the targeted strategic interventions to assist our economically disadvantaged citizens with the increased cost of living, my government has been paying to recipients of public assistance and the non-contributory aged assistance pension through the NIS, and the most lowly-paid of government's daily-paid employees, a Cost-of-Living Support Payment of \$20.00 per month.

Although the cost of living has been falling recently, particularly since the drop in the price of imported fuel, and food, my government will continue to pay this \$20 Cost-of-Living Support. Some 8,800 persons benefit from this payment at a cost of \$176,000 monthly or \$2.1 million annually.

Earlier this year, too, from July 01, 2008, all categories of workers who are embraced by the Minimum Wage Regulations had their minimum wages substantially increased by between 20 to 30 percent for various categories of workers.

In the month of December 2007 the following will receive additional benefits or enhancements:-

1. Established public employees under the Reclassification Exercise will be paid an aggregate of \$4 million arising out of the Joint Evaluation and Appeals processes from the first phase (R1) of the Reclassification Exercise. Over 500 public employees will benefit accordingly. Similarly most established central government employees (teachers, public servants, nurses, policemen/ women) received their R2 (second phase of the Reclassification) salary enhancement in November 2008, backdated to July 01, 2008.
2. 7,700 of our citizens, comprising elderly persons who are economically disadvantaged, some persons who are physically disadvantaged, and deserving children or students who receive a monthly stipend in public assistance or those who receive the non-contributory aged pension, and disabled pensioners under the NIS, will get a special \$75 Christmas bonus when they receive their regular December payment. This bonus will cost some \$600,000.
3. All central government employees will receive a tax-free bonus of \$250 if they worked in excess of 150 days per year; those who work up to 150 days with a minimum of 100 days will receive one-half of the bonus, that is, \$125.00. This bonus will cost the Treasury in excess of \$1.5 million. I fully expect that the State enterprises and the private sector would follow-suit with Christmas bonuses for their employees.
4. All banana farmers, and other farmers, are benefiting from a special supply of 6,000 sacks of fertiliser of 100 pounds each courtesy the government of the Bolivarian Republic of Venezuela through the Petro Caribe agreement. These

recipients will pay only a very small minimum handling charge for each sack of fertiliser. The cost of this benefit is \$780,000.

So, Mr. Speaker, the total additional payments in the aggregate, for November and December 2008 amount to in excess of \$18 million. This sum is additional to the on-going expenditures both recurrent and capital. These additional payments resonate as economic stimuli, equity and fairness, production and productivity, caring and love.

In this Budget in addition to the tax cuts detailed earlier for businesses and individuals there will be salary increases of twelve (12) percent for central government employees spread over three (3) years as follows:- 2009, three percent; 2010, five percent; 2011, four percent. Since 2001 onwards these employees, too, have received substantial increases in benefits in terms of emoluments, wages, bonuses, allowances, and non-salary benefits such as education and training and the 100 percent mortgage programme.

Mr. Speaker, this 2009 Budget has touched positively, and will further uplift every segment of our population: Public servants, teachers, nurses, policemen/women, professionals of all kinds, farmers, fisher-folk, construction workers and skilled artisans, casual workers, employees in the service sector, sporting and cultural communities, business persons, entrepreneurs, self-employed individuals, the elderly and the young, women and children. Never in the history of St. Vincent and the Grenadines has a government so placed the people as a whole at the centre of its budgetary considerations as the ULP administration has been doing over the past 7 years.

Similarly, since 2001, my government has engaged the general public and specific stakeholders in meaningful consultations on the shaping of its annual budgets. This year the Ministers of government, officials, and I have held face-to-face consultations with bankers, insurance executives, manufacturers, merchants, hoteliers and other providers of tourism services, assorted entrepreneurs, trade unions, farmers, fisher-folk, and representatives of the Chamber of Industry and Commerce and the Hotels and Tourism Association. I was also on a three-hour interactive live radio programme on three radio stations, along with the Budget Director, discussing the 2009 Budget. Many of the ideas and proposals of the stakeholders and the people generally, appear in this Budget. This is classic participatory democracy in action which has been the hallmark of my administration.

The insights and enthusiasm of the interest groups and the people on the Budget always encourage me in my long-standing assessment of our

people as being serious, focussed and determined, yet joyous, in advancing the interest of the nation as a whole.

It is in the same vein that I urge all our citizens to redouble their efforts to be more disciplined, productive, law-abiding, and respectful of each other. In these more challenging economic times and in an increasingly problematic, and even dangerous, neighborhood, regionally and internationally, we must be at our creative, productive, and disciplined best. Each individual, family, and community effort is vital. And the whole becomes more than a summation of the individual parts especially when we act together toward the most noble and uplifting ends. Paul's Epistle to the Romans, Chapter 12, expresses it well:

“For, as in one body we have many members, but all members have not the same office.....But having different gifts according to the grace which has been given to us, whether it be prophecy, let us prophesy according to the proportion of faith; or service, let us occupy ourselves in service; or he that teachers in teaching; or he that exhorts, in exhortation; he that gives, in simplicity; he that leads, with diligence; he that shows mercy, with cheerfulness.”

Each thus must give of his best according to his ability and calling. Each is to be rewarded according to his work; at the same time we must all provide for those who are unable to work and are in need or otherwise marginalised. That, indeed, is faith in action; social democracy in political practice.

Mr. Speaker, these more challenging economic times demand, too, that we turn more decidedly than ever against laziness, sloth, criminality, and learned helplessness. Singly, they are subversive of the common good; together, these anti-social conditions constitute a most debilitating malaise which, if unchecked, have the potential to exhaust the creative energy of the nation and wreck the national enterprise for increased wealth, job creation, goodness, and nobility.

Further, in these more challenging economic times, the nation as a whole must make especial efforts at the individual, societal, and governmental levels to cut out waste and material excesses. Restraint is thus in order but to be exercised to an extent and in a manner which does not stifle or choke enterprise, living, and production.

Mr. Speaker, we who have the privilege and high honour to be Vincentians are the ones who own this magnificent landscape and seascape called St. Vincent and the Grenadines. Each of us holds the highest office in this land known as citizen. This high office of citizen

comes with a bundle of inalienable and fundamental rights; it, has, too, not as appurtenances, but as a core essence, an abiding architecture of obligations, responsibility and duties without which the lofty rights cannot truly exist or be sustained. This metaphoric bird cannot fly with one wing; it will crash land! None of us wants this to happen; so, each of us, singly, and collectively, must play our part responsibly, to the fullest for the good of our individual selves, our families, and our nation. To be sure, the government and all other State institutions have their vital roles but citizenship demands much more from each of us. In all this we must acknowledge that the government cannot solve all our personal and social problems; and it must not pretend that it can. But together, all of us working with, and for, the common cause of national upliftment will succeed with God's promised help.

Annex 1

Recommended Benefit Increases

The recommendations as per 7th Actuarial review in relation to increases in benefits are outlined below:

- Increase pension-in-pay as follows:
 - Pensions awarded during the period January 1st to 31st December 2007 would increase by 4.5%
 - Pensions awarded prior to December 31st 2006 should be increased by 9.0%.
- Minimum pension increases from \$60.00 to \$70.00.
- NAAP pension will remain the same at \$37.50 which incorporates increases that were applied January 1st 2008.
- Increases in fixed benefit payments are summarized in the table below.

Fixed Benefit Type	Current	Recommended	Percentage Increase
Maternity Grant	\$550.00	\$630.00	14.5
Funeral Grant	\$3,800.00	\$4,330.00	13.9
NAAP Funeral Grant	\$1,900.00	\$2,165.00	13.9
EI Funeral Grant	\$3,800.00	\$4,330.00	13.9

- The increases in funeral grants for the spouse and dependent children will be inline with the increases as per table.

Table 1 - Funeral Grants for Dependents of Insured Persons and OAP

Age at Death	Current	Recommended	Percentage Increase
Under 3 years	\$380.00	\$433.00	13.9
3 years	\$570.00	\$649.50	13.9
4 years	\$760.00	\$866.00	13.9
5 years	\$950.00	\$1,082.50	13.9
6 years	\$1,140.00	\$1,299.00	13.9
7 years	\$1,130.00	\$1,515.50	13.9
8 years	\$1,520.00	\$1,732.00	13.9
9 years	\$1,710.00	\$1,948.50	13.9
10 years and over	\$1,900.00	\$2,165.00	13.9
Spouse	\$1,900.00	\$2,165.00	13.9

Table 2 - Funeral Grants for Dependents of NAAP

Age at Death	Current	Recommended	Percentage Increase
Under 3 years	\$190.00	\$216.50	13.9
3 years	\$285.00	\$324.75	13.9
4 years	\$380.00	\$433.00	13.9
5 years	\$475.00	\$541.25	13.9
6 years	\$570.00	\$649.50	13.9
7 years	\$665.00	\$757.75	13.9
8 years	\$760.00	\$866.00	13.9
9 years	\$855.00	\$974.25	13.9
10 years and over	\$950.00	\$1,082.50	13.9
Spouse	\$950.00	\$1,082.50	13.9