

No. 1

WEDNESDAY

Second Session

28th November. 2001

Seventh Parliament

SAINT VINCENT AND THE GRENADINES

THE

**PARLIAMENTARY DEBATES
(HANSARD)**

ADVANCE COPY

OFFICIAL REPORT

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THE

THE PARLIAMENTARY DEBATES

OFFICIAL REPORT

PROCEEDINGS AND DEBATES OF THE FIRST MEETING, SECOND SESSION OF THE SEVENTH PARLIAMENT OF SAINT VINCENT AND THE GRENADINES CONSTITUTED AS SET OUT IN SCHEDULE 2 TO THE SAINT VINCENT AND THE GRENADINES ORDER, 1979.

SECOND SITTING

28th November, 2001

HOUSE OF ASSEMBLY

The Honourable House of Assembly met at 4:01 p.m. in the Assembly Chamber, Court House, Kingstown.

PRAYERS

MR. SPEAKER IN THE CHAIR

Honourable Hendrick Alexander

Present

MEMBERS OF CABINET

Prime Minister, Minister of Finance, Planning,
Economic Development, Labour, Information,
Grenadines and Legal Affairs.

Dr. The Honourable Ralph Gonsalves

Member for North Central Windward

Attorney General
Honourable Judith Jones-Morgan

Deputy Prime Minister, Minister of Foreign

Affairs, Commerce and Trade. Honourable Louis Straker	Member for Central Leeward
Minister of National Security, the Public Service and Airport Development Honourable Sir Vincent Beache	Member for South Windward
Minister of Education, Youth and Sports Honourable Michael Browne	Member for West St. George
Minister of Social Development, Co-operatives, The Family, Gender and Ecclesiastical Affairs Honourable Girlyn Miguel	Member for Marriaqua
Minister of Agriculture, Lands and Fisheries Honourable Selmon Walters	Member for South Central Windward
Minister of Health and the Environment Honourable Dr. Douglas Slater	Member for South Leeward
Minister of Telecommunications, Science Technology and Industry Honourable Dr. Jerrol Thompson	Member for North Leeward
Minister of Tourism and Culture Honourable Rene Baptist	Member for West Kingstown
Minister of State in the Ministry of Education, Youth and Sports Honourable Clayton Burgin	Member for East St. George
Minister of State in the Ministry of Agriculture, Lands and Fisheries Honourable Montgomery Daniel	Member for North Windward
Minister of State in the Ministry of Foreign Affairs, Commerce and Trade Honourable Conrad Sayers	Member for Central Kingstown
Minister of Transport, Works and Housing Honourable Julian Francis	Government Senator

Honourable Edwin Snagg

Government Senator, Parliamentary
Prime Minister's Office, Special
Responsibility for Labour and
Grenadines Affairs

OTHER MEMBERS OF THE HOUSE

Honourable Arnhim Eustace

Member for East Kingstown/
Leader of the Opposition

Dr. the Honourable Godwin Friday

Member for Northern Grenadines

Honourable Terrance Ollivierre

Member for Southern Grenadines

Honourable Juliet George

Government Senator

Honourable Gerard Shallow

Opposition Senator

Honourable Major St. Claire Leacock

Opposition Senator

ABSENT

Honourable Andrea Young

Government Senator/Deputy Speaker

SAINT VINCENT AND THE GRENADINES

HOUSE OF ASSEMBLY

NOVEMBER 28TH 2001

PRAYERS

Honourable Mr. Speaker, Hendrick Alexander read the Prayers of the House.

House suspended at 4:04 p.m. to await the arrival of the Governor-General and his Party.

House resumed at 4:20 p.m.

THRONE SPEECH

**DELIVERED BY
HIS EXCELLENCY**

**SIR CHARLES ANTROBUS, GCMG, OBE
GOVERNOR GENERAL**

AT

**THE SECOND SESSION OF THE SEVENTH PARLIAMENT
HOUSE OF ASSEMBLY
KINGSTOWN, ST. VINCENT**

Mr. Speaker, Honourable Members of the House of Assembly, it gives me great pleasure to address this Honourable House on the occasion of the Second Session of the Seventh Parliament.

Mr. Speaker, My Government is a government of positive action. Since

taking office some eight months ago, this country has seen a complete transformation. People are working harder, progress is visible in every sector and public confidence in the government has grown tremendously.

Mr. Speaker, it is clear that my Government is one of action, not just words. On the assumption of office, it immediately began laying a solid foundation for economic growth by the introduction of sensible balanced fiscal measures. Given the pessimistic forecast of the economic situation at the time at which my government took office, it was determined to turn around for the better the finances of the central government and the economy as a whole through a series of reforms and stimuli to improve the government finances in order to boost the economy.

Mr. Speaker, when my Government assumed office, there was a deficit on the governments current account of 8.95 million dollars for the year 2001. With the people's efforts and public confidence, by the end of August 2001, my Government turned this around to a current account surplus of 4.53 million dollars , an increase of over 100 percent above the surplus of just over \$2.2 million dollars for the corresponding period January 1st to August 31st, 2000.

Mr. Speaker, it is noteworthy that my Government did not achieve this feat by reducing expenditure which actually increased by 12 million dollars during the period in question. The following measures were also taken to stimulate productive sectors:

- (1) The restructuring of the Banana Industry;*
- (2) The revamping of the Offshore Finance Sector;*
- (3) The enhancing of the Information Technology Sector through the liberalized telecommunications policy and the Call Centre initiatives;*
- (4) The establishment of a more productive working relationship with the Stakeholders in the Tourism Industry;*
- (5) The creation of a diversified Agricultural Sector;*
- (6) The development of more vigorous programmes in education, health, sports and culture;*

Work on all these areas are continuing apace.

Mr. Speaker, the World in which we live today, at this moment, is far different from the one which existed at the time of the First Session of Parliament on April 17th, 2001.

On September 11th, the world changed, seemingly for the worst. The terrorists attacks on New York and Washington sent shock waves through the spine of humanity. The attacks were not only barbaric but matchless in their wickedness and unprecedented social, economic and psychological consequences.

My Government's views on terrorism were emphatically made known at the United Nations and the Organisation of American States. Terrorism must be eliminated. Efforts have since been put in place for Saint Vincent and the Grenadines to sign the 1999 International Convention for the Suppression of Terrorism, and the appropriate legislation will be enacted early in the New Year.

Mr. Speaker, following these events my Government immediately sought to devise plans for economic stabilization and recovery. In this regard extensive consultations were held with the National Economic and Social Development Council, the Cabinet Committee on the Economy and Tripartite Committee on the Economy. This was historic since it was the broadest consultation ever held on an economic package. This plan which was presented to the nation on October 11th, 2001 was placed in four categories:

- (1) Those aimed at fiscal stabilization and consolidation in the central government;*
- (2) Those directed at increasing public sector investment;*
- (3) Those connected with the strengthening of mechanisms for policy formulation and implementation; and;*
- (4) Those focused on economic restructuring, recovery and renewal.*

With the public confidence and the ever present contribution of civil society, I am sure that the resilience for which our people have become known will help us through during this trying period.

Mr. Speaker, my Government has viewed with grave concern the alarming condition of poverty in which nearly four out of every ten persons are forced to exist. My Government considers this most unacceptable and has already embarked on a series of measures aimed at poverty eradication. A substantial part of Central Government resources will be applied towards this war on poverty. In addition supplementary resources and programmes will also flow from State enterprises such as the National Insurance Scheme. My government will detail the central elements of this fight against poverty during the course of the budget debate.

Mr. Speaker, akin to material poverty is the poverty of the spirit which pervades much of our land. My Government has been promoting and will continue, to promote in conjunction with civil society a stock of sturdy, tried and tested values which connect with our souls and beings as a Caribbean civilization of nobility and productivity.

Mr. Speaker, the safest and surest way out of poverty is through education and training. An appropriate education is vital to the all-round development of our economy and society. My Government has advanced an education programme for living and production. It has commenced its implementation and will continue to do so. Improved educational facilities, the construction of a National Public Library and a Learning Resource Centre, the extension of the computerization of at least another 28 schools, the establishment of a National Institute of Technology, and the expansion of teaching of foreign languages in secondary and primary schools are but a few of the initiatives in this regard. In all, close to 22 percent of the capital budget and roughly 20 percent of the recurrent budget will be spent on education.

The health of the nation is yet another priority for my government. At the top of the health agenda is the battle against HIV/AIDS. Considerably increased resources and an enhanced administrative structure have been provided for in the 2002 Budget to effectively combat the incipient HIV/AIDS epidemic. In the face of this, Mr. Speaker, I earnestly implore our citizens and visitors to seriously review their behavioural patterns and to desist from any kind of conduct which contributes to the transmission and spread of HIV.

Mr. Speaker, Young People are at the center of my Government's public policy. The Youth Empowerment Service of Saint Vincent and the Grenadines (YES, SVG), an innovative and creative work and training programme already employs 400 young persons. Another dimension of the focus on our Young People is a worthwhile Sports Policy which is being evolved in consultation with the various sporting bodies and other relevant Stakeholders. To this end construction of a National Stadium will commence towards the third quarter of next year.

The cultural policy of my Government has assumed a greater profile than at anytime in the history of this country. More resources and a greatly enhanced institutional apparatus functioning with a clear framework of our authentic and noble Caribbean Civilisation drive my government's cultural programme. All aspects of the arts and culture, including Carnival, are being addressed with vigor and urgency. Indeed, work has already commenced to restore Peace Memorial Hall and a Lecture Theatre will be part of the

compound of the National Library on which construction work will begin towards the third quarter of next year.

Mr. Speaker, in addition to young persons, the elderly, the workers, women, the farmers and all public servants are at the core of my Government's public policy considerations. Specific and efficacious policies touch and concern them. The economic and social policy measures are designed to create jobs in our increasingly diversified economy and to improve markedly the quality of life of our people.

All these measures must take place within an enhanced framework and practice of good governance. The policy of constitutional reform and the reintroduction of democratic local government will blossom more freely in the coming year. The fight against official corruption will receive additional impetus with the enactment of new integrity legislation.

The strengthening of Law and Order is a major plank in my government's good governance platform. It will continue to be tough on crime and tough on the causes of crime. The reform of and improvement in the delivery of Police services is a continuing process to which my government is deeply committed. So, too, it is committed to Prison reform and it will in the Year 2002 commence the construction of a new Prison.

Mr. Speaker, my Government's foreign policy has been highly praised by mature, independent and balanced commentators. Basically, my government's foreign policy seeks to enlarge our nation's political and economic space so as to enhance its capacity to deal more effectively with its external environment in the interest of our people's humanization. This foreign policy is founded on the bedrock of our liberal democracy and a mature, independent and sovereign people at the dawn of the 21st Century. This foreign policy connects, too, with our national policy of linking inextricably with our people who are scattered in the diaspora overseas.

Mr. Speaker, our people are resilient and are increasingly sophisticated, far more so than the pessimists among us would care to acknowledge. I am fully confident that my Government in communion with our hard-working people will rise triumphantly over any temporary difficulties.

Mr. Speaker, it is with this abundance of confidence that I pray God's guidance on all future deliberations of this Honourable House and take great pleasure in declaring open this Second Session of the Seventh Parliament.

SUSPENSION OF SITTING: 4:38 P.M.
RESUMPTION OF SITTING: 4:45 P.M.

ORDERS OF THE DAY

1. APPROPRIATION BILL 2001

DR. THE HONOURABLE RALPH GONSALVES: Mr. Speaker, I beg to move under Standing Order 12 (5) that the proceedings of the days sitting be exempted from Standing Orders, "Hours of Sitting".

HONOURABLE LOUIS STRAKER: Mr. Speaker, I beg to second the motion.

Question put and agreed to.

DR. THE HONOURABLE RALPH GONSALVES: Mr. Speaker, Honourable Members, I beg to move that a Bill for an Act to provide for the Services of Saint Vincent and the Grenadines for the year ending on the Thirty-first day of December, two Thousand and Two.

OBJECTS AND REASONS

The object of this Bill is to sanction the appropriation of an amount of Four Hundred and Nineteen Million, Four Hundred and Fifty Seven Thousand, One Hundred and Twenty Eight dollars for meeting the expenditure on the services in the State in respect of the year ending the Thirty First day of December, 2002.

HONOURABLE LOUIS STRAKER: Mr. Speaker, I beg to second the motion.

Question put and agreed to.

Bill read a first time.

DR. THE HONOURABLE RALPH GONSALVES: Mr. Speaker, I beg to move that the Bill be read a second time.

Question put and agreed to.

2002 BUDGET ADDRESS
Presented to the House of Assembly
By Dr. the Hon. Ralph Gonsalves
Prime Minister and Minister of Finance
on Wednesday November 28th 2001

Mr Speaker, Honourable Members,

Exactly eight months to this day, our nation, witnessed a democratic event of magnificence here in St. Vincent and the Grenadines. On March 28, 2001 the free and sovereign peoples of our land overwhelmingly elected the Unity Labour Party (ULP) to form the government of St. Vincent and the Grenadines. In the process, the New Democratic Party (NDP), which had held office for seventeen (17) consecutive years, was voted out of office in a peaceful transition of authority and power. This event undoubtedly signals the maturation of our democratic process which, despite its many limitations, is filled with tremendous possibilities. The elections, the results, the joyous acclamation by the people of their new leaders, the leaders' magnanimity in the face of their massive electoral triumph as well as their humble acceptance of the awesome responsibilities, all conjoined to provide an ennobling trajectory for our Caribbean civilisation and its Vincentian component.

On the night of March 28, 2001, when I addressed the nation on television, I pointedly stressed that the partisan, election slogan of "Labour Now" had to give way to the encompassing rubric of "Together Now". My granted tongue, my given voice spoke those words which belonged not to me; they being the property of Almighty God who, on that evening in the quiet confines of my soul, delivered unto me the national rallying cry: "Together Now, and Forever".

Mr Speaker, at my inauguration as Prime Minister on March 29, 2001, I pledged before God and the nation that I will forever uphold the honour of this high office and will be true and faithful to the Constitution and the people of St. Vincent and the Grenadines. I promised, too, that whenever I demit this elevated office, it will be with its stature, dignity and moral authority enhanced. Today, on the occasion of delivering my first Budget Address as Prime Minister and Minister of Finance, Planning and Development, I reiterate both my inaugural pledge and promise, before God, this Honourable House, representatives of other nations, and the people of St. Vincent and the Grenadines and the Caribbean. I do so not lightly nor for political effect but rather, with a profound sense of duty and steadfastness to truth in public matters. It is an unbreakable commitment to the people, which occupies the sinews of my soul and very being.

This Budget Address contains proposals which keep faith with our people and which are true to the commitments which we gave unto them in the ULP's Election Manifesto for the General Elections of March 28, 2001. In that Manifesto we stated :

“In charting a new and better way for St. Vincent and the Grenadines, the Unity Labour Party makes two simple but profound promises that, upon its election as the new government, it will first ensure GOOD GOVERNANCE for all the people and second, it will build a MODERN, DEMOCRATIC, PRODUCTIVE, JUST, PEACEFUL AND CARING SOCIETY to be enjoyed by all its people.”

In that Election Manifesto, the Unity Labour Party pledged to fulfil these two solemn promises by focussing on the following **top ten policies**:

1. Making job-creation, especially quality jobs, and sustainable economic development our main priorities;
2. Being tough on crime and tough on the causes of crime;
3. Moving resolutely against corruption in government;
4. Building a top-class, quality educational system for living and production in the new century;
5. Deepening political democracy, strengthening individual rights and freedoms, and upholding the law and the Constitution;
6. Modernising and reforming government to better and more effectively deliver all services provided by government;
7. Launching a war on poverty, illiteracy, inadequate housing, disease, poor health and an unhealthy environment;
8. Developing, as never before in our country, sports, culture and the arts;
9. Strengthening and deepening the processes of Caribbean Integration, regionally and in the Diaspora, in the quest of the further ennoblement and advancement of our Caribbean civilisation ;
10. Providing honest, committed, creative, responsive and responsible leadership.

Indeed, Mr Speaker, our performance in Government over the past eight months demonstrates unequivocally that we have been unwavering in our steadfastness to those **Top Ten Policies**. I assert, with faithfulness to the comparative data, that no government in the Caribbean, over the last fifty years since universal adult suffrage, has ever achieved, as much in its first eight months as has this ULP administration. Our accomplishments have been a marvel to objective observers, including representatives from friendly countries. These achievements, despite the burdens and difficulties arising from the events of September 11th and their consequences, constitute the platform upon which we will build further mountains of accomplishments for the people as a whole.

In a speech over the last weekend at the ULP's Convention, I detailed some of the major achievements of my government so far. I do not intend to provide a similar list today but it is necessary for this budgetary exercise to map the broad contours of the

ULP administration's successes and to specify some appropriate and salient examples.

First, my government has been acknowledged as the most transparent government ever in this country and the most wholesome and fulsome in its practical embrace of civil society in the Caribbean. These twin guiding lights of transparency and civil society's involvement in making and implementing public policy have contributed immensely to my government's achievements and its swiftness in turning setbacks into advances.

The ULP government has established four functioning institutional mechanisms to assist with the macro-economic management of the country. Two of these mechanisms deeply involve civil society. I refer to the National Economic and Social Development Council (NESDC) and the Tripartite Committee on the Economy (TCE). The NESDC consists of representatives from the entire range of major interest groups and civil society organisations, and two of the three political parties (the NDP declined an invitation to participate) and senior public servants from various ministries. The President of the SVG Chamber of Industry and Commerce, Mr Martin Laborde currently heads the NESDC. The principal mandate of the NESDC is to subject the economy and society of SVG to critical analyses and to prescribe appropriate solutions to problems. The TCE is comprised of representatives of the state, the private sector and the trade union movement. The TCE's remit is to focus on five vital questions (wages and salaries, prices, employment, productivity and investment) and to provide practical advice thereon to the government for implementation. Both the NESDC and TCE provide searching analyses and prescriptive ideas in the aftermath of the terrorist attacks in the USA. My address to the nation on October 11, 2001, in response to the difficulties in the new period, contained much of what these two bodies advised.

The other two related entities, which we have established, are the Cabinet Committee on the Economy (CCE) and the Monitoring Mechanism on Public Enterprises (MMPE). These new institutions have put discipline and rigour at the heart of the conduct of this nation's macro-economic policies.

In combination with the widespread and intensive consultation between government and all the relevant stakeholders in society, as reflected for example in the Banana Advisory Committee, these newly-minted institutional mechanisms have been an enormous force for strong and progressive economic management.

The excellent good governance framework of the ULP administration has created a new spirit throughout our nation's seascape and landscape. From the broadcast of parliamentary proceedings live on radio to the push towards constitutional reform these measures have impressed all and sundry. Indeed, the British government has accorded its badge of approval to my administration by granting it substantial debt relief on the basis of its good governance, its fight against corruption and its focussed approach to poverty alleviation. This imprimatur was handed to my government on

August 31, 2001, a mere five months after its inauguration. Two years earlier, the same British government had pointedly refused to accede to the NDP administration's request for debt relief on the grounds of its bad governance, its softness on corruption and its unfocussed approach to the issue of poverty reduction. This therefore reflects a radical and positive turnaround in the way our affairs have been managed.

Mr Speaker, the implementation of the governments "First 100 Days Programme" was a smashing success. Apart from the individual programmatic achievements, the methodology of the implementation process was a welcome eye-opener to many senior public servants who had hitherto become mired in a morass of indecisiveness, unnecessary caution, idiosyncratic decision-making and unscientific temporising. The methodology of the "first 100 days" induced vigour, discipline and enthusiasm in the public administrators.

It has not been surprising therefore for the government's achievements to be kept flowing: Allow me to mention several of our many accomplishments.

1. The \$5 million renovation of the seventy-two state-owned educational institutions over the eight-week period in July and August 2001. Eleven hundred persons were employed on this project.
2. The payment of \$2 million to nearly 1000 poor, estate workers who for 17 years had been denied their severance pay by the NDP.
3. The creative establishment of the Youth Empowerment Service (YES) programme of work and study, employing 400 young persons.
4. The establishment of the call centre at Arnos Vale employing 400 persons.
5. The concession to 400 elderly poor of the removal of the \$10 monthly water-meter charge.
6. The reduction of the basic electricity charge from \$7.65 to \$5.00 monthly for 1,200 domestic consumers.
7. The institution of a no-charge regime for one-pole extensions by VINLEC so as to enable poor persons to access electricity.
8. The special financing of micro-enterprises through the National Commercial Bank.
9. The setting up of a no-down payment, 100 percent mortgage scheme on very generous terms for public servants.
10. The array of concessions granted to hotels and the tourism sector generally in the aftermath of September 11th.
11. The rearranging of the offshore industry in the interest of our country.
12. The spectacular initiatives in health, education, youth, sports and culture.
13. The cleaning up of the city of Kingstown and the collection of garbage from Fancy to Fitzhughes.
14. The advances in agriculture and tourism, fisheries, manufacturing and information technology.
15. The tax concessions granted to companies, individuals and property owners in May and June 2001.

16. The restructuring of the banana industry in the interest of the fairness of farmers.
17. The favourable resolution of the long-standing problem at Diamond Dairy.
18. The saving of the merchant shipping business by quick and efficacious administrative and legislative action.
19. The increasing involvement of our nationals in the Diaspora in the affairs of their homeland.
20. The restoration of order at the Prisons and the strengthening of law and order.
21. The fashioning of a productive foreign policy.
22. The arrest of the decline in the fiscal situation of the country.

These are but a handful of this government's achievements in a mere eight months. Only those blinded by partisan politics or bent on mischief making can reasonably deny my government the tremendous credit it deserves for its quality performance.

These successes are all the more remarkable because of the administrative chaos and the financial disarray, which greeted us, when we assumed office after the first three months of 2001. In those three short months, the NDP administration racked up a current account deficit of \$8.9 million. By the end of August 2001 my government had turned this around to a current account surplus of \$4.5 million. This was an increase of over 100 percent on the surplus of just over \$2.2 million for the corresponding period January 1 to August 31, 2000.

How did the ULP government accomplish this turnaround in five months? This came, through sensible, balanced fiscal policies, economic stimuli, the people's efforts and public confidence. It should be noted that the ULP government did not turn the huge deficit into a solid surplus by cutting back on spending. In fact, current expenditure for the period January 1, 2001 to August 31, 2001, amounted to \$165.9 million compared with \$153.7 million for the same period last year, an increase in recurrent spending of \$12 million. At the same time, my government collected more revenue: current revenue for January to August 31, 2001 was \$170.1 million or close to \$15 million more than was collected in the comparable period in 2000. Recurrent revenue in fact increased by 9.1 percent outpacing the growth in recurrent expenditure, which went up by 7.7 percent. Indeed, when the officials in the Ministry of Finance & Planning reported to me on the budget out-turn up to the end of August 2001, they stated in the opening paragraph of their report that "Government finances for the year up to August 31, 2001, exhibited improvement relative to the corresponding period last year."

In the face of this new situation, I presented on behalf of the government on October 11, 2001 a response package entitled "**Economic Stabilisation, Consolidation, Recovery and Renewal in a New Period**". This bundle of measures falls into four categories:

1. Those aimed at fiscal stabilisation and consolidation in the central government;
2. Those directed at increasing public sector investment;

3. Those connected with the strengthening of the mechanisms for policy formulation and implementation; and
4. Those focussed on economic restructuring, recovery and renewal.

In each of these broad categories, specific programmes were advanced. My government is pursuing the broad corrective policies and the individual programmes with its now accustomed energy and enterprise.

Indeed, Mr. Speaker, the International Monetary Fund (IMF) in its normal Article IV Consultation in October 2001 delivered a good report card on the government's performance thus far.

The presentation of this Budget address allows me the opportunity to lay out before this honourable House, and again before the people of the country, my vision, of renewal, recovery and revitalisation in our country. It also enables me, as Minister of Finance, to set out the policy framework and strategic steps that will improve the living conditions and the welfare of our people, and which will enable us to consolidate and then advance our growth and development.

Mr. Speaker, my Government recognises and accepts the fact that our economy must undergo a significant paradigm shift if we are to fulfil the expectations of our people. In this climate of globalised production and liberalised trading rules, we must define the appropriate mix of internationally competitive activities on which we should focus. We must also determine the right admixture of local activities upon which we must be engaged if we are to make progress. We will have to push vigorously for the development of a knowledge-based economy, with an emphasis on human resource development through appropriate education and training. We have to restructure and refocus our approach to tourism; including acquiring relevant skills and making the requisite attitudinal changes. We must continue to support light manufacturing, to take advantage of the supply opportunities that exist in the domestic, OECS, and Caricom markets. At the same time we must grasp and build on the possibilities afforded by the regional and hemispheric agreements to which we are party. In agriculture, we must diversify around a restructured banana industry. In the offshore finance sector, we must build a clean, effective, productive yet well-regulated sector. And we must all work harder and more productively. At the centre of all this activity ought to be the creation of quality jobs, the alleviation of poverty and the improvement in the living conditions of all the people.

Having introduced the contextual framework and scope of this Budget Address, I will now indicate how the rest of my presentation will be approached. I will give a brief summary of the critical international, regional and national, macro economic, trade and financial developments that have impacted on us over the past year and their implications for us here in St. Vincent and the Grenadines. I will examine the performance of some of our key sectors, review our fiscal performance for the year

2000 and then introduce fiscal proposals including the resource allocations designed to spur our strategic direction. I will then make some concluding remarks. Throughout, our analytic approach will be critical, self-critical, and honest. All of this must, however, have as a central focus, the design of an economic policy, which is to uplift the people of our nation, at home and abroad.

REVIEW OF RECENT DEVELOPMENTS

INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS 2001: PERFORMANCE AND PROSPECTS

International and Regional Economy

Following robust performance in the two previous years, global economic activity is projected to slow-down significantly in 2001. The resurgence in growth, particularly in 2000, resulted mainly from expansion in the United States economy.

World output is forecast to grow by 2.6 per cent in 2001, which is approximately 2.0 percentage points lower than in 2000. This decline in global economic activity is consistent with the slowing of GDP growth in almost all the major regions of the world. The slowdown globally is being driven by the decline in the United States that has impacted negatively on Europe and spread to the developing countries in Asia, Latin America and the Caribbean.

This poor performance of the world economy in 2001 has been occurring amidst modest inflationary pressures. In fact inflation, as measured by the consumer price index, is expected to remain around 2.3 percent.

In light of the general slowdown of global economic activity, the economic performance of the Caribbean region has been and will be impacted upon adversely. Regional member states are likely to face a fall-off in demand and lower prices for their exports. In addition, with households in developed countries facing an uncertain future they will be more reluctant to indulge in spending on conspicuous goods and services, such as overseas vacations. Our tourism industry will therefore be hard hit. In addition, Caribbean nationals overseas have been sending home less remittance than before. They are likely to continue doing so in the immediate future.

Domestic Economy

In 2000, the economic performance of St. Vincent and the Grenadines was relatively poor with real GDP growing at a rate of 2.1 percent compared with the 4.0 percent growth realised in 1999. This sluggish performance was not concentrated on a particular sector but reflected a general slowdown in economic activity throughout the country.

Manufacturing output declined, continuing the negative trend that has been observed over the last five years or so.

The agriculture sector registered an increase of 6.6 percent compared with the 3.8 percent decline in 1999. However, the sector was troubled by uncertainty in the banana industry and the presence of the mango seed weevil which both adversely affected agricultural output and trade.

The Hotels and Restaurants sector, which is used as a proxy for tourism, grew by 6.3 percent, down from the 9.1 percent recorded in 1999. This overall growth conceals the poor performance within the yachting and excursionist sub-sectors.

The deficit on the Current Account of the Balance of Payments (BOP) for 2000, though less than the previous year, was 8 percent of GDP. This represents a significant narrowing of the deficit, when compared with the deficit of 22 percent of GDP in 1999. This improvement in the Current Account was mainly due to the 19.5 percent decrease in construction related imports, as activity in the Construction Sector slowed, resulting in a 9.9 percent decline in that Sector. On the Capital and Financial Accounts the surplus of 17.1 percent realised in 1999 declined to 6.8 percent of GDP in 2000 this being directly related to the 45.7 percent decline in Foreign Direct Investment.

As at the end of 2000, the total outstanding debt amounted to \$657 million, comprising of \$430 million of external debt and \$202 million of domestic debt while payables exceeded \$25 million.

The liquidity position of the commercial banks in 2000 remained virtually unchanged from the 1999 position, the weak demand for credit resulted from the reduced activity in the productive sectors and an increase in the Net Foreign Assets position of the country.

Central Government's fiscal operations weakened in 2000 reflecting this slow down in economic activity. The Recurrent Account surplus, which stood at 3.5 percent of GDP in 1999 declined to 2.1 percent of GDP (EC\$19.6m) in 2000.

Mr Speaker, I will now turn to the sectoral review.

My government accords the highest priority to the education of our people. Accordingly in this Budget Presentation I will begin the sectoral review with the education sector.

(This is something unusual, but this Government does unusual things.)

EDUCATION

My Government is of the view that in order for our people to cope with the new technological environment that is upon us, they must be appropriately educated and trained. If we are to do so successfully, we must significantly rethink our approach to education and training. Sizeable outlays of money have been expended on education in the past but we have not seen the kind of returns commensurate with the expenditure levels. Accordingly, we will give new focus and direction to the education system, and place it at the centre of our programme for the development of this country. In the 2002 Estimates, 21 percent of the capital budget is allocated to education. Our thrust in this regard is further supported by the more than 20 percent of the recurrent budget that is expected to be spent on education. The development of the human resource base is simply too critical for it not to be given top priority. Personally, I intend to stay closely involved in the implementation of this government's educational policy.

If education is to be the centre-piece of our nation's development, we must provide every citizen with quality education from early childhood to the adult years. This is the only way in which the population can be prepared to take advantage of every opportunity for employment and productive living that arises.

Since coming to office, as I have already mentioned, my Government has taken measures to improve the physical conditions of all our schools. We have spent in excess of EC\$5M on a comprehensive schools repair programme, financed by the European Union.

(Mr. Speaker, if I may say parenthetically that the children and parents use to write to me in the early days complaining about leaking roofs, the absence of toilet facilities or toilet facilities not working, or the windows or the doors falling off. Now they write me or they tell me that they want in every room, fans. And two children have written to me saying that the schools need to be air-conditioned. It means that the basic problems have been solved.)

At the programming level, we have introduced the teaching of French and Spanish in primary schools. We considered that these were critical measures that needed to be taken if our population is to function effectively in the Free Trade Area of the Americas (FTAA).

At the Early childhood level, a National Council will be established early in 2002. This Council will work together with the Ministry of Education in establishing the mechanisms necessary for co-ordinating the delivery of a nation-wide early childhood development programme that meets the required minimum standards.

Given the declining population in some primary schools, efforts will be made to establish pre-school classes in primary institutions where there is sufficient space. This will be especially critical in areas with limited or no access to early childhood programmes, since we cannot continue to deny some 75% of our youngest citizens access to an early development programme.

In pursuit of both the "quality" and "quantity" aspects of education, the approach to "delivery" at the primary level will be reviewed to ensure that many more young people are able to access a secondary education - so vital if this country is to survive and thrive in this increasingly knowledge-based world. To this end, the school leaving examination will be restructured and re-evaluated with a view towards making it a real and viable alternative route into the secondary or Technical/Vocational System. The Ministry of Education will also implement measures to improve the reading skills of all students.

The Technical and Vocational Education Project, now fully on stream, is intended to reform the technical, vocational and educational training system in order to allow this country to compete effectively in "the new technological environment" in which we live. Specifically, this project seeks to:

- Widen access to learning opportunities and thus raise the number and quality of skilled persons in the labour force.
- Increase the attractiveness of Technical and Vocational Education as an alternative to traditional academic education.
- Encourage closer cooperation with the private sector in developing Technical Vocational Education (TVET).

Consequently, both the Technical College and the five multi-purpose centres across the nation will be renovated and upgraded to deliver the requisite skills. In particular, the multi purpose centres will be accessible to out-of-school youth and adults wishing to upgrade themselves.

The thrust towards making secondary education accessible to more students will continue through support to the Government-assisted schools and in recognition of the situation in the North Windward area, provision has been made for preliminary work on the Sandy Bay secondary school.

At the Post Secondary level, the Community College has begun to widen its scope both in terms of programme offering and structure with the introduction of an afternoon programme in the Business faculty. The book loan scheme has been expanded to include students at that institution. These measures are all geared towards making the Sixth Form a more effective vehicle for post- secondary education in the State.

Also at the tertiary level, we have expanded the STABEX rolling scholarship programme in an effort to provide tertiary training opportunities for more of our students. Under this programme, 16 scholarships were awarded in 2000 and 26 in 2001 in the priority areas of Economics, Computer Science and Engineering. In addition, the students' loan programme provides another avenue for training at this level and surpasses by far, that of 2000. Further, the forty (40) partial scholarships to Plattsburgh University have been a boost to our students' access to tertiary education. And this government has paid off substantially the outstanding debt to the University of the West Indies so as to enable students to continue their education.

Special training opportunities are also available for teachers under the Basic education and STATVET projects and in 2001, twelve (12) awards were made at an approximate cost of EC\$ 700,000.00

Without adequate supporting facilities, the Community College will not meet the requirements of the student body. Consequently, we have completed the final designs for the construction of a modern library facility at the Community College. This Learning Resource Centre (LRC) is expected to commence construction during the second quarter of 2002. This of course is in addition to the National Library that this Government will construct here in the capital Kingstown. The designs are in the final stages of completion and we expect to commence construction during the third quarter of 2002.

A full and comprehensive development programme for the Community College and post-secondary education in St. Vincent and the Grenadines is well on the way. In addition, we will also adopt the Education Sector Strategy Plan before the end of this year. This plan will give greater focus and determine interventions in this sector. There are plans, too, in conjunction with the Danes, to revitalise the Richmond Vale Academy in a range of programme offerings, even up to the degree level in certain subject areas.

All these initiatives in education are designed to promote and support the development of our human resource, but the foundation must first be established at the school level.

POVERTY ALLEVIATION

Mr Speaker, this Government is concerned about the unacceptably high levels of poverty and unemployment that we inherited. We are also concerned that recent analyses of the economy have shown that the skewed pattern of income distribution has worsened over the last 10 years. We are determined to reverse these trends and to put measures in place to ensure that St Vincent and the Grenadines will move up from the bottom of these indicators in the OECS. By the first anniversary of this Government's inauguration, it would have created more than 1,500 new jobs in one year, which the ULP had promised in its Manifesto.

We believe 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. Accordingly, our government will first of all at the macro-level, create the climate in order to achieve higher levels of sustainable growth. Additionally, we will make education and the empowerment of the family vital tools in the struggle against poverty. In this regard, we will ensure that our people have the requisite skills and competencies to capitalise on the opportunities that we will create, through the new focus on the development and improvement of our educational system.

To specifically address the concerns of poverty and unemployment we created a Ministry of Social Development and Family. We did so Mr Speaker, so that our programme can receive the requisite focus and direction. We have set about developing a comprehensive Social Recovery Programme. In this regard, we are collaborating with the international community to develop this programme. Further, we have recruited, in concert with the OECS, the services of a renowned Caribbean expert to assist with the Social Recovery Programme. This programme has also been given wide circulation, and thoroughly discussed at the National Economic and Social Development Council, the establishment of which I outlined at the beginning of this address.

That is why Mr. Speaker, I have already referred to the Schools Repair Programme which had a two-pronged focus. First, it sought to address the vexed question of the poor conditions of our schools, and at the same time, it utilised a labour intensive approach to create jobs for many of our rural people. Eleven hundred (1100) persons were employed during the two-month period of intense activity on this project.

(And Mr. Speaker, as I speak, one million dollars have been allocated to provide Christmas work for the poor people of this country.)

We have also increased the Basic Needs Trust Fund, which caters directly to the needs of the poor. This programme is to improve roads, schools and clinics and other social amenities particularly in rural communities.

In addition Mr. Speaker, we have commenced the implementation of our Youth Empowerment Programme, under which more than 400 young people who were hitherto unemployed have found meaningful employment. In this regard, we have allocated \$1.6 million in the 2002 Estimates.

For the very first time in the history of this country, we have set up a Poverty Alleviation Fund. The initial amount allocated in the 2002 Estimates of \$250,000 but this will be supplemented by nearly \$10 million. These funds Mr Speaker are new monies referred to as STABEX Extra of 3.5 million EUROS that have become available from the EU.

The NIS will continue its Social Outreach Programme in 2002. As part of its 15th Anniversary, an amount of \$500,000 will be donated towards the construction of a Day Care/Recreational Centre for the Aged. This will be channelled through ASCOVAG. A site has already been earmarked at Prospect. In 2001, an additional \$2.8 million was injected into the Student Loan Programme. This allowed the students' loan committee to approve new loans in excess of \$8 million during this year.

(3 times the amount ever in any one year.)

In the 2002 Estimates, Mr. Speaker, Honourable Members if you do a tally in excess of \$150 million can be seen to be directly or indirectly linked to poverty alleviation.

(I turn now to a review performance 2002/2001 for the specific economic sectors having addressed the critical, priority issues of education and poverty alleviation.)

AGRICULTURE

Review Performance 2000/2001

The agricultural sector remains the backbone of the economy and a significant source of income and employment generation, particularly in the rural communities. Within recent times, the decline in agriculture has increased unemployment, economic hardship, and poverty and has exacerbated other social problems associated with rural migration.

During this term government will:

- Upgrade the capability of the Ministry of Agriculture to promote the diversification thrust around, not away from bananas.
- Revitalise the arrowroot industry in accordance with the recommendations of the CDB Financed Study.
- Provide new and more attractive incentives for non-banana agriculture.
- Complete and implement a comprehensive national plan for crop diversification.
- Continue the reorganisation of the Marketing Corporation.
- Finalise the restructuring of the banana industry.

Crops

Developments in this sub-sector continue to be dominated by output in the banana industry. Value added by this sub-sector grew by 5.7 per cent in 2000 following a 2.7 per cent decline in the previous year, primarily due to the recovery of the banana industry.

Banana output increased from 40,210 tonnes in 1999 to 43,763 tonnes in 2000. Notwithstanding this increase in production, earnings fell from EC\$55.14m in 1999 to EC\$49.49m in 2000, mainly as a consequence of over-supply of the dollar fruit on the UK market, resulting in a fall in prices.

According to preliminary figures, during the first nine months of 2001 banana output and earnings were lower relative to the comparative period in 2000. Banana exports declined in the first nine months of 2001 totalled 22,325 tonnes, with earnings amounting to \$26.02m compared with exports of 30,940 tonnes and earnings of \$41.36m for the corresponding period in 2000. The longest drought in living memory, lasting some four months, earlier this year and currency fluctuations were among the major causes of the decline.

Projections are for a weaker performance overall of the agricultural sector in 2001 relative to 2000. The principal factor contributing to this weak outlook is the expected lower output and earnings from the banana industry. In addition, some of the problems that prevented or curtailed the export of mangoes, vegetables and root crops along with fish to the USA and European markets in 1999 still remain unsolved.

Bananas

Critical to any revitalization of the agricultural sector is the restructuring of the banana industry. In my address to the nation on the status of the banana industry in September, I indicated that restructuring was not an option, but something that we must do whether we liked it or not. In fact, the banana industry should have been restructured a long time ago, but this Government must now take the full responsibility for it. We do not have a choice. The ruling by the WTO against the continuation of preferential access to the EU market for traditional banana suppliers from the ACP states and the **Cotonou** Agreement that provides for the total liberalisation of the banana industry in Europe by 2006 both indicate the direction that we must go.

It is for this reason Mr. Speaker, that my Government appointed a Banana Advisory Committee (BAC), comprising over 30 persons to advise it on the way forward. The objectives of this committee were:

- To engage the full participation of farmers in the restructuring process;
- To remove the unilateral approach of government in making decisions for the farmers; and
- To encourage consensus and a together approach on the way forward for the banana industry.

The main objective of the restructuring drive is to streamline the operations of the BGA and of WIBDECO for greater operational efficiency, to reduce cost, meet market requirements and deliver improved prices directly to the farmers.

Following the recommendations of the BAC the Government undertook a broad based consultative process. This included consultations on a Bill to restructure the Banana Industry, which was passed at the October sitting of the House of Assembly. Among the aims of the new Act, is the development and implementation of a time-based strategy to achieve a commercial production and marketing structure and to ensure sustainability and competitiveness of the industry. We are well on target with the restructuring process.

Several other measures aimed at improving the productivity problems in the industry are being addressed by on-going projects such as the National Irrigation Project, funded by the European Union (EU) and the Tissue Culture Programme. Under the National Irrigation Project \$2m are provided in 2002 Estimates for the irrigation of 450 acres of farmland in Troumaca and an additional 22 acres in Grand Sable will be irrigated. Together with the irrigation of farms in Colonarie/Byera (240 acres), Rabacca (533 acres), Langley Park (275 acres), Grand Sable and Collins Estate a total of over 1520 acres of the targeted 4000 acres would have been irrigated to date. Significant progress has been made in the replanting of fields with higher yielding varieties produced by the tissue culture facility located at Rabacca Farms. Indeed, the government is now examining proposals to develop this facility for the export of plants, and this will certainly act as a boost for employment in these areas.

Arrowroot

The Arrowroot Industry (AIA) has provided a livelihood for many Vincentians for many decades, and its importance to the economy and to the existence of the people above the Rabacca Dry River cannot be overemphasized. Accordingly, my administration will renew the national effort at restructuring and rehabilitating the industry to make it more competitive.

Government will pursue four (4) major objectives associated with the rehabilitation of the arrowroot industry will be rehabilitated. These are (1) policies to increase productivity and exports to generate increased foreign exchange earnings; (2) to

increase income at the farm level; (3) to reduce rural poverty in the arrowroot producing areas; and (4) to create employment.

In the upcoming year, the Arrowroot Association along with the Ministry of Works will grade and surface 1¼ miles of the old Sandy Bay Village road to open up 200 acres of arrowroot land which will bring 35 more farmers into production. This represents phase one of government's policy to increase arrowroot production in the area above the Dry River from an estimated 170 acres in 2001 to 570 acres over a three-year period. Discussions have commenced between the Association and farmers in this area in order to sensitise the farmers about plans and to initiate land preparation activities. The development of organic farming above the Dry River is also being examined. Discussions have been held with the farmers in the area with the aim of sensitising them about organic production techniques and the cost-benefits of organic production of arrowroot. Currently 30 acres below the Dry River are being cultivated and there is a plan to increase this to 430 acres over a four-year period. Similarly, plans are in train to increase the acreage in Grand Sable and Sans Souci by 40 acres.

There will also be a thrust towards increasing national average yields per acre from an estimated 12,000 to 20,000 lbs/acre by the year 2006. Other deliverables include increasing the starch yield (the conversion ratio) of rhizome/starch from 7 lbs rhizomes/1 lb starch to 4-5 lbs of rhizomes / 1 lb of starch, and the upgrading of the quality of starch to internationally accepted standards by bringing factory operation HACCP (Hazards Analysis Critical Control Points) compatible by 2003.

Operations in Kingstown are to be phased out and transferred to Belle Vue and Orange Hill. The identification and procurement of a modernized factory is on target as well as site selection, installation and operationalisation of a new factory.

Preliminary meetings have been held with Truckers in order to establish an organized system of harvesting so that rhizomes are processed within 24-48 hours after harvest. A joint venture approach to the ownership of production, processing and marketing is being examined.

A comprehensive policy framework for arrowroot development has been prepared by the Association and has been sanctioned by Cabinet. The document details strategies and programmes and an implementation plan for achieving these objectives.

Other Non-Banana Agriculture

Mr Speaker, my government appreciates that government can best contribute to agriculture development by improving market access and by the construction of feeder roads. I shall deal with the issue of feeder roads later in this presentation.

Other important initiatives targeting this sub-sector include; the strengthening of the extension service to farmers involved in this type of production, the establishment of a market intelligence system to support exports, an educational program in “best practices” in farm management and the enhancement of pest disease control services.

For several years now, we have heard talk of agricultural diversification. This has so far not materialised in any meaningful way and we are still over dependent on bananas. It is for this reason that we have in the 2002 Estimates made provision for an Agricultural Diversification Fund under the rubric of the Agriculture Diversification Project. We expect that contributions to this Fund will come from the state, the private sector and bilateral and multi-lateral funding agencies.

The issue of credit to farmers, although given some consideration in previous initiatives and in the present diversification thrust, must be seen as a critical factor in the development and sustainability of a vibrant agricultural sector. Facilities must be made available to farmers for short-term credit for financing of current operations as well as for long-term investment. Indeed, both the government and state-owned financial institutions are already facilitating such credit arrangements.

Fisheries

Recent developments in the fishing industry mean that we will now have to redirect our focus and resources to deal with the new challenges. A mission from the EU, which recently inspected the conditions at our Fish Market, was unfavourable in its report. Among the many deficiencies which the mission from the EU found with the system in place for controlling Vincentian-sourced fishery products: the lack of a clearly defined competent authority responsible for the control of the export of fish and fish products; incompatibility between health requirements here and those in the EU; no defined procedures for approval and suspension/withdrawal of a fish processing establishment; and the lack of an official laboratory which meet the required standards.

This Government has commenced implementation of a number of measures to facilitate the resumption of the export of fish and fish products to Europe. However, we still have a number of outstanding requirements that would have to be met if we are to re-establish ourselves on the regional and international market. To this end, a number of initiatives targeting the upgrading of our physical and institutional infrastructure will be embarked upon over the next two years. In this regard, \$730,000 has been provided in these Estimates to further upgrade the facilities.

MARKETING CORPORATION

Mr Speaker, as you are aware, my government has wasted no time in seeking to come to grips with the problems of the Marketing Corporation. The new Board of Directors has prepared a Strategic Plan which Cabinet has since approved. As far as improving

market access is concerned, I myself have been trying to develop and secure markets in Canouan in fruits and vegetables and root crops. I hope to pursue the matter also with Barbados and the islands to the north.

This strategic plan includes the procurement and installation of an Integrated Management Information System, which will facilitate the modernization of the Corporation, promote efficiency and accountability, identify leakages and enhance overall performance. It is expected that the MIS will be installed during the first quarter of 2002 and will cover all aspects of the Corporation's activities. An overhaul of the supermarket and improvement to the produce and meat handling sections will be carried out. The distribution of seeds is also to be improved.

Financing for this modernization at the Marketing Corporation has been provided through a loan facility of EC\$1.5 million from the National Commercial Bank. The Cabinet has granted the Corporation an eighteen-month period within which to demonstrate a marked turnaround in its performance.

TOURISM

The policy of the Government with regard to tourism is to fully exploit its potential. In concluding my speech on **ECONOMIC STABILISATION, CONSOLIDATION, RECOVERY AND RENEWAL IN A NEW PERIOD – Economic Measures in the Aftermath of the Terrorist Attacks in the USA on September 11, 2001**, I stated that "we must all link Together Now to rescue it. Tourism accounts for some 10 to 12 percent of this country's GDP; it is a substantial employer of labour; and it contributes significantly to the Government's revenue. As a nation we must therefore rally to save tourism, to make it much better".

This is an acknowledgement of the potential for tourism to create important linkages between and among sectors. We have a lot of natural and competitive advantages in tourism. However, the industry has shown itself to be highly vulnerable to political and socio-economic conditions in both the source and host countries. Some of these conditions and situations are outside of our control. Yet, there are others that result directly from the decisions we make and the actions that we take. It is therefore important for us to carefully organise and manage the many varied facets of the sector.

It therefore means that if the industry is to be successful we must present an image of stability, activity and professionalism which would encourage visitors to come. This industry is one that will test the creativity of a population if it is to remain on the cutting edge.

(We can make tourism work or if the people who are suppose to direct the cleaning up of the garbage in town when the cruise ship comes does not do it we are not going to make it work.)

St. Vincent and the Grenadines indeed has a comparative advantage in the tourism industry, but then so does all the other Caribbean territories. We have therefore to ensure that our product is both irresistibly good and substantial in quality. There are unexplored areas in the industry that we have not embarked on in any meaningful way. This includes the area that appeals to the physical well-being of the person, such as beauty spas and related activities. The Grenadines are well placed to take advantage of this new trend. We have to capitalise on the international renown of such islands as Mustique and to a lesser extent Canouan. While we have displayed an unexplained reluctance to do so, other islands, such as Barbados, Grenada and St. Lucia have been exploiting this to its fullest potential. When we are conducting our promotional activities, St. Vincent must be added so as to encourage excursionists to visit the mainland and allow the full exploitation of the externalities that could be derived.

For the first nine (9) months of 2001 available data showed that the visitor arrivals declined by 5.7 percent when compared with the corresponding period in 2000. There were declines in stay over, excursionist and cruise sub-sectors. The termination of services by two main air-line carriers militated against the tourism sector. The yachting sub-sector has proven to be the most resilient, rebounding from a decline in 2000 to record a 25.1 percent growth in the first 9 months in 2001.

The sluggish performance of the tourism sector has been further exacerbated by the September 11 attacks on the USA. As a consequence, an already volatile situation has been thrown into a tailspin. It is for these reasons that this Government has devised several initiatives aimed at pulling the industry out of its slump. These include:

- Additional purchase of shares in LIAT. Our Government is cognizant of the important role that LIAT plays in the economy and accordingly has provided some \$2.9 million to contribute to LIAT's latest issue of shares.
- Participating with Grenada and Tobago in providing guarantees for an airline coming out of the United Kingdom.
- Participating in targeted regional promotional activities.
- The grant of a 10 percent discount on electricity bills for qualifying hotels and guest houses. The Hotel Association had indicated that the size of the electricity charges was a burden and we hope that this measure will ease that problem.
- The establishment of a airport hub in St. Lucia at Hewannora to facilitate the seamless travel of passengers coming to St. Vincent and the Grenadines. Through this arrangement, Customs and Immigration will be cleared in St. Lucia.

- Rationalisation of the cruise ship service charge (head tax) to bring the fee structure in line with other OECS countries, and the restructuring of the fee structure for yacht licenses
- Establish a Tourism Police Unit in the Police Department, and increase the police presence at Clifton, Union Island, and Wallilabou.
- Zero tolerance of crimes committed against tourists.
- Provision of certain additional tax relief.
- Establishment of ports of entry at Villa/Canash and Chateaubelair for the purpose of clearing yachts.
- Fashioning a comprehensive, wholesome plan for the Tobago Cays.

In addition, efforts will be made to begin the implementation of the CEPEC project to upgrade the quality of the product in line with acceptable regional standards. We have also explored the possibility of utilising other hubs in the region such as Grenada and Barbados. To this end, Prime Minister Arthur and I will convene a meeting early in 2002 to continue the discussions.

The coming into being of a National Parks Authority in 2002 is expected to improve the tourism product. This body will be responsible for the development and management of all designated parks and recreational sites. In addition, the Tourism Development Plan is now before Cabinet for its approval. This plan will chart the course of the industry over the next 5 years. Funding available on this programme is just over Euros \$2 million from the STABEX 94 allocation. Its implementation is expected to begin early in 2002.

INTERNATIONAL FINANCIAL SERVICES

On assuming office in March my administration recognised the need for a total revamp of the Offshore Finance Sector to make it more viable, effective and efficient and to remove St. Vincent and the Grenadines from the FATF's blacklist. This sector, we realise, can make a significant contribution to the economic development of St. Vincent and the Grenadines, notwithstanding its many problems, both external and home-grown.

Accordingly, we have set about to reform this sector by recognising both its importance to our economy and our responsibility to the International community.

In order to meet the demands of the Financial Action Task Force (FATF) that the regulation and supervision of offshore entities registered in St. Vincent be improved to meet international standards, a compliance review, particularly in the areas of offshore trusts, mutual funds and banks has been conducted. It is the view of the Offshore Financing Authority (OFA) that much of the existing regulatory powers of the OFA were

not being used hitherto and that considerable improvement of regulation could take place under the existing legislation.

A new Due Diligence firm has been retained to conduct “due diligence” checks on applicants into the offshore sector. This firm has been doing excellent work. Further, since this new administration has taken office all new applications for offshore banking licences have been processed administratively through the OFA and the ECCB. An agreement on appropriate administrative guidelines has been signed by the OFA and ECCB. And we are providing fulsome cooperation with other governments and international agencies to snuff out money-laundering and associated criminal activities.

(Mr. Speaker, the recent joint operations between seven members of the bureau of investigation invited to St. Vincent and the Grenadines by this Government and the Police here in St. Vincent and the Grenadines to search and take away all relevant materials from two offshore banks; New Bank Limited and Nano and Sons, searched also the home of the Nano family and also of the Plantation House Hotel; all those activities provide additional evidence to pre-existing evidence of the commitment of this Government to snuff out money laundering and associated acts

- The OFA is also taking action to enhance the knowledge and skills of the registered agents and other participants in the Offshore Finance Sector. These, we believe will improve the image of St. Vincent and the Grenadines in the international market place. In this regard the OFA has selected the occasion of the 25th anniversary of the offshore sector in SVG to hold an offshore educational convention in early December 2001. There will be international and regional offshore experts speaking at the conference.

Early this month the Proceeds of Crime and Money Laundering (Prevention) (PCMLP) Bill and the Financial Intelligence Unit (FIU) Bill were passed with unanimous consent in Parliament. The Proceeds of Crime Money Laundering (Prevention) Act extends the definition of money laundering beyond the realm of drug trafficking to include all indictable offences. It has extensive forfeiture and seizure provisions. Its aim is to defeat the money launderers by targeting them where it hurts most, in their pockets. The Act establishes a special fund where all the proceeds of confiscated criminal assets will be placed. This Fund will be used to finance the Money Laundering (Prevention) Programme as well as the drug education and rehabilitation, the Offshore Finance Authority, the FIU and any other purpose that Parliament may from time to time determine.

Resources for the implementation of these two new pieces of legislation are coming from existing state resources and from traditionally friendly governments.

The Act places a duty on financial institutions or persons engaged in ‘relevant business activities’ to report suspicious transactions to the FIU. The Act also provides for money

laundering to be included as one of the offences extraditable under the Fugitive Offenders Act and it enables the extradition of fugitives to countries even with which we do not have extradition treaties.

The FIU is a Unit that comprises specially trained police and customs officers as well as the Chairman of the Offshore Finance Authority whose duty it is to investigate suspicious activity reports made pursuant to the Proceeds of Crime and Money Laundering (Prevention) Act. The FIU is also charged with initiating investigations based on requests from foreign FIUs. The Unit is also a facility for sharing information related to the investigation of money laundering with the Commissioner of Police, foreign FIUs and other law enforcement authorities. The FIU has powers to require information from persons for the purposes of pursuing money-laundering investigations. The FIU will also issue guidelines on money laundering.

A further aspect of the reform agenda, which begins in the upcoming year, is to revamp the entire spectrum of legislation governing the offshore sector. The confidentiality law, which in many respects is a “securing” law, will be substantially amended.

Government has ratified the relevant international conventions including the convention on the suppression of the financing of terrorism, and it will take the necessary legislative and administrative actions to give effect to these conventions. My government intends to meet fully its international obligations under the United Nations Security Council Resolution 1373. In fact, we are already doing so.

DOMESTIC FINANCIAL DEVELOPMENTS

After several years of planning, the Eastern Caribbean Securities Market (ECSM) is now a reality with the launch of the market and commencement of trading in October of this year. The market will transform the financial landscape in the Eastern Caribbean and the wider Caribbean.

Now that the ECSM has been established, work will concentrate on the development and delivery of other aspects of the Money and Capital Markets Development Programme that is a joint undertaking between the Eastern Caribbean Central Banks and Member Governments of the Bank. In this connection the Regional Government Securities Market is expected to come into operation early in the New Year.

As the financial system in St. Vincent and the Grenadines develops and becomes more integrated into the global economy, closer supervision and monitoring are required in order to protect the safety and integrity of the system. Government will accordingly strengthen the regulatory and administrative framework for all financial institutions including commercial banks, insurance companies, credit unions, credit institutions and securities intermediaries. The New Insurance Bill and Motor Vehicle (Third Party) Bill will soon be introduced into this honourable house as one aspect of

this enhanced regulatory regime. Other changes will be implemented during the year including the transfer of regulatory responsibility for building societies to the Ministry of Finance & Planning.

Mr. Speaker, one of the concerns of my Government on assumption of office was the state of the finances of many of the quasi-Government and state-owned public enterprises. We are concerned that for too long many of these public sector enterprises have been operating with gross inefficiencies, and this will no longer be tolerated.

As a result, in September of this year a high level committee comprised of senior Ministers of Government's, senior public servants and representatives from the Private sector was established by Cabinet to monitor the operations of all Public Sector Enterprises on a quarterly basis. This committee is chaired by myself as the Minister of Finance.

The functions of this committee include the examination of the quarterly accounts and reports of the financial operations of the enterprises, monitoring the level of compliance with Government's fiscal, financial and other economic policies; and ensuring that the borrowing limits set by Cabinet are adhered to.

National Insurance Scheme

The Fifth Actuarial Valuation Report of the National Insurance Scheme (NIS) was authorised and approved by the NIS Board of Directors in July of this year. The Valuation was performed a few months earlier than required in order to facilitate the preparation of this budget presentation.

(We wanted the NIS Actuarial Review to be done earlier than usual so that we can make some announcements concerning the NIS in this budget.)

The Reviewer concluded that "the NIS continues to be in excellent financial and actuarial conditions" and highlighted the following:-

- that the current combined contribution rate of 6.0 percent is projected to be adequate to finance the NIS operations until the year 2016.
- that the fund ratio of the short-term benefits is projected to be excessively high and the excess reserves should be transferred from this branch to the long-term benefits branch.

- that the long-term benefits account for 84 percent of total NIS costs in 2002 of which 63 percent is attributed to old age pensions. This amount is projected to increase, as the Scheme will be paying out an increasing number of pensions and decreasing number of grants.

The Reviewer recommended some modifications to the benefit structure in order to update the Scheme, so that its relevance to the workers, beneficiaries and employers does not deteriorate. The recommendations have been accepted by the Government and will be implemented in the upcoming year, as follows:-

- a. Increase in pensions awarded prior to January 01, 2000 by 3 percent for every year or part thereof. This increase is to be paid with effect from July 2002.

(I want to those persons who are on the \$80 per week listen to me carefully.)

- b. An increase in the Non-Contributory Assistance Aged Pension (NAAP) from \$20 per week to \$25 per week. Further, Government has agreed to add some three hundred elderly and poor banana farmers to the list of persons who are entitled to such a pension.

These farmers have made a tremendous contribution to the Banana Industry and by extension the country over the years and it is only fair that their efforts be recognised now that they are too old to continue farming.

- c. An increase in the grants with effect from July 2002 as follows –
 - (i) Maternity Grant from \$400.00 to \$500.00
 - (ii) Funeral Grant from \$3,000.00 to \$3,600.00
 - (iii) Funeral Grant to dependants by 20 percent.
- d. Increase in the minimum pension from 50.00 to \$55.00 and in the minimum pension for survivors by 10 percent with effect from July 01, 2002.
- e. An increase in the ceiling on insurable earnings from \$750.00 per week or \$3,250.00 per month to \$870.00 per week or \$3,770.00 per month. This adjustment will become effective from January 01, 2003.

The financial implications of these adjustments are not adverse. Indeed NIS reserves are expected to increase from \$183 million at the end of 2001 to \$470.3 million in 2012, after implementation of these modifications. Overall, the Scheme's current financial position is sound Net Income for 2001 is projected at \$16.8 million its, reserves are \$183 million and it has fund ratio of 13.9 which is well within the acceptable range.

In the upcoming year the NIS will also focus on other issues of national concerns, these include AIDS, occupational health and safety, social outreach, student loans and public health. The NIS has conducted a survey on the impact AIDS has had on the finances of the Scheme, especially on the productive age groups of 14 – 44 years. The National Advisory AIDS Committee under advice of the International Social Security Association will host a regional symposium in St. Vincent next January at which regional Directors of Social Security programme will craft a regional response to the AIDS epidemic. This will be done in collaboration with the Caribbean Epidemiological Centre (CAREC).

In the area of occupational health and safety, Government will continue its efforts at ensuring that the necessary safety standards in keeping with the Caricom Model Law on occupational health and the safety and work environment are introduced. The NIS will play a leading role in this regard. Public awareness and education and capacity building at the NIS to develop occupational health and safety plans will be the focus for 2002.

In light of the global economic downturn, Government will continue its efforts at ensuring that the NIS receives good returns on its investments and also make certain that its assets base is safe and secure.

St. Vincent Development Bank

The Development Bank is operational. Its main focus to date has been the recovery of the old DEVCO loans, the provision of credit to small farmers and students. The Plethora of organisations in this sector, DEVCO, SEDU, Development Bank, NDF and NCB, remains a matter of serious concern to government. The merger of some, if not all, is inevitable. Considerable focus will be given to the rationalisation of these institutions in the New Year.

MANUFACTURING & PROCESSING

This Government will revitalize the manufacturing sector so as to improve its contribution to the economy. Specifically, we will put measures in place to increase jobs, income and foreign exchange earnings from this sector.

In reviewing the sector for 2000, the data indicate that the sector experienced its fourth year of decline, falling by 14.1 percent during the year. The sector's contribution to GDP now amounts to 5.8 percent of GDP as compared to 8.2 percent in 1995. Indications are that this trend is about to be reversed.

During 2002, several initiatives will be undertaken. First, we will provide some fiscal stimulus to investors; we will ensure that additional credit facilities are available at reasonable costs, and we will facilitate the adoption of various production initiatives

within the sector. In this new environment, the role of small and medium-sized investors is critical. This is why we have moved so readily to help the sector. Our efforts in this regard have already begun to bear fruits, and in the coming months we will see the establishment of one major bakery owned by a Vincentian out of New York, and two furniture manufacturing enterprises and another firm for the manufacturing of pharmaceuticals.

Government has recently provided a financial facility for micro-enterprises through the National Commercial Bank. Under this programme, the owner is required to complete fifty (50) hours of training in various aspects of business management, in order to qualify for loans under this programme. We are encouraging the other commercial banks operating in this state to provide similar facilities. This facility supplements funds available from the NDF and the Development Bank.

Additionally, Government will be providing tax concessions to the manufacturing sector, to which I will refer later in this Address.

To further stimulate the manufacturing sector, we have embarked on a promotional campaign to encourage our people to buy 'Natural Vincy'. However, we encourage the producers to produce goods of competitive price and quality.

THE DEVELOPMENT CORPORATION

Since the coming on stream of the St. Vincent and the Grenadines Development Bank, the Development Corporation has been relieved of some of its traditional responsibilities and is now charged with industrial estate management, and investment promotion and is also the focal point for information technology services development and promotion. DEVCO's current mandate includes the pursuit of industries, which are competitive on a sustainable basis. Its focus for 2002 and beyond centres on the development of IT services within St. Vincent and the Grenadines including the establishment of Call Centres, data entry centres, tele-medicine and distance-learning facilities.

Four hundred persons are employed at the Arnos Vale call centre, which was officially opened last week. The Georgetown Call Centre, which will be opened in February 2002, will employ an additional 240 persons and plans are in place for additional Call Centres at Ottley Hall and in other areas. By the end of 2004, it is expected that all these activities will have created some 3,000 jobs.

To consolidate our gains in this sector and to provide our people with the necessary skills and attitude, my Government plans to establish a National Institute of Technology (NIT) during the first quarter of 2002.

In an effort to effectively discharge its industrial development mandate, Devco will ensure the existence of suitable and adequate factory space at the industrial Estates.

In this regard, three new factory buildings are earmarked for construction over the next three years with a total floor area of 75,000 sq. ft. Approximately US\$3.5 million is required to undertake this project. Government is seeking assistance from the Caribbean Development Bank (CDB) to finance the construction of these buildings. These structures will be of a flexible design which will ensure that they can be used for either traditional manufacturing or the IT sub-sector.

UTILITIES

Telecommunications

In April, 2001, the Government along with the Governments of the Commonwealth of Dominica, Grenada, St. Kitts and Nevis and St. Lucia signed an Agreement with Cable & Wireless (W.I.) Limited and its affiliated companies in the contracting states to govern the liberalisation of the Telecommunications Sector for the next twelve to eighteen (18) months.

The signing of the Agreement demonstrated the recognition on the part of the Government of St. Vincent and the Grenadines the importance of a liberalised and competitive Telecommunications Sector to the economic and social development of the sub-region; the desirability of adopting a harmonised approach to the reforms. My government also considered the dominant position of Cable & Wireless in this sector; and the need for partnership in the new liberalised environment.

The Agreement provides for the phased liberalisation of the sector which commenced on April 01, 2001. During this phase, new licences were available to Cable & Wireless; Marpin Telecommunication in Dominica (the only other fixed network service provider in the sub-region); Domestic Mobile Cellular Network operators; VSATS for Call Centres and data entry businesses; Internet Service Providers; and the resale of international switched minutes, for example, Calling Card Services.

The features of this new environment involve the establishment of the Universal Service Fund (USF) and the payment by service providers for use of the electromagnetic spectrum.

The USF is expected to fund universal service in relatively remote areas, specifically with respect to public voice telephoning, internet access, telecommunication services to schools, hospitals and similar institutions, and the disabled and physically challenged.

Energy

The process of rural electrification on St. Vincent is continuing and Government is committed to ensuring that VINLEC's lines reach every community of houses. VINLEC is now allocating more of its funds to helping individual customers, by building one-pole extensions free of charge and by contributing \$2,200 towards the costs where more than one pole is needed.

Small entrepreneurs who set up business in remote locations can also get financial assistance to bring in the electricity supply, in the form of low interest loans from VINLEC which are repayable over time as their business grows. These are very useful initiatives being taken by VINLEC. Government will use its own rural electrification budget to support and expand VINLEC's efforts at reaching those individuals who most need the assistance. Funds have been provided in the 2002 Estimates to assist in bringing electricity to the rural communities.

The end is now clearly in sight with regard to the electrification of Mayreau. Upon taking office in March of this year, this administration was faced with the need to find over one million dollars to build an access road and a jetty to allow VINLEC to develop the site chosen for the electricity plant on Mayreau. But there was no budgetary allocation for this work. We were forced to reassess the project arrangements and I am pleased to say that a suitable new site has been selected which eliminates the extra cost of special infrastructure. Cabinet's approval has already been given for the \$3 million project. Generators and other equipment for the Mayreau plant are already being assembled in Canouan for transshipment. On-site work will begin by February, and the people of Mayreau now have every assurance of receiving their electricity by August 2002. The government intends to make that an Emancipation Day present for the people of Mayreau.

Even as we anticipate the satisfaction of achieving total electrification of our country we must continue to address the fuel costs that electricity users must pay. Although fuel prices have retreated over the last three months, the trauma of the very high prices that prevailed during the previous two years has brought home the realization that as a nation we must seek to gain some measure of control over our imported energy costs and that our procurement arrangements must be flexible enough to allow us to take advantage of the best deals available on the energy markets. Our research has shown that fuel may be bought from Venezuela at prices significantly better than those available from our traditional source in Trinidad. Consumers in St. Vincent and the Grenadines will benefit from this facility through lower fuel surcharge on their electricity bills and possibly through lower fuel prices at the pump if proper arrangements can be worked out with the existing oil companies. The Government of Venezuela has offered to CARICOM states the additional incentive of concessionary financing for fuel purchases, through the Caracas Energy Accord.

On 22 November, during his official visit, President Chavez and I signed the Caracas Energy Agreement which allows SVG to access the price and financing advantages of purchasing refined fuels from Venezuela. Under a separate technical co-operation agreement – which we have also signed – Venezuela will advise us on options towards upgrading our facilities for receiving and storing fuels, so as to further improve our procurement options.

VINLEC has been mandated to continue the development of these initiatives and to prepare itself to play a more substantial role in energy trading on behalf of this country.

The rate of electricity demand growth has been slowing steadily throughout the 1990's. Over the last five years it was 5.7 percent per annum. It is projected to average no more than 4.4 per cent per annum over the next five (5) years as we navigate through the general economic slowdown that is also affecting the rest of the world. However, VINLEC still faces a heavy capital investment programme – of \$100 million dollars – over the next five years. The Lowmans Bay plant must be built immediately to replace some of the obsolete and inefficient generators at Cane Hall and to reduce the environmental friction associated with the operations of the Cane Hall plant. VINLEC must also invest urgently in upgrading its transmission systems and operating methods to satisfy the very high reliability standards demanded by modern technology-driven economies such as we aspire to be.

Postal Services

Government is taking steps to deal with the problematic situation, which we inherited, at the General Post Office. This institution plays an important role in the everyday lives of our citizens, particularly, the poor. Unfortunately, corruption in this Department is pervasive and various incidents of theft and other crimes have been discovered at this institution.

Government has examined the operation of this organisation in order to come up with ways of making it more effective and to improve its image. One of the options now being explored is the conversion of the Department into a Statutory Body as means of promoting transparency and accountability. In this regard, all stakeholders are currently reviewing a bill for the incorporation of the Post Office.

Plans for the introduction of an Express Mail Service is well advanced, and the general public can look forward to an efficient and affordable service. We must however, improve the weakening conditions and facilities at the Post Office. Early in the New Year repair works will start on the building, which houses the General Post Office. To do this we will have to move the operation to temporary quarters. I ask for the general public's understanding of any inconvenience may be caused as we take steps to improve the facilities and the service offered.

SVG PORT AUTHORITY

During 2002, the merger between the SVG Port Authority and the CPCP will be finalised. The stakeholders will be consulted with reference to the legal form that the merger should assume, and the necessary legal instruments prepared to give effect to the approved form of the merger by the end of the second quarter in 2002. The process of enactment of the necessary legislation and implementation of all legal provisions required for the effective and efficient operation of the CPCP should be completed before the end of the third quarter of next year.

The operational facilities at the Port are expected to increase through the development and implementation of strategies for the development of the Port as a transshipment facility and also as a storage or free zone area by 2002.

A programme of attraction and entertainment for cruise ship passengers is to be developed by 2001-2003, through collaboration with all other Government Ministries and Departments and other Private Sector agencies in planning and executing activities that may have a positive impact on the operations of the cruise ship and ferry berth facility by 2003.

Early in the New Year a revision of port tariffs for ferries will be undertaken with the aim of improving compliance.

HEALTH

The goal of Government is to improve the delivery of health care to all citizens of St. Vincent and the Grenadines. This is consistent with our holistic approach to development and our fundamental belief that true development must not only incorporate both economic and social dimensions, and more consequentially, the Government will put an appropriate mechanism in place to improve the management of the Kingstown General Hospital; and to develop markedly the quality and range of health services at the rural centres/hospitals. In the 2002 Estimates provision is made for the final phase of the hospital redevelopment project. We have also provided for the construction of two (2) clinics at Biabou and Greiggs, both of which should commence in January.

Over the last few years we have seen a significant increase in the number of cases of lifestyle-related diseases. One such disease is HIV/AIDS. We are in a position to prevent or at least lower the incidence of these occurrences. Due to its proven record of devastation the incidence of this disease must be curtailed. In recognition of the fact that there is need to address issues related to this scourge, a team from the Caribbean Epidemiology Centre (CAREC) was invited to make a presentation to Parliament aimed at sensitising the policy-makers to the whole issue of HIV/AIDS.

It is very troubling that the Caribbean region is second only to Sub-Saharan Africa in relation to the incidence of this disease. St. Vincent and the Grenadines holds the dubious distinction of having the highest rate of infection of this disease in the OECS¹. This situation is an untenable one and it must be addressed with the greatest urgency not only at the political level but at all levels of the society.

In an effort to address the HIV/AIDS issue, the Government will strengthen the Aids Prevention and Control Unit, by recruiting additional critical members of staff. The professional staff in the Unit includes a Director, a Psychologist, four Counsellors and a Social Worker. This Unit will be primarily responsible for carrying out the mandates of Government, as well as advising Government, on issues relating to HIV/AIDS.

The nursing situation in the country continues to be a source of worry. The high rate of attrition in the profession mirrors to a large extent what is taking place in the rest of the Caribbean and one that merits immediate attention. In an effort to combat this situation, the decision was taken to recruit Cuban nurses to alleviate the crisis. The first batch is expected to be in place by the end of the year. In a more medium term response, it was decided to train six (6) times the number of nurses than was previously trained over a three (3) period.

The need to improve our physical environment through proper solid waste disposal was being addressed in 2001 and this will continue into 2002. The whole of mainland St. Vincent now has garbage collection and disposal. Citizens are therefore urged to comply with the schedule as set out by the Solid Waste Management Unit and assist in justifying the name of "Gem of the Antilles". The general public is asked to cooperate with the garbage collection system.

The Dalaway Water Project is expected to be completed during the first quarter of 2002. Upon its completion, Vincentians will enjoy a superior quality of water than before.

Government is committed to bringing safe and reliable supply of potable water to every community in the state. Annual water production is now estimated at 1.9 billion gallons with a daily average of 5.3 million gallons and there are now over 23,700 consumers. In order to continue to provide quality services and to meet the demands of these consumers, the CWSA has embarked on some major initiatives commencing in 2002. These include the Windward Water Project, the enhanced Solid Waste Management Project, and the Loss Reduction Programme for public buildings.

¹ The incidence for HIV is 62.6 per thousand and that for AIDS is 39 per thousand

The Windward Water Supply Project is estimated to cost EC\$23million. This project will significantly improve the water supply on the Windward side of the island from Georgetown to Belvedere. The main benefit that will be derived from this project is the improvement in the quality and reliability of the water supply.

Some additional revenue will be obtained from the connection of new customers to the system. However, this is insufficient to make the project financially viable. Additionally, there are other on-going and planned projects by the CWSA, such as the Dalaway Water Supply Project which will require considerable outlay of capital. In order to meet these expenditures, we rely on loans and grants from aid donors to improve the financial viability of the CWSA. To achieve these objectives, it will be necessary to increase water rates at the appropriate time in the future.

For a long time the waste management situation here in St. Vincent and the Grenadines has been a major concern for citizens and visitors alike. The Solid Waste Management Project financed by the World Bank and the Caribbean Development Bank (CDB) was designed to provide creative solutions to these problems. Since taking office this Administration has moved with alacrity to address the problems that have impeded the project.

We have concluded negotiations with the Port Authority for the handling and disposal of ship-generated waste. Other activities on this project that will be completed in the upcoming year include delivery of the remaining waste collection and transportation equipment; finalisation of the regulations "schedules" associated with the new shore-based Waste Management Act approved last year by Parliament; enhancement of the institutional capacity to effectively manage solid waste; and the continuation of an awareness campaign. An additional loan of US\$1.9 million has been obtained from the Caribbean Development Bank (CDB) for execution of the remaining facets of the project on mainland St. Vincent including the construction of the Walliliabou landfill. It is expected that this landfill will be commissioned in early 2003.

The waste management plan for the Grenadines will at long last receive some serious attention. During 2002, the designs will be carried for the construction of landfills on Bequia, Canouan and Union Island. In the meantime, Government will implement interim measures for garbage collection and overall responsibility for these will be passed on to the CWSA.

Every major settlement on the mainland now has a regular and reliable collection service. The budget of the Solid Waste Management Unit has been significantly increased to meet the cost of this expanded and improved service. The Government has had to find ways of financing these additional expenditures. Accordingly, I propose to introduce a solid waste service charge of \$5.00/per month per household, with effect from January 01, 2002. This charge will be added to the water bill of each domestic consumer. This charge will not apply to the elderly indigent. It also will not apply to the

Grenadines even with this service charge, the government still has to subsidise heavily the garbage collection systems.

During the year 2002, the Ministry of Health in conjunction with civil society will sharply enhance its assault on the use and abuse of illegal drugs and on the treatment of drug users/abusers. The use of narcotics is not only an issue of crime; it is fundamentally one of health and education.

YOUTH

This Government has an abundance of faith in the potential of the young people of this country. We believe that the young people are our most valuable asset. In this regard, our agenda has been fashioned by the recognition of the tremendous possibilities these young people hold for the development of this country. The appointment of Goodwill Ambassadors is a manifestation of this recognition. Apart from the Youth Empowerment Service, which I referred to earlier, government, has embarked on a programme to strengthen youth groups and organisations as well as to streamline the framework of assistance to them. The establishment of a Youth Foundation, the adoption of a National Youth Policy, as well as the planned re-organisation of the Youth Department are intended to achieve this objective. All our efforts are aimed at improving the quality of life for our youths and to ensure their complete integration into the National Development Programme.

As a corollary, the construction of a National Stadium and the adoption of a Sports Policy will serve to fulfill, in part, the recreational needs of our youths.

INFRA-STRUCTURAL DEVELOPMENT

Mr Speaker, earlier as I referred to the pivotal role of the construction sector in economies of our kind. Use of the facilities that we construct is but one aspect of the matter. Equally important is the employment created during the construction of the facilities.

This is why the Public Sector Investment Programme (PSIP) which we call this aspect of government activities, is so crucial, particularly when there is a slow down in the other productive sectors. Cognizant of all this Government has spared no effort to get the PSIP moving.

First, we had to utilize the funds, which the EU had already allocated to us. Then I myself travelled to Libya and Taiwan to obtain additional funds. But while funds are necessary, it is not a sufficient condition to ensure that the PSIP takes off. Engineers and other technical personnel are needed to ensure implementation. So as I have

mentioned on other occasion, I travelled to Cuba to seek technical assistance. As a result of all this effort we now have a very comprehensive PSIP.

It includes the Windward Highway and other rehabilitative road works of a substantial kind, the Trans-insular Road, the National Stadium, the Modern Prison, the National Library, the Refurbishment of the Peace Memorial Hall, the NCB building, the refurbishment by the NIS of the building formerly owned by the Arrowroot Association. The Capital Estimates for 2002 are replete with PSIP Projects.

GESCO

One of the public sector enterprises, which has received much attention since our assumption of office in March of this year, is the General Equipment and Services Corporation (GESCO). We see this as an important institution in our efforts to rehabilitate the physical infrastructure, which had deteriorated rapidly in recent years.

At March 31, 2001 GESCO was financially strapped, with a bank overdraft of EC\$750,000, and outstanding bills dating back from the early 1990's. Over three hundred thousand dollars, deducted from workers remained unpaid to the National Insurance Scheme, the Commercial Technical and Allied Workers Union and the Inland Revenue Department. The GESCO building was in a state of disrepair, and most of the heavy equipment was lying idle due to lack of spare parts.

The new GESCO management has moved quickly to turn around the Corporation and to transform it into a viable and efficient entity. This process will continue and will be achieved through the purchase of a fleet of new trucks and the acquisition of several new pieces of equipment, as well as the refurbishment of some old equipment. There will be an upgrading of the skills of the personnel attached to the auto-mechanic workshop in order to ensure that a high level of competence is lent to that facet of GESCO's operations. It is the goal of the organization to have a well-maintained and reliable fleet of lorries and heavy-duty equipment. The sand mining at Rabacca will be organized to ensure proper management of operations in this area.

Funding for this programme will come from a variety of sources including a loan from the National Commercial Bank and the sale of some of the Corporation's assets and from cost savings measures, which have been instituted at the Corporation.

HOUSING

This Government is deeply concerned about the poor state of much of our housing stock, and the demand for improved housing condition in our state. We have started to implement various initiatives aimed at improving the housing stock, both qualitative and quantitative.

The 100% mortgage programme with no down payment for Public Servants including Civil Servants, Teachers, Nurses and Police Officers was launched in September and has been an instant success. Initial funding of \$5 million for the programme has been sourced from the NIS, but we intend to explore alternative financing as the programme expands. We are happy with the demand thus far, and it confirms the correctness of the policy in this regard.

Early in 2002, we will commence our programme to build 1,000 low-income houses. This programme will be carried out over a five-year period. Two major sites, on the Windward and Leeward sides of the island respectively, have been identified for commencement of this project. Preliminary architectural work and other general preparation have already commenced.

Further, discussions have been held with the Credit Unions in order to explore ways of involving the Credit Unions in the execution of this project. The Credit Unions have pledged their support in principle, though the details have not yet been finalized. Financing for this programme will come from a Bond issue, which will be floated, in the first quarter of the New Year. In respect of the indigent poor, particularly the elderly and disabled among them, Government will upgrade and extend the existing programme of materials assistance and implement a special programme of house repairs. We will also regularise and upgrade existing squatter settlements in order to improve the living conditions.

The chaos at the former Colonial Homes Housing Project at Diamond will come to an end. My government has decided to set up a Commission of Enquiry into the entire matter and to regularise the titles of bona fide purchases. Retired Justice Monica Joseph will be the sole Commissioner. The sitting of the Commission will start shortly.

PUBLIC SECTOR FINANCES

The fiscal operations of the Central Government for 2000, relative to 1999, resulted in a weakening of the current account savings as the growth in Current Expenditure significantly outpaced that of Current Revenue. In fact, Current Revenue, which amounted to \$260.5 million, increased by only 1.8 percent, while current expenditure (exclusive of amortization) went up by 7.0 percent to \$240.9 million. As a consequence, the current account surplus suffered a 36.4 percent decline, moving from \$30.8 million in 1999, (3.5 percent of GDP), to \$19.6 million, (2.1 percent of GDP) in 2000.

The sluggish revenue performance experienced in 2000 resulted from the lack of buoyancy in collections from tax sources. An amount of \$227.6 million was collected as Tax Revenue during the 2000 fiscal year compared with the sum of \$223.6 million in the previous year, a mere 1.8 percent increase. Taxes on International Trade, which is

the single largest contributor to revenue, suffered a decline of 6.0 percent amounting to \$102.4 million in 2000, as a result of a decrease in collections from import and consumption duties.

On the expenditure side, all of the major categories of expenditure recorded increases during the period under review. The wage bill in 2000 totalled \$123.9 million up by 4.2 percent. Interest Payments increased by 27.2 percent reflecting an increase in the level of public sector indebtedness. Transfer payments, in the form of Contributions to regional and international bodies, Pensions and Social Security payments totalled \$30.4 million, an increase of 8.0 percent. Similarly, public expenditure on other goods and services (maintenance, electricity and telephone bills) increased by 4.5%.

During the 2000 fiscal year expenditure on the capital side slowed significantly as Capital Expenditure fell by 44.1 percent, amounting to \$35.2 million, down from \$63.6 million in 1999. This compares with a budgeted capital expenditure of \$137.8 million and gives an implementation rate of 25.5 percent for the year under review. The 1999 PSIP implementation rate was 47 percent.

The fall in the implementation rate of the PSIP, points to the need to streamline the entire project management mechanisms within the public sector, with the aim of achieving and maintaining higher rates of implementation.

The above analysis points to a significant weakening of the Central Government's fiscal position during 2000. This pattern continued into the first three months of the current fiscal year and when this administration assumed office on March 29, 2001, there was a deficit on the Government's current account of \$8.9 million for the year to date. Additionally, there were unpaid bills in excess of \$25 million comprising unpaid contributions to regional and international organizations, outstanding payments to contractors and other unpaid bills.

By the end of August 2001, this administration turned this deficit around into a current surplus of \$4.53 million. In the aftermath of the terrorist attacks on the United States of America there was a considerable decline in revenue collections during September and this caused deterioration from the good fiscal performance up to August 2001. Current Revenue collections for the month of September 2001 amounted to \$18.17 million as compared with collections of \$ 22.62 million during September 2000, a decline of 19.7 percent. Total Current Revenue however amounted to \$188.3 million for the first three quarters of the year 2001 which is 5.4 percent more than the \$178.6 million collected in the corresponding period of 2000.

As at September 30, 2001, Current Expenditure (excluding amortization) totalled \$187.5 million, an increase of 7.0 percent over the corresponding period in 2000. All categories of current spending, except Interest Payments, registered increases.

In the fiscal outlook for the remainder of the current fiscal year, Government finances are expected to strengthen. It is anticipated that current account savings will rise to 2.6 percent of GDP, as the measures announced in the October 11 address, to control expenditure and improve revenue collection, take effect.

In light of the review undertaken above, several fiscal issues arise. On the recurrent side, it is evident that current account savings are being depressed as revenue growth consistently lags behind that of current expenditure. This development is mainly attributed to the weakening of revenue performances and to a lesser extent a rise in public spending.

In this regard, measures to broaden the tax base, to improve rates of compliance and to further strengthen the administration of key revenue departments are required to reverse these negative trends.

To this end, the Government has received a grant from the Caribbean Development Bank to finance the cost of conducting the necessary review of the tax system including an assessment of the feasibility of introducing some form of a Value Added Tax (VAT), which is adapted to the special circumstances of a small open economy such as ours.

The Government is also working in close collaboration with the Eastern Caribbean Central Bank (ECCB) and other OECS governments to set up a Tax Commission which will make recommendations on new approaches to taxation and its administration. The Commission comprises of distinguished nationals of the OECS.

Government will also be amending the Customs (Control and Management) Act in order to remove the existing legal impediments to enforcement and collection. This includes an amendment which would require travellers bringing \$10,000 or more into the State to make the relevant declaration to the Customs Officers stationed at the port of entry. Government will be taking a strong line on those unscrupulous persons who continue to trade in “uncustomed” goods. Not only does this practice defraud the Government of much needed revenue, it is grossly unfair to businessmen/women who pay their taxes.

The proposed amendment to the Customs Act will permit the Customs Officers to enter during daylight hours into any premises where “uncustomed” goods are suspected to be held, for the purpose of searching and confiscating such goods if found.

Measures to bring expenditure growth rates within sustainable levels are also being instituted. Accordingly, this Budget provides for a only a 1.5 percent increase in total recurrent expenditure budget. When amortization is excluded from the total, this rate of increase drops to less than 1 percent to 0.3 percent. Several areas of spending including, transfers and local and international travel were cut in this budget. This is a

clear indication that this Government is serious about expenditure control and responsible fiscal management. We will carry out this mandate without compromising the quality or quantity of services provided to the public.

In particular, great care has been taken not to reduce the services provided to the poor and needy; to ensure that health and education are not adversely affected to provide for the additional security needs of the country and to provide for additional expenditure urgently required for Tourism and Agriculture in the aftermath of the terrorist attacks in the U.S.A.

Indeed, included in the 2002 Estimates are provisions to increase the number of Police Officers including the establishment of a new Tourist Police Unit. This Unit will assist in patrolling the major tourist areas and recreational sites and to reduce the level of violence against visitors.

One other security concern, which we have addressed in these Estimates, is the situation at Her Majesty's Prisons. As Honourable Members are aware we inherited a very volatile situation at the Prisons. We have moved expeditiously to restore calm to the institution by taking action on several fronts and we have included a provision of \$2 million for design work on a new Correctional Facility and to begin construction. We have also provided for an additional twelve-(12) officers at the prisons in order to improve the management and supervision of the prison population and to strengthen security at the Prisons.

On the capital side, our major challenge is to carefully target the public sector investment in an effort to maximize social and economic impact. No longer can we allow poor planning and design, lack of timely project information flows, premature inclusion of projects in the PSIP and limited human resource capacity to hamper our development. In this regard, we have secured financing from the CDB to conduct a Study for an Integrated Management Project. This new project when complete will considerably aid in the monitoring and management of projects, thereby leading to some improvement of the rate of implementation of the PSIP.

RESOURCE REQUIREMENTS

This Budget also reflects the spirit and intent of the measures announced in my October 11th address to the Nation entitled "Economic Stabilisation, Consolidation, Recovery and Renewal in a New Period".

The full cost of the Government's programme for the 2002 fiscal year is, four hundred and nineteen million, five hundred and forty-five thousand, eight hundred and twenty dollars, (\$419,545,820). This total comprises recurrent expenditure of three hundred and nine million, seven hundred and thirty-six thousand, seven hundred and ten dollars (\$309,736,710) and a capital programme of one hundred and nine million, eight

hundred and nine thousand, one hundred and ten dollars (\$109,809,110). Much emphasis has been placed on presenting a more focused and realistic budget; accordingly, when compared with the Budget for the current year, the 2002 figure is lower by 4.1 percent.

In the 2002 Capital Budget, only projects that are in an advanced state of readiness for implementation are included. Consequently, the PSIP for 2002 has been reduced by 22.7 million or 17.1 percent. As far as we in this administration are concerned, the budget is serious business. It is not simply about putting down numbers or compiling wish lists; it is about providing for the social and economic advancement of our country.

The budget for recurrent spending (including amortization), which amounts to \$309.7 million, is 1.5 percent above the current year's recurrent estimates. When the sum of \$28.5 million for amortization is subtracted, current spending rises by a mere 0.3 percent. This is a clear indication of my Government's efforts to maintain expenditure growth within sustainable levels. The Recurrent Expenditure Estimates can be summarised as follows:-

	\$m	% of total
Wages & Salaries	145.23	51.6
Retiring Benefits (including NIS)	15.63	5.6
Other Transfer	28.43	10.1
Interest Payment	26.33	9.4
Goods and Services	65.65	23.3
Total: Current Expenditure	281.28	100.00
Add: Amortization	28.46	
	309.74	

Financing the recurrent budget was particularly challenging since a revenue item amounting to \$12.0 million in the 2001 Estimates for the Honorary Citizenship Programme was removed from the 2002 Budget. This item, which was included in the Estimates since 1999 never yielded a single cent in revenue. However, programmes of expenditure were planned and created on the basis of that extra phantom \$12 million. This meant therefore, that we had to legitimately raise additional revenue in excess of \$12.0 million to fund these programmes and also to generate savings to assist in the funding of Capital Expenditure. The Estimates before this Honourable House is tangible evidence that we have met this challenge.

The Current Revenue is comprised as follows:-

	\$m	% of total
TAX REVENUE	267.42	86.2
Taxes on Income and Profits	80.50	26.0
Taxes on Property	2.88	0.9
Taxes on International Trade	123.55	39.8
Taxes on Domestic Transactions	47.15	15.2
Licences	13.34	4.3
NON-TAX REVENUE	42.66	13.8
Fees, Fines and Permits	18.27	5.9
Interest, Rent and Dividends	13.87	4.5
Other Revenue	10.52	3.4
	310.08	100.0

In preparing the 2002 capital budget, we were guided by four (4) factors:

1. The long- term social and economic impact of the project;
2. The availability of financing;
3. The degree to which the project was ready for implementation; and
4. The capacity of the executing Ministry to implement a given portfolio of projects.

We are confident, therefore that the 2002 PSIP implementation rate will be substantially improved.

The Transport and Education Sectors, which account for 24.1 percent and 21.5 percent of the capital budget, respectively, have been given much attention in my Government's investment programme for the upcoming year. When my Government assumed office, we inherited a national road network that was in a state of considerable disrepair. In this budget, funds have been provided to commence the rehabilitation of our roads. A good system of roads is of critical importance to support economic activity, particularly in the Agriculture and Tourism Sectors.

One of the main objectives of my Government is to transform our education sector, in order to appropriately position our country to take advantage of opportunities presented by the globalization and advancement in information technology. In this regard, funds have been provided for the expansion of the Computerization of Schools Programme, the reform of technical/vocational education and curriculum development under the Basic Education Project.

The Agriculture Sector accounts for 7.7 percent of the total capital budget. This figure represents direct spending in the sector. Throughout the PSIP however, there are several projects that will indirectly impact the sector and augment agricultural production and development. The Feeder Roads Programme, which is classified under the Transport Sector, is one such example. One must not conclude, therefore,

that there is a de-emphasising of Agriculture. On the contrary, Agriculture is one of the main pillars upon which we intend to build this economy.

Approximately 14 percent of the Capital Estimates is directly allocated for Community Services. These initiatives are aimed at tackling the issue of rural poverty and the improvement of the rural social and physical infrastructure.

The Capital budget by sector is comprised as follows:

	\$m	% of total
Transport	26.51	24.1
Education	23.60	21.5
Community Services	15.20	13.8
Administration	15.57	14.2
Agriculture	8.47	7.7
Health	3.06	2.8
Tourism	1.76	1.6
Other	15.63	14.2
	109.81	100.0

In the financing of the 2002 capital estimate there is a perceptible shift to domestic financing. Next year, 54 percent of the PSIP will be funded from external sources, made up of grants of \$29.54 million and loans of \$29.81 million. In 2001, 71 percent of the capital programme was financed externally. The decline in external financing anticipated in 2002 is precipitated by a decrease of 31 percent and 38 percent in loans and grants respectively. Grants, however, remain an important source of funding and receipts from donors such as the European Union, the Republic of China on Taiwan, the Caribbean Development Bank and others, will contribute 27 percent of the resources required to fund the capital budget in 2002.

A total of \$50.1 million of domestic resources will be required to finance the 2002 PSIP. This figure is made up Development Bonds \$23.17 million, Local Loans \$14.61 million and Other Capital Receipts \$12.35 million. The sale of crown lands and savings generated on the recurrent side of the budget will be the main contributors to Other Capital Receipts. A summary of the entire budget and the sources of financing are provided below:

\$m	
Current Revenue	310.08
Current Expenditure	281.28
Current Surplus/ (Deficit)	28.80
Add: Capital Grants	29.54
Less: Amortisation	(28.46)
Funds Available for the PSIP	29.88
Capital Expenditure	109.81
Overall Surplus/ (Deficit)	(79.93)
Financed by:	
External Loans	29.81
Local Loans	14.61
Development Bonds	23.16
Other Capital Receipts	12.35
	79.93

There is one matter which I must address before the fiscal measures and this is -

OFFICIAL CORRUPTION

During the election campaign of March 2001, the ULP pledged to wage a war against corruption. My Government has followed through on this promise both in general and in specific terms as follows:-

1. The misuse and abuse of Government's many vehicles by Ministers and Public Servants have been swiftly addressed with much success.
2. Openness, transparency and equity are the orders of the day in the tendering process.
3. In June 2001, the Minister of Foreign Affairs signed the Inter-American Convention Against Corruption, on behalf of the Government of St. Vincent and the Grenadines. The aim of this Convention is to promote and strengthen the development of the mechanisms needed to prevent, detect, punish and eradicate corruption. The Convention is now before Parliament for approval.
4. The establishment of the White Collar Crime Unit.
5. The preparation already of an Integrity Bill that will go before Parliament in the New Year.
6. The conduct of on-going investigations in a number of questionable deals conducted by the previous administration.
7. The evolution of a careful, scientific approach to tackling the alleged corruption during the construction of the Ottley Hall Project.
8. The giving of instructions to a local lawyer to commence civil proceedings against Dr. Rolla for the \$10 million or so which he ripped off at the National Commercial Bank.

9. The conducting of audits, and strengthening the accountability of the overseas missions.
10. The building of a culture of honesty and transparency in Government.
11. The passage of a new Proceeds of Crime and Money Laundering (Prevention) Bill and the Financial Intelligence Bill. The law dealing with fugitive offenders was strengthened last week.

This administration is determined to stamp out official corruption. Corruption undermines democracy and the people's trust in Government. My government pledges zero tolerance on corruption at all levels and we will demonstrate our commitment to this fact through our steadfast and unrelenting actions.

FISCAL MEASURES

I now turn to the actual fiscal measures, which my Government will be implementing for the 2002 financial year. These measures are designed to support our economic strategy to promote economic stabilisation, consolidation, renewal and recovery in this new period. Accordingly, these measures are designed to stimulate the productive sectors, to complement our strategies for job creation and poverty reduction, and to strengthen public finances in order to assist in financing the Public Sector Investment Programme.

Reduction in Income Tax

I propose to reduce the Company Tax rate to 30% for manufacturers, with effect from Income year 2002. In addition, those manufacturers who export to the non-OECS market will obtain additional reductions in tax rates for the chargeable income earned on these exports. The following rates will apply:-

- | | | |
|-----|---------------------------------------------------------------------------------------------|-----|
| (a) | on the chargeable income derived from the local market and from exports to the OECS market. | 30% |
| (b) | on the chargeable income derived from the exports to the non- OECS Caricom market. | 25% |
| (c) | On the chargeable income derived from the exports to the extra-Caricom market. | 15% |

The rate of tax on income accruing from a hotel will also be reduced from 40% to 35% with effect from income year 2002.

I also propose to amend the legislation in order to ensure that hotels are allowed to claim a capital cost allowance in respect of any building used solely in the carrying on of hotel business, including buildings used for housing and welfare facilities for employees.

Further, I propose to amend the Income Tax Act to permit private businesses which participate in the Youth Empowerment Service (YES) and the Public/Private Partnership (PPP) Programmes of public buildings to claim up to 125% of the expenditure incurred as eligible deduction for the purpose of computing chargeable Income. This means that private businesses may recover a minimum of fifty percent of the cost incurred. This cost recovery will increase in the case of the YES programme, as the person(s) employed contributes to greater revenue generation by the firm.

The PPP is a programme whereby the Government is encouraging the private sector to adopt or sponsor various public sector, institutions for example, Schools, police stations, clinics and community centres. Several private sector entities are already engaged in activities of this kind and we expect that many more will follow.

(And to facilitate the private sector contributing to the YES programme and to the PPP programme - the Public Private Partnership Programme on public buildings. We will be preparing a common form covenant which the business concerned will sign and that will be deposited with the Income Tax Department. This is where you are involving in a creative way business and the Government. So that it cost \$8,400 currently for one volunteer on the YES Programme. If you as a business entity say it is going to provide for one volunteer, it will get \$2,400 in relief. So that we hope that this exercise would assist in getting the private sector moving to help.)

The resulting loss of revenue of these measures is approximately \$2 million per annum.

Landing and Parking Fees

As a concession to the airlines, which have all been hard-hit by the fall off in traffic and the increase in the cost of business, in the aftermath of the terrorist attacks on the USA, my Government proposes to grant a 25% reduction on Landing and Parking Fees payable at all Government owned airports in the State. This concession will run for a six (6) month period beginning on December 1 of this year. Only those airlines which are current in their payments or which have made suitable arrangements to the satisfaction of the Director of Airports, to clear any arrears, will qualify for this discount.

Concessions on Family Barrels

As part of our "Reach Out and Touch" programme my Government has from Monday of this week reduced the charges payable on all family barrels imported for the Christmas Season up to December 31, 2001.

(Mr. Speaker, I had made this announcement at the Convention of the ULP on Sunday. An elderly lady of much reason and persuasion contacted me and said that there were four rates put out; \$20 for small barrels and small boxes and then \$30, \$40, \$50 depending on the size of the barrels. And she said to me that when she was growing up she only knew of things which are small and things which are large, and that she wants me to put it only into two categories. And I agreed with her.)

Under the new arrangements, no duty will be charged on these barrels, a flat nominal fee will however be imposed by the Customs and Excise Department as follows:-

- | | |
|-------------------------------|---------|
| (a) Small Barrels and Parcels | \$15.00 |
| (b) Large Barrels | \$25.00 |

This concession will apply only to those barrels containing foodstuff, clothing and household effects for personal use by members of the family. Electrical appliances and furniture contained in the barrels will be subjected to the normal customs duties.

(Mr. Speaker, when this was proposed last year by the Opposition, now the Government we were told it was impossible. The ULP Government has just accomplished the impossible.)

Yacht Licence

For several years now there has been much confusion surrounding the charges imposed by Government on yachts operating and cruising in the waters around St. Vincent and the Grenadines. This confusion has resulted in a low level of compliance in connection with the Yacht Licence and cruising charges.

As part of its efforts to focus and to streamline the yachting sector, and in order to make the fee structure more customer friendly and hassle-free, Government has held various consultations with key stakeholders to obtain their view and recommendations on the way forward. One of the findings of these discussions is the need to have a more clearly defined and transparent schedule of fees, which does not discriminate against local operators, as is the case with the present structure.

(Mr. Speaker, the fees which I am about to announce are what the people involved in the yachting business themselves say we should put.)

Accordingly, I propose to amend the Yacht Licence Act to implement a new fee structure as shown in Appendix I, which will take effect from January 1, 2002. On an annual basis we expect this new structure to realise an additional \$1.6 million in revenue.

(And Mr. Speaker, that is not revenue which poor people will be paying, it is the people who own the yachts and who are travelling on them.)

However, we do not expect that this level of revenue will be achieved in the upcoming year, as time and effort are required to put the necessary infrastructure and machinery in place to implement the charges.

Interest Levy

(Mr. Speaker, as you know currently there is an interest levy charged on the commercial banks of 1%, and it is a tax-deductible charge.)

I propose to amend the Interest Levy Act in order to impose the charge on all financial institutions. A financial institution here means any institution conducting banking business in the State and excludes Credit Unions and other Co-operative Societies. The present policy of imposing this charge only on commercial banks has created distortions in the financial system, and has given an unfair advantage to some non-bank financial institutions.

This measure will take effect from January 01, 2002 and is expected to raise an addition \$1.1 million per annum in revenue.

Consumption Tax

I proposed to increase the consumption tax payable on a number of items with effect from January 01, 2002. The detailed list of items can be seen in the schedule accompanying the resolution. The revenue to be realized from this measure is estimated at \$0.75 million per annum. This amount will go towards the Agricultural Diversification Fund, which is being established for financing private and public sector activities aimed at diversifying the country's agriculture.

(Mr. Speaker, when Honourable Members examined the list, it would be seen that these commodities are exported mainly from extra-regional sources. And the \$750,000 which we get from this measure will go to the agricultural diversification fund to help to beef up the rural economy an help to diversify agriculture and deal with the issue of poverty alleviation.)

User Fees

In order to generate additional funds required to finance Government's activities, and in an effort to ensure that the charges for the services provided by Government reflect the cost of providing these services, I propose the following: -

- (a) An increase in the Airport Service Charge from \$30 to \$35.
- (b) Increases in the fees payable to the Registrar of High Court for Registration of Patents, Registration of Trademarks, Estate Documents, Admiralty Proceedings, Matrimonial Causes and Documents in Civil Matters, details of which are appended to this address.

(Mr. Speaker, most of the increases would not affect people ordinarily. There is one which however will. At the moment you pay \$5.00 for a Birth Certificate. It cost \$25.00. That is the real cost of a certificate. And what we have found that people go, they buy the birth certificate and throw them down. They lose them, they go back because they are so cheap, and causing increase in loses to the Government. So in order to cut down on that we are increasing the birth certificates for instance from \$5.00 to \$10.00 so you are less likely to want to lose your birth certificate.)

- (c) The imposition of a charge for the Survey of Crown Lands and for the processing of Survey Plans.
- (d) Increase in postal rates and charges of approximately 20 percent, to take effect from February 1, 2002. Details of these increases will be published shortly.

(Mr. Speaker, when I say 20%; inland it is 10cents at the moment. It will go to 12 cents. So I have to say this because there are people out there who are interested in creating mischief and not understanding how the economy has to be fine tuned and how we have to proceed.)

Stamp Duty

I propose to amend the Stamp Act to increase the duty payable on various instruments, which are subject to this Tax.

(Mr. Speaker, in this regard some will go up and some will come down.)

In addition, I have given instructions for sufficient quantities of stamps be held in stock in order to ensure that stamps are at all times available for use by the public. We have

had the unfortunate situation where businesses have complained of difficulties in obtaining stamps from the Government for validation of receipts and documents, which has resulted in a substantial loss of revenue to the Consolidated Fund.

(Mr. Speaker, we know that a lot of persons who work with Government (petty contracts) that is why I say with stamp duty some will go up and some will come down. And we want to take care of the poor people.)

All petty contracts with the Government for \$500 or less will now be exempted from the Stamp Duty.

(So when you get work from the 1 million dollar Christmas road work and you are suppose to get \$150.00, you don't have to go to Post Office and buy stamps and come back and line up, you just go and it would be exempt. This is how we are preceding to help the poor.)

The expected revenue yield for this measure is \$1.5 million.

Other Measures

I propose to adjust the fees payable pursuant to the Profession Licence Act; I also propose to add some professions, which are now excluded from the list. This measure will generate an estimated \$0.2 million in additional revenue.

(For instance, I don't think a lawyer can complain in having his professional licence fee moved from \$400 and it is list here as \$750. Personally, I would like to see it go to \$1,000.00. Nobody down Bay Street is going to complain about that.)

Other measures include an adjustment to the fee structure pursuant to the Alien Land Holding Licence Act and an increase in the fee chargeable for special Marriage Licences under the Marriage Act.

CONCLUSION

Mr. Speaker, as I conclude this Budget Speech, permit me to reiterate some of the relevant themes and ideas which I have been addressing in recent and not- so-recent times.

First, despite the difficulties which have arisen in the economy after the terrorist attacks in the USA on September 11th, the Government and the people as a whole have kept their focus and direction in accordance with the analysis and prescription of their

leaders, civil society, stakeholders and mature and reflective individuals across this land. As I have oft repeated, this country has not descended into a state of crisis consequent upon the terrorists' attacks. Difficulties only become crises when the principals are innocent of the extent of the conditions and have devised no credible path forward. Currently, in St. Vincent and the Grenadines, the Government has analysed the situation soberly and has put in place the necessary correctives. Jobs are being created; the initiatives in education and health are exciting the populace as never before; the productive sectors are being revitalised; long standing problems made worse by the inertia of the ancient regime have been solved or are being put right by my Government. Democracy, openness, transparency and political hygiene are being practiced as never before; the soul and spirit of the nation as reflected in sports, culture and religion are being daily renewed as on-going tributes to our worthy Caribbean civilisation.

The mood of the nation today is one of joy, happiness and hopefulness. I share that profound sense of optimism for the future of our beloved land.

Second, this nation, which is founded on the belief of the supremacy of God and the freedom and dignity of man, is being respected abroad as never before. Our activist and principled foreign policy, formulated and implemented in the interest of our people's humanisation, has lifted this country's profile overseas and has brought it substantial material benefits. We are now truly a small nation with a great people. And a government of unquestioned stature, which stands tall as a magnificent example of our Caribbean Civilisation. It is no longer run as a minuscule backwater, adrift hither and thither.

Still, too many of our people have not made the requisite individual efforts to improve their life, their training and their conduct. There is still too much laziness, criminality, and vagabondry. Responsible persons, by far the largest group in our country, must stand up and battle against these social ills on an on-going basis. The Government, too, will continue to have zero tolerance for criminals of all kinds, money launderers and drug traffickers. I know that the people as a whole overwhelmingly support this commitment by the government.

The work attitudes and daily conduct of too many of our people are simply atrocious. To be sure, those of our people who behave like this, constitute a small minority but they must become responsible in the quest for individual and national progress. My Government is mindful of the waywardness of this minority and is determined not to allow them any space to spread their anti-social tendencies.

In my address to the nation on October 11th, 2001, in response to the events and circumstances in the aftermath of the terrorists attacks, I spoke to the hearts, minds, and souls of our people. I do in identical terms again. The new challenges that have been foisted upon us have not been of our own making. But the prime responsibility of

confronting these challenges and rising triumphantly depends upon every single one of woman, child and us.

This nation of ours is blessed with a wondrous bounty from Nature. We have fertile lands, plentiful resources in the sea, a lovely climate, a magnificently beautiful seascape and landscape, a stable democratic system of government, a geographic space of peace and tranquillity, a location next to the most powerful country on earth, and a disciplined, talented people drawn from different lands and cultures who dwell together in harmony. These blessings, and more, we treasure. We can use them in these increasingly challenging times to make our lives better than ever before.

In the past, our people survived slavery, indentureship, colonialism, and imperialism. We emerged out of those experiences stronger and better. The temporary difficulties in no way compare to genuine hardships that our forebears have had to endure.

Mr. Speaker, I have spoken narrowly on the economy, the estimates, the budget and governments' policies and I have also addressed wider issues. There is no doubt much more will be said by honourable members and myself in this continuing debate. As I close, I ask that each of us in this nation, at home and abroad, dig deep into the recesses of his/her soul and spirit for the inspiration to do the right thing and then do it. And may Almighty God continue to bless us all. I thank you.

(Applauses)

HONOURABLE LOUIS STRAKER: Mr. Speaker, I am pleased to second the motion previously and formerly made by the Honourable Prime Minister for the approval of the Appropriation Bill 2002.

*Question put and agreed to.
Bill read a second time.*

DR. THE HONOURABLE RALPH GONSALVES: Mr. Speaker, Honourable Members, I would like to move the motion for the suspension until tomorrow morning at 9:00 o'clock, but before I do so Mr. Speaker, I would just like to say and ask the persons who are here with the television cameras that I hope they have made a check of the length of time that I have spoken, so that the Honourable Leader of the Opposition would have the cameras here tomorrow during his four hour presentation for a similar length of time. We are a transparent Government. If I am appearing on television, so should the Leader of the Opposition.

Mr. Speaker, I know that sometimes in the past the camera may come from GIS, now API and not come. But you either never got the tape or you had to pay to go on Television. The same way that the Agency for Public Information will put the portion of the address, I have no objection to that happening in the case of the Leader of the

Opposition if he wishes for his address to be put on API. It is not a Government Information Service it is an agency for Public Information.

Mr. Speaker, I beg to move the suspension of the sitting of this House until 9:00 a.m. tomorrow morning.

HONOURABLE LOUIS STRAKER: I beg to second the motion Mr. Speaker.

Question put and agreed to.

House suspended at 7:43 p.m.

APPENDIX I

Proposed Licence Fee and Tax

A. Local Based Boats/Yachts

Length	Annual Licence \$	April to December \$	July to December \$	October to December \$
Up to 30 ft	300.00	260.00	150.00	100.00
31 ft to 50 ft	500.00	440.00	250.00	160.00
51 ft and over	700.00	600.00	350.00	230.00

Cruise Tax of \$5.00 per person per day.

B. Occasional Licence – Bareboat

Length	Annual Licence \$	Monthly Licence \$
Up to 30 ft	600.00	60.00
31 ft to 50 ft	1,000.00	100.00
51 ft and over	1,400.00	140.00

Cruise Tax of \$5.00 per person per day

C. Occasional Licence – Chartered Cruised Yachts Licence

- (i) \$4.00 per foot per month or \$30.00 per foot per year.
- (ii) Cruise Tax of \$5.00 per person per day.