Mr. Speaker, Honourable Members,

This is my ninth Budget Speech as Minister of Finance and is likely to be the second to last before the next general elections which are constitutionally due by March 28, 2011. Only one preceding Minister of Finance in an independent St. Vincent and the Grenadines has crafted more national budgets than I have done.

This year’s budget is one of the most challenging I have had to fashion, much more so than the one in the aftermath of September 11, 2001, given the scale of the economic tsunami which has awashed the world’s economy consequent upon the financial meltdown which occurred in September 2008 in the major economies of the United States of America, Europe, and Asia. Swiftly, the worse economic crash since the world economic depression of eighty years ago, engulfed the entire international economy. Hardest hit have been the developing economies including every single economy in the Caribbean.

In the last two or so months, economic recovery internationally has started but haltingly and unevenly. There is much uncertainty still in the citadels of advanced capitalism even though their financial conditions have improved. Nevertheless, this tentative economic recovery in the developed countries has been largely jobless and potentially reversible.
Even so, this halting recovery internationally has yet to be made manifest in the developing economies including those in the Caribbean. Given the structure of our regional economies, an international down-turn is immediately felt adversely; an economic upturn internationally impacts regionally with a delayed time-lag. These are the simple facts of our economic life.

The global economic recession of the past 16 months or so has caused enormous economic dislocation in the Caribbean, including St. Vincent and the Grenadines. The evidence is before us: sharply declining growth rates resulting in negative growth across the region; a rise in unemployment; a drop in government revenues; an increase in Debt-to-GDP ratios; a fall in investment, including foreign direct investment; a decline in remittances from abroad; a fall in banana earnings occasioned largely by the continued erosion of trade preferences; a decrease in tourism receipts and exports of goods and services; externally-sourced attacks on the international financial services sector; an increase in government spending particularly on enhanced safety net provisions, subsidies, and assorted financial stimuli; a deferral of expenditure on certain capital projects; and a daily strain on the cash-flow position of governments in the region.

In addition to all this, Mr. Speaker, there have been economic challenges specific to our region which have caused immense difficulties to the OECS sub-region, including our own country. In these respects we highlight the collapse of the CL Financial Empire which includes, the British American Insurance Company and the CLICO group; the collapse of the Stanford Financial Conglomerate based in Antigua, the major economy in the Eastern Caribbean Currency Union (ECCU); and the weak and
fragmented condition of the indigenous banking sector, which sector has been faced with significant liquidity challenges.

Further, the recent settlement of the long-standing trade dispute over bananas between the USA, Europe, and Latin American banana-producers, has put our banana farmers in the Caribbean at a most disadvantageous position.

Taken together, the adverse fall-out from the international economic crisis, the erosion substantially of our trade preferences on bananas, and the home-grown problems in banking and insurance in the region, occasioned the most severe systemic challenges to the economies of the member-countries of the ECCU since internal self-government over forty years ago.

Indeed, it is absolutely remarkable that our sub-region, consisting of extremely small and vulnerable economies, has been able to avert economic collapse. In fact, we in St. Vincent and the Grenadines have held things together, kept our heads above the turbulent financial waters, and have made progress in some critical areas of the economy and its management. But it has not been a walk in the park; and we are not yet out of the woods.

Our success in St. Vincent and the Grenadines in maintaining economic stability and even recording progress in some areas, has been due to a large extent to enhanced sub-regional economic coordination and management; sensible public policies; the creativity and good sense of our people, including the private sector; the external support and solidarity from our Diaspora, friends and allies overseas, and from the
developmental financial institutions; and careful economic management overall.

Mr. Speaker, in response to the international economic recession and its deleterious impact regionally, our main sub-regional institutions, namely, the OECS and the ECCU became pro-actively engaged. In mid-January 2009, the leadership of the OECS and ECCU met in a joint session over a two-day period in St. Kitts-Nevis to consider a coordinated response to the sub-regional effects of the international economic crisis. Four decisions of far-reaching consequence were taken: First, a Joint OECS-ECCU Task Force under my Chairmanship, was set up. Secondly, an Eight-Point Stabilisation, Recovery and Transformation Strategy and an accompanying Action Plan were elaborated and endorsed. Thirdly, the decision was re-confirmed to initial the new OECS Economic Union Treaty by December 31, 2009. And fourthly, a Ministerial Sub-Committee of the ECCU to address the challenges of CLICO and British-American Insurance Company was established under my Chairmanship. Later in this speech I shall detail the practical import and ramifications of these decisions.

Mr. Speaker, over the past nine years of my two administrations, St. Vincent and the Grenadines has been buffeted and rocked by unprecedented external challenges and significant natural disasters. Despite all these, our nation has survived and thrived remarkably well. A less resolute and focused people and government would have seen the economy and society go asunder. From July 2001, when my government presented a “mini-budget” in the form of Supplementary Estimates and a Supplementary Appropriation Bill, a counter-cyclical fiscal stance was adopted. This was even before the terrorist attacks on the United States
of America on September 11, 2001, and their most harmful economic consequences.

At first, Mr. Speaker, the International Monetary Fund (IMF) critiqued our counter-cyclical fiscal approach as wrong-headed. The domestic parliamentary opposition concurred with the IMF thesis; it even went further and labeled our fiscal stance as “wholly irresponsible”. However, by the end of 2003, the IMF had changed its tune. In its published assessment on the economy of St. Vincent and the Grenadines, dated November 07, 2003, the IMF Staff Report asserted:

“Against the backdrop of a weak global economy and its ongoing loss of preferential trade access for the traditional crop (bananas), the economy of SVG has grown modestly in the last two years. Growth has been supported by a counter-cyclical fiscal stance including large public sector investment, while private sector activity has been weak”

This said IMF Report of November 2003 further stated:

“The recent fiscal stance combining a boost to the economy through increased capital expenditure, while maintaining control over current expenditure and strengthening revenue collections, represents an appropriate response to the current economic situation”.

At the same time, this said IMF Report advised that the counter-cyclical fiscal stance “can only be pursued on a temporary basis” and urged fiscal caution in 2004 and beyond.
In response I stated in my 2004 Budget Address, delivered on December 01, 2003, as follows:-

“The ULP Government accepts the essential truths contained in the advice proffered by the IMF Staff Mission, and it has fashioned efficacious policies for ongoing implementation accordingly. However, the Government makes a somewhat different strategic judgment on the continued pursuance of the counter-cyclical fiscal stance for the years 2004 and 2005. We will not be as cautious as the IMF Mission recommends but at the same time we will not be reckless or profligate. We will continue to be prudent, careful, creative and balanced in reconciling, if not resolving, conflicting fiscal objectives regarding increased capital spending, on the one hand, and maintaining sustainable debt levels, on the other, within the context of enhanced revenue collection and tight controls on recurrent expenditure”.

I went on to outline the contours of our stance:

“The sensible approach is this: When the international economic situation is bad, it makes very little sense to wait helplessly, until the recovery cycle comes around. What you do is to prepare yourself, soundly and creatively, to take advantage of the return of the boom cycle when it arrives.”

Mr. Speaker, Honourable Members, I found it necessary to show our ongoing counter-cyclical fiscal stance, historically and conceptually, to show, first, our sensible consistency on a vital issue in economic management in difficult times, and secondly, its continued relevance in
this period of international economic recession and uneven, subdued recovery.

Mr. Speaker, regarding the continued relevance, in this period, of a counter-cyclical fiscal stance of enterprise and prudence, I turn for support from an IMF publication entitled *World Economic Outlook: Sustaining the Recovery* published recently in October 2009. Under the rubric “Maintaining Fiscal Support while Safeguarding Fiscal Sustainability”, the IMF stated:

“Notwithstanding already large deficits and rising public debt in many countries, fiscal stimulus needs to be sustained until the recovery is on a firm footing and may need to be amplified or extended beyond current plans if downside risks to growth materialise. Governments should thus stand ready to roll out new initiatives as necessary. At the same time, they need to commit to large reductions in deficits once the recovery is on solid footing and must start addressing long-term fiscal challenges by advancing reforms to put public finances on a more sustainable path”.

This is precisely, Mr. Speaker, the public policy which the ULP administration has been advocating, and implementing, and which must be refined in the current period of the global recession and the consequential domestic challenges.

To be sure, a counter-cyclical fiscal stance in St. Vincent and the Grenadines is constrained by a number of practical considerations, including: The structure and capacity of the macro-economy to
generate surpluses in the short-to-medium term period; the extent of the debt-to-GDP ratio and the presence of a viable debt management strategy; the availability of sufficient monies from grants and soft-loans; the capacity of the public and private sectors to implement the public sector investment projects; the selection of the projects and programmes on which to focus the public sector investment programme; the extent of accompanying private sector economic activity, including private sector investment both local and foreign; the extent of the health and stability of the monetary and financial systems; the condition of the recurrent budget; and the financing arrangements for the capital budget.

The government’s on-going counter-cyclical fiscal approach contains, Mr. Speaker, a series of elements directed towards sustainable and balanced economic development, job creation, poverty reduction, human resource development, physical infrastructure development, social transformation, deepening regional integration, and fiscal consolidation.

These elements include the following:

1. Economic stimuli in the form of tax reductions on the standard rate of company taxes (from 40 percent in 2001 to 32.5 percent in 2009); reductions in similar number to the marginal rate of personal income tax; the increase in the personal tax threshold below which personal income tax is paid from $12,000 in 2001 to $18,000 in 2009; the reduction in taxes in the area of tourism to 30 percent; a similar effective reduction on qualifying small businesses with annual sales of less than $300,000; the reduction in taxes on mortgages and leases involving land by 51 percent; the provision of a special VAT rate of (10 percent) on tourism and tourism-related economic activity; tax reductions for companies
which are engaged in residential development; the reduction of the interest levy from 1 percent to 0.5 percent for financial institutions which trade exclusively in mortgages for residential construction; and the reduction of company taxes on exports to CARICOM and extra-regional countries.

2. Economic stimuli through subsidies on agricultural inputs, including fertiliser, to farmers. (Farmers also do not pay taxes on their farm incomes and receive subsidies on motor vehicles for use in relation to farming).

3. Economic stimuli through subsidies and transfers of various kinds to the poor, the elderly, children, and expectant mothers.

4. Economic stimuli through substantial wage and salary increases for various categories of workers and public employees.

5. Economic stimuli through annual bonuses and special works programmes.

6. Economic stimuli through a focused public sector investment programme especially with grants, soft loans, and other affordable loans.

7. Economic stimuli through the facilitation of private sector investment both domestic and foreign by way of fiscal incentives and other socio-economic policies.
8. The introduction of the VAT system and the replacement by it of a series of other taxes such as consumption taxes to rationalise and modernise the tax system while protecting the poor and certain productive sectors through zero-rated and exempt categories.

9. The improvement in public revenue measures, including compliance and administration.

10. The sensible management of debts and deficits.

11. An improvement in the productivity of public expenditure.

12. The building in the transparency of public expenditure.


14. The safeguarding generally of social equity and social justice through fiscal measures.

Mr. Speaker, Hon members, those are the central elements in the counter-cyclical policy. In going forward my Government remains committed to the strategic objectives of its counter-cyclical fiscal stance and will continue to refine, amend, and further elaborate the central elements thereof.

Equally, Mr. Speaker, my Government remains steadfast to its priorities of job creation and poverty reduction, and the Education Revolution. Job
creation and poverty reduction are addressed through the developmental workings of the overall macro-economy and specific, targeted strategic interventions. Economic initiatives by the State, the private sector, and the cooperative sector, functioning as an integrated whole, are vital in this challenging period. All these will be elaborated later in my speech. More than ever we must be more creative, relevant, and practical, in the nation’s interest.

Mr. Speaker, Honourable Members, the Education Revolution has been an enormous success in expanding immeasurably educational opportunities for all, more especially for the poor and disadvantaged, in lifting the quality of education, applied science and technology, in laying a firm basis for optimal human resource and economic development, in raising people’s consciousness of themselves and our Caribbean civilisation, in ensuring that our students and population as a whole deepen and broaden their ability to receive and transmit universal culture and knowledge, and generally in training quality minds with relevant skills for the production apparatuses.

Still, there are weaknesses and limitations in the ongoing process of deepening and widening the Education Revolution which we must continue to address comprehensively and effectively. At the same time, we will consolidate our existing efforts in every aspect of the educational enterprise and yet focus more assuredly on certain specific areas including remedial education in primary and secondary education; corrective training for children with learning disabilities; special education for children and young persons with particular physical and mental challenges; technical and vocational education; post-secondary education after hours, for working persons; and the enhancement of
professionalism and professional development for teachers at all levels. In the 2010 Budget these emphases are evident in the consolidation of the Education Revolution and its deepening and widening in certain specific areas. More will be said on these later.

DOMESTIC ECONOMY

In the face of the international economic situation which I have outlined, economic activity in St. Vincent and the Grenadines declined in 2008. Preliminary data indicate that real GDP contracted by 0.6 percent following expansions of 8.0 percent and 7.6 percent in 2007 and 2006, respectively. The decline in growth was attributed to weak performances in most sectors. Real growth rates were recorded Government Services (9.0 percent), Communications (5.1 percent), Other Services (5.0 percent), Mining and Quarrying (1.7 percent), Real Estate and Housing (1.5 percent) and Construction (1.4 percent).

A review of the Consumer Price Index for 2008 indicated that the average annual “point-to-point” inflation rate was 10.1 percent compared with 6.9 percent in 2007. The accumulated inflation for 2008 was recorded at 8.7 percent compared with 8.3 percent for 2007.

For the fiscal year ending December 31, 2008, the government realized a current account saving of EC$52.7 million, a decline of 4.9 percent over the comparative period, in 2007. The primary balance was a surplus of EC$19.0 million compared with a deficit of EC$14.4 million in 2007. The overall balance also improved, Mr. Speaker, moving from a deficit of EC$45.5 million in 2007 to a deficit of EC$27.8 in 2008.
The overall balance of payments position worsened in 2008, moving from a deficit of EC$5.0 million (0.4 percent of GDP) in 2007, to a deficit of EC$22.3 million, representing 1.8 percent of GDP. This outcome was as a result of a large increase in net inflows on the capital and financial account.

Liquidity in the commercial banking system remained at a high level during 2008, as evidenced by the ratio of liquid assets to total deposits plus liquid liabilities, which was virtually unchanged at 41.5 percent. The ratio of loans and advances to total deposits, however, rose by 3.2 percentage points to 87.2 percent.

Preliminary estimates for 2009 indicate that economic activity remained relatively stable last year, with 0.15 percent negative growth. This is better than the regional average which is estimated at a contraction of 5.6 percent for ECCU member countries. A marginal increase in construction activity is projected, but this is likely to be offset by declines in some other major sectors. New and ongoing projects in both the private and public sectors are expected to drive the expansion in the construction sector. In the agricultural sector, banana output contracted. The full impacts of the Moko and Leaf Spot diseases and later in 2009, the emergence of Black Sigatoka, have adversely affected output in agriculture, particularly bananas. Growth in output of non-banana crops is projected based on ongoing initiatives by government.

For 2009, the average inflation rate fell to 0.5 percent, a marked decline over the 10.1 inflation rate recorded in 2008. One of the contributory factors of this relatively low inflation rate was a reduction in oil prices on the international market.
The fiscal operation of central government weakened in 2009 relative to its position in 2008. The overall deficit increased to $50.4 million compared with a deficit of $25.6 million for the comparable period in 2008. A recurrent account deficit of $4.2 million was recorded compared with a surplus of $58.6 million in 2008. Meanwhile, the primary balance moved from a surplus of $21.2 million, to a deficit of $2.2 million in 2009. Preliminary data indicate that capital expenditure for central government in 2009 amounted to $115.0 million, a decrease from $130.9 million in 2008.

Rebasing of National Accounts

In 2005, St. Vincent and the Grenadines, with technical assistance from the Eastern Caribbean Central Bank, embarked upon an exercise to rebase its system of National Accounts. This exercise was undertaken, consistent with recommendations of international experts, to change the base year (presently 1990), to a reference year, 2006. The methodology utilised in this rebasing exercise was significantly improved and included deflating, using Price Indices and extrapolating using Volume Indices.

Now that the exercise is complete, significant improvements have been noted. The new series is very comprehensive. It provides estimates for services not previously captured. For example, it is now possible to determine the Gross Value Added (GVA) in Education and Health and Social Work. The results of the rebasing exercise indicate that Real Estate, Renting and Business activities is now the largest contributor to GVA, followed by Transport and Communications. The rebasing exercise also resulted in an average increase in the level of GVA of more than 33 percent for the years between 2000 and 2008. Practically, this means that
the GVA for 2006 is $1.44 billion under the rebased system, compared with $1.08 billion under the old system. For 2008, the figures are $1.48 billion under the rebased and $1.27 billion under the old. The GDP at market prices show increases of similar magnitude; for 2006, GDP at market price is estimated at $1.68 billion, compared to $1.34 billion under the old system, and $1.97 billion, relative to $1.57 billion under the old, for 2008.

This rebasing will undoubtedly have implications for the various economic statistics. The rebased National Accounts will be widely disseminated during the course of this year.

**AGRICULTURE AND FISHERIES**

Notwithstanding the many challenges that continue to affect agriculture, this sector has maintained its contribution to the Vincentian economy with a share of GDP remaining steady at around 9.0 percent in 2008, compared with 9.6 percent in 2007.

Since 2007, the government has continued to implement an aggressive programme aimed at wiping out Moko and Leaf Spot diseases, treating over 350 acres of bananas and plantain. Unfortunately, in 2009 the industry was affected by another disease, the Black Sigatoka. Having confirmed through laboratory tests the presence of the Black Sigatoka, this Administration devised a strategy aimed at wiping-out and mitigating this disease.

The perennial problem of praedial larceny and stray dogs continue to destroy ruminants. To address the concerns of farmers, the Ministry, with assistance from the FAO, completed a study on developing investment proposals for the livestock sub-sector. Other challenges faced by the
sector include an unreliable supply of labour, low labour productivity, the availability of credit, as well as adverse changes in the banana market regime.

As a consequence of the preceding challenges faced by the agricultural sector, preliminary data for 2008 indicate negative growth of 6.5 percent compared with expansions of 12.7 percent and 7.2 percent in 2007 and 2006 respectively.

Mr. Speaker, an interesting development has emerged in the agricultural sector. As the challenges in bananas mount, non-banana agriculture develops. Indeed, the data show that for the nine-year period, 2001-2009, the agricultural sector in 2009, performed better than for any year, other than in 2007. Non-banana agriculture measured at constant (1990) prices increased from EC$31.2 million in 2001 to $55.2 million, in 2009. Correspondingly, the value of banana production, measured in constant (1990) prices, declined from EC$16.2 million in 2001 to EC$8.0 million in 2009.

The gap between agricultural exports and imports has been widening making St. Vincent and the Grenadines vulnerable as a net food importing country. In 2007, the value of agricultural exports was EC$46.9 million compared to an estimated import bill of EC$157.5 million. In 2008, exports declined to EC$35.8 million while the food import bill increased to EC$198.5 million. This we must correct urgently.

During this year, Government will continue our efforts to address the challenges facing the industry. Specifically in 2010 we will:
• Continue treating farms affected by Moko, Leaf Spot and Black Sigatoka.

• Rebuild the confidence of farmers in several areas. In this regard, The Agricultural Produce and Livestock (Prevention of Theft) Act, 2007 has been proclaimed. We have now appointed rural constables.

In addition, we will present to this Honourable House during this year the legislation to address the problem of stray and dangerous dogs; agricultural health and food safety, the movement of livestock, animal slaughtering and meat handling.

To enhance the modernization, competiveness, scientific and technological approach to agriculture, the Agricultural Training Institute at Rabacca will be operationalized to train an estimated 1200 farmers, young entrepreneurs, school leavers, fishers and other persons involved in other agricultural support services in various disciplines to build capacity and competencies in the sector.

In the 2010 Estimates, $24.5 million dollars are earmarked to be spent on agriculture, forestry and fisheries. Of this sum, $16.6 million are allocated to recurrent expenditure and $7.9 million on the capital side. Significant allocations are also made to both banana and non-banana agriculture and to fisheries. The Minister of Agriculture, Forestry and Fisheries will present the relevant details in these respects, including the operation of the Kingstown Fish Market, the Owia Fisheries Complex, and the other fisheries centres nation-wide when he addresses this honourable house.
Mr. Speaker, Tourism remains central to the Government’s overall economic development strategy. This administration recognises tourism’s potential for enhanced employment-creation and foreign exchange earnings.

Preliminary data for 2009, indicate that there was a 9.1 percent increase in overall visitor arrival. This was driven largely by a 29.5 percent increase in cruise-ship arrivals, relative to 2008. Still suffering from the effects of the international financial crisis, stay-over visitors declined by 10.1 percent.

Further, the industry was challenged by several matters, including the imposition by the British government of an Air Passenger Duty (APD) on all outbound flights, where the further the distance travelled, the higher the duty; pressures on travellers from international lobbyists to limit long haul travel in a quest to reduce green house gases; expensive air transport; the incidence of crime and harassment of visitors, particularly in the yachting sector; the absence of an appropriate hospitality training facility to improve the human resource base employed in the tourism sector; lack of a critical mass of suitable accommodation, particularly on St. Vincent, to attract major tour operators and airline companies.

Mr. Speaker, there are focused policies and programmes, on-going, to address each of these challenges, including urgent consideration being given to tougher laws and a more practical criminal procedure in tackling crime on vessels, including yachts.
Despite these challenges, and more, St.Vincent and the Grenadines has an excellent tourism product in the aggregate and particular distinct features of outstanding quality and breathtaking beauty in our multi-island destination. More and more, the hoteliers and other service providers in the tourism industry are lifting their game. At the same time, the government is building the institutional capacity to pilot and manage this vital industry. In this regard, the role of the St. Vincent and the Grenadines Tourism Authority, established a year ago, is pivotal. Its coordinating work with the St. Vincent and the Grenadines Hotel and Tourism Association, and other stakeholders, is of central importance in going forward.

During 2009, Mr. Speaker, the Tourism plant was substantially improved with the completion of fourteen sites under the Tourism Development Project, funded by the European Union at a cost of EC$20 million. These sites include: Falls of Balleine; Dark View Falls; the Vermont Nature Trail; the Cumberland Nature Trail; the Layou Petroglyph Park; the Botanic Gardens; Wallilabou Falls; Cumberland Beach Recreation Centre; the Owia Salt Pond; the Youroumei Heritage Village; the Soufriere Cross-Country Trail; the Black Point Tunnel; the Rawacou Beach; and Belmont Lookout.

In the 2010 Estimates, Mr. Speaker, a capital project of EC $3.77 million, funded by the European Union, is included to improve access to the Tourism Sites. This project entails the rehabilitation of 3.6 miles of access roads at Dark View, Trinity Falls, Vermont Nature Trail, Rawacou, and other sites.

In 2010, the Ministry of Tourism envisages improved performance through a number of other developments, including: The implementation of the Tourism Sector Plan (2010 – 2020), which was fashioned in the 2008 to 2009
period, and this will further guide tourism development; the elaboration of
the draft Terms of Reference for the Hospitality Institute; and an enhanced
application of ICT in the marketing strategies and programmes of the
Tourism Authority.

The Hospitality Institute is intended to train new entrants and existing
personnel in both the tourism and maritime sectors. It is estimated that 350
students will be able to make full use of this facility by its second year of
operation. In the second half of this year, 2010, design work on the
Institute will commence. It is expected that actual construction on the
Institute will start in the second half of 2011. This project is estimated to
cost EC $9.3 million and is funded by the European Union under SFA 2007
and 2008.

Mr. Speaker, the 2010 Estimates are replete with promising Result
Indicators for the Tourism Sector covering a wide range of initiatives
touching and concerning, among other things, Tourism Education, Human
Resource Development, Community Tourism, Public Awareness and Public
Relations, Planning and Development, National Parks, Rivers and Beaches.

For the year 2010, the Ministry of Tourism has been modest in its forecast of
visitor arrivals to St. Vincent and the Grenadines. This is understandable,
given the global economic condition and the airlift challenges. It
forecasts a 1 percent growth in stay-over and same day visitors, and a 5
percent growth in yachting and cruise tourism. The Ministry is looking for
every opportunity to exceed these numbers.

Mr. Speaker, in the 2010 Estimates, the Ministry of Tourism has been
allocated EC $27.47 million in total, of which $18.1 million is for recurrent
expenditure and $9.37 million for capital spending. Of the $18.1 million for recurrent spending, the Tourism Authority is allocated $14 million for its marketing and promotion. Additionally, Invest SVG, another state-owned enterprise, has been allocated $1.65 million to promote and market St. Vincent and the Grenadines as an investment destination. The Tourism Authority and Invest SVG work in tandem in the marketing and promotion of our country. By comparison, the tourism and promotion budget in the year 2000 was minuscule, comparatively. Naturally, we expect to see more bang for the buck!

PRIVATE SECTOR DEVELOPMENT

Mr. Speaker, in every Budget speech that I have delivered and in every set of Estimates I have presented to this Honourable House, I have highlighted my government’s unequivocal support for the private sector and its quest to build a strategic partnership between the private and cooperative sectors and the State. Every objective observer recognizes all this.

There is, however, an antiquated, anachronistic ideological divide of no relevance to our national condition in which some persons are still imprisoned, and who hold that a government that defends and uplifts the poor and the working people is automatically against the private sector and wealth creation. Nothing could be further from the truth.

Indeed, economic successes recorded by the private sector and the macro-economy as a whole during the past nine years stem, in part, from the strengthening of the strategic partnership between the private and cooperative sectors and the State. To be sure, the State has been a force for good in our Caribbean and cannot retreat from a role as a producer
of public goods and services and as a robust facilitator and staunch supporter of private enterprise in tourism, agriculture, fisheries, manufacturing, banking, insurance, wholesale and retail trade, transportation, telecommunications, and an assorted range of other services.

Mr. Speaker, simply put, the private sector is central to wealth and job creation. It commands a pivotal role in the on-going quest to build a modern, competitive, many-sided, post-colonial economy which is at once local, national, regional, and global.

My government is determined to maintain and further enhance a Good Investment Climate. The central elements in this regard revolve around: The maintenance of the macro-economic fundamentals of a stable currency, relatively low inflation, fiscal soundness, enhanced competitiveness, and increased productivity; an effective and efficient state administrative apparatus; political stability, safety and security; sensible and practical, but not overbearing Regulations; a fair, balanced and facilitating regime of taxation; a well-functioning, accommodating financial and banking system; a sound and competitively-priced infrastructure of communications (air, sea and land), telecommunications, water, electricity, education, health, and other social services; a democratic system of good governance, including a sound judicial system; and a trained, and trainable, workforce and a flexible labour market. My government has been focused on securing these essentials, and more, for the private sector and the nation as a whole. But as always, much more, can and should be done. In respect of specific sectors or types of business, there have been, too, targeted strategic interventions to facilitate private sector development.
Across the board there has been a reduction of the standard rate of company tax and personal income tax from 40 percent in 2001 to 32.5 percent at present. My government intends to reduce this further as soon as the economic circumstances permit. Exporters to CARICOM and extra-regional markets have taxation rates as low as 15 percent. Tax incentives or reliefs of all kinds abound for producers in agriculture, fisheries, tourism, manufacturing, construction companies of residential houses, small enterprises, among others.

The government has created four vital institutions to facilitate business generally and in specific sectors, namely, the Centre for Enterprise Development (CED), Invest SVG (formerly National Investment Promotions Incorporated), the Tourism Authority, and the Banana Services Unit at the Ministry of Agriculture. They do most valuable work.

Mr. Speaker, my government has been investing considerable time and resources to ensure that the Customs Department and the St. Vincent and the Grenadines Port Authority deliver quality services at competitive prices. I know that clients at these entities have a myriad of complaints, some justified but some not. There have been marked improvements at both Customs and the Port but there is no room for complacency. As Minister responsible for the Customs and the Port, I hear the complaints and I give the assurance that both entities will continue to lift their game. In the 2010 Estimates there are significant allocations of financial resources for the further development of both Customs and the Port.

In 2010, important private sector initiatives are on the cards, some on-going, some about to start up. On-going tourism investments at Buccama, Bequia, Union Island and Canouan will add significantly to the
tourism capacity. I have been advised that the first phase of 350 rooms of the 1,000-room Buccama resort is scheduled to be opened in July 2010.

By July 2010, too, further planned investments of at least US $100 million are to commence in the developed resort area of Canouan. The construction of even more high-end facilities will further transform Canouan as an elite destination of choice. There will be a huge demand for construction and other workers on this site. The investors will make the full announcements at the appropriate time. The proposed investments in the south of the island are now put in sequence, following the imminent investments in the north. Mr. Speaker, this additional massive investment in Canouan would not even have been considered had my government not built the Canouan Jet Airport.

Tourism investments are also planned for Bequia, Union Island, Mayreau, and mainland St. Vincent. The issue of their start-up is hinged on the extent of the rebound in the real economy, globally.

Several important domestic private sector investments are underway or are planned, reflecting a continued confidence in our country and its governance. The most visible is the multi-million dollar investment in the form of the construction of a huge supermarket at Arnos Vale by the owners of Aunt Jobe Supermarket. Other domestic investments include small hotels, apartment buildings, agro-processing, and the expansion of existing business enterprises such as Bottlers Limited and Caribbean Glass and Aluminum Company. This latter company has now commendably gone regional in its production and distribution.
Mr. Speaker, I have received a matrix, prepared by the Ministry of Telecommunications and Industry, with a list of 20 companies, sound performers, which produce high quality goods and services but which require technical and financial support of one kind or another. I have mandated the Minister of Telecommunications and Industry to engage actively each of these companies to ensure that the Government facilitate them in their endeavours. More generally, I am seeking to mobilise competitively-priced capital for on-lending to these and other enterprises. My government is determined that our domestic private sector entities receive every support reasonably practicable, for their further development.

AIRPORT DEVELOPMENT AND AIR TRANSPORT
The Government of St. Vincent and the Grenadines continues to demonstrate its commitment to improve markedly air access to and from this country. It recognizes, too, the vital role of air access to the tourism product. During 2009, refurbishing work on the Union Island airport was completed. The runway was resurfaced and coastal protection works implemented at a cost of $4.5 million. Further improvements to the J F Mitchell airport in Bequia were carried out, including the installation of equipment to facilitate night landing. In addition, two years ago, the Canouan Jet Airport was built and the services to that airport now include direct flights to and from Puerto Rico with other connections to Barbados. This is indeed historic as far as airport development and service to the Grenadines is concerned. In the 2010 Estimates, $4 million have been allocated to repair the E.T. Joshua Airport, including the runway, and a further $1.4 million to purchase and install communications equipment at that airport.
In my last Budget Address, I detailed progress on the International Airport Project which commenced earthworks on the first kilometer, in August 2008. Over the last twelve months or so, there has been remarkable progress on this project and 30 percent of the total earthworks is now complete including excavation, transportation and compaction. Interestingly, the value of the earthworks completed thus far is assessed at EC$81 million but the actual expenditure on it is $22.5 million. Over the life of the project thus far, (August 13, 2008 to December 31, 2009) IADC has expended $118.0 million out of a total project cost of EC$589 million. Recently, I gave a full report to the nation and subsequently to Parliament on the progress made thus far and the detailed work programme for 2010. I will not repeat all the details here again, but I would give some main features.

To ensure that this project maintains its schedule for completion by June 2012, the fleet of equipment has been enlarged with over twenty-five (25) pieces of equipment being purchased during 2009 and additional heavy duty equipment will be purchased or otherwise obtained by June of this year, at a combined costing of more than EC$27 million. This is in addition to the equipment made available by the Government of the Bolivarian Republic of Venezuela.

The all-important wind studies are continuing. So far, wind data have been collected and analysed over 3½ years, from 3 wind stations installed within the airport zone. These stations are located at the Northern and Southern ends of the runway, and close to the IADC’s Offices, near the midpoint of the runway. According to the International Civil Aviation Organization (ICAO) Standards, the main runway of an airport must be
positioned in such a way to guarantee at least 95 percent of aircraft operations, without cross-winds exceeding:

10 knots for runways that are less than 1,200 metres,

13 knots for runways that are between 1,200 – 1,500 metres,

20 knots for runways that are 1,500 metres or more,

The runway at Argyle is 2,743 metres long and therefore falls within the last category of the ICAO’s regulations in respect of 20 knots.

The ICAO also requires that wind studies be carried out for at least 5 years. IADC began collecting wind data from March 2006. The results from the analysis of the data show that the predominant winds at Argyle are from the East-North-East and the East, with an average intensity that does not exceed 15 knots. This wind speed and direction represent an even smaller cross wind component that favours the take-off and landing operations of the smaller aircraft, given the 02/20 orientation of the Argyle airport runway.

All of this suggests there is no significant crosswind component to necessitate the construction of a crosswind runway. Nevertheless, we will continue the process started to ensure we have 5 years or more data.

The design work for the sea defences was commissioned and completed during the year. Oceanographic studies were conducted at the North-eastern end of the runway and Bathymetric surveys were carried out up to approximately 1km from the coast. These studies were done to inform the designs of the sea defences in that area of the coast as well as to suggest possible locations for the docking of a fuel tanker to supply the
fuel farm that would be constructed for the operational phase of the airport.

Work on the new 3-kilometre Argyle bypass road and bridge was completed to allow the road to be opened during the last quarter of 2009 at a cost to the Government of EC$16.2 million. This means that the IADC can proceed with work on the 2nd kilometre of the runway, which at some stage would mean that sections of the old Argyle road would become permanently inaccessible to vehicular traffic.

During the year, IADC finalised its design objectives for the Terminal Building and other landside facilities and awarded a contract of US$3.9 million for design and supervision to a Taiwanese firm, CECI.

In accordance with the finalized Terms of Reference (TORs) for the Terminal Building, CECI are designing functional, efficient, environmentally sustainable, safe and cost-effective passenger and cargo terminal buildings and other facilities to provide a distinct “front-door” experience to all visitors to the Argyle airport and provide a pleasant environment for all other persons using the facilities. The Consultants were also asked to incorporate into their designs, the distinct features of our nation.

The company has already submitted its preliminary designs upon which we have already made comments and the detailed designs are expected to be completed by March of this year. Following the tendering, a contract for the construction of the facilities will be awarded with the commencement of construction on the terminal building on the Argyle International Airport by the end of July 2010.
Project Financing

The estimated cost of the Argyle international airport project is EC$589 million.

The grants from Cuba and Venezuela, thus far, are mostly in kind, in the form of technical expertise and machinery, to be used on the project. In the case of Trinidad and Tobago, a cash grant of US$10 million or (EC$27.7 million) was paid over to IADC/government in August, 2008; Austria made a payment of EC$502,000 directly to RIMCO, the regional supplier of Caterpillar equipment, as part payment on 3 compactors for earthworks; on 7th January, 2008 Taiwan paid EC$6.7 m of the promised EC$81 million to the government and more recently, Iran paid over US$2 million (EC$5.4 million) as a grant to the government for the project. Other friendly countries such as Portugal and Turkey have promised financial support. Turkey has actually paid monies into the CARICOM development Fund from which the Government of SVG is seeking a US$16.5 million contribution in grant and soft loans.

Provisions have been made in the 2010 estimates for a highly concessional loan of EC$54 million from the Alba Bank from the Government of the Bolivarian Republic of Venezuela to provide some of the financing for this project.

To date, IADC has EC$40 million bridging loans outstanding on its books: EC$20 due to First Caribbean International Bank, and EC$20 million due to PetroCaribe SVG Ltd, the latter being highly concessional.

However, the credit crunch, Mr. Speaker, and global recession have thwarted National Properties’s land sales effort over the last two years. As
a result, it became more difficult for IADC to use its land sales to raise bridging loans, and has therefore requested government to raise US$20 million bridging loans for the airport project. This loan would be repaid from land sales. It is likely though that land sales may not occur until the world economy recovers, hopefully in or after 2010.

**Work Programme for 2010**

For the remainder of this year work will be focused on the following:

Continue earthworks in the 1st & 2nd kilometres, and commence the 3rd kilometre of the runway; prepare the area for construction of the terminal building and other landside facilities; finalise the detailed designs, and award contract for construction services for the terminal building and other landside facilities; improve the soil testing laboratory to enable testing of hydraulic and asphalt concrete; prepare work for the commencement of pavement activities is the first kilometre; prepare the detailed designs for the airport lighting systems, navigational aids and airfield signage; update the wind/meteorological studies, and begin radio and navigation studies.

Other works to complement these include: Environmental Protection & Monitoring in collaboration with the SVG National Trust, Ministry of Culture and the National Parks & Rivers Authority to maintain the cultural integrity of the project; development of a comprehensive communications and marketing strategy and human resource development requirements. Continued exploration of further concessionary financing options (grants and soft loans), will be undertaken during this year so as to ease the strain on our major collaborators who have remained steadfast in their solidarity.
**Air Transport**

The central theme of our policy on Air Transport has been to provide affordable, safe, and easy access throughout the region. We have always championed a nexus in one form or the other of regional airlines, whether owned by private interests or by Governments. The records will show that we have been able to provide the leadership, advocacy and an invaluable amount of equity and other financial support in this very significant industry.

I have enunciated on many occasions, Mr. Speaker, the critical importance of air transport to the further advancement of the single market and economy to tourism development; and the opportunity for the further empowerment of our people through airline ownership modalities. Our administration is convinced that a predominance of foreign ownership in the airline industry will militate against these policy outcomes. Even in circumstances where it appears that some foreign carriers are serving us well regionally, they come at a prohibitively high cost, a fact that many regional governments do not readily admit.

It is against this background that the ULP administration has seen it fit to make the sustained viability of LIAT a strategic priority. Without a vision and broad appreciation of the wider economic and social context, within which we operate, many will have great difficulty understanding our strategic focus. For those who are not seized of the technicalities, one only has to consider the nightmares, if we were to do otherwise.

The past year was a challenging one for LIAT, as it was for airlines around the globe. The global economic situation forced a reduction in passenger capacity of 20 percent, revenue and passenger traffic as well as average
yields were down by 10 percent. Nevertheless, I am happy to report that amidst all the uncertainties and a hostile environment, LIAT’s financial operations were commendable. Moderate fuel prices in 2009 facilitated a net profit; in 2008, high fuel prices occasioned a net loss of over $2.0 million dollars.

LIAT will embark, in 2010 on the major undertaking of fleet renewal which is estimated to cost US$54 million. Further, during the first quarter of 2010, the airline will receive the final report from the institutional strengthening consultant, which was funded by the Caribbean Development Bank. This report will include recommendations for a further rationalization of its structures across the network. LIAT will also resume discussions with Caribbean Airlines aimed at fashioning a strategic partnership. This is a necessary and desirable initiative which should serve to enhance the commercial viability of both carriers, serve commuters better and mitigate the incidence of predatory pricing or duplication of services on routes, and other things.

**EDUCATION**

Mr. Speaker, education for life, living and production is undoubtedly the center piece of the policies and programmes of this administration. Accordingly, this administration commenced a comprehensive education sector reform programme in 2002, correctly dubbed the “Education Revolution.” The reforms in the education sector were aimed primarily at addressing the critical issues of increasing access at all levels of the education system; improving the quality and relevance of educational outcomes; streamlining and enhancing the management functions at both the central and decentralized levels within the education sector; and instituting curriculum reforms across the education system in both
formal and informal sectors. These were wide ranging reforms and were guided by the Education Sector Development Plan and the related action plan.

Our Education Revolution is beginning to produce remarkable successes, but we will not rest on those achievements. In 2010 we will further consolidate, deepen and broaden our policies in education to ensure that every Vincentian has the opportunity to enhance his or her quality of life, by taking advantage of the various interventions in education.

That is why we have consolidated the secondary school expansion programme which ensures that all students entering secondary schools, through the universal access to secondary education programme, are adequately accommodated. During 2009, work was done at the Thomas Saunders Secondary, the existing West St. George Secondary, George Stephens (Snr.) Secondary, and Buccament Bay Secondary schools. Work on some of these schools is ongoing.

In the upcoming period, with funds from the World Bank, the construction of the West St George Secondary School will commence. In addition, some work will be done on the Sandy Bay Secondary and the Troumacca Secondary Schools. The Intermediate High School Building Project is complete.

Further in 2009 work was completed on the refurbishment of laboratories in six (6) secondary schools; the refurbishing of the Curriculum Resource Unit, near to the Peace Memorial Hall; the modern National Library, and major rehabilitation of four (4) secondary schools. The Fairhall and Bequia Primary schools were built at a cost of EC$5.5 million and EC$6.9 million.
respectively were completed. Rehabilitation was also done on the Sion Hill Government, Lauders Government, Gomea Methodist and Brighton Primary schools. The completion of the Edinboro and Peter’s Hope Secondary schools at a cost of EC$6.5 and EC$8.2, respectively added further capacity for secondary education. So, too, the completion of the Union Island Secondary School at a cost of EC$11.0 million. In addition to the physical construction activities, we witnessed the unprecedented training of teachers, in which hundreds of teachers, including primary school teachers, were trained to the degree level in a wide range of courses:

- Paedagogy (while in service)
- Various areas of the Curriculum
- Special Needs Education
- Remedial Teaching Strategies
- Literacy
- Information and Communications Technology
- Management and Leadership (mainly for principals and vice principals)
- Early Childhood Care and Development
- Delivery of Adult Education programmes
  - Training in Library skills
  - Training in Information Technology
  - Training in media /use of multi media tools
  - Training of Adult Education facilitators in Learning Material Production
Mr. Speaker, in 2001 when we came to office, there were four university-level graduate teachers from the primary schools; between then and now over 300 have become so qualified.

These achievements in education surpass any in the history of this country. In this year, we will further intensify our efforts to ensure that our overall education objectives are achieved. The Estimates for 2010 allocate EC$129.5 million for Education, EC$104.2 million for recurrent spending and EC$25.3 million for capital expenditure. Beginning with the Early Childhood Education, we will continue our support through funding to the Roving Caregivers Programme and the monthly subvention to pre-schools. In addition to all those things, nine new Early Childhood Education centers will be completed and opened in 2010. This is in addition to the nine (9) which were opened last year and are being operated by the Government. These are in addition to those in the private sector which are in a strategic partnership with the Ministry of Education. By the end of 2010 we ought to be close to our goal of universal access of 3-to-5 year-olds to quality Early Childhood Education. Absolutely remarkable!

The financial resources allocated to the Ministry of Education do not include the $6 million for tertiary education through the training division or the $6.5 million contribution to UWI, or the $2 million this year for Learning Resource centres or other sums touching and concerning Education expenditure in the Budget. Having significantly upgraded the physical plant in primary education, in 2010, we will focus our attention on keeping within the primary school system the many teachers who have been trained at the university graduate level. Provision is made in the 2010 estimates for this purpose. Sixty-five graduate teachers will be appointed in primary schools in 2010 in the areas of administration, subject areas,
and early childhood education, in accordance with criteria established by the Ministry in consultation with the Teachers’ Union. The appointment of these teachers in 2010 will cost $2.6 million. Others will be appointed next year.

Earlier this month on January 14th, 2010, the contract for the construction of the modern West St. George secondary School was signed. Construction activities will commence shortly. This project is part of a larger intervention funded by the World Bank. When completed in the first half of next year, it will provide state-of-the-art accommodation for 550 students. Science laboratories, modern language facilities, ICT laboratories are all included in the designs. This school will cost $18.6 million to build and equip.

The secondary education programme for 2010, will include the ongoing training of teachers. We have also ensured that all Secondary Schools will be provided with resident counselors. This will assist in addressing behavioural issues faced by some students.

Mr. Speaker, in the 2010 Estimates, provisions are made for increases in the subvention for the School for Children with Special Needs. Resources, too, are provided for a Student Support Services Unit to buttress support for children considered to be at-risk. This will include the provision of the services of a Psychologist and other professionals to assist in meeting the behavioural challenges of our students who have hitherto been insufficiently served. An allocation of almost $1 million has been made in the 2010 Estimates for student support services.
One of the challenges in sustaining universal secondary access is the need to improve student performance at this level. The government, in collaboration with the EU, CDB and the World Bank, has commenced the process of addressing these concerns. The updated ESPD will elaborate on some of the strategic interventions required to address issues of quality.

At the post-secondary level we are embarking on an extensive programme to improve education through the use of Information communication technology (ICT) with a grant of EC$50 million from the European Union. The implementation of this programme has already commenced.

The overall objective of the programme is the development of human resources in St. Vincent and the Grenadines, through the sustainable provision of learning opportunities for all persons in the State. The programme aims to equip Vincentians with the required values, skills, attitudes and knowledge necessary for creating and maintaining a productive, innovative and harmonious society.

Through this project there would be direct financial input for the following:

- Educational management, administration and governance.
- Improved quality of basic education and TVET.
- Improved infrastructure at the St. Vincent and the Grenadines Community College.
- Support for in-school and out-of-school children, marginalized students including those with special needs, the unemployed and illiterate/innumerate persons in the community who will benefit from new learning opportunities provided by the
integration of ICT into targeted interventions aimed at their inclusion into society as productive individuals.

- Programes to ensure that Principals and Teachers will be able to better manage the schools and deliver the curriculum through the integration of ICT.
- Serving inter-sectoral units and other government agencies which will benefit from having a cadre of potential employees who are fully equipped with skills and expertise required to propel the further development of the local economy.
- Generally assisting the local, regional and international tertiary institutions and related agencies.

The third phase of expansion of the Community College is in its final design stages. This phase is being financed by a grant of EC$14.6 million under the 9th European Development Fund. The expansion will include:

1. New lecture theatre and classroom block
2. Teachers block
3. Student Union building
4. Games facility and external works

With this development, the college to will accommodate up to 2000 students. The completed facility will boast a minimum of 20 regular classrooms, modern physics, chemistry, computer and e-learning and language laboratories. Construction is expected to start in the final quarter of this year.
HEALTH

The administration recognizes the vital importance of a healthy population to people’s welfare and its development programme. In the 2009 Budget Address I detailed several components being undertaken as part of the wellness revolution as a further indication of our commitment to the maintenance good health in St. Vincent and the Grenadines. We have fashioned a national policy on wellness which is currently being refined and further elaborated.

During 2009, there have been many positive developments in the area of health. Basic health indicators reveal that access to medical/health facilities is at a satisfactory level with 95 percent of births being attended to by skilled personnel. There is full immunization coverage for the under 5 age group and maternal deaths (per 1000) are negligible. Fertility rate is at a stable 2.2 children per woman and average life expectancy at birth is 74.3 years, comparable to that of developed countries.

In the 2010 Estimates, EC$ 82.8 million are allocated to Health and the Environment. This is comprised of EC$61.2 million for recurrent expenditure and EC$21.6 million for capital expenditure. These allocations make provision for the continuation of our primary health care programme. Primary health care continues to be free for persons under 15 and over 65 years of age, with only a $5 charge for persons in between and special exemptions for those who are indigent. Included in the capital provision is an amount for the completion of the Stubbs Polyclinic which when completed will offer an additional range of services including: pediatric consultation, medical consultation, dental services, ophthalmic services, counseling, physiotherapy, emergency care and obstetrics. Further we have commenced construction of a Health Centre at Evesham at an
estimated cost of EC$1.3 million funded through the Basic Needs Trust Fund. This will be completed by the end of August 2010.

Other capital projects include the refurbishment of the Milton Cato Memorial Hospital and the Modern Medical Complex in Georgetown. The Modern Medical Complex at Georgetown when complete this facility will provide diagnostic, surgical, laboratory, and dialysis services, among others, and will be a boost to the health care of the population in St. Vincent and the Grenadines. The capital sum of $9.3 million is allocated as Government’s contribution to complete the project. Cuba is providing the technical personnel and equipment. Provision is made in the estimates to commence operations in October 2010.

We continue to develop and expand our mental health services within the State. To this end, draft revised legislation is now available. In the short to medium term we will introduce, develop and strengthen the community mental health services in an effort to reduce admissions to the Mental Health Center and to promote greater acceptance of the mentally challenged by the family and the community. In this regard, the Pan-American Health Organization (PAHO) will provide technical assistance.

- Some of the specific initiatives include a Fitness program at Biabou for the elderly and several Youth guidance programs. During 2010, also, we will commence implementation of a EC$ 24 million comprehensive health programme to be financed by a grant from the European Union. Details will be outline by Honorable Minister of Health.
The programme also focuses on the effectiveness and impact of on-going HIV/AIDS initiatives. In this regard, we have extended the HIV/AIDS Prevention and Control project that is being funded by the World Bank Project. This extension will facilitate the construction of the ‘Bread of Life Orphanage’ at Georgetown and the establishment of the Health Information System at a combined estimated cost of EC$2.5 million.

In 2010, the Milton Cato Memorial Hospital will be spruced up at a capital cost of half a million dollar. Far more important, strategically, is the decision to set up a team of experts to identify a new location for the rebuilding of a modern Milton Cato Memorial Hospital. Resources have been provided in the 2010 Budget for this.

**DEVELOPMENT OF THE YOUTH**

Mr. Speaker, my government has rightly been more youth-focused than any administration hitherto in St. Vincent and the Grenadines. This focus is manifested in an array of policies and programmes including the Education Revolution; the Youth Empowerment Service (YES); Job-creation for young persons; Enhanced access to financial resources so as to start-up small businesses and micro-enterprises; Access to Low-Income Housing; improved sporting and cultural facilities and opportunities; Youth participation in governance and in the State administration; the Health and Wellness programmes; and generally the encouragement of, and support for, young people in every field of endeavour. Still, there is much more which needs to be done in each of these and other areas. My administration is committed to doing more and this Budget reflects this commitment.
Mr. Speaker, later this week, CARICOM Heads of State and Government are due to meet in Suriname for a special two-day Summit on the condition of youth in the CARICOM member-states and their further development. Central to this meeting is consideration of the long-awaited Report of the 15-member CARICOM Commission on Youth Development (CCYD). Unfortunately, I will be unable to attend because of my participation in the on-going Budget Debate. However, St. Vincent and the Grenadines will be appropriately represented by the Minister of Youth. The conclusions of this CARICOM Summit will promptly find their way into the public policy matrix of my government for on-going implementation.

Let’s face it: The young people of St. Vincent and the Grenadines and the Caribbean make up more than half of the population. Clearly, there is a need for even greater and a more strategic investment in youth Now! If the energies and abilities of the youth are not properly harnessed and given developmental space to grow, the region would be the poorer by far.

Immediately, my government intends to refine its on-going youth policies and programmes so as to make further strategic interventions especially in the areas of access to finance for young entrepreneurs; youths-on-the-block; sports and culture; job creation; and the building of soft-skills and sound inter-personal relations. These interventions have to be fashioned and implemented through a strategic partnership between the State, the private sector, the cooperative sector, and civil society, including the young people and their organisations.
Recently, I received a funding proposal in writing from the St. Vincent and the Grenadines Youth Business Trust, a registered Not-For-Profit entity which has been established in partnership with the St. Vincent and the Grenadines Chamber of Industry and Commerce. Its purpose is to reduce youth unemployment through the provision of loans and on-going mentorship to young persons with business ideas, specialised disciplines or skills but lack the means to convert the same into profitable ventures. I welcome this proposal in principle. My government is studying the best ways to assist, including financial support. We will partner with the Youth Business Trust.

Very shortly, the Ministry responsible for Youth would summon all relevant stakeholders, touching and concerning young people, to a “Youth Gathering and Partners” to push the many-sided youth agenda even more aggressively.

Mr. Speaker, one final word on a successful and improving youth initiative: The Youth Empowerment Service (YES) programme, started by my administration in 2001. It has become a main training programming area for youth development. It has been able to mould youthful sons and daughters of our country, equipping them and transforming them into nation builders and assets of our society.

Given that this programme focuses on employment training, it is able to benefit at-risk and marginalised youths. By September 2009, the programme saw a record 600 persons being attached to various enterprises, in the job training outlets. The programme is so successful, that it was adjudged a best practice in policies and programmes for youths in Latin America and the Caribbean, by international funding
agencies, in September 2009. We thank the Government and people of the Republic of China as well as local private sector entities for their continued support of the YES Programme. Interestingly, several Caribbean countries have copied this initiative while some locally, and misguidedly, continue to be opposed to it.

NATIONAL SECURITY

Mr. Speaker, in 2009, the law enforcement and national security authorities did commendably good work in helping to keep St. Vincent and the Grenadines relatively safe and secure. The incidence of homicides and other serious crimes declined compared with the numbers for 2008. Still, one serious crime is one too many. There are disturbing pockets of serious criminal activities in certain geographic areas: Drug and gang violence in a specific area of the Kingstown conurbation; offences against women and property particularly on the south-east coastal area; crimes against property on yachts and certain tourism locations; and suspected money-laundering by a few persons, especially those engaged in the trafficking in cocaine. The Police Force and the Coast Guard must function optimally to combat those who are engaged in serious criminal activities. So, too, must the Law Courts.

Accordingly, my government will continue to invest heavily in the Police and Coast Guard in terms of a sufficiency of well-trained and properly-remunerated Police and Coast Guard personnel; Modern Police Stations; more and better Coast Guard vessels; proper law-enforcement facilities and equipment; security cooperation regionally and internationally; enhanced police community relations, and improvements in the machinery of justice.
In 2009, the modern Questelles Police Station was completed, officially opened, and put into operation. Construction work on the new Georgetown Police Station continued and is due for completion in early 2010. Design briefs for both the Calliaqua Police Complex and the Spring Village Police Station have been presented and preliminary design drawings were in progress. All of this work comes on the heels of the construction of modern Police Stations at Canouan and Biabou and the reconstruction or rehabilitation of Police Stations at Owia, Sandy Bay, Marriaqua, Retreat, and Rose Hall, and extensive repairs on practically every other Police Station.

In the 2010 Capital Estimates, “Public Order and Safety” is accorded $34.5 million or 11.4 percent of the total capital allocations in this year’s Budget and include the following: The completion of the Georgetown Police Station ($2 million); the design and start-up of construction of the Spring Village Police Station ($500,000); the completion of the Coastal Surveillance System ($500,000); the final phase of the Correctional Facility at Belle Isle ($4.5 million); the $4 million National Security Enhancement Programme involving the construction and rehabilitation of Police Stations (including that at Union Island) and the completion of the firing range; and the purchase of three Coast Guard vessels from Malaysian. Those three (3) coast guard vessels would cause $19.1 million.

In the 2010 Recurrent Budget, provision is made for 38 more Police posts and 10 more in the Coast Guard Service. The attrition rate of police personnel, measured in terms of resignations, has declined sharply since the Reclassification Exercise, the salary increases, the improved conditions of work, the enhanced training opportunities, and the growing acceptance of the view that the Police Force is a sound career choice.
Indeed, many former police officers who resigned in search of greener pastures overseas are seeking permission to re-enter the Police Force.

Similarly, there is a growing appeal of the Cadet Force, consequent upon a huge recruitment drive and the committing of substantial financial resources. In 2001, there were just about 100 members of the Cadet Force; today there are 650 Cadets, including a Marine Division, with membership drawn from 85 percent of the secondary schools.

The outreach of the Ministry of National Security continues through the permanent National Commission on Crime Prevention (NCCP) and the Pan Against Crime Initiative. Meanwhile, the accepted recommendations for reform in the Durrant Report are being implemented, including those relating to Community Policing. All these measures are elaborated within the framework of the 14-Point Strategy on Crime Prevention adopted by the House of Assembly in February 2003.

Mr. Speaker, in 2009, the St. Vincent and the Grenadines Police Force, in conjunction with security personnel from the member-states of the Regional Security Services (RSS) and Trinidad & Tobago carried out a security exercise known as VincyPac in the hills and certain urban and rural communities. It was a successful exercise in apprehending certain individuals, mainly non-Vincentians, for serious crimes, capturing a bounty of firearms and ammunition, liberating many person held against their will in the hills, and eradicating a substantial quantity of marijuana.

Mr. Speaker, for eight years, from 2001 to 2008, inclusive, my government did not engage the Americans or any other country in the eradication of marijuana cultivation in the interior of St. Vincent. In keeping with its
mandate to curb the illegal cultivation of marijuana, the St. Vincent and
the Grenadines Police Force for eight years carried out this task by itself.
By 2008, however, when it became clear that foreigners, including those
allied to cocaine traffickers and wedded to criminal violence, were
starting to exercise a measure of localized control in certain parts of the
interior of St. Vincent, my Government was duty-bound to take a firm
stand against this foreign and criminally-violent incursion. The lesson is
clear: My government will not allow violent criminals, big drug barons, and
foreign marauders bent on destroying our forests to occupy any part of
our interior. I urge legitimate vincentians forest-users to cooperate with
the law-enforcement authorities so that they can peacefully enjoy their
space and in accordance with a sustainable management of our forests.
The bulk of our people are peaceful, law-abiding and good-natured. So
let us use this national resource to fight crime, the foreign-connected
criminals, the big cocaine traffickers, and their money-laundering
associates.

Mr. Speaker, I am aware that there are public complaints, many of them
valid, that a small minority of police officers abuse their authority in their
dealings with civilians. Neither my government nor the vast majority of the
Police Force tolerate such abuse, which occasionally degenerates into
“police brutality”. My government has set up a Police Oversight Body
under the chairmanship of Reverend Victor Job to address these
complaints. As always there is redress, too, through the Law Courts. All
law-abiding Vincentians have a vested interest in the best possible
relations between the Police Force and civilians. And we must encourage
and cultivate such harmony.
POVERTY REDUCTION

Central to the public policies of my Government since March 29, 2001, have been the “War Against Poverty” and its policy-twin, the Education Revolution. In 1995, the NDP administration contracted Kairi Consultants, a firm of researchers and analysts from Trinidad, to study the extent of poverty in St. Vincent and the Grenadines. In 1996, Kairi reported that this country had a general poverty level of 37.5 percent of the population and indigence, or what may be colloquially termed “dirt poor” poverty, of 25.7 percent of the population. These numbers, in addition to an unfavourable Gini coefficient, which measures the extent of inequalities in wealth, represented the worst incidence of poverty and indigence in the entire Caribbean Community outside of Haiti. That was 1996.

In 2009, the same Kairi Consultants reported on their assessment of poverty in St. Vincent and the Grenadines, based on field work concluded in the difficult economic year of 2008 of high fuel prices and the global-economic meltdown, Kairi Consultants reported that the general level of poverty had fallen from 37.5 percent to 30.2 percent of the population and the extent of indigence had dropped dramatically from 25.7 percent to 2.9 percent. The Gini Co-efficient, too, had also fallen, to 0.41 from 0.56. These numbers are a huge improvement over those of 1996 and represent the successes and gains in the continuing “War against Poverty”. Several other CARICOM countries are now below St. Vincent and the Grenadines in these indices. Still, as always, better can be done.

Mr. Speaker I reiterate, yet again, our government’s position in this “War Against Poverty”. This “War” is one of the top priorities of this Government. Every major area of public policy has been linked inextricably to poverty reduction, especially those related to economic growth, private sector
development, fiscal policy and job creation; education and health; housing and the physical infrastructure; land distribution; disaster management; the elderly; the youths, women, and the family; and good governance. Indeed, each of my budgets since 2001 has at its core the matter of poverty reduction. So, too, with this budget for 2010.

The challenges arising from trade liberalization, the worst economic crash globally for 80 years, modern globalisation, imported price increases for food and fuel, and climate change, have impacted most severely on the poor, especially the indigent poor in our country. For these reasons, and more, that poverty reduction remains at the core of our administration’s top considerations.

Since 2001, we have pursued its relentless “War Against Poverty” within the framework of the Poverty Reduction Strategy, fashioned by the broad-based National Economic and Social Development Council (NESDC), the overall macro-economic, social, and fiscal policies of the government, and its targeted strategic interventions.

Accordingly, Mr. Speaker, general poverty and indigence (“dirt-poor” poverty) have been markedly reduced since 2001 as a consequence of the following, among other things:

1. Average annual economic growth of 3.4 percent, the best growth performance alongside Antigua and Barbuda among the independent countries of the ECCU. (Still we must get our average annual economic growth to in excess of 5 percent).
2. The creation of over 10,000 jobs. The NIS statistics alone show an increase of 8,399 active NIS contributors by the end of 2008 compared to the figure at the end of 2001 (40,289 active contributors as against 31,890).

3. The Micro-Enterprises Loan Programme at the National Commercial Bank.

4. The increase in minimum wages on two occasions between 2001 and 2008. Contrast this with the increase in minimum wages once in the last 13 years of the previous administration. The significant rise in salaries and wages in the public and private sectors has also occurred.

5. The impact of the multi-faceted Education Revolution.

6. The impact of the Health and Wellness Policies including those in primary health care, water and sanitation, public health, the fight against HIV/AIDS, and the battle against chronic non-communicable diseases.

7. The distribution of lands to the poor at preferred and subsidised prices.

8. The construction of Low-Income and No-Income Houses and the 100 percent mortgage programme for home-building by public servants.
9. The lifting markedly of our game in the areas of disaster preparedness and management.

10. The liberalisation of telecommunications and the fall in the cost of telephone and other telecommunications services.

11. The marked improvements in the roads and bridges network in St. Vincent and the Grenadines.

12. The progressive developments in airports and seaports.

13. The positive impact of our policies in sports and culture.

14. The positive impact of our public policies in the areas of national security, law and order.

15. The reduction in the rate of personal income taxes, including the marginal rate, and the lifting of the threshold below which no income taxes are paid.

16. The facilitation of private sector development, including foreign direct investment.

17. The positive impact of the government’s policies as regards the elderly, the youths, women and the family.

18. The positive impact of the government’s policies regarding farmers and fisherfolk.
19. The strengthening and extending of the social safety nets.

20. The implementation of a counter-cyclical fiscal policy which mixes enterprise and prudence for the country’s overall development and the poor’s protection.

21. The consolidation and expansion of the National Insurance Services and successive increases in benefits.

22. The increasing sums paid to the poor in social welfare payments.

23. The positive impact of our good governance policies.

Mr. Speaker, the overall provisions and fiscal stimuli in the 2010 Budget help the poor considerably. The size of the total Budget of $913.5 million, or $120.74 million more than last year’s. This increase is awe-inspiring, particularly in context of the global economic meltdown. Some specific allocations, which touch and concern the poor, are hereby highlighted:

1. Social Welfare payments : of over $15 million;
2. Liberty Lodge for Boys : $735,000;
3. Home-Help for the Elderly : $1.098 million;
4. The School Feeding Programme : $2.476 million;
5. Student Feeding Programme : $991,769;
6. Crisis Centre : $288,534;
7. NEMO and Disaster Management Enhancement : $1.2 million;
8. Social Welfare (Transport Subsidy) : $436,800;
9. Social Welfare (Roads Department,
transferred to BRAGSA) : $1 million;
10. Social Welfare (Medical Administration) : $275,000;
11. Lewis Punnett Home : $2.2 million;
13. Nutrition Unit : $388,525;
14. Special Development/Special Works and Services : $950,000;
15. Community Poverty Alleviation Programmes : $3 million;
16. Social Investment Fund : $2 million;
17. Youth Empowerment Service : $2.8 million;
18. Book Loan Scheme : $1.25 million;
19. Alternative Livelihoods Project : $500,000;
20. Support for Primary Agricultural Production : $1 million;
21. Rural Community Markets : $470,000;
22. Rural Poverty Alleviation/Development : $8.2 million;
23. Georgetown Development Facility : $2.4 million;
24. Rural Electrification : $500,000;
25. Adaptation to Climate Change in Bequia : $2.34 million;
26. Informal Human Settlement Upgrade : $500,000;
27. Kingstown Terminal Redevelopment : $2.5 million;
28. Clean-up Kingstown : $1.5 million;
29. Housing for the Poor : $400,000
   (plus $4 million from HLDC);
30. Grants and Contributions which touch the poor directly : $500,000.
Together these 30 specific programmes cost $61.0 million; these are substantial sums in a most challenging year. But it shows our focus; throughout the Budget the whole gamut of provisions favourably impact on the condition of the poor and their continued upliftment.

Mr. Speaker, in my 2005 Budget Address, delivered on December 06, 2004, I pointedly linked the issue of private sector development and poverty reduction in order to emphasise the nexus between private sector development and entrepreneurship on the one hand, and sustainable wealth creation, employment, and poverty reduction, on the other. It is the efficacious partnership between the State, private and cooperative sectors which produce sustainable and lasting assaults on poverty to the benefit of those who are being, or have been, lifted, by themselves and other agencies, out of the clutches of poverty. The quest for this efficacious partnership remains a central policy plank of my administration.

Mr. Speaker, given the challenges to the rural social economy consequent upon a decline in the value-added to the banana industry, part of the Government’s response was to establish in December 2005, a Ministry of Rural Transformation to work in concert with the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Social Development, the Ministry of Telecommunications and Industry, and the Ministry of Housing, Lands and Informal Human Settlements to address rural poverty and the material conditions of life in rural St. Vincent and the Grenadines. Since December 2005, the Ministry of Rural Transformation has developed into an effect institutional mechanism in fulfillment of its mandate. In the social sciences, as in biology, structure follows function; and an efficacious
structure has been fashioned by way of this Ministry to carry out certain specific functions of coordination, initiative and implementation in the rural social economy.

Last year, Mr. Speaker, the capital programme assigned to this Ministerial portfolio amounted to some $6 million; in this year’s budget, the “rural transformation” portfolio has been allocated a sum of over $13 million. Practically all of these capital projects are ready for implementation. Moreover, the Ministry of Rural Transformation has elaborated a Strategic Plan for Rural Transformation which has been approved by Cabinet. It is this Strategic Plan which was recently used as the principal basis to attract an imminent second tranche of $12 million in budget support from the European Union.

Meanwhile, the Ministry of Urban Development has been evolving its Strategic Plan for Urban Development. Even before the full elaboration and codification of existing elements of urban development, the Government has been proceeding apace with urban development matters.

Among the specific urban development achievements which assist in the reduction of urban poverty are the following, among others:

1. Targeted job creation initiatives in the urban areas, especially though youth employment, micro-enterprises, and the general workings of the economy.

2. The Low-Income Housing Projects at Green Hill (over 60 houses) and at Ottley Hall (17 houses).
3. The construction of the George Mc Intosh Community Market at Paul’s Avenue and the cleaning-up of the street area outside Bishop’s College, Kingstown.


5. The establishment, and continued expansion, of the Thomas Saunders Secondary School at Richmond Hill.


7. The construction of the modern National Library and the Archives/ Documentation Centre at Richmond Hill.


9. The construction of the modern YWCA Headquarters and Early Childhood Centre at Kingstown.

10. The rehabilitation and extension of the Lodge Village Primary School.

11. The construction of several other state buildings and facilities including: the NIS Headquarters, the National Lotteries Headquarters, the on-going Reigate Building, the on-going
Modern Customs Building, NEMO Headquarters, Rehabilitation of the Peace Memorial Hall, Rehabilitation of HLDC Headquarters, the API-NBC Headquarters, the Upgrade of the Botanical Gardens, the Leeward Bus Terminal, the two bridges at Bay Street, the bridge near to NEMO Headquarters, the Forensic Laboratory, Rehabilitation of the former Ministerial Building, the expansion of the Grammar School and the Girls’ High School, the $16 million modernisation of the Kingstown Fish Market; and the major upgrade of Victoria Park and the rehabilitation of the Richmond Hill Playing Field.

12. The improved delivery of Physical Planning Services and their uplifting impact.

Further, the Government has facilitated the construction, renovation, and/or expansion of several business properties on each street in Kingstown and its environs from Aunt Jobe supermarket in the west to the CLICO Headquarters and the Lewis Building in the east. Never in a nine-year period have so many buildings for the private sector been constructed, renovated or expanded as in the period 2001 to 2009. I ask people not to listen to contrived tales of doom, falsehoods or self-serving propaganda; rather, look with your God-given eyes. Be an eye-witness to meaningful uplifting change in the city of Kingstown and the contribution toward poverty reduction in the city.

On the agenda, too, for preparatory work and commencement are other urban development projects such as: The construction of a multi-million dollar building at the former Ju-C site and the construction of a modern Hall of Justice at Richmond Hill, both to be executed by the State-owned
National properties.; the rehabilitation and/or reconstruction of the stretch of government buildings from the former Treasury Headquarters to the buildings in the area of the former Electoral Office and former Printery. These are for the medium-term.

In Kingstown and its environs the following major capital projects, among others, appear in the 2010 Estimates:

1. Upgrading the Administrative Centre : $1 million;
2. Grammar School and Girls' High School Development Project : $600,000;
3. E.T. Joshua Airport Rehabilitation : $4 million;
4. Renovation of Old Montrose Police Station : $600,000;
5. Kingstown Port Development : $3 million;
7. National Community Poverty Alleviation Programme (in Kingstown) : $1.7 million;
8. Renovation of the Registry : $380,000;
9. Construction of the Learning Resource Centres in West and Central Kingstown : $2 million;
10. Rehabilitation of Murray’s Road : $2 million;
11. Rehabilitation of Bridges including Verbeke and Fort Charlotte : $1 million;
12. Reconstruction of Customs Building : $3.70 million;
13. Retrofitting of Ministry of Urban Development : $400,000;
14. Rehabilitation of Milton Cato Memorial Hospital : $500,000;
15. Gibson Corner Settlement : $1 million;
16. Kingstown Clean-up Campaign : $1.5 million;
17. Little Tokyo Redevelopment : $2.5 million;
18. Rehabilitation of Judges Quarters : $300,000;
19. Government PBX : $1 million;
20. A huge portion of the ICT projects/programmes : $8 million;

These are substantial monies ($40.6 million) for these 21 specific capital projects or programmes which touch and concern urban development and poverty reduction. These sums are in addition to the general impact on the city of Estimates of Expenditure which are in excess of $913 million for the fiscal year.

Mr. Speaker, my administration is already at the planning stages for what can properly be called the “mother” of all urban development projects, ever in St. Vincent and the Grenadines, with an undoubted potential impact on poverty reduction. I refer to my government’s plan to build a modern, well-planned city of the highest quality at Arnos Vale as an extension to that of Kingstown on the 65 acres of land currently occupied by the E.T. Joshua Airport and its fringes. After the completion of the Argyle International Airport in June 2012, the E.T. Joshua Airport would be closed. Part of the overall plan is to build another feasible road access point to and from this new city and Kingstown, most probably by way of a tunnel under Cane Garden point and exiting in the area of the Quarry/Cruise Ship Berth area. This visionary development would take the form of a public-private partnership. A committee has already been set up to do the preliminary assessment.
The Poverty Assessment published in 2009 by Kairi Consultants concluded that poverty in the Grenadines, particularly in the Northern Grenadines, is less than in other areas of St. Vincent and the Grenadines. Indeed, the poverty levels in the Grenadines are much less in 2009 than they were in 1997. To be sure, the previous administration contributed to this development but my government has built most impressively upon the earlier foundation.

Between 2001 and 2009, the following are among some of the main capital projects implemented in the Grenadines:

1. **In Bequia:** The construction of a Modern Primary School at Port Elizabeth; the rehabilitation of the Bequia Community High School; extensive rehabilitation and expansion of the Fisheries Centre; restorative work on the J.F. Mitchell Airport; improvements to the road network; marked improvements in the system of garbage collection and disposal; the upgrade of the water supply system; and the enhancement of the port facility.

2. **In Canouan:** The construction of a Jet Airport; the construction of a Modern Police Station; the on-going construction of the Administrative Centre; the on-going construction of the marine Resource Centre; vast improvements in the collection and disposal of garbage; the on-going construction of a top quality playing field; the establishment of the Magistrate’s Court; the improvements in the road networks; opening and operating the Medical Centre; and the beautification of Canouan; and the provision of enhanced social services.
3. **On Union Island**: The construction of a Modern Secondary School; the construction of a Learning Resource Centre; the building of a modern Mulzac Square; the reorganisation and development of the Tobago Cays Marine Park; the rehabilitation of the Hospital; impressive improvement in garbage collection and disposal; an improvement in the water supply; the legal forfeiture of 100 acres of land at Chatham Bay from foreigners; the extensive rehabilitation of the Airport, including the runway.

4. **Mayreau**: The establishment of an Electricity Plant; the construction of a new wharf; and the provision of enhanced social services.

In the 2010 Estimates there are several important allocations to the Grenadines. I highlight two of them: (1) the $2.4 million project which addresses the Adaptation to the Impact of Climate Change in Bequia; and (2) Port Development for Canouan.

Generally-speaking, my government has improved markedly the delivery of social, educational, health, infrastructural, and security services to the Grenadines each year through the Recurrent Budget.

Moreover, my government has facilitated and encouraged extensive private sector development in the Grenadines, including foreign direct investment, particularly in the area of tourism, which have contributed significantly to poverty reduction.
DISASTER RISK MANAGEMENT

The necessity for good disaster risk management practices is brought to the fore following the complete devastation of Haiti in the recent earthquake. Continuing the work which the National Emergency Management Office (NEMO) has been doing, in 2010 we will continue the process of better preparing this country to respond to and mitigate disasters (natural or man-made). This disaster management programme is comprehensive region in outlook and acknowledges the implications of climate change and the need to respond adequately thereto.

Specifically, we will continue the efforts to mobilise and prepare our communities through extensive training in disaster risk reduction and assessment training; we will modernize the equipment at the Emergency Operation Centre (EOC) to improve the country’s ability to respond to natural disasters.

- In August 2009, NEMO spearheaded a land search and rescue training camp which provided training to members of the Fire Services and other Police personnel. The camp covered Incident Command System, medical first response and vehicle extrication training. Our first response personnel are now better trained and equipped to manage search and rescue operations on land. These initiatives were funded by the UNDP.

- In October 2009, physical works on the Paget Farm Slope Stabilization Project commenced. This project is intended to provide a drainage system in the Upper Broad Road area of Paget Farm, in an attempt to reduce the incidents of
landslides and major earth movement in the village. The project which is being implemented at a cost of EC$.37 million.

- The SVG Disaster Management Enhancement Project which commenced in 2009 will continue during this year. It will provide storage facilities at selected communities in the country. So far two containers have been retrofitted and are now ready for delivery to Union Island and Canouan. An amount of $.4 million has been allocated in the Capital Estimates for this programme.

The 2010 Estimates allocate the sum of $1.2 million directly to NEMO’s operations and its programmes. Inter-ministerial support provides additional resources to disaster preparedness and management.

**ROADS**

Mr. Speaker, progress on the implementation programmes and projects which I have so far outlined will be significantly delayed if the road network, including that of feeder roads, is inadequate. Farmers need feeder roads and good connecting roads to deliver inputs to their farms and their produce to markets. The Tourism Sector strives on a good road network which allows visitors to reach comfortably all the sites and attraction spots in our country. The business community and the working people are hamstrung by a poor road network system, and the education revolution, too, needs a good road network to facilitate the movement of students, teachers and others. This Administration is conscious of these truths. Accordingly, we have consistently over the last three years
allocated significant funds for the construction, reconstruction and rehabilitation of our roads.

During 2009, in excess of EC$68 million was spent on the road network. The Windward Highway Rehabilitation Project, from Fancy to Kingstown, was completed. The Vigie Highway was also completed substantially. So, too, was the Argyle by-pas road. These are the main ones but many other feeder, village and highway roads have been repaired or rehabilitated.

In late 2009, the Government was better able to respond to the problem of road maintenance with the commencement of the operations of BRAGSA. In the 2010 estimates, EC$31.5 million are allocated for road construction, reconstruction and rehabilitation. Specifically, we will:
- complete the rehabilitation of the ¾ mile stretch of the Vigie Highway from the round-about to the Fountain Gap;
- rehabilitate 20,000 feet of asphalt village roads;
- concrete 15,000 feet of farm feeder roads and 3.6 miles of access roads to tourism sites;
- repair 10,000 feet of secondary roads and 6500 feet of drains;
- construct the Colonaire, Peebles, Fort Charlotte and Swamp Gut bridges and rehabilitate roads including Fenton, Congo Valley & Kama Cabou, Eire and Maroon Roads. This is in addition to the EC$19.0 million allocated to BRAGSA to implement its own activities, especially on road repairs and maintenance to the highways and village roads. BRAGSA, with government’s support, is pursuing on its own, additional soft-loan financing from a developmental financial institution for additional road works.

In the 2010 Estimates, a total of $1.8 million have been allocated for consultancy services for designs and commencement of the construction
of the South Leeward Highway. Under this project, nine (9) miles of roads from the Milton Cato Memorial Hospital to Layou will be rehabilitated. Meanwhile, to reduce vehicular operating and maintenance costs, major repairs will commence during the year.

**ENERGY**

In 2009, we witnessed several positive developments in the energy sector for which we are most grateful. First, prices for energy products were considerably lower than in 2008, as crude oil prices declined on international commodity markets. In 2009, Vinlec’s excess fuel charge declined to $32.72 million from $65.59 million in 2008. This means that the fuel surcharge which amounted to 53 cents per unit in 2008, declined to 27 cents per unit in 2009. Furthermore, hoteliers and other persons in the tourism sector benefited in a reduction in the basic charge for electricity, from approximately 57 cents per unit to 50 cents per unit.

There were also price reductions at the pumps, as average prices for gasoline, diesel and kerosene amounted to $9.74, $8.69 and $8.55 per gallon, respectively, compared with $13.74, $13.45 and $13.95 per gallon, respectively, in 2008. The price for LPG, a major source of energy remained unchanged for the whole of 2009.

The second positive development for 2009 relates to the considerable progress made by Vinlec in implementing its capital development programme. The 33KV line from Lowmans Bay to Cane Hall was completed and work is well advanced on the construction of the 33KV line from Cane Hall to South Rivers. The second phase of the Lowmans Bay Power Plant is progressing satisfactorily and the additional two
generators totaling 8.6 megawatts, are expected to arrive in the State during the first half of this year. This phase of the project also includes a component for upgrading the existing engine at Lowmans Bay, with an option to utilize heavy fuel, which would be of tremendous benefit to consumers, since the cost of heavy fuel is much lower than that of diesel, which is presently used.

The third major area of progress was in the formulation of a comprehensive national energy policy, in line with the requirements of the Caricom Single Market (CSM). The aim of this policy is to set a framework to plan and manage effectively the national energy sector so as to assist in reducing the cost and uncertainty in decision making for the public and private sectors.

Despite the notable achievements, Mr. Speaker, there were some areas of disappointments and we did not achieve all of the objectives in the energy sector for 2009. In the area of renewable energy, progress was rather slow as work on the windfarm at Ribishi, geothermal exploration, and the installation of photovoltaic system on government buildings have been delayed for various reasons. Progress on the ongoing Fuel Storage Facility at Lowmans Bay, under the Petro Caribe Agreement, was also slow due mainly to contractual issues, which have now been resolved. Work is currently proceeding apace on this fuel storage facility.

I am also somewhat disappointed with the progress made so far by the Energy Conservation and Development Unit which was established, among other things, to promote conservation and the use of renewable energy in private businesses, homes, and government offices. I am therefore urging all persons involved in these initiatives to redouble their
efforts in 2010, in order to ensure the desirable outcomes. We simply do not have the luxury of time on our side. Please remember that duty-free concessions exist for solar energy systems.

INFORMATION AND COMMUNICATION TECHNOLOGY

Mr. Speaker, when this administration came to office in 2001, telecommunication received little or no attention and no focus. Recognizing the strategic importance of science and technological growth in the development process, this Administration created a separate and distinct Ministry of Science, Technology and Industry. This Ministry of Science, Technology and Industry was charged with the responsibility of articulating a National Telecommunication Policy and to supervise its implementation. We are already seeing the results of this focused approach, and in 2008, telecommunications contributed EC$70.3 million to GDP, a 5.2 percent increase over the EC$67.0 million recorded in 2007. Meanwhile, mobile subscribers increased by 18 percent (130,098) in 2008 from 110,491 in 2007.

To keep pace with the dynamic nature of the ICT sector this Government has secured financing from the EU to implement a comprehensive programme of ICT development. These various interventions will enable SVG to avoid skill shortages, improve job quality and satisfaction, enhance opportunities, meet customers’ requirements and improve the services provided.

This EC$14.0 million dollar project has also completed a review of the ICT Legislative Framework and has supported training.
The creation of a web-based system for the Commerce and Intellectual Office (CIPO), the development of a new website for the St. Vincent and the Grenadines Hotel and Tourism Association, and the establishment of a Marketing Information System for the Ministry of Agriculture, are all nearing completion. They will improve the competitiveness of our nation as we embrace a modern post-colonial economy.

In addition, the construction of the Centre of Excellence at Diamond which will house, among other institutions, our Business Incubators, will be one of the hallmarks of the European Union’s alliance with the Government of St. Vincent and the Grenadines for sustainable development in the area of Information and Communication Technologies (ICTs).

Additionally, the following were achieved:

- Since 2008, 1,715 persons have been trained, in Basic, Intermediate and Advanced ICT courses with 606 of these persons obtaining international certification.

- In the review period, training was undertaken for the Ministry of Telecom and NTRC to enhance their capacity in Spectrum Management, Next Generation Networks and Regulation among other things.

- A receipt of approximately EC$18 million (€4.5m) to further economic diversification and job creation in the agricultural and other productive sectors, under the SFA 2005 ICT Development Programme. Special emphasis was placed on the development of small businesses and the construction of an E-Business and ICT
Training Centre. The Project continues to perform credibly and was able to meet the European Union’s N+ 3 deadline of 27th December, 2009, to have all contracts funded under the SFA 2005 instrument signed.

The NTRC officially launched the Universal Service Fund (USF) in May 2009 for purposes of economic and social development both in our land and sea space. The Fund will be financed primarily from annual fees received from the telecommunications providers. Three projects were identified under the Universal Service Fund and developed during the year and will be implemented in 2010. These are:

1. **Payphone /Internet project**: This project will see public payphones placed along the windward and leeward highways at 1 mile intervals in St. Vincent and the Grenadines. Public payphones will also be placed at the 14 new tourism sites and at a number of popular beaches in SVG. In addition to the payphone network, wireless internet access will be installed at all 14 newly completed tourism sites and a number of beaches. A first for our sub region.

2. **Community Internet Access**: This project will provide free internet access both wired and wireless to all existing Learning Resource Centers and other community centers operated by NGOs. It will ensure Internet access is available at the community level for those who may not be able to access the internet at home for whatever reason.

3. **Maritime Coverage**: This project will improve our communications coverage in our sea space with special focus on the leeward or
western coast of our island and will also bring our country in line with the International Maritime Organization (IMO) requirement of being GMDSS compliant, a requirement that should have been met since February 1, 1999. The project will also facilitate the availability of maritime radios at a 50% subsidy that will also be compliant, with the new system. Such radios would be of special importance to our fisher folk who presently depend heavily on cellular phones that are not water proof or have good coverage at sea.

Mr. Speaker, there are other areas in these which will be dealt with by the Minister.

**Telephone rates:** Government continues to work with ECTEL to ensure that lower rates are offered to our citizens. The NTRC was able to get a new Interconnection agreement in place in 2009 which replaced the former 5-year agreement that had expired. This new agreement has resulted in lower wholesale rates, making SVG the first in the sub-region to achieve this.

**New Telecom Legislation:** New harmonized telecom legislation is being developed by ECTEL to replace the Telecommunications Act of 2001. This is being carried out in collaboration with the NTRC. Work on this will continue in 2010.

The internet has now become a mainstream feature of present lifestyle, underpinning much of international trade and finance and personal communication. The development of the internet and mobile telephone, as well as other new technologies completely transformed the industry. Further changes such as the growth of Voice over Internet Protocol (VOIP)
have shown great prospects for the industry. As at the end of December 2008, there has been an increase of mobile internet customers requesting internet services with capabilities such as GPRS, Wi-Fi and Edge. Also internet subscribers have increased by 19 percent from 8,415 in 2007 to almost 10,000 in 2008. However, access speeds are still limited and Internet access in rural areas continues to be deficient mostly because of the high cost of providing the service. This is an area requiring even more focused attention.

PUBLIC DEBT
Total public debt as at September 30th, 2009 stood at $1.19 billion, representing a 7% increase over the public debt as at September, 2008. The amount was comprised of $597.4 million for domestic debt and $588.9 million for external debt. Based on the revised GDP figures for St. Vincent and the Grenadines the public debt at the end of September 2009, was approximately sixty percent (60%) of GDP.

During 2009, several new loans were raised to finance the Public Sector Investment Programme including a bond issue of $45 Million on the RGSM, a loan of $15 million from the International Monetary Fund (IMF) under its Exogenous Shocks Facility (ESF) and a policy-based loan of $67.50 million (US$25 million) from the Caribbean Development Bank (CDB) of which ECS33.75 million were drawn down in 2009. We have also paid down on a substantial amount of debt, during the year with loan amortization and contributions to the Sinking Fund exceeding $70 million in 2009.

Since 2006, the public debt has increased from $1.04 billion to $1.19 billion, an average annual increase of 4%. This is not an unreasonable rate of increase given the tremendous growth in physical, social and human
infrastructure which we have achieved and given the global economic situation and the virtual dry-up of aid from most of our traditional donors. We have been called upon to finance more and more of our development and we have done so while keeping our debt level within manageable limit and in line with internationally accepted norms.

The main reason why we have been able to contain the public debt over the last three years is the considerable debt relief that we received on the Ottley Hall Loan. We have now embarked on a programme for the further development of this facility and have received proposals and expressions of interest from prospective investors within and outside the Caribbean. The global economic situation has slowed down our progress on this initiative, however we expect 2010 to be the year where we realize our ambitious plans for this facility at Ottley Hall. Meanwhile the Ottley Hall Enquiry has been extended to July 31st, 2010.

FINANCIAL SECTOR DEVELOPMENTS

In 2009, systemic risks in the global financial system were substantially reduced following unprecedented policy actions and nascent signs of improvement in the real global economy. The outlook for the global financial system has improved markedly since 2008. Financial markets have rebounded, emerging market risks have eased, banks have increased capital, and more credit is generally available to finance economic activity.

Even so, credit channels are still impaired and economic recovery is likely to be slow. It will take even more time for the outlook for employment to improve significantly. A key question addressed is whether the financial system can provide sufficient credit to sustain an economic recovery.
Indeed this is one of the main issues facing us in St. Vincent and the Grenadines as we seek to mobilize sufficient funds to finance our budget for 2010 and beyond. This situation calls for creativity and innovative policy measures. We are now confronted with the difficult choice of either to maintain fiscal stimulus, raising issues of debt sustainability or phasing out the fiscal stimulus, raising the danger of adverse interaction between real economic activity, the health of the financial sector and the fiscal situation.

Over the last few years, the Government has been working with the Eastern Caribbean Central Bank and other ECCU governments in promoting financial sector stability within the ECCU, by establishing an enhanced regulatory framework, ensuring the establishment of a well regulated and efficient payment system, promoting the further development of money and capital markets, and promoting the development of financial institutions that can respond to the financing needs of emerging business.

Early in 2009 the financial system in our currency union was tested by two major events. The first of these was an unusual and substantial withdrawal of funds by depositors from the Bank of Antigua, precipitated by published statements in the USA regarding the Chairman of the Board of Directors and sole shareholder of that Bank, and the filing of a civil complaint by the Securities and Exchange Commission of the USA.

The consequential severe liquidity problems created, forced the Central Bank, as monetary authority and regulator of the domestic banking system of the currency union, to assume control of the Bank in February 2009, pursuant to the emergency powers granted to it by law.
The Monetary Council of the Central Bank subsequently approved a plan of action in which a number of OECS banks, including our own National Commercial Bank of St. Vincent and the Grenadines, together with the Government of Antigua and Barbuda, established a new entity and purchased the entire share capital of the Bank of Antigua from the Central Bank. This action was deemed necessary to preserve the financial stability of the Eastern Caribbean Currency Union.

The second major test for 2009 was the decisions of the authorities in Trinidad and Tobago to intervene into the affairs of CL Financial with the stated purpose of protecting the company’s Trinidad and Tobago policy holders. This news shook the Caribbean and the adverse publicity resulted in a loss of confidence in CL Financial banking and insurance subsidiaries throughout the Caribbean, including its Insurance operations in the Currency unions, namely British American and CLICO.

At the time of the intervention in Trinidad and Tobago, the ECCU’s exposure to BAICO and CLICO was estimated at EC$1.6 billion. Recognizing the regional nature of the crisis, the currency union Governments, in collaboration with the Governments of Trinidad and Tobago and that of Barbados formulated a strategy for the sub-region. The stated objectives of this approach were:

a. To maintain BAICO and CLICO as going concerns so that the obligations of these companies to their policy holders can be met over time.

b. To minimize contagion risk within the financial system.
c. To avoid any substantial loss to policyholders or investors.

In order to achieve these objectives, Judicial Managers (JMs), were appointed for all BAICO branches in the ECCU to exercise full control of management of the branches and to provide reports to the High Court indicating which option was considered most advantageous to the policyholders.

The report of the St. Vincent and the Grenadines Judicial Manager has been submitted and concluded as follows:

a. BAICO is insolvent with an estimated deficiency as of June 30, 2009, of US$281 million.

b. As such, in the event of a liquidation of BAICO, its policyholders, investors and claimants are unlikely to be paid in full.

c. The liabilities of the EC branches total EC$1.05 billion. There are very few available pledged assets in the sub-region and some doubt as to whether assets were pledged properly.

d. In conjunction with the other JMs in the currency union, the JM of BAICO (St. Vincent) recommends that as an alternative to liquidation, immediate steps be taken to establish a new entity to assume the liabilities of the EC branches.

This report of the Judicial Manager along with the recommended course of action has been accepted by the High Court and the way is now clear for a satisfactory resolution of the British American problem. The ECCU
governments have already mobilized funding for the new entity with pledges so far in excess of US$235 million, including US$75 million (EC$203 million) from currency union governments. St. Vincent and the Grenadines’ share is estimated at US$14.7 million (EC$40 million) for which provisions have been made in the 2010 Estimates. This $40 million will be used to purchase common and preference shares in the proposed regional insurance company, and as such, is an investment from which we hope to realize reasonable returns once the new venture is successful.

CLICO International Life Insurance Limited is also undergoing a restructuring, although this has been much slower than expected. Unlike BAICO this Company is registered in and managed from Barbados. We are comforted by statements made by the Government of Barbados regarding the soundness of CLICO’s operations, and the willingness of Government to protect the interest of CLICO’s policyholders.

However, there are several areas in CLICO’s operations which continue to give us cause for concern. These include the number and value of matured policies and annuities which have not yet been settled. There is also the issue of the Statutory Fund which has not yet been established in accordance with the Insurance Act. While we fully understand the challenges facing this company in its attempt to rid itself of its CL legacy, we expect the company to comply with the laws of the land and to work closely with the Supervisor of Insurance in resolving its problems.

The experiences of BAICO and CLICO highlight the need for us to continue to upgrade our regulatory framework. This is one of the major result indicators for the Ministry of Finance for 2010. This improvement to the regulatory framework will include a shift from a solvency approach for
insurance regulation, to a risk-based approach. The essential difference is that the solvency-based approach bases the institution’s regulatory capital requirement on one or a combination of liability measures, while the risk-based approach uses a broader measure, based on both assets and liabilities.

Beyond the basic regulatory needs, there is a fact that insurance companies also face market failure associated with asymmetric information due to the complexity of insurers and insurance products. Life insurance companies, in particular, are often large companies with considerable market power in dealing with retail customers. The scope for mis-selling insurance products is now an issue on the front burner for insurance regulators all over the world.

Accordingly, in 2010, the Regulatory Unit will be enhancing its surveillance of the non-bank financial institutions, including revising the scope and frequency of reporting by financial institutions, setting the accounting requirements for these reports, and ensuring that external audits are of an acceptable standard. The Unit will also conduct regular on-site inspections to review the institutions business and inspect the books, records and accounts.

**International Financial Services**

Despite the turbulent international financial market, St. Vincent and the Grenadines has been holding its own as far as registration of entities is concerned. In 2008, 1,435 new IBCs were registered, as compared with 1,572 in 2007. However, there was a significant increase in renewals with 8,190 IBCs renewing their registration in 2008 as compared with 6,652 in
2007. For the first nine months of 2009, there has been a continuation of this trend with a reduction in the registration of new IBCs, but a slight increase in the renewals.

For 2010, IFSA plans to continue to strengthen its regulatory and supervisory capacity with the aim of promoting soundness and integrity of the sector, thus enhancing the reputation of St. Vincent and the Grenadines as a secure international financial destination.

Equally important, is for IFSA to ensure that the governing regulations for its service products are up to date, encompassing, client-friendly and competitive. Accordingly, the recommendations of the recently conducted mutual evaluation exercise will be used as one of the inputs in our continuing review of the laws and regulations governing the products offered here. In addition, more prudential guidelines will be formalized, as was done in 2009 with respect to international banking. Although such guidelines do not carry the full force of the law, they have proven to be effective in achieving their goals.

Mr. Speaker, St. Vincent and the Grenadines was “grey-listed” in April 2009 by the Organization for Economic Cooperation and Development (OECD), signifying that it is a jurisdiction which has “committed to the internationally agreed tax standard but has not yet substantially implemented its commitment.” Numerous other countries including those in the Organisation of Eastern Caribbean States (OECS) were also grey-listed.

St. Vincent and the Grenadines is presently described by the OECD as a “tax-haven” as a direct result of its present OECD grey-listed status and
this is clearly a matter of concern for the jurisdiction. St. Vincent and the Grenadines objects to such a negative labeling, especially unilaterally, as experience has illustrated that the stigma of such nomenclature is difficult to eradicate.

St. Vincent and the Grenadines has therefore been making arduous efforts to become delisted and in doing so must abide with OECD stipulations for de-listing. Accordingly, we have been involved in extensive bilateral negotiations with OECD and other countries in order to obtain the twelve (12) required Tax Information Exchange Agreements (TIEAs).

To date, St. Vincent and the Grenadines has already established nine (9) TIEAs with Aruba, Austria, Belgium, Denmark, Ireland, Liechtenstein, the Kingdom of the Netherland Antilles and the United Kingdom of Great Britain and Northern Ireland. St. Vincent and the Grenadines is also involved in negotiations for the establishment of TIEAs with nine other countries including Australia, Germany, New Zealand, Sweden, Norway, Finland, Iceland, the Faroes and Greenland.

Based on the results of St. Vincent and the Grenadines’ efforts thus far with TIEAs which have been established and are presently being pursued, there is now a clear and legitimate expectation on St. Vincent and the Grenadines’ part that is would be removed from the Grey-list by the OECD stipulated deadline in March 2010.
Anti-Money Laundering Activities

In the early part of 2009, St. Vincent and the Grenadines was subjected to a comprehensive review of its anti-money laundering and counter-financing of terrorism regime (AML/CFT). This evaluation was conducted by experts of the International Monetary Fund. The assessors reviewed the institutional frameworks, the relevant AML/CFT laws, regulations, guidelines and other requirements, the regulatory and other systems in place to deter and punish money laundering and the financing of terrorism through financial institutions. The assessors also examined the capacity, implementation and effectiveness of these systems.

The draft report of the assessors has been completed and forwarded to this government for comments. It was also presented to the Caribbean Financial Action Task Force for the purpose of their mutual evaluation programme.

The relevant agencies here in St. Vincent and the Grenadines are keenly reviewing the report with a view of finding ways to strengthen the legislation, strengthen capacity and improve effectiveness as we continue their fight against money laundering and terrorist financing.

National Insurance Services (N.I.S.)

Mr. Speaker, despite increases in the number of beneficiaries and in the level of benefit payments, the National Insurance Services (N.I.S) recorded, yet again, a strong financial performance in major areas of its operations during 2009. The unaudited financial statements for the year ended December 31st, 2009 show total assets of $420.8 million,
representing an increase of 10% of the assets held at the end of 2008. Reserves grew by 8.0% during 2009 to reach $48.1 million at year-end while the investment portfolio increased to $354.5 million.

There have been delays in two related aspects of the N.I.S. work programme. The first concerns the parametric reforms which were recommended by the Seventh Actuarial Review and the second relates to the proposed reform of the public service pension system which will be carried out in collaboration with the Central Government. The delays were caused by the difficulties in procuring relevant consultancy services to study and formulate the reforms.

In this regard, the N.I.S has now approached the International Labour Organization (ILO) through its Actuarial Division to assess and submit work programme to address these reforms. This is a very important matter and I sincerely hope that this consultancy will commence in the next few months.

**RESOURCE REQUIREMENTS**

The expenditure budget for 2010 amounts to $913.5 million, comprising recurrent expenditure of $523 million, capital expenditure of $303.3 million, loan amortization of $75.2 million and contributions to sinking fund $12.0 million. The total budget is some $162.6 million or 21.7 percent more than the approved estimates for 2009. There are several features of this year’s Estimates which make them different from previous Estimates.

In the first place there is a budget deficit on the recurrent account, amounting to $20.5 million (approximately 1.3% of GDP). This is a temporary situation, necessitated by the global economic recession
which has adversely affected St. Vincent and the Grenadines causing a decline in revenues, among other things. Notwithstanding, this decline in revenue, government needs to continue to protect households by maintaining its programmes to create jobs, ensure the delivery of core services and infrastructure, and provide safety nets for the poor.

Furthermore, we are of the view that it is of critical importance that we introduce a number of new programmes in order to further strengthen the social safety nets and safeguard the social gains that have been so far been made. Accordingly, the recurrent expenditure budget includes a number of new programmes and initiatives including:

1. The creation of sixty-five (65) new positions of Graduate teachers in the Primary School System in order to improve the quality of education at the primary level.
2. A new programme for student support services in the Ministry of Education.
3. A new programme for Pre-primary Education in the Ministry of Education for the establishment of 18 early childhood centres.
4. A new Banana Services Unit in the Ministry of Agriculture, Forestry and Fisheries to undertake some of the activities previously performed by the Banana Growers Association.
5. A substantial increase ($3.7 million) in the vote for social welfare under the Family Affairs Programme.

We are cognizant of the resulting fiscal imbalance if such a recurrent deficit is allowed to operate for a prolonged period. That is why we are taking action to return to normalcy, as soon as feasible given the global economic situation. We do not envisage running such a current account deficit for more than a year or two. Accordingly, the 2010 result indicators
for the Ministry of Finance include a number of fiscal reform measures on both the revenue and expenditure sides of the budget.

Financing for this current account deficit and for the Public Sector Investment Programme will come mainly from grants and concessionary loans. Indeed, our borrowing plan for 2010 does not include any commercial borrowings. The major sources of finance are as follows:

1. Project grants totaling some $64.8 million of which $26 million will come from the European Union, $15.4 million from the Republic of China (on Taiwan), $9 million from the Government of Trinidad and Tobago, $7.6 million from the Caribbean Development Bank and $4.2 million from the Government of Venezuela.

2. In addition to these project grants, we expect to receive other grants in the form of budgetary support from the European Union and friendly governments. In some cases this will require us to reallocate resources from one project to other areas of spending. For example, some of the grant and loan funds approved for the Cross Country Road may be reassigned to other uses, with the approval of the Government of the Republic of China. This means that other sources of financing are being identified when the construction on the actual link-road between Ferguson and Rose Hall starts up in January 2011, consequent upon the conclusion this year of all the technical preliminary works required.

3. The Government has already negotiated a loan of US$50 million from Banco del Alba of Venezuela on highly concessionary terms, of which US$20 million have been allocated to the International
Airport Project. The balance of the loan has not been assigned to any specific project and is available for general financing of the 2010 Budget.

4. Other major sources of concessionary loans include the Government of the Republic of China $21.4 million, the Caribbean Development Bank $37.7 million and the World Bank $9.2 million. The total earmarked to be provided by the Caribbean Development Bank includes an amount of US$12.5 million (EC$33.8 million), representing the second half of the policy-based loan which was approved by the Bank in 2009. Again, this amount has not been assigned to any particular project and would be available for general financing of the Budget.

5. Purchase of the three (3) new vessels for the Coast Guard will be financed through the use of suppliers credit. Under this arrangement the US$7 million purchase price for the vessels will be paid in fourteen semi-annual installments of US$0.5 million each; to the supplier Professional Powercraft International Ltd., a company registered in Brunei and operating out of Malaysia.

6. The other major source of financing for the 2010 Budget is the proposed use of some $20 million of St. Vincent and the Grenadines’ allocation of SDRs at the IMF, at the existing exchange rate; this is equivalent to EC$33.76m. The SDR is an international reserve asset, created by the IMF to supplement its member countries’ official reserve. With a general SDR allocation that took effect in August 2009 and a special allocation in September 2009,
the amount of St. Vincent and the Grenadines’ allocation increased from 335,000 SDR to 8.0 million SDR.

FISCAL MEASURES
This year our fiscal proposals will focus on the productive sectors in our efforts to bring some measure of relief to our hardworking producers, in these difficult times, internationally. We have held discussions with and received proposals from several private sector groups and organizations, in order to have a better understanding of ways in which the global financial and economic crisis is affecting their members.

Many of the suggestions from the private sector do not require any significant financial outlays, or any change in legislation but rather a shift in policy here and there and in some cases, a sensible application of the administrative rules and arrangements. The following are the major changes proposed for 2010.

VAT

We propose to place wheat on the schedule of exempt imports with immediate effect. This will provide a substantial benefit to East Caribbean Flour Mills Limited which will no longer be required to put out substantial sums to pay VAT on wheat, and subsequently reclaimed. We expect to see a reflection in the price of flour.

Similarly, we will ensure that major raw materials and supplies used in the production of animal feed, corrugated cartons and other locally produced exempt goods, are not subjected to VAT at the point of import.
East Caribbean Feed Mills Limited which is one of the companies most affected by this imposition has assured us that once the VAT is removed from the imports of animal feed ingredients, there would be a reduction in the price of animal feed by between $2.50 and $2.75 per bag, aided by marginal reductions in the cost of raw materials, freight cost and changes to the formulation.

We are also making arrangements for those agro-processers who do not import their own packages, containers, labels and bottles to receive the VAT exemption when they purchase these items locally.

We propose to waive the VAT payable on the supply and imports of all raw chicken, regardless of the cut. This will remove the existing anomaly with respect to “leg quarters” and “whole legs” whereby one category is taxable and the other is not, even though these are essentially the same product. Hence, with effect from February 1, 2010 all chicken parts and whole chicken would be zero-rated for VAT. The estimated cost of this measure for 2010 is $3 million.

We expect that all supermarkets and other sellers of chicken would reflect the appropriate reduction in price from February 1 in respect of all supplies of chicken, including those already in stock. This will also provide our local producers with an incentive to register for VAT and thereby be eligible to reclaim the input VAT paid on supplies and overheads.

Early in 2009, in response to the global economic situation, I announced a series of measures designed to bring some relief to the affected groups including the hotel sector. Among the measures was a subsidy for hoteliers in the form of a reduction in the basic charge for electricity by
approximately fourteen (14%) per cent. The cost of this subsidy is borne by the Consolidated Fund.

We are pleased to announce that the subsidy will be extended for an additional twelve month period to expire December 31st, 2010. The estimated cost to the Consolidated Fund for 2010 is $0.5 million. Further, we have also changed the issue surrounding the VAT waiver and made it clear that it is now zero-rated.

Finally, we propose to increase the fees payable for citizenship, work permits and residence permits by twenty percent (20%). This measure is estimated to realize approximately $0.3 million in 2010. Persons who acquire citizenship through marriage would be exempt from the increase in fees to register as a citizen.
CONCLUSION

Mr. Speaker, Honourable Members,

In this 2010 Budget, my government has deliberately decided that in the condition of a global economic recession and a halting, uneven recovery, and the adverse knock-on effects to the regional economies and our national economy, to run a manageable current account deficit of $20.5 million or 1.3 percent of Gross Domestic Product (GDP). The case which we have made for this is unanswerably strong.

As Minister of Finance, I could have contrived a current account surplus but that would have been wholly wrong for the economy and the people of St. Vincent and the Grenadines. I could have been overly optimistic on the revenue side and budget for a larger estimate on the Recurrent Revenue. In this respect, I preferred to be careful and project an increase in current revenue of only 3.7 percent or $17.87 million over the approved Revenue Estimates for 2009. Indeed, our current revenue estimates for 2010 are only $13 million or 2.6 percent above the actual recurrent revenue collected in 2008.

On the Recurrent Expenditure side, I could have chopped vital existing programmes and/or exclude necessary and worthwhile new programmes and expenditure increases on certain items of undoubted merit. Had I done all of this, I would have acted contrary to the people’s interest, made matters worse, precipitate a needless crisis, and put the country into a tailspin. I have wisely chosen not to do any of this. To be sure, on the recurrent expenditure side, I have not been profligate. I have been measured and creative in the challenging circumstances which have
come upon us from outside. My Cabinet colleagues and the best technical advice available have endorsed this sensible and practical approach.

Mr. Speaker, what are the new recurrent programmes and the main recurrent expenditure increases which are allowed in this Budget? They are as follows:

**NEW PROGRAMMES** amounting to $5.185 million, comprising:

**Ministry of Finance:** Internal Audit Unit $274,540;  
**Ministry of Education:** Student Support Services $991,769; Early Childhood Education: $1,308,846;  
**Ministry of National Mobilisation** Crisis Centre: $288,534;  
**Ministry of Agriculture** Banana Services Unit: $1,887,781;  
**Ministry of Health:** Oxygen Production Plant: $66,248; Modern Medical Complex: $366,208;  
Total New Programmes $5,185,926

**NEW POSTS** costing $2,830,328.

Over 170 new posts across mainly the vital areas of the public service such as Health, Education, National Security, and Public Administration. Among these new posts in Health are 13 professional staff (laboratory and nursing personnel) at the Milton Cato Memorial Hospital and 32 staff members for the Modern Medical Complex at Georgetown from October 2010. In Education there are 22 new posts mainly for teachers in secondary schools, laboratory assistants, and technicians for the
Information Technology Laboratories. In National Security, there are 38 new posts in the Police Force and 10 in the Coast Guard. Other new posts are in important areas of Public Administration.

**SOME INCREASES IN VITAL AREAS** amounting to $18,825,000, comprising:

- Social Welfare : $3.6 million;
- Medicines and Pharmaceuticals : $925,000;
- Retiring Benefits : $3.7 million;
- University of the West Indies : $1.0 million;
- SVG Community College : $1.0 million;
- 65 Graduate Teachers, Primary Schools : $2.6 million;
- Salary Increase, 3 percent : $6.0 million;

Total : **$18,825,000**

These new programmes, new posts, and unavoidable current expenditure increases on some vital items of expenditure in the Recurrent Estimates amount to $26.84 million. Had I excluded all of these, there would have been a current account surplus of over $6 million. I would have balanced the books but in the process I would have unbalanced the country. Every serious economist and businessman knows that it is perfectly in order to run manageable and deliberate current account deficits for one or two years so as to be able to ensure the on-going soundness of the economy or business. This is a proposition grounded in sensible precept and practice.
As I explained last week in the debate in this Honourable House on the Estimates of Expenditure, the capital budget is well-constructed and focussed. Its financing, too, is assured. It is not necessary to rehash those issues in this exercise.

Mr. Speaker, contrary to the opinions of those who have a vested interest in distorting or manufacturing facts and figures, I say unequivocally and without fear of contradiction from anyone that for the nine years so far of my administration, 2001 to 2009, inclusive, the economy of St. Vincent and the Grenadines, and that of Antigua-Barbuda, have grown at a faster rate than any other among the independent member-states of the Eastern Caribbean Currency Union (ECCU); they are neck and neck. To a large extent, this growth performance of St. Vincent and the Grenadines is as a consequence of the macro-economic policies pursued by my government and its management of the economy. I do not include Anguilla or Montserrat in the comparisons because of their peculiar physical and colonial condition.

The average annual real economic growth (based on Gross Value-Added in Basic Prices) of the comparable countries for the years 2001 to 2009, inclusive, is as follows: St. Vincent and the Grenadines 3.4 percent; Antigua and Barbuda 3.63 percent; Dominica 0.68 percent; Grenada 1.19 percent; St. Kitts-Nevis 1.72 percent; and St. Lucia 1.06 percent. St. Vincent and the Grenadines and Antigua and Barbuda are the only two countries which recorded average annual economic growth rates in excess of the ECCU average of 2.29 percent for the period 2001 to 2009. The GDP growth figures at Market Prices in Constant (1990) Prices show very little variation from these numbers; the comparative growth trends, in any event, are the same for St. Vincent and the Grenadines.
In 2009, each of these six countries recorded negative economic growth with St. Vincent and the Grenadines being the best performer and Dominica the next best. The 2009 growth figures are: Antigua and Barbuda, minus 6.6 percent; Dominica, minus 1.52 percent; Grenada, minus 5.03 percent; St Kitts-Nevis, minus 8.5 percent; St. Lucia, minus 3.82 percent; and St. Vincent and the Grenadines, minus 0.15 percent. These growth numbers are based on the Gross Value Added in Basic Prices. It should be noted that Anguilla which grew at a whopping average annual rate of 17.9 percent in the four year period 2004 to 2007, inclusive, had a 4.47 percent growth in 2008, and a disastrous 2009 of minus 22.28 percent.

Mr. Speaker, it should be further noted that in the eight years from 1993 to 2000, in St. Vincent and the Grenadines, the average annual real economic growth rate was 2.85 percent which was below the ECCU average for those years and, of course, a less favourable performance than the comparable average of 3.4 percent for St. Vincent and the Grenadines in the years 2001 to 2009. It should be noted, too, that the external economic environment between 1993 and 2000 was far more favourable than in the last nine years, yet these latter years recorded a better economic performance. Between 1993 and 2000, St. Vincent and the Grenadines did not have to contend with the almost complete renewal of trade preferences for our bananas; the awful economic consequences of the terrorist attacks of 9/11 and the worst global economic recession in the period September 2008 to the present; the massive unprecedented rise in oil prices; the Avian Flu and the Swine Flu; and the extent of natural disasters. Despite these phenomenal challenges between 2001 and 2009, the economy performed commendably better than in the period 1993 to 2000.
Mr. Speaker, the data show that St. Vincent and the Grenadines is catching up well and passing several of these six ECCU member-countries. In this regard, a useful and acceptable assessment of the state of the people’s economic well-being is the measurement known as the Per Capita (per head) Gross Domestic Product at Market Prices in Current Prices. In 2001, the GDP per head for St. Vincent and the Grenadines was $8,655; which placed it at the bottom of the comparative table; but by 2009, the figure had risen to $15,593. In the process St. Vincent and the Grenadines caught up with, and went past, Dominica, St. Lucia, and Grenada, and was narrowing the gap against the table-leaders St. Kitts-Nevis and Antigua-Barbuda, in terms of per capita GDP. Indeed, the story of St. Vincent and the Grenadines’ progress is the same when one uses the measurement of GDP per head at Market Prices in constant (1990) prices. Between 2001 and 2009, real GDP per head in constant prices for St. Vincent and the Grenadines grew by 46.9 percent, far outstripping comparable per capita growth figures for Dominica 22.3 percent; Antigua-Barbuda 17.5 percent; St. Lucia 10.2 percent; St. Kitts-Nevis 6.5 percent; and Grenada 3.6 percent. These growth numbers of GDP per head for St. Vincent and the Grenadines are likely to increase even more sharply with the full implementation of our planned capital projects, including the international airport, so long as our creative macro-economic policies and targeted strategic interventions are in place, and under similar sound management and good governance of the last nine years.

Mr. Speaker, my government, with relatively slender material resources in a most turbulent economic world, has bravely helped to shelter our economy and our people from the worst effects of the global financial meltdown. Undoubtedly, our economy and our people have been
racked by severe economic pressures from outside, since September 2008, but we never cracked. We held things together, kept our heads above the raging economic waters, and even made progress in a number of critical areas of our social economy.

In the 2009 Budget, my government unfurled several initiatives to stimulate the economy: in January to February 2009, my government provided further stimulus support to the tourism sector; at Independence 2009, a package of stimuli was announced and implemented in November and December; and throughout the year, the social safety net for the poor and marginalised was broadened and strengthened.

Mr. Speaker, the private sector, the credit unions and the cooperative sector have been playing admirable roles in these past 16 difficult months, and continuing.

Employers, generally, were reluctant to lay off staff and when they did, it was, by and large, wholly unavoidable. The Canouan Developers and the Mustique Company, which between them employ over 2,000 Vincentians, kept their October 2008 promise to me not to lay off any local staff. The developers at Buccama continued to ramp up their construction activities with roughly 1,000 workers, when most other private sector hotel developers in the region suspended or cancelled construction.

Our farmers and fisherfolk responded well, too. In the face of the decline in bananas, the farmers focused admirably, despite challenges, on non-banana agriculture. In 2008, production in non-banana agriculture was valued at $68.9 million; in 2009, the estimated production was provisionally
valued at $71.9 million. Livestock, too, rose in value from $6.98 million in 2008 to $7.3 million in 2009. In fisheries, the rise in value was from $9.7 million in 2008 to $10.3 million in 2009.

By and large, too, the workers recognised the challenges and responded well. Our nation owes them, too, a debt of gratitude. And while others were working hard and smart to produce for themselves, their families, and their nation, a tiny, voluble minority, living off the fat of the land, were spreading unfounded doomsday talk and making every effort to hold back real progress. Inevitably, too, the criminal class sought to make life more difficult for honest, hard-working people. They did not, and would not, succeed!

Mr. Speaker, on behalf of the government and people of St. Vincent and the Grenadines, I thank the St. Vincent and the Grenadines Teachers’ Union and its members for their understanding and supportive of the government’s proposal to reverse the sequencing of the salary increases for 2010 and 2011: Three percent for this year; 5 percent for next year with the attached condition that should the revenue situation, by mid-year, perform sufficiently above the estimated figures to warrant the payment this year of the full five percent, it would be paid retroactively from January 01, 2010.

I thank the leadership of the Public Service Union and the Police Welfare Association for their kind consideration of the said matter, but I regret that they have been unable to join the Teachers’ Union in their acceptance of the Government’s proposal.
Mr. Speaker, it is my duty to point out that even in a most challenging economic situation, my government has been able to enhance the salaries and conditions of work of Public Servants, medical and nursing personnel, teachers, and police officers in the 2010 Budget in the following ways, among others:

1. The grant of a salary increase of 3 percent at a cost of $6 million;
2. The provision for the payment of increments for eligible established central government employees of roughly 2 percent on an average;
3. The provision for appointment of 65 graduate teachers in primary schools costing $2.6 million;
4. The provision for over 170 new posts, costing $2.8 million;
5. The provision of $3.7 million for additional retirement benefits;
6. A capital provision to construct an After-School Facility for children of central government employees at a cost of $620,000.

Together these six direct enhancements, and there are others, cost some $19 million, just a little shy of the current account deficit for 2010.

Additionally, there are salary enhancements in store for the members of public sector unions who are employed in several public sector enterprises, including the St. Vincent and the Grenadines Community College.

Moreover, Mr. Speaker, there are a few unacceptable historic wrongs which must be put right this year for central government employees, the correction of which have substantial financial implications. These include:
1. The repeal of the legal provision which compels members of the Police Force who attain the age of 50 years to retire if they are still at the rank of Corporal, unless they are granted Cabinet approval to continue beyond that age.

2. The extension of maternity leave for women in the Police Force and the Public Service from one month to three months. Teachers are already beneficiaries of this international best practice.

3. The provision of paternity leave for Policemen and the men in the Public Service on same terms, more or less, as obtain in the Teaching Service.

4. The provision of retirement benefits for teachers employed in the government-assisted secondary schools who, had they been appointed originally by the Public Service Commission, would be pensionable. We shall address this issue in a favourable, practical legislative manner even before the Pension Act of 1948 is appropriately amended.

5. The special provisions for grants and scholarships for nurses and police officers for study at the tertiary level. Together these provisions amount to $1 million. Targeted assistance for teachers and public servants for tertiary education is already well-funded.

6. The enhancement of the physical conditions of work for all categories of established central government employees.
Mr. Speaker, I am aware that there are some residual technical issues of practical consequence arising from the Reclassification Exercise. I have been assured by the relevant technical staff in the Ministries of Finance and the Public Service that these residual matters would be satisfactorily addressed soonest in this New Year. I have so communicated that assurance to the Public Service Union. Frankly, Mr. Speaker, there are no policy issues involved, only technical ones.

Mr. Speaker, the public servants, medical personnel, teachers and police officers have done quite well under my government. Indeed, on an average their salaries, allowances, and other employment benefits have been enhanced at a faster pace, on average, than practically every other category of employees in the private sector and public sector, including the public enterprises where, admittedly, the absolute, nominal rate of remuneration is generally higher. My government abides by its long-standing commitment to improve the material condition of the lives of its employees; established or non-established. For my part, I am always enthusiastic about their upliftment. I love them dearly and sincerely. Accordingly, I shall never permit any localised skirmish or any fissure or manufactured difference to derail, undermine, or weaken this most efficacious partnership between my government and the public sector employees. St. Vincent and the Grenadines, and all the relevant stakeholders, are the beneficiaries when we work sensibly and reasonably together. Those who are possessed of extraneous political agendas, unconnected to the genuine and sustainable welfare of public employees, are another matter entirely.

Mr. Speaker, the macro-economic policies which my Government pursues, are fashioned in the context of the OECS/ECCU policies and
initiatives which we help to shape. In the Introduction to this speech I emphasised this approach, particularly in light of the Eight-Point Stabilisation and Growth Programme adopted by the Joint Task Force of the OECS-ECCU chaired by me. This Eight-Point Programme contains three packages: The Stabilisation Package; the Stimulus Package; and the Structural Package.

The Stabilisation Package aims to address the deficiencies that have placed our sub-region under severe fiscal stress, and is comprised of the financial programmes, fiscal reform, and debt management. The financial programmes focus on correcting or easing the burden of the global economic meltdown on each sub-regional economy and the ECCU as a whole. The objective is to identify the financing gap of the central governments and put in place a set of policy measures to close the gap and address other structural issues. Clearly, the overall deficit is a challenge for the ECCU member-countries. Given the high cost of borrowing, the best option would be financing under concessionary terms and grants. This is what we have done in the 2010 Budget.

The fiscal reform programme seeks to develop efficient revenue and expenditure systems. The programmes for improving the revenue system are based on recommendations of the Commission of Tax and Tax Administration Reform. These we have been implementing. On-going reform work is being examined through the Commission on Pension and Pension Administration Reform, the Public Expenditure Financial Management Programme, and the CDB-coordinated programme to improve the efficiency of public sector investment programmes.
The Debt Management Programme has as its objectives the development of a debt strategy aimed at aligning the countries’ debt to a level consistent with fiscal sustainability and establishing a programme that would lead to the achievement of an appropriate public sector debt target over the medium term. In this regard, the Canadian International Development Agency (CIDA) has been collaborating with the Central Bank to establish a Debt Management Advisory Service (DMAS) for its member-states.

The second package, the Stimulus Package is comprised of the public sector investment programme (PSIP) and the social and financial safety net programmes. The PSIP is meant to be the vehicle through which countries in the ECCU provide short-to-medium term fiscal stimulus. The intention is to identify high-impact—employment and income generating—projects, secure their funding, and accelerate their implementation. Regarding the safety net programmes, I have addressed these fully, earlier, under the rubric, “Poverty Reduction”. The financial safety net programmes demand liquidity support for the financial system. This is crucial for the restructuring and recapitalisation of the indigenous commercial banking and insurance sectors and the strengthening of the regulatory and supervising regimes. All this we have been engaged in, practically for the past 16 months.

The third package, the Structural Package, incorporates the programme to amalgamate as many indigenous commercial banks as possible, and the programme for rationalisation, development and regulation of the insurance sector. This has rightly been one of our central preoccupations last year, and continuing.
Mr. Speaker, this Eight-Point Programme constitutes a strategic path forward and is being implemented in concert with the Action Plan adopted, too, by the OECS/ECCU Task Force. This Action Plan is centred on: Leadership, management and institution-building; air and sea transportation; telecommunications; energy; education; skills training, research and innovation; health and the environment; and three main transformational sectors, namely, tourism, construction and fishing which link-up in the production apparatus with agriculture, manufacturing, banking and finance, and other services. This is the “action” framework for this 2010 Budget. The private and cooperative sectors are also in tandem with the Action Plan.

Mr. Speaker, this Budget, too, is lodged within the context of deepening regional integration in the OECS Economic Union and the Caricom Single Market and Economy (CSME), and the implementation of a principled, many-sided, and practical foreign policy. I spoke to these matters in my recent New Year’s Address to the Nation. The Honourable Minister of Foreign Affairs will elaborate further in his contribution to this Budget Debate.

Mr. Speaker, I have three final announcements to make. The first relates to three gentlemen who served our country as elected Parliamentarians and who are in the homestretch of their years but who were ineligible, for one reason or another, for an elected member’s pension. These three gentlemen are: Mr. Afflick Haynes who represented West St. George for two terms under the banner of Ebenezer Joshua’s People’s Political Party (PPP); Mr. Alphonso Dennie who was elected as the representative for North Leeward on a PPP ticket and who served as a Minister of Government under the James Mitchell-Ebenezer Joshua coalition for 2 ½
years; and Mr. Offord Morris who was elected on the ticket of the St. Vincent and the Grenadines Labour Party for a five-year term in 1979 in South Central Windward in which election he defeated both James Mitchell and Ebenezer Joshua. Each of these three gentlemen will be paid a monthly pension of $1,200 with effect from January 01, 2010. Legislation will be brought to the House next month to give effect to this decision of my government. This thankful gesture by our nation to these three elderly gentlemen does not represent a precedent for younger, former parliamentarians who are not eligible for retirement benefits under the Pension for Members of the House of Assembly Act.

Secondly, an elderly lady from Bequia, who is exempt, as all elderly persons are from paying the user-fee for the specially-built facilities at the Port for the commuters by vessel to the Grenadines, came to visit me over the Christmas season. She persuaded me to cause the removal of this one dollar user-fee even while she acknowledged its functional utility. Her considerations related to the easing of anxieties of certain people. I accept her caring suasion. Accordingly, with immediate effect, this user-fee will be no more.

Thirdly, given the results of the recent Referendum which, among other things, decided to retain the Queen as Head of State, my government has decided to accept Her Majesty’s kind invitation to cause recommendations to be forwarded to her in respect of certain honours for the Honours List in June 2010. Last October, my government had declined sending any recommendations for the January 2010 Honours List. The people of St. Vincent and the Grenadines voted to keep the Queen as Head of State. My government is duty-bound to accept, consequentially, the honours to be bestowed on our country’s citizens for
their achievements. Some persons, at the individual level, may not accept such honours but that is a separate question for such citizens, personally.

Mr. Speaker, I am realistically hopeful of further progress in St. Vincent and the Grenadines for 2010 despite the continuing challenges. I honestly consider that my government has fashioned a most creative, relevant and practical package of budgetary proposals in the most trying global economic circumstances, in the interest of our nation and its people. We believe that we have more than lived up, practically, to our central budgetary theme: “Economic and Financial Stabilisation, Social Cohesion and Fiscal Consolidation at a Time of Global Recession and Uneven Recovery”.

Thank you!