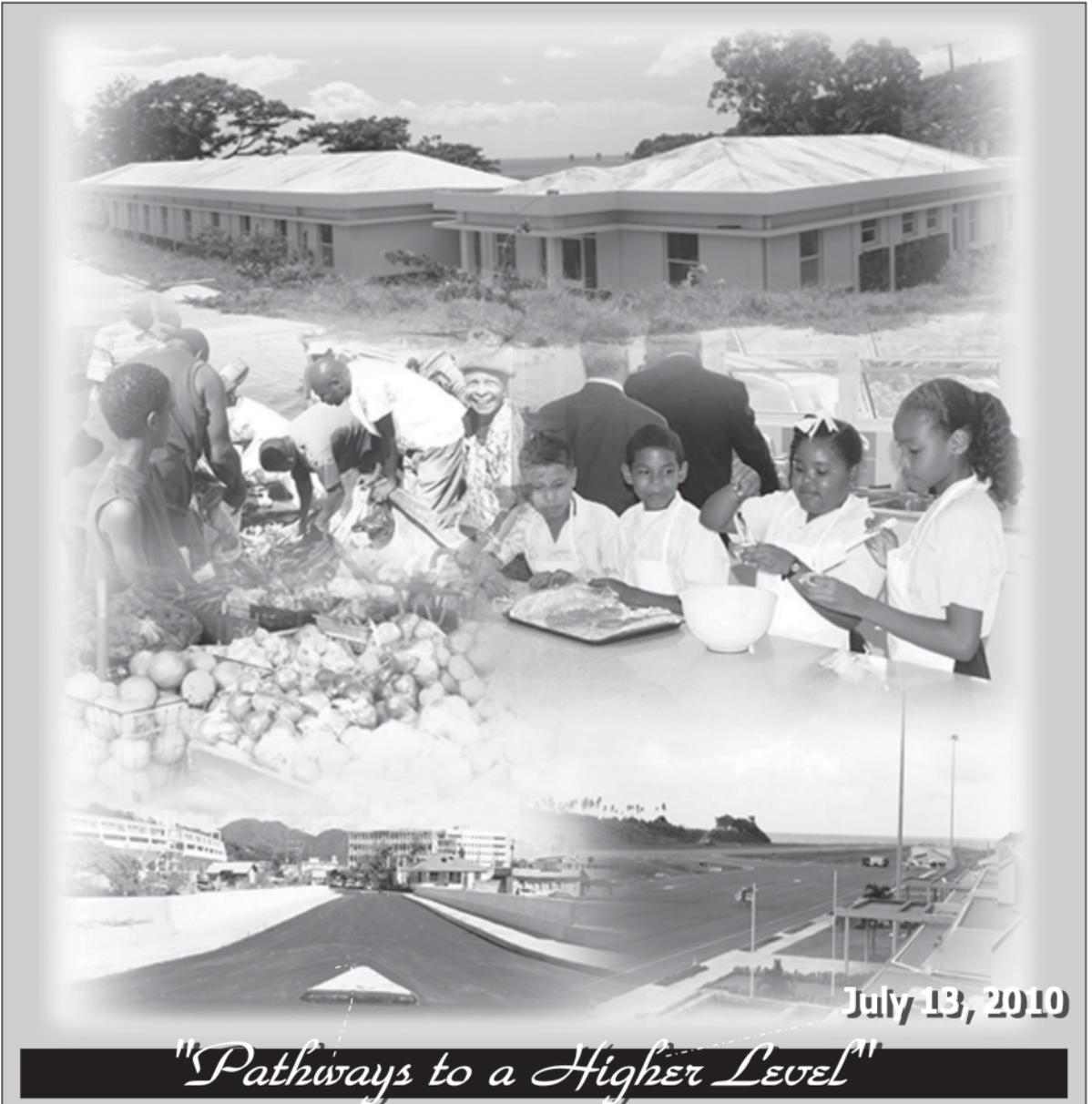


Commonwealth of Dominica **BUDGET ADDRESS**

for Fiscal Year 2010/2011

Presented by:
Hon. Roosevelt Skerrit
Prime Minister, Minister for Finance,
Foreign Affairs and Information Technology



July 13, 2010

"Pathways to a Higher Level"

**BUDGET ADDRESS
FOR THE FISCAL YEAR 2010/2011**

“Pathways to a Higher Level”

by

**The Honourable Roosevelt Skerrit
Prime Minister and Minister for Finance,
Foreign Affairs and Information Technology**

**13th July 2010
House of Assembly
Victoria Street, Roseau**

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BUDGET ADDRESS for Fiscal Year 2010/2011

“Pathways to a Higher Level”

Madam Speaker, Cabinet Colleagues, Members of this House,
My Fellow Dominicans.

This budget address is being presented against the backdrop of the commitments made to the people of Dominica, by the Labour Party that I have the privilege to lead. The Dominican people gave a resounding endorsement to our call, to take our country to the next level. It is our view that this endorsement was due to our record of performance, sense of purpose, our manifesto and our focus on pursuing the pillar principles of growth and social protection.

We thank the people for the confidence they have placed in us. Our renewed team, with the injection of persons who are young, bright and energetic, will continue to steadfastly put our shoulders to the wheel in a determined effort to take all Dominicans to a higher level of progress.

Madam Speaker, let me at the outset make three basic points, three basic truths perhaps, about taking our country to the next level. The first is that it is an objective that we all share and one that we should all wish to achieve, even if there may be different ideas about how we might get there. The second is that we are all very clear as to what we mean by the next level. It is a term that reflects the vision and aspirations of all of us, for an enhanced

standard and quality of life as identified through all those developments, material and non-material, that are important to our happiness. The third basic truth about taking us to the next level is that it calls for the cooperation and collaboration of all Dominicans. It is not something that Government can do alone. Building the New Dominica requires the cooperation and participation of all Dominicans at home and abroad, and all friends and well-wishers.

If I might give just a few examples of what is expected in the New Dominica that I speak of Madam Speaker:

In agriculture the next level will find us in a situation of greatly increased market-driven production of quality commodities, able to be transported on a regular and reliable basis, to niche markets in the Caribbean and beyond.

In tourism, our considerable efforts to attract internationally branded and well known boutique hotels to Dominica, will have borne fruit. Such hotels will not only employ well-trained Dominicans, but will provide accommodation which will appeal to international travellers in settings of natural splendour.

Our call centres currently employ hundreds of young persons, but the next level will see established in our island, centres doing offshore data management and employing more highly skilled Dominicans.

Our physical infrastructure, more particularly our major roads, will be developed to international standards and our secondary roads, including feeder roads and farm access roads, will be developed and maintained to a high level and quality. Night-

landing facilities at Melville Hall airport will enable Dominica to fully integrate into the airline schedules, in a way that makes maximum use of the airport enhancement, leading to increased domestic and tourist traffic.

Our social infrastructure will have improved correspondingly – the quality of education at all levels will have improved by leaps, as will the access of our people to opportunities for enhancement of their professional and technical abilities, as we pursue our objective of ensuring at least one university graduate in every household.

The proposed new general hospital, the fourth pillar project under our cooperation arrangement with the People’s Republic of China will create a facility which will enable us to offer a new range of medical interventions at a level which will drastically reduce the need for Dominicans to seek medical attention overseas.

The private sector will be expected to play a much larger role in job creation – our efforts to encourage small business will play a role in this, as will the establishment of businesses through the proactive intervention and facilitation of the AID Bank.

Indeed, Madam Speaker, at the end of the day the next level has to result in an evident and measurable improvement in the quality of life of our people.

Clearly, the next level is not a place that we will get to overnight. It is that place that we will get to, through a clearly articulated vision; well-conceived, people-centred strategies and policies;

and focussed and efficient execution. It is a place that we will get to, not by “sudden flight”, but by toiling ever upward day and night.

That place, Madam Speaker, I described in last year’s Budget Address, in the following terms:

“... a place where all persons are profitably engaged, have jobs and at least a decent standard of living, and contribute to ensuring that the less fortunate or less able among us, are assisted to live a decent life.”

Having said all this, Madam Speaker, this Government acknowledges as its inescapable responsibility, the need to articulate some of the pathways to that higher level. It is through these various pathways, at sectoral, industry, programme or investment level, that we will achieve a whole that is greater than the sum of its parts, a level of development that will be recognisable by all, as the next level of progress in our country.

This next level flows from a vision of our country where every able-bodied man and woman will have opportunities for gainful employment and where the elderly and vulnerable will not go wanting. I will speak to those pathways to a higher level later in this address as I seek to reflect them in the Public Sector Investment Programme for the new fiscal year, 2010-2011.

What I will say at this time is that the next level has to involve a seismic shift in the way we do business in this country – both in the private and public sectors; and terms like efficiency,

productivity and competitiveness have to become more entrenched parts of the growth lexicon of this country.

What I will also state at this time, and this is something that I have had cause to reflect on from time to time, is the enormity of the development challenge facing countries like ours, having to chart an ambitious way forward for our people, even as the global economic environment continues to be difficult. This Government has done a good job of steering the ship of State through the difficult waters of the international and regional economic environment, although of course our work is far from completed.

In this context, Madam Speaker, we can look back with some satisfaction at the appropriateness of the theme of last year's Budget Address, *Securing a Brighter Future in the Face of Global Crisis*, because the record will show that we have done fairly well. First however I must recall the elements of the global economic environment as these have unfolded over the past year or so.

INTERNATIONAL AND REGIONAL OUTLOOK

At the time of the last budget address the global situation was threatening. I stated then that the global economic situation, in particular the economic and financial fallout in the USA was not good news for us in the Caribbean.

The fact is, Madam Speaker, that there are clear linkages and a distinct inter-connectedness between what happens in the developed world, and the state of our economies in the

Caribbean. To make that point is not to seek excuses for our situation in Dominica, but it would be futile and disingenuous to deny this reality.

Madam Speaker, the year 2009 saw negative real growth throughout the world. Global output shrank by 0.6 percent; growth in the USA was minus 2.4 percent and in the UK minus 4.9 percent. Happily, indications are that we are currently in the midst of a global recovery. The IMF reports that “the global recovery has evolved better than expected ...” In the current year, 2010, world output is expected to increase by about 4.25 percent, growth in the USA by 2.3 percent and in the UK by 1.3 percent.

However, these positive outcomes will be realised only through maintaining the fiscal stances that have been adopted in many countries as a result of the global financial crisis.

The Organisation for Economic Cooperation and Development (OECD) cautions that the economic recovery is still fragile and unemployment remains high; and the IMF, in similar vein, warns that “activity remains dependent on highly accommodative macroeconomic policies ... as fiscal fragilities have come to the fore”.

Madam Speaker, this concern with economic vulnerabilities is well reflected in the actions that have been taken recently by countries all over the world. The most recent of these is the package of fiscal measures announced last month by the new Government in Britain.

The Chancellor imposed austerity measures on every family in Britain as he announced a £40bn package of emergency tax increases, welfare cuts and spending restraints designed to slash the budget deficit. His “unavoidable budget” included an increase in VAT from 17.5 percent to 20 percent. The Chancellor has also asked government departments to draw up plans for budget cuts of up to 40 percent.

Spain, Portugal, Italy and Greece are among countries that have been forced to put into place measures of varying levels of austerity, – wage freezes, spending cuts, tax hikes, and retrenchment of public sector workers etc, all in an effort to ensure fiscal stabilisation and to rein in their public debt.

This situation, Madam Speaker, is reflected in the state of our economies here in the Caribbean. Preliminary estimates from the Caribbean Development Bank indicate that in 2009 economic output contracted in most regional economies, reflecting the lagged impact of the global crisis. “Indications are that only four Borrowing Member Countries (BMCs) recorded positive Gross Domestic Product (GDP) growth in 2009”

As I observed last year and as the CDB reports states, “the main transmission channels of the crisis to regional economies, were sharply declining tourist arrivals and a fall-off in foreign direct investment (FDI), which negatively affected investment in tourism-related construction projects, reducing output and employment in both the tourism and construction sectors”.

The situation has been so dire, Madam Speaker, that a number of the Caribbean countries have had to resort to extraordinary

external financing to help mitigate their unfavourable fiscal situations as reflected in their foreign exchange reserves, fiscal deficits and public debt. Such external financing has included resort to stand-by arrangements with the International Monetary Fund.

In all of our sister Caribbean countries the realisation has come that it cannot be business as usual. In countries like Barbados and Trinidad and Tobago where the situation has not been as desperate, even they have had to be watchful and increase their levels of fiscal vigilance.

Madam Speaker, if no man is an island, our island is not a world unto itself, and our future prospects will continue, like every other Caribbean country, to depend on the circumstances of the developed world. The CDB's annual report for 2009 puts it this way: "The outlook for regional economies in 2010 is largely predicated on the timing, pace and magnitude of the incipient global recovery, with recovery in the Region expected to lag behind that of the major world economies by a few quarters.

In 2010, growth is expected to return to some of the global economies that contracted in 2009, but the recovery of regional economies is not likely to take hold before 2011."

This is the context within which we have to view the performance of our island, Dominica, to which I now turn.

EFFECTS ON THE LOCAL ECONOMY

Madam Speaker, in the face of all that I have said so far regarding the international economic situation and how it has affected the developed countries of the world and the measures that these countries are having to take in mitigation; and given the effects that are being felt right across the Caribbean; and given the fact that these repercussions would be felt most acutely after a time lag, the people of this country can take some comfort in the performance of the economy of Dominica in 2009.

A decline in economic growth of 0.3% is not a performance that we would have found to be acceptable in the normal course of events. Indeed keen observers of the country's economic performance would know that this is below the Government's target growth rate.

Still, estimates suggest that Dominica's economy exhibited a degree of resilience. The gains and policy space created by prudent fiscal management, in the years following the Economic Stabilization Programme, as well as Government's successful negotiation of grant resources, placed the country on a footing to undertake counter-cyclical measures, to address the adverse effects spilling from the slowdown.

In particular, Government continued its efforts to accelerate the implementation of the Public Sector Investment Programme as a means of generating and sustaining economic activity.

Madam Speaker, we are not living in normal times; that much is clear. What happened last year, Madam Speaker, is that the

repercussions of the global financial crisis began to kick in and its effects really began to be felt across the Caribbean.

There was a decline in tourism receipts by about 16 percent. There was also a reduction in family remittance inflows by an estimated 51 per cent.

The climate for foreign direct investment into Dominica was certainly not conducive, as was the situation throughout the Caribbean, and the estimated decline there is of the order of 18 percent.

There was 5 percent growth in agricultural production led by non traditional production and some positive growth in fisheries. There was also growth in banking, electricity, water, real estate and housing.

Not a happy state of affairs all around, Madam Speaker, but when compared to other countries in the Caribbean we have more than held our own. Of all the CARICOM countries, only four recorded positive growth. In others the magnitude of the economic decline was as much as 7.7 percent.

Madam Speaker, it is important that I inform this House that there is going to be a slight change in the way GDP is calculated. What is described as a re-basing exercise, is being coordinated by the ECCB in all its member states. This involves changing the base year for calculating GDP from 1990 to 2006.

This will make for a more comprehensive assessment of the performance of the economies. The upshot of this exercise is that

there may be some changes to the GDP figures for all the islands. We will know what the revised figures are when they are officially released by the Bank in a few months time.

Inflation, which had been a serious concern in recent years, slowed down considerably, although consumer price inflation picked up in the latter part of 2009, in response to increases in world food and fuel prices. The Consumer Price Index increased by 4.4 percent (year-on-year) through February 2010, but the average for the year 2009 was close to zero.

There was a decrease in the external current account deficit in 2009, from 32 percent of GDP the previous year, to 28 percent, a reflection of the falloff in imports related to fuel and foreign direct investment. In terms of the external account, this falloff may have more than offset lower tourism receipts and remittances.

Madam Speaker, our banking system continued to show growth and resilience in the face of the global crisis. Both banking sector credit to the private sector and the money supply increased in the 12 months to December 2009. The authorities report that our banks have remained liquid and well capitalized, while non-performing loans have declined.

In terms of the non-bank financial sector, we continue to grapple with the challenges in the insurance sector. I am aware that the concerns of many persons, regarding their policies and investments with Colonial Life and British American insurance companies, have not been alleviated. Government continues to pursue these matters as part of a regional approach coordinated

by the Eastern Caribbean Central Bank through a Ministerial Sub-Committee headed by Prime Minister Ralph Gonsalves of St. Vincent and the Grenadines.

As I reported in my detailed statement on the matter delivered in this House on 29th March 2010, the judicial managers for British American appointed in each of the OECS member states issued a joint report in October 2009, finding essentially, that the company was insolvent and illiquid.

A committee appointed by the OECS governments is discussing with strategic investors the establishment of a new company to take over BAICO's operations in the region. The strategy comprises a regional solution that would transfer the property insurance portfolio to an existing insurance company and establish a Medical Claims Support Fund.

Finding sufficient funds to capitalize the new company will be a challenge, and losses or a re-phasing of payments are likely to be part of the solution. In addition, Government will have to make a financial contribution to capitalising the new company and once arrangements are finalised, the necessary budget appropriations will be made.

The point is, Madam Speaker, that we continue to pursue this matter. It has been predictably drawn out and difficult, and unfortunately will not be resolved to the total satisfaction of all persons affected. We are continuing to work with the ECCU member states and the Governments of Trinidad and Tobago and Barbados on these issues.

The other point here is that the difficulties attending CLICO and British American have exposed regional weaknesses in the regulation of nonbanks. There can be no question that improved nonbank supervision is essential to limit the kinds of financial vulnerabilities that we have been experiencing.

I can report progress towards strengthening the supervision of the financial sector, including on-site examination of the insurance companies and credit unions. You will recall that the Financial Services Act was passed in 2008 establishing the legal framework, and the institution for the supervision and regulation of the non-bank financial sector.

We have during this last fiscal year passed other legislation, including the Money Service Business Act and Payments System Act. The former, Madam Speaker, regulates money transfer and cheque changing services that have the potential to be used for illegal activities.

There has been extensive discussion with the stakeholders on the draft Cooperatives Bill and the draft Insurance Bill. In the case of the Cooperatives Bill, specific and distinct provisions are being made for supervision and regulation of credit unions. We have attempted to reflect the suggestions of stakeholders in these matters even as we remain mindful of Government's role as regulator and the need to protect investors and policy holders.

FISCAL OUT-TURN FOR 2009-2010

Madam Speaker, the fiscal outturn for 2009/10 continued to reflect Government's commitment to prudent macro-economic management and stability.

Recurrent expenditure excluding debt amortisation for the year just ended is estimated at \$300.6 million which is \$3.0 million more than the budget of \$297.6 million. Debt amortisation was budgeted at \$24.0 million. The increase is reflected mostly in expenditure on road maintenance, utilities and educational assistance.

The wage bill accounted for 36.0 percent of recurrent expenditure inclusive of debt amortisation, goods and services 26 percent, interest payments 5 percent, retiring benefits 7 percent and transfers and subsidies 14 percent.

Recurrent revenue to June 2010 is projected to be \$347.6 million. Taxes on international trade and transactions accounted for 19.1 percent. The value added tax accounted for 36.5 percent and other taxes on domestic goods and services is estimated at 18.9 percent. Personal income taxes amounted to 8.4 percent while corporate income taxes amounted to 7.7 percent.

Non-tax revenue is estimated at 9.5 percent. While some revenue items such as corporate income tax and VAT performed over budget, import duties, property tax and some items of non-tax revenue performed below budget. A positive contributory factor to the tax revenue performance is the strengthened effort at collection of tax arrears.

Current revenues are estimated to have outperformed projections by \$4.6 million or 1.3 percent. Value Added Tax exceeded estimates by \$4.1 million reflecting in part some economic activity and government's continued effort in implementing an accelerated capital programme.

Taxes on personal income are estimated to have been below estimates by \$1.8 million. Fiscal year 2009/10 saw the implementation of the third phase of Government's Income Tax Reform, involving 5 percent income tax reductions across the board over a three-year period and a \$5000.00 increase in the tax-free allowance.

Grant receipts are estimated at \$119.3 million to end June 2010. This amount reflects that which was spent on projects and is \$5.4 million more than programmed for the year. Of this amount, approximately \$40.8 million came from the Government of Venezuela while about \$14.6 million was received from the European Union and \$1.5 million from the People's Republic of China.

Local capital revenue did not perform as expected as the main measure announced in the 2009/10 budget, that is the disposal of assets was not undertaken. This was mainly as a result of delays in completion of the houses and infrastructural works on new lands identified for housing. These hurdles have been overcome and Government has already started the process for allocation in the 2010/11 fiscal year.

Mindful of the economic environment in which we operate, and as a result of delays in the receipt of grant funds and differences

in timing of revenue collection and expenditure, measures were taken to restrict discretionary spending in such areas as government-financed travel and non-priority goods and services and to give priority to expenditure on projects.

Capital expenditure for the year just ended is estimated at \$168.3 million. This represents 76.4 percent of the total approved capital budget, (including supplementary appropriations) of \$220.2 million. It also represents an increase of \$10.0 million over the actual capital expenditure for the previous year.

In the course of the last fiscal year, in order to facilitate the continuation of key projects, as well as the inclusion of new community-based projects, a total Supplementary Budget of \$51.9 million was approved, of which \$27.1 million was financed from grants, \$24.1 million from local resources and \$0.8 million from loans.

The estimated total actual capital expenditure for the year 2009-2010 was 16 percent of GDP. Of this total 71 percent was financed through grants, 24 percent local financing and 5 percent loans.

Madam Speaker, it will be noted that Government has continued to make maximum possible use of its relations with friendly countries to lighten the burden on taxpayers of this country to finance capital projects that are essential to the continued development of this country.

It can be noted also, that at 76.4 percent of the total approved budget for the year, the rate of implementation of the Public

Sector Investment Programme is reflective of a degree of efficiency within the government system, as we have sought to keep the wheels of economic activity turning.

All in all, Madam Speaker, Government's main fiscal indicator, the primary fiscal balance, recorded a surplus of 1.5 percent of GDP, short of the 2 percent that had been estimated. The main reason for this would be the non-implementation of the measures for capital revenue which accounts for more than 1 percent of GDP and the higher than projected level of government financing of the capital budget.

An overall deficit of \$1.2 million is estimated, compared to the programmed \$3.0 million surplus. I must add that these estimates are preliminary and transactions during the last week of the fiscal year 2009/10 suggest that there may be some changes when the final numbers are processed.

In the course of the year, Government had to exercise great control over expenditure, in an environment where there are demands for increased services from the Government.

PUBLIC DEBT

Madam Speaker, we have continued to be guided by the imperative of debt sustainability. This has remained an important plank of Government's economic management strategy. As I have cautioned on another occasion:

“If we are to learn any lessons from the experience of developing countries all over the world, one of these lessons would be that the debt situation must not be allowed to get out of control, and must be carefully managed and monitored. Unless we heed this advice, we will one day find that debt will prove to be a binding constraint on our ability to borrow and our ability to grow.”

Our debt sustainability objective is the main reason for the three percent primary surplus target that has anchored our fiscal management over the years.

This is quite a commitment, Madam Speaker, and quite a challenge. This is so because national economic management of states such as ours involves constant decision making as to trade-offs, in this instance the trade-off between debt sustainability and borrowing – borrowing to sustain economic activity, growth and employment.

Persons would have noted this economic management challenge has surfaced in the context of efforts by all countries to keep economic activity ongoing during the global financial and economic crisis. In the most recent Staff Report on Dominica’s IMF Article IV Consultation, reference is made to the danger to debt sustainability and the weakening of the debt dynamics that would result from incurring certain proposed loans intended for education, infrastructure and tourism development.

I refer to this matter at this time merely to bring attention to this important challenge of macro-economic management, and to

give the assurance that Government will continue to pay attention to all the issues involved as we consider our borrowing requirements as we seek to steer this country forward to the next level of progress. In fact Madam Speaker, the intention is that once the disbursement of these loans has been completed, we will return to the targeted annual average 3 percent primary surplus.

Madam Speaker, in terms of the fiscal year 2009-2010 I can report that our debt to GDP ratio now stands at 72 percent. I believe, Madam Speaker that it bears reminding that this represents a climb down from 130 percent which is where this ratio stood in 2003. It is this performance that has helped to increase government's flexibility to respond to economic shocks and to maintain capital spending in 2009 at the high post-hurricane levels of 2007 and 2008.

Government restates its commitment to ensure deliberate efforts to raise grants for funding PSIP projects, contract loans only on concessionary terms and keep the debt portfolio under continuous review. We will also continue to manage expenditure so as to prevent the accumulation of arrears; and continue to take steps to grow the economy.

During the fiscal year 2009/10, Government contracted four new loans to the tune of \$137.8 million. This amount comprises \$13.3 million from the CDB for the Caribbean Catastrophe Risk Insurance (CCRIF), Education Enhancement, projects; \$110.7 million from the People's Republic of China for developmental Projects; and \$13.8 from the IMF under the Exogenous Shock Facility (ESF). Government also contracted a joint loan with

DOWASCO from CDB in the amount of \$0.4 million to finance Technical Assistance for Water Supply Upgrade.

Total Central Government Disbursed Outstanding Debt (DOD) now stands at \$676.2 million. External disbursed outstanding debt accounts for \$466.10 million or 69 percent of the total central government debt, while Domestic debt accounts for \$210.1 million or 31 percent.

There was a 3 percent increase in disbursed outstanding debt over the period 2008/09. The DOD for that period was \$658.1 million comprising external debt \$451.8 million or 69 percent, and domestic debt of \$206.3 million or 31 percent. The increase in the disbursed outstanding debt stock is related to funds disbursed for the Valley roads, the Roseau Road Reinstatement project, the CCRIF and the ESF.

Yet another reflection of the improved health of the public finances is that the ratio of interest payments to recurrent revenue for 2009/10 is estimated at 5 percent and total debt service (interest and amortisation) is estimated at 12 percent.

OUR FISCAL STANCE

Madam Speaker, a moment's reflection will remind of the fiscal pressures on the State and the various challenges that threaten to narrow Government's fiscal space that would be otherwise available for conducting the affairs of the State.

During the past year, Government has had to respond to the fiscal ramifications of its announced 100-day programme, which

was itself a justifiable response to certain economic and social pressures being felt by the people.

There is the continuing pressure emanating from what might be termed the “natural increase” in recurrent expenditure deriving from inflation and other causes such as salary increments. Then there are the salary negotiations with public officers the results of which are a constant challenge to government revenues. Additionally, Madam Speaker, there are the recurring and ever-present requests for tax reductions that always confront the Government.

Government is satisfied that it has done well in the area of tax reduction, given all of the circumstances and considerations. Let us not forget that our people are currently in the middle of the third stage of the phased reduction in personal income tax. This set of adjustments makes our country more comparable to the average rates of personal income tax in the other ECCU jurisdictions.

We nevertheless commit to keeping our country’s tax regime under continuous scrutiny with a view to making such adjustments as might assist our overall and collective interests.

As we begin a new term in Government, Madam Speaker, the economic management policy goals of the Government, continue to be as stated in the Growth and Social Protection Strategy, that is:

- o To maintaining as the centrepiece of fiscal management, a primary surplus target of 3 percent of GDP;

- o To continue on the path of maintaining the sustainability of the country's fiscal position;
- o To continue working towards increasing sustainability of the level of the national debt;
- o Continued strengthening of the management of the public finances; and
- o To continue to create the conditions for achieving and sustaining economic growth levels at an average of 3.0% per annum.

These are the principles that will guide the fiscal stance for FY2010/2011.

BUDGET FOR 2010-2011

Madam Speaker, the projected total expenditure for 2010/2011 is to be financed with resources from local revenues, grants and loans totalling \$483.5 million. It is anticipated that Government's fiscal operations for 2010/2011 will result in a current account surplus of \$31.4 million.

This projected surplus will be utilized for debt amortization, and will assist with funding of the local component of the capital programme. The 2010/2011 budget is expected to yield a primary surplus of 2 percent of GDP.

Table 1 shows the overall summary for the fiscal year 2010/2011 with comparative figures for the two preceding years.

Table 1. Budget Summary 2010/2011 (\$m)

	Estimate 2010/2011	Budget 2009/2010	Projected 2009/2010	Actual 2008/2009
Revenue				
Recurrent Revenue	351.7	343	347.6	327.2
From Grants	97.5	113.9	119.3	113.8
From Loans	22.2	34.6	2	15.4
Capital Revenue	12.1	12.1	0.8	0.3
Total Revenue	483.5	503.6	469.7	456.7
Expenditure				
Salaries and Other Current Expenditure	142.1	134.6	126.9	123.7
Debt Service	20.1	19.8	17.6	22.1
PSIP (Capital Expenditure)	140.6	168.3	168.3	158.3
Total Expenditure	460.9	466	468.9	447.3
Debt Amortization	25.9	24	24	19.7
Primary Surplus	20.5	22.8	16.4	16.1
Current Account	31.4	45.3	47	38.2
Overall	0.4	3	-1.2	-6
Total Expenditure plus Debt Amortization	486.8	490	492.9	467
Memo item: GDP (Current Prices)	1,126	1,083		

Recurrent Revenue

Madam Speaker, recurrent revenue is projected at \$351.7 million or 31 percent of GDP. This represents an increase of \$8.7 million over the 2009/10 estimates.

VAT is projected at \$125 million or (35.5%) of recurrent revenue; other domestic taxes are projected at \$70.4 million or (20%);

international trade taxes at \$70.9 million or (20.2%). Personal income tax and corporate income tax together are expected to contribute \$53.1 million or (15.2%) to recurrent revenue. Revenue from other non tax items is projected at \$32.2 million or (9.2 %).

Details of revenue are contained in Table 2.

Table 2. Recurrent Revenue by Economic Classification (\$m)

<i>Item</i>	<i>Estimates 2010/2011</i>	<i>%</i>	<i>Projected 2009/2010</i>	<i>%</i>	<i>Estimates 2009/2010</i>	<i>%</i>
Personal Income Tax	29,419,941	8.4%	29,152,481	8.4%	30,948,000	9.0%
Corporate Income Tax	23,743,245	6.8%	26,704,632	7.7%	18,323,000	5.3%
VAT	125,000,000	35.5%	126,744,804	36.5%	122,658,000	35.8%
Other Domestic Taxes	70,359,851	20.0%	65,650,479	18.9%	68,775,000	20.0%
Int'l trade Taxes	70,958,730	20.2%	66,381,145	19.1%	71,378,000	20.8%
Non-tax Revenue	32,208,620	9.2%	32,918,440	9.5%	30,947,000	9.0%
Total	351,690,387	100%	347,551,981	100%	343,029,000	100%

Recurrent Expenditure

The projection for current expenditure represents an increase of 8 percent over the last fiscal year.

Madam Speaker, of the \$346.1 million recurrent expenditure budget, \$133.0 million or 39 percent will be spent on the wage

bill; this consists of salaries, wages and salaried allowances. The wage bill is calculated to be about 11.8 percent of GDP. Government recognises that further increase in the wage bill is not sustainable.

Table 3. Recurrent Expenditure Breakdown

Health Services	45.4	13%
Administration and Safety	74.6	22%
Finance	42	12%
Community Development	22.1	6%
Agriculture	11	3%
Tourism and Legal Affairs	9.6	3%
Environment, Physical Planning and Fisheries	2.7	1%
Debt Service	46.1	13%
Education	60.2	17%
Housing and Settlement	3.7	1%
Public Works, Energy and Ports	28.6	8%
TOTAL	346.1	100%

The allocation for goods and services of \$89.9 million represents an increase over the budget for fiscal year 2009/10. This reflects the increased costs of items such as utilities, fuel, road maintenance, telecommunication services, consultancy services, supplies, maintenance of buildings and medical stores and equipment.

The budget for transfers and subsidies is \$65.6 million. This is an increase of 5 percent over the amount budgeted for the

previous year. Included in this allocation is the sum provided for human resource development, assistance for citizens attending various institutions as well as support to non-government educational institutions. This expenditure item has increased from \$17.1 million to \$18.6 million for year 2010/11. Government considers education a high priority area.

Allocation for retiring benefits is \$20.0 million and the allocation for contributions to local, regional and international institutions is the sum of \$6.3 million.

The sum of \$6.7 million is being allocated for expenditure on public assistance. This compares to \$6.2 million for the previous year as Government continues efforts at reducing poverty and creating better lives for its citizens.

Madam Speaker, an amount of \$20.3 million has been provided to meet interest payments. This provision accounts for 6 percent of recurrent revenue.

Table 4 provides a summary of recurrent expenditure inclusive of debt amortization, by economic classifications. Salaries, wages, salaried and non-salaried allowances total 42 percent and constitute the largest share of the recurrent expenditure budget. Goods and services account for 26 percent of the total. Interest and loan repayments together, amount to 13 percent, followed by grants and contributions of 11 percent. Retiring benefits account for 6 percent.

**Table 4. Recurrent Expenditure
by Economic Classification (\$m)**

Classification	Estimate 2010/2011	%	Projected 2009/2010	%	Budget 2009/2010	%
Personal Emoluments	121.6	35%	110.5	34%	113.2	35%
Wages	5.5	2%	4.3	1%	5.8	2%
Salaried Allowances	5.9	2%	4.7	1%	6.5	2%
Non-salaried allowances	8.9	3%	7.4	2%	9	3%
Interest	20.3	6%	17.6	5%	19.8	6%
Retiring Benefits	20	6%	23.8	7%	21	7%
Grants & Contributions	38.9	11%	38.1	12%	35.2	11%
Subsidies (Public Assistance)	6.7	2%	6.4	2%	6.2	2%
Refunds	2.5	1%	2.5	1%	2.5	1%
Goods & Services	89.9	26%	85.3	26%	78.4	24%
Loan Repayments	25.9	7%	24	7%	24	7%
Total	346.1	100%	324.6	100%	321.6	100%

Capital Revenue

Local capital revenue is estimated at \$12.1 million. The achievement of this projection relies on the implementation of government's policy in relation to collection of arrears for land and houses, sale of houses that have been recently constructed under the housing revolution programme, as well as sale of lands that have been developed in new housing areas.

INVESTMENTS FOR A HIGHER LEVEL

Madam Speaker, the Public Sector Investment Programme is the main vehicle that this Government has focused on, to move this country to the next level. The achievements to date as can be seen in the Social and Economic Review, which was tabled earlier in this sitting, confirms that we are well on our way to the next level.

Some of these investments are undertaken directly by the Government while others are undertaken through government related entities and statutory corporations. The second, but no less important pathway to the next level, is the input of the citizens. I will focus first, on the public sector investment programme.

The Public Sector Investment Programme for fiscal 2010/11 seeks to contribute directly to economic growth and diversification and poverty reduction and in so doing to serve as a key pathway to taking our country to a higher level of performance.

A number of the programmes and projects presented in the 2010/11 budget are multi annual and are being brought forward from the previous year. Some will continue in the next fiscal year. Continuing projects constitute a significant proportion of the \$140.6 million that is projected to be expended on the Public Sector Investment Programme during the fiscal year.

This amount represents 12 percent of projected GDP and will be financed by grants to the extent of 65 percent. Madam Speaker, Government continues to realize success in its efforts to relieve

the pressure on the citizens of this State and to seek external grants and concessionary funding for its development efforts. Local resources will account for 19 percent of the capital programme and concessional loans 16 percent.

Infrastructural works continue to dominate the capital programme, as Government continues to lay the platform for future economic growth. The improvement in our country's physical and economic infrastructure over the past few years has been impressive – as any objective observer will confirm, but there is much more to be done.

The Ministry of Public Works, Energy and Ports will thus receive the largest allocation of the capital budget in the amount of \$69.7 million or 49.6 percent of the total capital budget.

This financial year will see the commencement of construction works on Lot 2 of the Roseau-to-Melville Hall Road, the segment from Pond Cassé to Melville Hall, and on the Pointe Michel Sea Defence Project.

In the fiscal year just concluded, much time was spent on finalising designs and other documentation, which we expect will allow construction works to move quickly.

Continuing projects such as the Roseau Road Reinstatement, Roseau Improvement and Maintenance Project (Valley Roads), Roseau-to-Melville Hall Road Lot 1 – Canefield to Pond Cassé, the Road Network and Improvement Programme (Grand Bay to Loubiere) and the Petite Soufriere to Rosalie link road are all expected to be completed during the year.

Work on certain other projects is expected to continue beyond this new fiscal year. Among these are the West Coast Road and aspects of the Air Access Improvement project. In regard to the Air Access Improvement project, while the major works have been completed, Government is now concentrating on ancillary works such as local access roads and additional river defence which will give a boost to the project.

Madam Speaker, I must comment further on some of these projects and their strategic importance. The West Coast Road project, funded by the Government of the People's Republic of China, is one of the single largest projects both in scope and impact. At an estimated cost of \$100.0 million, this project will touch the lives of not just the people of Roseau, Portsmouth and the communities in between, but it is a project which will improve the commute of people to the extreme north and south of the island.

It will also make the Portsmouth to Melville Hall road a reasonable alternative access to the airport and to the north east of the island. I have no doubt that this project will reduce travel time between communities on the west coast and will stimulate economic activity all along the west coast including the town of Portsmouth and its neighbouring communities.

An important component of this project, Madam Speaker, is the construction of sea defences at some of the more dangerous sections of the road which will have the effect of not only protecting users of the road but also the coastal communities.

Many of us remember Hurricane Lenny and more recently Hurricane Omar and the impact of the sea on coastal areas. The Pointe Michel Sea Defence Project is intended to protect the citizens of Pointe Michel and the many users of that road including residents of Soufriere, Scotts Head and Gallion. This multimillion dollar project is to be built over a period of 12 months with the financing being provided through a loan from the CDB.

There were expressions of doubt when this Government announced its decision to construct the Petite Soufriere to Rosalie Road project, because for many years the people of these areas had been promised this road by previous Governments. This Government has made it a reality.

We recognise the possibilities that are open now with this new road including the availability for new lands for settlement, agriculture and tourism. This also extends the road network, making for a continuous drive around the island. We express our deepest appreciation to Petro Caribe for funding this project which will benefit the people of Dominica.

Madam Speaker, the returns on the investment made at the Melville Hall airport would be grossly understated if it is not complemented by improved access from the airport to the city. The second phase of the Melville Hall to Canefield Road Project is a necessary complement to the air access project. Financing by the Agence Francaise de Development in the amount of \$56 million has been secured.

This project is expected to be undertaken over a 20 month period. We expect that the quality of the drive will be much improved not just for visitors but for all citizens and especially residents of the north east.

As we are all aware, some six years ago the Melville Hall Airport was on the brink of being downgraded from a Category 4 to a Category 3 Airport due to the non compliance with the International Civil Aviation Organisation (ICAO) standards.

This would have meant the “actual shut down” of the country as the lowered airport category rating would have prevented the operation of the Dash-8 and the ATR 72 aircrafts which are the airplanes used by LIAT and American Eagle respectively.

As a matter of national priority and after consultation with our primary aid donors, this Government made the decision to implement remedial and upgrading measures, to improve the landside and airside facilities as well as aircraft rescue and fire fighting capabilities in order to avert possible downgrading.

The strategic objective of enhanced air access to Dominica was also based on the premise that runway lighting at Melville Hall would broaden the accessibility of the airport to operators seeking to make the “same-day” connection from nearby long haul hubs Puerto Rico, Antigua, Guadeloupe, St. Lucia and Barbados.

Madam Speaker, despite the delays regarding the speed of the certification process for approval of the commencement of night operations at Melville Hall Airport, I am delighted to note that

we are on the final home stretch of this historic national achievement. In March, 2010 the ICAO regional office in Mexico undertook an aeronautical study of the works done at Melville Hall and submitted their report in April, stating that the works undertaken were in keeping with ICAO standards.

Madam Speaker, my Government made it abundantly clear from day one that we are committed to doing it right the first time and for that reason has worked very closely with the Eastern Caribbean Civil Aviation Authority (ECCAA) for ensuring that passenger safety and security is foremost always.

We have had two mission visits by the ECCAA, the last one was on June 11, 2010 during which time they gave their latest feedback and recommendations. A verification visit is carded for the week of July 12, 2010 for the Authority to endorse the commencement of night landing at Melville Hall Airport.

Madam Speaker, at the next level, we expect to have more reliable and more sustainable forms of energy. As such, work on implementation of the Geothermal Project will continue. The results of the investigations to date prove that the quality and quantity of the geothermal resource are extremely favourable and encouraging in terms of energy use for electricity generation. The size of the geothermal reservoir in the Wotten Waven area is estimated at 15 km², with temperatures reaching as high as 300°C.

It is expected that during 2010/11 the focus will be on test drilling. There are challenges that relate to access to the drilling sites in respect of road improvements and land easements.

Government will endeavour to make the adjustments necessary to facilitate the importation and transportation of the drilling rig and other equipment to access the drill sites and address matters that relate to those private lands that may be affected.

The ongoing works are financed under a project jointly funded by the EU and the Agence Francaise de Development (AFD) and the French Global Environment Facility, the FFEM, totalling Euro 5.5 million and with counterpart funding from the Government of Dominica.

Government has moved to develop the policy, legislative and regulatory framework for the development of Alternative Energy and Alternative Energy Technology in Dominica. That process is well advanced with several rounds of consultation having been held on proposed draft legislation.

Madam Speaker, the Ministry of Agriculture and Forestry will receive \$10.3 million to implement programmes aimed at increasing output of the agricultural sector and improving infrastructure. There are many challenges to be addressed – such as an aging farmer population, reduced investments in the sector, transportation to external markets, issues related to agricultural health and food safety, adverse climatic conditions due to global warming and an increase in plant pests and diseases.

In the last few years, there has been significant investment in agriculture, focusing on production and more so on providing facilities that will see the sector move to the next level. I refer here to the investment in the construction of two Multi-Purpose

Packing Houses at a total cost of \$3.5 million, the National Centre of Testing Excellence at a cost \$1.0 million and the Inland Reception and Distribution Centres at a total cost of \$8.2 million.

The effective utilisation of these facilities will no doubt improve the quality of our exports, and increase the competitiveness of the sector generally.

Investments geared at increasing production have been channelled through support to Horticulture projects. Loan facilities accessible through the Agriculture Investment Unit are administered by the AID Bank and an amount of \$1.2 million has been disbursed so far from the \$2.0 million facility made available by the Government. Government has also provided subsidies to DBPL and Fair Trade for the purchase of fertilizer amounting to \$1.2 million.

In 2010/11, initiatives in the agricultural sector will continue to be focused on increased production, quality control and marketing.

To ensure that planting material is available, work is continuing on plant propagation of high value crops and non- traditional and exotic fruits and root crops. Other aspects of the programme include the rehabilitation of citrus, cocoa and coffee fields, maintenance of demonstration and research plots and training of staff in crop management.

The Citrus Rehabilitation project aims at the eradication of disease-causing organisms from our local citrus varieties, and

this would then allow for the mass propagation of disease free and disease resistant cultivars.

Production and distribution of improved cocoa plants have begun, since farmers expressed interest in reinvesting in cocoa cultivation. Support will be provided for cocoa field rehabilitation, improvements to nursery propagation and for a cocoa processing facility.

Likewise, a comprehensive plan for rehabilitation and expansion of coffee production is to be completed shortly and will give guidance to those persons wishing to move into full-time coffee production. The coffee processing plant provided under a joint venture arrangement with the Bolivarian Republic of Venezuela will be established during the year.

Under the ALBA umbrella, cooperation between Dominica and Venezuela will include commercial production of other agricultural and non-agricultural commodities such as fresh fruits and bottled water. This interest in our water will give added impetus to our ongoing efforts to get a water industry moving.

As it is with agricultural diversification, so it is in all relevant sectors, Madam Speaker. Looking up the road, and consistent with our Growth and Social Protection Strategy, Government will be sharpening its medium to long-term focus, on exploiting the prospects for developing resource-based industries, related to the environment, water and energy. The focus will also be sharpened on eco-tourism, agro-industry and niche marketing of agricultural products.

As regards livestock, work is continuing with the development of the Central Livestock Farm at Londonderry, including construction of dairy and auxiliary buildings, establishment of paddocks, fencing and required water systems. The investment in the poultry sector will continue with \$500,000 allocated in this year's budget. These investments will assist greatly with reducing the trade deficit when one considers the value of meats which are imported. In fisheries, work is proceeding well with the construction of the \$23.5 million Portsmouth Fisheries complex. This is a significant project by any standard because of the impact it will have on the sustainable livelihood of the fishers and the wider population in the north.

An amount of \$8.6 million is allocated to activities to be undertaken through the Ministry of Tourism. Madam Speaker, at the next level, we expect an increased number of visitors and a wide and diversified product base. The focus will therefore continue on destination marketing and promotions in key market segments where the island possesses some level of competitive advantages.

In attempting to respond to the need for increased support for marketing, Government has increased the promotion and marketing budget to \$4.5 million for this year.

Every effort will be made to focus attention on the development of new tourism products across various subsectors such as community based tourism, yachting, linkages between agriculture and tourism and on improvements in the urban and cultural heritage landscape especially in the capital city of Roseau and the town of Portsmouth.

The Roseau River Promenade Project is expected to be one of the main features of the new product development effort. Following the completion of the hydrology studies, a contract was issued for the preparation of designs.

The Waitukubuli Trail is another important product currently being developed. Implementation of the Waitukubuli Trail continues with the rehabilitation of major trails around the island. During this year it is expected that all fourteen segments of the trail and most of the ancillary facilities will be completed.

Government's investment in education is focused on improving education infrastructure and the quality of education services. The Government of the People's Republic of China will provide grant funds for the construction of a building to house the Newtown Primary School, and a loan facility in the amount of US\$40 million has been contracted with the Export Import Bank of China of which an estimated US\$15.0 million has been earmarked for rehabilitation and construction works at the Dominica State College.

Construction work on both these projects will begin this year.

The efforts at improving quality will be built around the Caribbean Development Bank funded \$10.8 million Education Enhancement project. The project aims to:

- upgrade and equip sixty three primary and fourteen secondary schools;

- enhance the institutional framework;
- improve teacher quality through training, development and implementation of curricula enhancement; and
- strengthen support for students at risk.

Approximately nine hundred teaching staff at both primary and secondary, and about seventy five principals, will benefit from the training.

Madam Speaker, no one can dispute Government's success in the housing sector. The housing programme will continue to address the needs of the poor, elderly and vulnerable as well as middle income earners. The construction of low income housing will continue in the Carib Territory, while new areas, such as Cotton Hill in Portsmouth and Union Estate in Pointe Michel are earmarked for development.

I wish to take this opportunity, Madam Speaker, to announce yet another major initiative in housing. I wish to announce a new mortgage facility to be administered by the AID Bank to be funded through *Petro Caribe*. This is a facility in the amount of \$10 million for the construction of new houses.

This additional dimension to Government's housing revolution follows on from the many initiatives this Government has taken to increase the housing stock in the country, including the Venezuelan-funded line of credit to the AID Bank of \$5.0 million and the \$7.0 million made available to the Government Housing

Loans Board, which targeted individuals in the lower income bracket. This line of credit was successfully executed and resulted in 47 individuals receiving benefits from the AID Bank facility and 49 from the GHLB.

The new mortgage facility will target individuals with a gross income of not more than \$3,000.00 per month or not more than \$4,000.00 in the case of a couple; and the applicable rate of interest will be between 4 and 5 percent on the reducing balance. In addition to providing new mortgages for residential construction, the new facility will also provide financing for the improvement in the existing housing stock in the country, particularly in urban centres, and finance the development of serviced lots on lands owned by the state as identified by the Cabinet.

Madam Speaker, this new mortgage facility is expected to become effective in September 2010.

Our next level vision of top quality health care at primary and tertiary level has started with improvements at health centres around the island. This fiscal year Government will focus on upgrading the equipment available at all health facilities. An amount of \$5.0 million will be allocated to the purchase of machinery and equipment for the hospital and health centres.

The Ministry of Health will be continuing its efforts to reduce the incidence of chronic non-communicable diseases and to partner with key institutions in that regard. The collaborative

efforts of the Health District teams and the HIV/AIDS Unit will continue the interactive health education awareness sessions.

The improvement in the reliability and distribution of potable water is a concern for both the Government and DOWASCO. Government has partnered with DOWASCO in improving the water distribution in several communities. It has also facilitated access to financing for feasibility studies for works to improve the Water Area One intake and the construction of a 500,000 gallon storage facility at Morne Bruce to improve the reliability of the supply in Water Area One which extends from Mero to Loubiere.

The design for the West Coast Water Supply Project is complete and funding has been secured from the European Union for the implementation of the construction phase of the project which will serve the communities from Capuchin to Salisbury. During 2010/11, Government will also facilitate DOWASCO in replacing pipes along the west coast in conjunction with the West Coast Road Rehabilitation Project.

Madam Speaker National Security is an overarching priority for all of us here in Dominica and for the Government and peoples of CARICOM member states. In 2007, the Heads of Government decided to recognise national security as a fourth pillar of the CARICOM system, alongside the pillars of economic integration, coordination of foreign policy and human and social development. That is because, National Security impacts directly on all aspects of social and economic activity.

Our position as a Government is that one incident of crime is one too many and we are therefore taking measures to actively suppress criminal activity and enhance national security.

These measures include strengthening our legislation, increasing the man power and physical assets of the police. Government has secured a new patrol boat for the Coast Guard, equipped every police station and police unit with motor vehicles, increased the strength of the police force by 50, created 30 new positions of Corporal, improved the communications system and intelligence gathering capabilities of the police, and is pursuing a programme for the upgrading of the physical facilities at police stations including the building of new police stations where necessary.

In that regard a contract in the amount of \$3.8 million was recently signed for the construction of a new police station and Inspector's quarters at Grand Bay; instructions have been given for the design and cost estimates of a new police station at La Plaine; while a decision has already been taken for the construction of a new police station at Calibishie.

The design work for a new Fire Station for the Melville Hall airport is complete and tenders will soon be invited for the construction of that facility while a new fire station is to be opened in St. Joseph, this month. Work is ongoing at improving the facilities at the State Prison.

Madam Speaker, activities targeted at improving the enabling environment for private sector development will continue

through the Electronic Government Regional Integrated Project. This will provide support for our continued modernization efforts in Public Financial Management, Tax Administration, Customs, Government Procurement, Agriculture and Tourism.

An Investment Strategy and Action Plan for use by Invest *Dominica* will be completed. These activities, coupled with the first stages of a new Business Climate Improvement Project will improve procedures to formally start a business and reduce processing time for investors through the creation of a one-stop shop facility for investors.

The construction of a new residence for the Head of State and new offices to house the Electoral Commission is expected to begin during the year. This project is estimated to cost US\$10.0 million and will be funded from the Export Import Bank loan facility. This is a major boost to the construction sector. These buildings, when constructed, will form part of the tourist attractions in the capital and are a major component of the Government's urban renewal programme.

Government recognizes that one of the ways to reduce unemployment is to create opportunities for self-employment. The Small Business Unit has provided financial and technical assistance to a number of small and micro businesses in the amount of \$2.0 million. Generally, Government is satisfied with the impact of these interventions but accepts there is more to be done to take this support programme to the next level.

Towards this end an additional \$2.0 million is being provided in this year's budget, from the proceeds of the economic citizenship programme, in order to continue to provide support to small and micro businesses. \$1.0 million of this amount will be made available specifically for investment in the entertainment industry.

We expect that the beneficiaries will include musicians and cultural groups wishing to upgrade equipment and entertainment venues wishing to upgrade their facilities.

Government has made significant investments in the tourism sector over the years but we believe that the full benefits from these investments will come not only from the accommodation or restaurant subsectors but from other ancillary services such as entertainment and culture.

This \$1.0 million programme, specially targeted at the entertainment and cultural sectors, will operate as a soft loan facility and will be subject to terms and conditions that will ensure that the funds loaned will be repaid. In the case of musicians and cultural groups, requests will have to be endorsed by the Division of Culture, while for entertainment venues the request would have to be endorsed by the IDA.

All groups or businesses seeking support under this programme must be in compliance with applicable requirements such as tax and social security obligations.

Further information can be obtained at the Small Business Unit in the Financial Centre. As with all Government special programmes, this one will be reviewed over time to determine its efficacy.

Madam Speaker, we recognise that for various reasons many of our small and micro businesses do not access assistance under the fiscal incentives regime. In some cases they may not be eligible given the nature of their businesses. Yet these micro businesses are potentially important generators of employment.

As a means of encouraging the establishment of more small businesses, Government proposes that new small businesses will have their first \$25,000.00 of annual taxable income, exempt. This exemption is applicable for the first three years of the life of the business.

This we hope will encourage persons to provide opportunities for employment for themselves and others, with less financial burden.

A summary of the capital programme being implemented directly by the Government during the year is presented in Table 5.

Table 5. PSIP for 2010/11 by Ministerial Allocation

Office of the President	500,000
National Security, Labour & Immigration	4,855,484
Employment, Trade, Industry & Diaspora Affairs	2,000,000
Office of the Prime Minister	1,944,345
Ministry of Carib Affairs	3,739,600
Ministry of Finance	3,678,606
Agriculture & Forestry	10,346,212
Education & Human Resource Development	4,140,619
Lands, Housing, Settlements, & Water Resource Management	4,910,781
Social Services, Community Development & Gender Affairs	3,530,000
Health	8,018,810
Environment, Natural Resources, Physical Planning & Fisheries	8,587,313
Tourism & Legal Affairs	8,599,611
Culture, Youth & Sports	366,285
Establishment, Personnel & Training Department	5,708,320
Public Works, Energy & Ports	69,657,000
TOTAL	140,552,986

Madam Speaker, in specific regard to the investments that are not directly being made by Central government, I would have mentioned previously Government's decision to refocus the AID Bank so that it becomes the medium through which Government could facilitate private sector investment.

In last year's budget address, I indicated that Government was facilitating the AID Bank in accessing funds that would be made

available to the private sector for development projects. I can report that this process is significantly advanced and the AID Bank has in fact been making these resources available for projects.

To date, the CDB line of credit equivalent to \$21.6 million has been approved by the CDB Board and to date over \$8.0 million has been disbursed by the CDB. Several tourism projects have been approved by the AID Bank Board. The CDB line of credit will also finance student loans.

In the case of the latter, Government was able to negotiate with the CDB, for \$1.4 million to be obtained at concessionary terms so that the AID Bank can be somewhat more flexible in the interest rates applied for special programmes.

The administrative arrangements for the line of credit from the Venezuelan Development Bank have also been finalised and disbursements are expected to commence by September of this year. This line of credit is particularly geared towards the financing of housing, medium size businesses in tourism, industry or agriculture.

Government through the AID Bank is engaged in discussions regarding the possibility of obtaining a line of credit from the European Investment Bank (EIB). This facility would be targeted at investments to be made by statutory corporations and in the tourism sector.

At the next level, Madam Speaker, Government should not necessarily be the largest employer. We hope that the

opportunities provided by this Government will be utilised by the private sector, whether in tourism, agriculture, information technology, industry or any other area of development, and these investments can be converted into jobs for the people of Dominica.

We should all commend the AID Bank, Madam Speaker, for the dynamism that it has been demonstrating in its efforts to attract project funding and its operational performance. It has reduced its large portfolio of nonperforming loans; it has increased its lending portfolio significantly; and it has contracted loans amounting to US\$22.4 million to finance its operations.

Madam Speaker, the spending programmes that I have outlined are designed to contribute to economic growth, employment generation and continued poverty reduction.

I wish to emphasise, however, that getting to a higher level requires that we adopt some additional imperatives, those that are to come from the population at large, one of which is a higher level of productivity. We have talked about this before, and it is worth quoting here from our country's *Growth and Social Protection Strategy (GSPS)*:

“The success of Dominica’s response to its development challenges will hinge critically on our capacities for increased productivity at all levels of our society and economy, and increased international competitiveness. The circumstances of today’s world call for a clear and consuming commitment to increasing our levels of

productivity, at personal, community and national levels. This is an essential prerequisite to increasing our regional and international competitiveness.”

Madam Speaker, history shows that “sustained growth demands sustained growth in productivity”. And it involves each and every one of us. I call on Dominicans – individuals, the business and NGO communities as well as the public service, to make that commitment to develop a changed attitude to work; a changed mindset; a sense of taking responsibility for our livelihoods. Government is playing its part as well.

Government is placing renewed attention to the imperative of increasing productivity at all levels of the society. This effort will be coordinated by the soon-to-be-appointed Productivity Council of Dominica.

Madam Speaker, getting to a higher level means that it cannot be business as usual. Certain things that we have talked about for some time, we now need to pursue with greater vigour and sense of purpose. We have made substantial progress with administrative reforms, for example, registry reform and company registration, customs and land titling, the appointment of a second judge to hear civil matters, and so on, but a stronger, more comprehensive approach needs to be adopted for business climate issues and reforms.

The process of public sector reform has to be speeded up and we need to let the public know what we are doing in this area; indeed the public have to be treated as stakeholders and partners in this process.

Getting to a higher level must also include the forging of more systematic relationships with the private sector and non-governmental communities. Madam Speaker, we need to do something about consensus building around the development path for this country.

Since this Government has been in office we have taken varying approaches to consultation – we have had large groups, we have had special focused groups and we have had one-on-one, but we recognise the need to have a formal mechanism.

In doing this there are models that we can consider adopting and adapting as necessary. One possibility is the Barbados model of social partnerships, perhaps with a more proactive agenda. There is also the Private Sector Association of Jamaica with its “partnership for transformation” and its economic policy framework document.

It is time, Madam Speaker, for us to revisit and renew previous efforts at inclusiveness and stakeholder involvement in consultations on issues of national development. For us to achieve success in this, there has to be a total national effort at taking our country and people to a higher level of progress.

It is Government’s intention, Madam Speaker, to consult with relevant partners with a view to announcing programmes of activity in the areas identified for moving forward, particularly as regards productivity enhancement and the strengthening of social and business partnerships.

We look forward to our people working with Government to carry forward the momentum from last December's mandate to work together on the programmes that will help get us to a higher level.

The perspective of the international community is that the increase in the Dominica Labour Party's majority suggests a strong mandate from the people to continue with the government's economic and political agenda. We do not propose to disappoint the people of Dominica.

When I addressed this House at this time last year I indicated that work had started on a new survey of living conditions. This was being done by a Trinidad and Tobago-based consulting firm with the support of the CDB. I said at the time that I was "confident that the survey results would bear us out – that the policies, programmes and projects of this Government have had a positive impact ..."

The results of this most recent survey have only just become available, Madam Speaker, and will be formally announced to the public on a separate occasion. Suffice it for me to inform this House that the survey results show, in summary, that:

"... The level of poverty has fallen from 39 percent in 2003 to 28.8 percent in 2009. Absolute poverty, as measured by the indigence rate, has also declined from 10 percent in 2003 to 3.1 percent in 2009."

Madam Speaker, you will understand if this Government takes considerable pride in this massive achievement, as vindication

for the considerable efforts we have been making to address the economic development imperatives of our time, while paying due regard to the social and human development needs of the population.

We expect that this latest finding will be as widely quoted as the predecessor 2003 report. Government will be carefully examining the survey results for the insights that they will provide into the specific interventions that may be indicated for the continuing assault on the poverty situation in our country.

We will do these things even as we continue to put mechanisms in place to foster economic growth and job creation. Government has done much to build up our country's infrastructure — roads, airport, and seaports. We have also done much to improve competitiveness and reduce the costs of doing business.

The business climate reforms are continuing -- customs and registry reforms in particular. Such administrative reforms will continue, hopefully at a faster pace. Much responsibility rests on Discover *Dominica* and Invest *Dominica* and the new investment strategy and action plan that will soon be completed to guide the activities of the latter agency. And there is the welcome new entrepreneurial thrust of the AID Bank.

One of the next-level actions that your Government has already taken is to commit our country unreservedly to the OECS Economic Union. The commitment was given in St Lucia on 18th June last, and all member states are required to take the

necessary legal and other action to bring the Union into full effect by February 2011.

We will have more to say on this at another time and another place. Suffice it to observe here, Madam Speaker, that our country's commitment to OECS Economic Union is informed by the irrefutable argument that there is no place in today's global economic environment for countries the size of Dominica and our sister states of the OECS.

Dominica will be playing its full part in working with its sister states to make OECS Economic Union a practical and rewarding reality.

CONCLUSION

Madam Speaker, there are no new taxes in this budget. Our three year tax reform programme is all but complete. We will now have to assess how the economy is responding to these measures. We propose however to pursue greater efficiencies in the areas of tax and revenue collections, as well as minimization of wastage and enhanced output and productivity.

During the course of this fiscal year, the Government will further examine the Report of the ECCB Monetary Council appointed Tax Reform and Administration Reform Commission, as well as the Report submitted to Cabinet by the Income Tax Reform Task Force which was appointed by the Government of Dominica in 2006, with a view to identifying those aspects of the reports which are still relevant to our ongoing reform efforts.

If, during the course of this year, there's the need to review and revise benefits and lines of assistance to special interest groups, we will not hesitate to do so, on an individual and as-need basis. In the meantime, we implore all residents to continue to display fiscal restraint and responsibility.

Dominica is not out of the woods, as far as economic challenges are concerned. We cannot play fast and loose with the resources of this country.

This is a period of adjustment and consolidation and we assure all residents of this beautiful land that this government shall keep its ears close enough to the ground to monitor, detect and address incidents of undue hardship, adversity and challenges to make ends meet and allow our people to lead quality and dignified lives.

I wish in closing, Madam Speaker, to thank public officers in particular for the yeoman service they have rendered over the years. The public service has become the bedrock of our ever improving public administration and governance. We are improving as a country because of the attitude, aptitude and productivity of public officers. This government is grateful for the support and cooperation of all concerned.

I wish also to express gratitude to our partners in development; the multilateral institutions, our bilateral friends, regional and international agencies, private and public sector agencies; all of you the people of Dominica here and abroad, who contribute in one way or another to the development goal. Let us continue to work together to take this country to the next level.

I urge all Dominicans and well-wishers of this fair land to continue to work steadfastly in the pursuit and attainment of our goal of following these declared pathways that seek to take Dominica to the next level.

Madam Speaker, I so move!!

