2004 BUDGET ADDRESS
Presented to the House of Assembly
By Dr. the Hon. Ralph Gonsalves
Prime Minister and Minister of Finance
On Monday December 1, 2003

Mr Speaker, Honourable Members,

Framing a budget for any country is a many-sided exercise. It is at once a political as well as a socio-economic enterprise. Underpinning a budget is a philosophy of life and being; and a vision for the nation's future. A budget, too, is part of a time-bound quest to actualise the vision through practical policies and programmes for real flesh-and-blood people. A national budget is therefore not an abstraction: It is about Governmental house-keeping and national development. It is the principal macro-economic tool by which real goods and services are delivered directly by the State and through which private sector entities and the people are facilitated in their production, consumption, savings, investments, living and development.

Accordingly, this philosophical, political, socio-economic, and managerial instrument called a national budget must be grounded in a widely drawn compass of reality for it to achieve its goals. A national budget, therefore, maps the availability of material and human resources and allocates those resources to programmes for the maintenance and improvement of the State machinery and the development of the country in accordance with the Government's philosophy, vision, policies, electoral mandate, and democratic imperatives. These democratic imperatives include the necessity and desirability of the Government's responsiveness and responsibility to the people as a whole. The principle of majority rule, which is embedded in our representative democracy, does not, of course, mean a refusal to embrace minority view points. Indeed, a wise, mature and tolerant democratic Government, which the Unity Labour Party Government is, includes in its programmes any sensible or appropriate ideas or perspectives which emanate from a minority, by adopting those ideas as its own for implementation. At the same time minority political obstructionism or manoeuvres by a minority for narrow, competitive political advantage will rightly not be accommodated.

In framing a budget for St. Vincent and the Grenadines, a "*cordon sanitaire*" cannot be placed around our nation. The inter-connectedness of St. Vincent and the Grenadines to other countries in the Caribbean region and internationally has historically made any "splendid isolation" a dangerous folly. In the current age of globalisation and trade liberalisation, any presumed isolation, sanitised or otherwise, is an impossibility. The simple fact is that the world outside affects us most profoundly.

In the context of all this, what are the core principles, philosophy, and connecting vision which drive the public policy package of the ULP Government, including the budget and the process of budget-making?

First, we affirm that the nation is founded on the belief in the supremacy of God and the freedom and dignity of man. Secondly, we desire that our society be so ordered as to express our people's recognition of the principles of democracy, free institutions, social justice and equality before the law. Thirdly, we are of the realisation that the maintenance of human dignity presupposes safe-guarding the rights of privacy, of family life, of property and the fostering of just economic rewards for labour. These fundamental tenets, which constitute the kernel of social democracy, are contained in the Preamble to our country's Constitution which our Founding Fathers have bequeathed to us and upon which we are currently seeking to reform and improve.

Drawing upon our principles and philosophy, and through analysis of our material and human condition, this ULP Government has determined that its two central priorities are education and poverty reduction. In two and one-half years, so far, this Government has embarked upon a veritable revolution in education in terms of access, range and quality. What others, including international organisations, thought could only be achieved well beyond the year 2020, this Government is already on its way to accomplishing in two and a half years. It has been most remarkable. Yet, much more remains to be done.

Similarly, the poverty reduction strategy, which has been devised in a most fruitful partnership between the Government, civil society and external agencies, is being implemented apace through every Ministry and state-owned entity in St. Vincent and the Grenadines.

One aspect of the Government's fight against poverty has been its phenomenal contribution, directly and indirectly, to increasing employment. Over 2,000 new jobs, net, have been created in St. Vincent and the Grenadines over the past two and one-half years. The State has been the leader in this regard through its Public Sector Investment Programme (PSIP) and other targeted, strategic actions, but the private sector has also made a solid contribution.

Since the public policies of the ULP Government are focused on people, it follows that it will emphasize public health in its overall quest for the people's healthy living and production. The investments by the Government in the significantly improved delivery of water supplies, garbage collection and disposal, immunisation programmes, efficacious interventions in the war against HIV/AIDS, and preventative medicine are already paying huge dividends for the people as a whole. A multi-faceted sports development programme has further strengthened the public health focus of the Government.

A more healthy population with increased access to education and more job opportunities, quite properly demand improved housing. The ULP Government has responded well with an array of housing programmes: increased expenditure on its "building materials" programme for the poor; the special 100-per cent mortgage initiative at low-interest rates over 30 years, for public servants through the State-owned National Commercial Bank and now the Development Bank; the 1,000 low-income housing programme, (construction of the first 200 houses has commenced and will soon be ready for occupation); and certain fiscal measures to bolster the housing market.

In additional, the programme of providing land titles for occupants of State lands, including the famous 10 cents-per-square-foot sale of lands to the people of Fitz-Hughes, has been most successful. It is all part and parcel of the Government's policy of turning "dead capital into live capital".

This Government, recognising that our country is prone to natural disasters has been developing a comprehensive plan touching every facet of disaster management in collaboration with regional and international partners.

The ULP Government, in engendering an uplifting spirit of cultural awareness of our people, has elaborated in practice a many-sided programme of cultural development and historical reclamation, lodged within the philosophical framework of the further ennoblement and advancement of our Caribbean Civilisation, including its Vincentian component.

All these social programmes, and more, have to be financed out of the production of goods and services within a stable economic environment. Two broad considerations immediately arise here: the condition of the productive apparatus in the macro-economy; and the state of the fiscal situation of the Government.

The ULP administration inherited a macro-economy, which was on a downward slide, a ramshackle state administration and a deteriorating reputation overseas. I have pointed all this out in my last Budget Address and on several occasions before and after. Central to the NDP economic bequest to this ULP Government is a poverty level of 37 percent of the population and correspondingly high unemployment.

A marked improvement in the economic management at the centre of the Government has made a significant difference for the better. The establishment of the National Economic and Social Development Council (NESDC) and the Tripartite Committee on the Economy (TCE) brought the State, the private sector, the trade unions, and the other major non-Governmental groups into a structured social and economic partnership for the first time ever. NESDC, which has been accorded the responsibility to fashion and oversee the poverty reduction strategy of the Government, has been put on a sound legislative footing. NESDC has spawned the legislative creation of the Social Investment Fund which itself is to finance, in part, poverty alleviation efforts.

At the heart of the State administration, the Cabinet Committee on the Economy and the Monitoring Mechanism on Public Enterprises continue to fulfil the specific functions which originally drove their design. Meanwhile, administrative oversight structures track the implementation of the PSIP. As always, these bodies can improve the quality of their work.

As a reform Government, the ULP administration continues in its quest to raise the administrative efficiency and productivity of the State administration. To this end, the Performance Management and Development System (PMDS) continues to be elaborated, though with many difficulties and contradictions; the reclassification exercise for the public service, including the teaching service, is on target for a phased implementation from January 1, 2006; the more efficacious application of modern information technology systems continues apace, if not always with the maximum positive results intended; appropriate training and education are being delivered to public servants in an unprecedented range and quality; the physical surroundings in which public servants work are being markedly improved on an on-going basis; improved systems of accountability and control are being implemented; and reform legislation for financial administration and audit have been drafted for legislative passage and implementation in early 2004.

More broadly, the ULP Government continues to lift its game in the area of good governance including the battling of official corruption; improving the system of the administration of justice; strengthening the rule of law and the maintenance of public order; making Government far more effective; bolstering the regulatory framework especially for financial institutions; providing a phenomenally enhanced voice for the people; developing quality political communication and the requisite facilities; ensuring public accountability and transparency on a scale never before realized in St. Vincent and the Grenadines or indeed the region; solidifying our country's reputation for political stability; and deepening political democracy.

The range and scope of public consultations by the ULP Government in all areas of public policy have been a marvel to behold. The making of this very Budget has been a model in public consultation, the likes of which exist nowhere else in the region or indeed in the world. Officials in the Ministry of Finance and Planning and I held consultations on this Budget with the following stakeholders: business leaders; trade union leaders; the leaders in industry, finance, banking and insurance; the farmers and their leaders; and fisher-folk and their leaders. These stakeholders' consultations were followed by five public consultations, live on radio, at town-hall/village-hall type meetings at Union Island, Kingstown, Barrouallie, Georgetown and Mesopotamia. Each of these sessions lasted roughly four hours. Many of the ideas from all these consultative efforts are contained in this Budget.

The Budget, which I present today, is against the backdrop of a wide socio-economic and political canvass. Its articulation provides practical meaning to the ULP's social democratic philosophy, its vision for the further ennoblement of our Caribbean civilisation, particularly its Vincentian component, its policies and programmes as elaborated in the ULP Election Manifesto of 2001, and the priorities as identified by the ULP Government. This Budget for the year 2004, just beyond the mid-point of the ULP's first term in office, is to consolidate the gains made so far and to build upon the Government's achievements. This Budget is for Living and Production. It is for the marked improvement of the conditions and quality of life of Vincentians as a whole, and for the development of St. Vincent and the Grenadines.

I turn now to the economic approach and fiscal stance of this Government.

ECONOMIC APPROACH AND FISCAL STANCE

The economic approach of the ULP administration contains the following central elements:

1. The maintenance of macro-economic fundamentals of a stable currency, low inflation, fiscal prudence, enhanced competitiveness, and increased productivity.

2. The placement of social equity at the center of the considerations in the fashioning of economic policy.

3. The pursuance of a policy of balanced economic growth which is sustainable and which generates more jobs, especially quality employment. This policy revolves around the following strategies:-
    - Reviving the banana industry;
    - Diversifying agriculture around bananas;
    - Enlarging the domestic production of livestock;
    - Creating more opportunities in agro-processing;
    - Boosting the fishing industry;
    - Developing a quality, many-sided tourism industry;
    - Building a viable and hygienic international financial services sector;
    - Targeting the manufacturing of high-end quality products;
    - Enlarging the production of services, and their local value-added, such as in merchant shipping, telecommunications and professional services;
    - Developing the creative arts, film-making, and sports;
    - Adding value in diverse areas such as transportation, construction, water, electricity and Government services;
    - Making the retail and wholesale trades more efficient and competitive;
    - Developing to the fullest the country's human resources;
    - Proper marketing of all the goods and services which the economy produces;
    - Drawing up and implementing appropriate physical development plans for Kingstown and for the rural areas; and
    - Emphasising the development of human resources.

    In this more highly diversified and competitive economy, tourism, international financial services, other services, agriculture and fisheries are the lead sectors.

4. The private, cooperative and State economic sectors constitute the hubs of economic activity. The State is a force for good and cannot retreat from having a central role in the ownership, management and regulation of economic activity in practical, non-ideological terms. The private sector has to be more activist in creating wealth. The State is a willing partner always for the private and

cooperative sectors. In times of economic difficulties internationally, the State in St. Vincent and the Grenadines has less reason to retreat from economic activism.

5. Increased labour and management productivity, an efficacious application of modern science and technology including information technology, a more efficient State administration, the sourcing of cheaper raw-materials for production inputs, the availability of cheaper energy, and lower taxes, are among the major areas to lift competitiveness.

6. The growth of the national economy has to be in tandem with deeper regional economic integration, particularly the early and full implementation of the Caribbean Single Market and Economy.

The fiscal stance of the Government in the current period includes the following major features:

1. Contain recurrent expenditure so as to accrue a surplus on the current account of at least 3 per cent of Gross Domestic Product (GDP).

2. Implement a Public Sector Investment Programme to create, among other things, a fiscal stimulus to the economy. This is vital in the current international economic circumstances.

3. Provide an appropriate balance between the conflicting objectives of injecting a fiscal stimulus and maintaining a sustainable debt path.

4. Finalise the Fiscal Covenant for St. Vincent and the Grenadines for public discussion and adoption by NESDC and the Government. The Draft Fiscal Covenant emphasises:

   (a) Fiscal Consolidation;
   (b) Improvement in Public Revenue measures, including compliance and administration;
   (c) Sensible management of deficits and debts;
   (d) Improvement in the Productivity of Public Expenditure;
   (e) Transparency of Public Expenditure;
   (f) Safeguarding social equity through fiscal measures; and
   (g) Strengthening the institutional framework for democratic controls, accountability and monitoring in fiscal matters.

THE INTERNATIONAL AND REGIONAL ECONOMY

In 2001, the world economy slowed markedly. So too did the economies of the Caribbean region. The reasons are well known and require little elaboration here.

In 2002, the international economy revived modestly but the recovery was quite uneven, within and between the developed countries. This modest recovery internationally, did not impact in an immediately positive way on the Caribbean region. Often, there is a time lag and unevenness in the nature and extent of the impact on the Caribbean. To be sure, some countries like St. Vincent and the Grenadines experienced modest economic growth in 2002 but many, including some OECS countries, experienced negative economic growth. Trinidad and Tobago with its extensive petroleum and natural gas resources performed well.

In 2003, so far, the economic scenario internationally is one of continued modest recovery, but again unevenly. In December 2002, the Euro-area economy was widely expected to grow by 1.5 percent in 2003; however, the latest estimates from The Economist Magazine Poll puts it at only 0.4 percent. In contrast, the United States of America and Japan are now forecast to grow in 2003 by 2.8 percent and 2.6 percent respectively, faster than originally expected.

The fourth quarter of 2003 is generally expected to produce a stronger performance in the international economy. Recent indicators in the major industrialised countries and many large developing countries suggest that a bigger rebound is on the way. If this happens in a sustained manner, the global economy would have emerged from its worst economic condition in 30 years.

Still, there is the worry internationally that the modest economic recovery is jobless. Indeed, the USA's stellar growth performance in the third quarter of 2003 of 7.2 percent was not accompanied by a rise in employment. That performance fuelled, in part, by further interest rate reductions and huge tax cuts is not assumed to be sustainable at that level of growth.

In 2003, the Caribbean region as a whole is recovering haltingly but not uniformly. The prospects for growth in the region depend to a significant degree on a robust rate of recovery in the world.

THE DOMESTIC ECONOMY

Preliminary data for 2002 indicate that the economy of St. Vincent and the Grenadines exhibited real growth of 1.4 percent compared with approximately zero growth in 2001. This recovery was led by improvements in Agriculture (11.8 percent), Banking and Insurance (4.4 percent), Electricity and Water (2.6 percent), Wholesale and Retail Trade (3.2 percent) and Other Services (4.7 percent).

The Agriculture sector rebounded from a 7.7 percent decline in 2001 to register strong growth, in 2002. This growth was occasioned by expansion in all the sub- sectors with banana and other crops registering growth of 16.2 percent. The banana sub-sector recorded real growth of 17 percent despite the negative impact of tropical storm "Lili" in the latter half of the year. Meanwhile, the expansion of the crops sub- sector was a direct result of favourable weather conditions and the opening of a market for dasheen in the United Kingdom.

The Electricity and Water sector exhibited marginal growth of 2.6 percent in 2002 compared with 11.2 percent in 2001. Output in the Mining and Quarrying sector contracted by 3.0 percent, concomitant with the movement in the Construction sector. Following a decline of 3.0 percent in 2001, real output in Hotels and Restaurants further declined by 8.0 percent. This decline masked a growth of 10 percent in stay-over visitors. The analysis shows that there has been a significant increase in the number of visitors staying in non-paid accommodations. Accordingly, visitor expenditure increased by 2.3 percent in 2002 to $221.4 million.

The value-added in the Manufacturing sector declined by 2.9 percent after expanding by 5.6 percent in 2001. This was mainly due to a 21.6 percent fall in the production of flour as the flour mill continues to grapple with trade liberalisation and unfair competition from other regional sources. Encouragingly, other areas of manufacturing exhibited positive growth, but this was not enough to offset the decline in the output of flour.

Meanwhile, the Banks and Insurance sector rebounded to register in 2002, a 4.7 percent real growth following a 7.6 percent decline in 2001. Positive real growth was also experienced in the Government and Other Services sectors as well as in Transport.

In keeping with global trends and our policy of low levels of taxes on non-luxury consumer items, inflation has remained extremely low, increasing by 1.4 percent in 2000 but fell to minus 0.7 percent and minus 0.1 percent in 2001 and 2002 respectively. The current account balance improved slightly, showing a negative (net) balance of $95.7 million in 2002 compared with a negative (net) balance of $101 million in 2001. Services on the external account of the Balance of Payments continue to show a positive (net) balance increasing by 6.0 percent in 2002. This is a continuation of the upward trend for the past three years and it is a reflection of the growing importance of services exports in the economy of St. Vincent and the Grenadines.

I will now turn to the sectoral analysis of the major sectors in the economy.

AGRICULTURE AND FISHERIES

Preliminary figures for 2002 show agriculture's contribution to GDP increasing from 11.2 percent in 2001 to 12.3 percent in 2002. This was as a result of overall buoyancy in non-banana production and exports, and improved banana output. The crops sub-sector's contribution increased by 15 percent over the 2001 figure. Banana's contribution increased from 2.7 percent of GDP to 3.0 percent.

Bananas

Banana exports were adversely affected by Tropical Storm Lili in September 2002 as well as by prolonged dry weather during the first six months of 2003 and depressed prices on the European market. In 2002, 34,549 tonnes of bananas were exported, earning $40.3 million. This is an increase of 8.5 percent on volume and 13.2 percent on value over 2001.

The first nine months of 2003 have shown exports of 17,802 tonnes and earnings of $22.3 million. This compares with exports of 30,393 tonnes and earnings of $34.4 million for the corresponding period in 2002.
In order to address this decline in production, Government has formulated a series of measures to assist farmers to achieve a production target of 35,000 tonnes in 2004 and 40,000 tonnes annually within three years. Some of the measures adopted so far are as follows:-

1. A reduction in the price of treated blue diothene, a critical input in the production process, from $145.00 per roll to the cost price of $135.00.

2. The Banana Growers' Association (BGA) and the Agriculture Input Warehouse have reduced the price of fertilizer sold to farmers by $6.00 per sack. This means that chemical fertilizer previously sold at $49.00 per sack will now be sold at $43.00 per sack. Physically blended fertilizer now cost $33.00 per sack. The cost of this reduction in price is $457,000 for one year.

3. The provision of technical assistance to farmers in meeting the requirements under EUREGAP. Under this programme ¼ million dollars is being spent to train temporary staff to assist farmers to meet these standards. This is in addition to just over $1/4 million dollars hitherto provided to build some one hundred sheds.

4. The Government of St. Vincent and the Grenadines along the other Windward Islands Governments has agreed to guarantee a loan of US $10.0 million to WIBDECO to refinance some of its debts and to provide additional working capital. This will ensure that WIBDECO is in a position to meet its weekly commitment to farmers.

5. Rehabilitation of the banana industry including the restructuring of the Banana Growers' Association, irrigation of more banana fields, and a focused programme for improved yield and efficiency.

Arrowroot

Under the Arrowroot Industry Improvement Project, an additional 205 acres were planted in arrowroot bringing the acreage under cultivation to 375 acres with an expected yield of 4.8 million pounds of rhizomes. Starch yield of 500,250 pounds and revenue of $2.4 million are projected. In 2004 it is anticipated that approximately 1.3 million pounds of starch will be produced, earning $6.2 million.

The new system of farm production where arrowroot is now planted in rows will allow for a more cost effective mechanization of the harvesting process. This will be introduced for the next harvesting season commencing in December 2003. The building to house the new pulverizing plant at Orange Hill is about 75 percent complete and will be ready for commissioning in January 2004. Renovation and improvements to the Owia Arrowroot Factory is progressing satisfactorily and will be completed on time for the 2003/2004 harvest. Both plants will be built to satisfy HAACP standards.

In 2004 Government will intensify its efforts to rehabilitate the arrowroot industry as an integral part of its agricultural diversification programme. Particularly, we will continue to upgrade the Owia factory and pulverizing plant; cultivate a further 250 acres of arrowroot; provide support and services required by farmers to attain higher yields of 1,600 pounds per acre; complete works on the application of the pedestrian tractor for the harvesting of arrowroot and introduce a pilot scheme of 75 acres of organically grown arrowroot. The objective is to bring into arrowroot cultivation, lands previously planted in bananas but have been abandoned.

The main areas of concentration will include field operations and project support, extension and farm management, procurement of inputs, field research, change management, marketing and development, quality assurance, and environmental management. The cost of project activities for 2004 is estimated at $2.6 million.

Fisheries

Implementation of planned activities in the Fisheries Sector in 2003 was not as successful as we had expected. However, Government is still committed to the development of the sector as an important vehicle in the fight against rural unemployment and poverty.

The fisheries sector is expected to play an increasing role in the overall economic diversification of St. Vincent and the Grenadines. There has been increased landings of fish, and income to fisher-folk has accordingly increased.

The upgrading and refurbishing of the Bequia Fisheries Centre will be completed in early 2004 at a cost of $1.5 million. With funding from the Government of Japan, similar work will be undertaken in 2004 in Union Island and Kingstown. The Kingstown Fish Market will be completely refurbished at a cost of $16.3 million. The major components of this project are the renovation of the fish retail area and the replacement of cold storage/ice-making facilities; the replacement of vendors counters; repair of the floor; improvement of drainage ways; and the provision of waste facilities; the renovation and the improvement of the processing facility; and the improvement in the management system. When completed, this facility will meet international standards for the handling of fish. Discussions are ongoing with the relevant stakeholders with a view to putting in place fishing cooperatives to manage the centres in Calliaqua, Barrouallie and Chateaubelair.

Agricultural Diversification

Given the imminence of 2006 when preferential treatment for agricultural products on the European market is likely to come to an end, agricultural diversification assumes greater urgency. The process of agricultural diversification in St. Vincent and the Grenadines is particularly challenging given the large number of farmers with relatively small holdings. Notwithstanding, no effort will be spared to diversify the sector. In this regard implementation of a comprehensive agricultural diversification programme, estimated to cost EC$10.2 million has commenced with financial support from the European Union. This programme includes the training and education of farmers, youths and entrepreneurs; further development of the irrigation programme; research and development; technology acquisition; environmental and land use management; construction and management of market depots in St. Vincent and the Grenadines and selected Caribbean countries; improved marketing and the development of a small business agro-processing sector; legislation and development of institutions; and building community linkages through health care and poverty alleviation initiatives.

The training of farmers and agriculturalists will be facilitated through the establishment of the Agricultural Training Institute at Rabacca with the assistance of the Republic of China on Taiwan. A programme of leasing unused or under-utilised agricultural land will be launched to assist landless farmers.

Phase III of the national irrigation programme commenced in October 2003 with support from the European Union. Richmond and Cane Grove are two areas earmarked to benefit from this phase.

Earlier this year, the tropical fruit fly (Anastrepha obliqua) was discovered on mainland St. Vincent. This will no doubt reduce the amount of fruits exported from St. Vincent and the Grenadines and as a consequence, the income of farmers will be temporarily reduced. The Government moved with alacrity to contain the spread of this pest and a programme of public awareness, removal of host fruits, spraying, quarantine, increase trap density is being implemented with technical and financial assistance from USDA, IICA and the FAO. The public servants at the Ministry of Agriculture must be congratulated for their excellent efforts in this regard.

The movement of fruits from the affected areas to other parts of the country has been prohibited. I urge our citizens not to circumvent the quarantine measures, and to cooperate with the staff of the Ministry of Agriculture in the eradication of this pest.

TOURISM

The tourism sector has taken on greater importance in recent times especially with the threats facing the agricultural sector in general and in particular bananas. The sector is critical to the advancement of the necessary and desirable strategic objective of economic diversification. The emerging prominence of the services sector and particularly the growing influence of tourism are features of the structural changes in the local economy over the past decade.

The year to date has been a fairly good one for the tourism industry. During the first quarter of the year, we had the filming of the movie Pirates of the Caribbean, and consequently there was a very high level of occupancy.

Stay-over visitor arrivals improved significantly in the second quarter of 2003 relative to the same period in 2002. Based on developments during the second half of the year, we expect that the overall picture will improve substantially. Indeed, the return of the Princess Cruiseline in October will significantly enhance the number of cruiseship scheduled visitors to St. Vincent and the Grenadines both in terms of numbers of passengers and cruiseship calls. The scheduled number of cruiseship calls for the 2003/2004 season is 225 which is 45 percent greater than for the 2002/03 season. The number of passengers is projected to increase by 78 percent to 119,916 for the 2003/04 season.

The Government's programme for the Tourism Sector is enshrined in the National Tourism Sector Strategic Plan 2002 – 2006.

As part of the implementation of this plan, there were several positive developments which were initiated and constitute a platform for further growth. These include:

- The filming of a full-length feature movie in the country by Disney Studios, with significant amounts spent on wages, transportation services, accommodation, and communication services here in St. Vincent and the Grenadines. The challenge for us is to use the opportunities provided by this publicity to further promote St. Vincent and the Grenadines.
- The establishment of a yacht charter base in Canouan by Moorings, the leading yacht charter company in the world.
- The completion of a master plan for the development of Canouan, which when combined with the ongoing upgrades and planned expansion by the Canouan developers will establish this island as a major island resort.
- The signing of a new agreement with the Mustique Company which is expected to lead to new investments on this island.

The strategies for enhancing growth in this sector over the medium term are as follows.

- Development and implementation of an intense tourism awareness education and training programme.
- Preparation and implementation of a comprehensive programme to effectively market the destination.
- Development of the tourism product and improvement of air access.
- Strengthening the industry's institutional and regulatory framework.
- Bolstering security arrangements at tourist locations.

Additionally, we seek to ensure that the benefits derived from tourism are more evenly distributed throughout the economy.

During the short to medium term, it is anticipated that the challenges facing the sector will intensify, requiring much needed transformation if the industry is to maintain a competitive edge necessary for its survival. Tourism in St. Vincent and the Grenadines needs to be refreshed. It is in recognition of this that Government has embarked on a number of initiatives aimed at the sustained development of the sector, some of which I will now outline.

The Tourism Standards Bill will be enacted in early 2004. This will ensure standards and provide a framework for improved quality of service by all operators within the sector, and empower the Ministry of Tourism with the required authority to enforce the minimum standards. In addition the Tourism Industry Incentives Act which will replace the Hotels Aid Act of 1988 will afford benefits to all operators in the sector provided that they meet the criteria as set out under the Act.

We are aggressively promoting St. Vincent and the Grenadines regionally and internationally. These efforts have begun to bear fruit and we expect to see more benefits in the coming years. We shall also continue our public awareness/public education programmes so that all Vincentians could play a part in the development of the sector. The tourism industry is too important to the economy for it to be derailed by the lawless, the careless, and unpatriotic among us.

To ensure that our visitors have a more fulfilling and rewarding visit we will be providing them with a wider range of attractions and activities. For this purpose an allocation has been made in the 2004 Capital Estimates for the development of attractions and sites to acceptable international standards. This will be done in a cohesive and sustainable manner and accordingly we shall, among other things, be engaging the services of a consultancy firm to develop a framework and master plan for the parks system.

In my 2003 Budget Address, I stated that the former Carenage Bay Resort and Golf Club in Canouan had temporarily closed its doors. I am now happy to report that plans are well advanced for its re-opening as Raffles Resort under new management sometime in July 2004. Many other development initiatives will be taking place in Canouan. In an effort to make the investment more attractive, Government has provided expanded fiscal incentives to the Resort. Similar incentives are available to investors in facilities of 100 rooms or more. In this regard we are currently negotiating with a prospective investor for the construction of a 100-room hotel at Buccament. The local private sector, too, has expressed an interest in partnering with the Government on hotel development in the Mt. Wynne-Peter's Hope area.

MANUFACTURING AND INDUSTRY

In manufacturing, the prospects for 2004 are encouraging. Up to one month ago almost all the factory space at the Campden Park Industrial Estate was occupied and several industries have indicated plans for expansion. The small and micro-business sector has continued to show significant growth due in large part to the intervention of the NCB under its Micro-Loan Programme.

Since the inception of this programme in July 2001 a total of four hundred and ninety five (495) persons have been trained of which one hundred and forty (140) have so far obtained credit for the expansion or establishment of businesses. The programme has also provided direct employment for three hundred and ninety eight (398) persons.

To date $1.7 million have been disbursed under this Programme of which $500,000 have been repaid. The National Commercial Bank has agreed to make available an additional $1.5 million for the Programme. When added to the $1.0 million to be provided by the CDB, this will become a fairly sizable facility. Significantly the Credit Unions, the National Development Foundation and the Small Enterprise Development Unit (SEDU) are also making contributions to the SME sector.

Within recent times there has been a revitalisation of agro-processing industries in the State. This sub-sector has recorded the highest percentage of new entrants and there are tremendous opportunities for employment and income generation. However, there is much scope for further development. The Standards Bureau is continuing to provide assistance in product development, quality control, packaging and labelling and product presentation to entrepreneurs in this sector. The Ministry of Trade also provides assistance to entrepreneurs in the marketing of their products regionally and internationally. Since 2001, jobs have been created, too, in the establishment of two Call Centres.

New institutional arrangements for investment promotion to take advantage of the opportunities offered in the financial services sector consequent on our removal from the FATF black list, were concluded during the third quarter of 2003, with the establishment of an integrated marketing agency for the promotion of investment generally. With the shift in economic activity during the last seven years away from manufacturing to services, Government has had to rethink the need for the continuing existence of the Development Corporation, which was established in 1976 to promote manufacturing and general industrial development by utilizing the tax holiday and duty free concessions under the CARICOM Fiscal Incentives regime.

Responsibility for the management of the industrial estates has been transferred to National Properties Limited, the banking function having earlier been taken over by the St. Vincent and the Grenadines Development Bank, there was no need for the continued operations at DEVCO. The institution was therefore closed on September 30, 2003. The workers at DEVCO have been absorbed productively elsewhere in the Public Sector.

TELECOMMUNICATIONS

This period of phenomenal developments in electronics presents many challenges and opportunities for developing countries. Accordingly, the Ministry of Telecommunications, Science, Technology and Industry has been mandated by Government to develop policies and strategies which would take the nation forward in this technological age. These responsibilities include:

- The provision of training in Information Technology.

- The provision of technical support for disaster communications network including Global Maritime Distress and Safety Systems (GMDSS).
- Information and Communication Technology support, coordination, and advice to other ministries and departments.
- The establishment and administration of the Government-owned communications backbone as the basis for the move towards e-Government.

Government has facilitated growth in the sector through liberalization of the market for telecommunications services. Individual licenses granted to date include fixed public telecommunications licenses, private network licenses and international simple voice resale. Internet access via broad band is now available to approximately 45 percent of the country as a result of two additional service providers being licensed. These services have contributed to revenue generation in the economy in the form of application fees, license fees and spectrum fees.

The liberalization of the telecommunications market has also led to the entry of two new mobile service providers which has resulted in the doubling of the mobile teledensity. Over twenty million dollars have been invested and both permanent and temporary jobs for Vincentians have been provided. Indeed, activity in the telecommunications industry during the current year has been a major contributor to Government revenue and to economic growth.

Emphasis has also been placed on the reduction of telecommunications costs within the Public Service and the implementation of the GMDSS. This latter initiative includes workshops for local VHF operators; reduction in search and rescue cost and loss of life at sea; and reduction in response time to emergencies and disasters at sea.

The next phase of the liberalization process is expected to focus on the implementation of a Price Cap Regime; the reduction in the cost of providing data services, to include the licensing of a new submarine cable provider; granting of a fixed network licence and the acquisition of the necessary equipment for monitoring the electro-magnetic spectrum.

One weakness in the process of liberalization has been the lack of sufficient monitoring and regulatory capacity at the regional telecommunications authority (ECTEL) and the National Telecommunications Regulatory Commission (NTRC). It is vital that these institutions and the political directorate in the region lift their game in this regard so as to better protect consumers in this new period.

During 2004 emphasis will be placed on the finalization of the Information Communication Technology Policy (ICT) for the further development of the sector in St. Vincent and the Grenadines. The objective is to promote comprehensive and forward - looking strategies for the development of an information society with the involvement of the private sector and civil society. The school's computerization project and the work of the National Institute of Technology are part of this forward looking strategy.

In Fiscal Year 2004, emphasis will be placed on improving the legislative framework in the following areas to facilitate further growth of the sector:

- A technology- neutral taxation regime;
- A policy on cryptography;
- Legislation governing the protection of personal information;
- A legal framework for digital signatures and electronic documents;
- Guidelines for consumer protection; and
- Electronic commerce standards.

The Post Office still remains an important medium of communication for a large number of Vincentians and every effort will be made to ensure that it is viable and functions efficiently. To this end, the Post Office has been restructured as the Postal Corporation of St. Vincent and the Grenadines and is now a Statutory Corporation. A Board of Directors and Staff have been appointed with a mandate to modernise the postal services. To assist the public to receive their mail more conveniently, two thousand new post boxes were installed at the Post Office and at the central market in Kingstown. It is the intention to continue this decentralization to areas outside of Kingstown.

AIR TRANSPORT

The development of an appropriate policy mix to address the various nuances of Air Transportation Services in the region in general, and St. Vincent and the Grenadines in particular continues to occupy our attention. The policy matrix upon which we embarked early in the life of this administration has for all intents and purposes taken shape, but it continues to evolve as we adapt to the dynamics of a very volatile and perhaps turbulent environment.

During this past year, much effort has been expended on this relatively complex issue. One of the findings of the several meetings and discussions held among the Governments of the region is that not all countries in CARICOM are approaching this issue with the same degree of unified focus. Four (4) countries, namely Antigua and Barbuda, Barbados, St. Vincent and the Grenadines and Trinidad and Tobago are providing leadership on this issue.

A technical team comprising representatives of BWIA, LIAT, the CARICOM Secretariat and the Governments of Antigua and Barbuda, Barbados, St. Vincent and the Grenadines and Trinidad and Tobago has been established for the purpose of determining the appropriate structure and the most appropriate strategy to form a single carrier in the Southern and Eastern Caribbean. Decisions were also made to provide interim financing to LIAT in the amount of EC$23.1 million as working capital requirements up to December 2003 and to address the juridical framework for ensuring fair competition in the regional airlines industry, while BWIA and LIAT continue their cost cutting measures.

The $23.1 million provided to LIAT comprises equity contributions amounting to $10.6 million from the named Governments and a loan facility of EC$12.5m, free of interest

payments and with a moratorium on repayment of five (5) years for on-lending to LIAT. Of this amount the Government of St. Vincent and the Grenadines borrowed $4.1 million as part of its contribution to the refinancing of LIAT.
In its first report to the Heads of Government in June 2003, the Technical Team recommended, *inter alia*,

- that the shareholder Governments of BWIA and LIAT acquire immediate ownership and control of the airlines and to form a new company with a strategic partner(s);
- that the new company should be established initially as a Holding Company with BWIA and LIAT as operating entities maintaining their respective identities.
- that the States of incorporation with interest in BWIA and LIAT seek to achieve as soon as possible a United States Federal Aviation Administration (USFAA) Category 1 rating with respect to their aviation safety oversight capacity.

Much progress has been made on the implementation of these recommendations. The Holding Company has been formed and registered in Trinidad and Tobago in the name of Caribbean International Airlines (Holding) Limited (CIAH), for the purpose of eventually acquiring BWIA and LIAT. The OECS States and Trinidad and Tobago are addressing the deficiencies in their aviation laws and would be ready for a safety oversight audit by the USFAA during the first quarter of 2004. A successful audit would achieve the category 1 rating sought. In addition, both airlines have continued to pursue aggressively their restructuring programmes and proposals have been submitted to the major creditors, including the Export Development Corporation of Canada, for some measure of debt relief.

With regard to the development of the E.T. Joshua airport, this Government has secured funds from the Kuwait Fund for Arab Economic Development for a project to improve the airport. We have already launched the tender for the consultancy service for the design. Components of the project will include shore protection, lighting improvement, taxiway and apron expansion and terminal building rehabilitation. Fencing of the airport, parking facilities and other external and electrical and civil works will also form part of this project.

In addition to the work at E.T. Joshua Airport, this Government will also in 2004, commence work to upgrade the existing airport in Canouan to a jet airport.

The objective of the project is to have direct and non-stop flights from and to Canouan airport to various international hubs and regional main gateways. The estimated passenger seats shall be between fifty and one hundred. Shuttles from Canouan to mainland St. Vincent will be developed.

The consultancy for the design of the Canouan jet airport has already been awarded and preliminary report submitted. The final designs are expected to be completed before the end of this year. Following this, tenders will be invited for the construction.

Meanwhile, the Government is currently engaged in elaborating plans for a jet airport on mainland St. Vincent.

ENERGY

During 2004 and 2005 the main focus with respect to electricity development will be the Lowman's Bay Power Plant. The importance of Lowman's Bay, and the need to make that project a technical and financial success cannot be stressed too heavily. It is the principal means through which energy security on St Vincent will rely given the inadequacies and obsolescence of the Cane Hall plant which has been in use for 30 years now and which can no longer sustain our electricity needs. Lowman's Bay will also be the new location for fuel receiving and storage facilities to serve this nation for the foreseeable future.

The project development work is proceeding apace. The Environmental Impact Assessment Study report has been completed and VINLEC has engaged the services of an engineering consulting firm to work on the detailed design and preparation of the tender documents for the works. It is critical that the Lowman's Bay site be delivered to the contractor free of all encumbrances by June 2004, to allow the plant to be built and brought into use by December 2005. In this regard, Government will remove all existing obstacles, including squatters and other unauthorized developments, and the relocation of the quarry operation which now occupies a part of the site.

The preliminary estimates of costs for the Lowman's Bay plant and its associated transmission lines are EC$ 90 million. Negotiations to secure the finance for the project are ongoing with the European Investment Bank (EIB), the CDB, and regional commercial banks. It is expected that all of the project funds will be secured and available by March 2004.

In July of this year the Mayreau power plant was officially opened, thereby marking the end of our long journey toward full electrification of St. Vincent and the Grenadines. Every part of the state now has access to a stable and sufficient supply of electricity.

The Mayreau project was completed at a cost of EC$ 5.4 million. It provides an electricity connection to every household and business on the island, with additional capacity for several years' growth. Mayreau now has the electricity infrastructure to allow its full participation in the accelerated development we anticipate for the Southern Grenadines.

In 2004, VINLEC will embark on the next phase of electricity system expansion in Canouan to support the expected surge of economic activity when the Canouan Resorts Development project re-opens and to ensure that enough capacity is available for the airport project. Some $4.3 million will be invested in this development programme.

Ownership of the Canouan electricity system has remained in Government's hands up until now. Arrangements are being made to sell the assets to VINLEC with effect from January 2004 in keeping with our policy that full responsibility for essential services must rest with the agencies mandated to provide those services.

One of the dilemmas the company faces is to insure its plant and equipment against hurricanes and other catastrophes on the international insurance market. Our income tax legislation does not explicitly allow the premiums paid to overseas insurers be tax deductible. To address this problem, Government hereby announces an amendment to the Income Act so that with effect from January 2002 all premiums paid by VINLEC either locally or overseas to insure its Transmission and Distribution Systems against perils shall be allowed as a tax deductible expense and shall not be subject to withholding tax. The premium will however be subject to the Insurance Business Tax. This measure is expected to cost the Government some $500,000 per year.

The cost and security of fuel for electricity production and for transport has been receiving Government's attention since we assumed office in 2001. Our efforts in this regard were seen to bear fruit in May 2003 when VINLEC began to take delivery of fuel from Texaco under a new supply contract which will provide savings of as much as EC $1.5 million per year to consumers. These savings have been passed directly to the consumer through a reduction in the fuel surcharge on their electricity bills, which has dropped from a peak of 17.99 cents per unit in January 2003 to 13.23 cents per unit in November.

With the recent return of relative political calm to Venezuela and to the state oil company, PDVSA, VINLEC has resumed its efforts as agent of the Government of St Vincent and the Grenadines to access fuel supplies from Venezuela under the Caracas Energy Accord. That Accord offers the prospect of further relief from high fuel import prices.

In the interim, VINLEC has committed to install another 140,000 gallons of fuel storage at Cane Hall during 2004 in order to reduce our vulnerability to disruptions in the supply chain and to make more cost effective use of opportunities such as the Caracas Accord.

FINANCIAL SECTOR

As pointed out in my 2003 Budget Address to this Honourable House, the policy of this Government, with respect to the financial sector, is to develop a sound financial system with well-functioning prudential supervisory arrangements, as a means of promoting real growth in the economy and ensuring the soundness of the financial system. To achieve this goal, Government, acting in conjunction with the Eastern Caribbean Central Bank (ECCB), other regional institutions and OECS Governments, is promoting the development of money and capital markets, reforming the interest rate regime, updating the prudential regulations and supervisory system, restructuring weak financial institutions, and initiating reform of the financial laws and regulations.

Reflecting developments in the real economy, the Money Supply continue to record strong growth during 2003. As at September 2003 the Money Supply (M1) amounted to $249.3 million an increase of 10.9 percent over the position at September 2002. The growth was fuelled by a 13.6 percent increase in private sector demand deposits and a 3.3 percent increase in currency in circulation.

Domestic credit contracted by 6.4 percent during the first nine months of 2003 from $534 million at December 2002 to $489.1 million at September 2003. However, credit to the private sector increased marginally by 1 percent due mainly to a 14.4 percent increase in lending to businesses, which was partially offset by a 6.9 percent decline in credit to households. The decline in overall credit is partly attributed to the fact that some $20.5 million in mortgage loans were sold by the National Commercial Bank to the Eastern Caribbean Home Mortgage Bank.

Liquidity in the commercial banking system remained high, with a loan to deposit ratio of 72 percent as at September 2003.

In September and October of this year a joint IMF/World Bank team performed a Financial Sector Assessment Programme (FSAP) of the countries comprising the Eastern Caribbean Currency Union (ECCU). The principal objective of the mission was to assist the ECCU Governments in assessing the development needs and opportunities for the financial sector and identifying potential vulnerabilities of financial institutions and markets to macro-economic shocks, as well as the risks to macro-economic stability from weaknesses and shortcomings in the financial sector.

The preliminary report of this FSAP exercise is now being discussed with officials from the IMF/World Bank, but there are some emerging themes which we all agree need to be addressed. These include weaknesses in the regulatory and supervisory framework for bank supervision, evidence of regulatory forbearance for several banks and substantial levels of unsatisfactory assets in the system as a whole. Government has already taken a number of initiatives to deal with these shortcomings.

First, a new Insurance Act and Motor Vehicle Insurance (Third Party Risk) Act were passed and will become effective from January 2004 and July 2004 respectively. These new pieces of legislation will modernize the system for regulation of insurance and pension business transacted within St. Vincent and the Grenadines.

Secondly we have established a Supervisory and Regulatory Unit in the Ministry of Finance and Planning to regulate the activities of insurance companies and intermediaries, building societies, money transfer operators and other non-bank financial institutions.

Thirdly, we continue to issue all Government Treasury Bills on the Regional Government Securities Market (RSGM). This has resulted in a more efficient and cost effective method of raising funds as evidenced by the two most recent issues which were traded at 4.8 percent and 4.9 percent compared with a rate of 6.6 percent prior to establishment of the RGSM. At these rates the Government will be saving over $800,000 per annum in interest cost.

We will soon be amending the laws to permit the dematerialization around sound principles of good corporate governance of all long term bonds. This will allow us to list all existing bond issues on the RGSM and to place all new issues on this market. It is anticipated that interest cost savings will also accrue to the Government from this development.

Fourthly, the National Commercial Bank has been reorganized with a new Board of Directors and changes within the senior management. In an effort to improve the bank's capital, all of its properties have been sold to National Properties on a sale and lease back arrangement.

Amendments to the Banking Act and the Eastern Caribbean Central Bank Agreement Act have been drafted and are now ready for enactment. The purpose of these respective amendments is to bring the banking laws more in line with international standards and to give the ECCB more authority to deal with problem banks. These amendments have been put on hold until the result of the FSAP exercise are finalized at which time a more efficacious and comprehensive amendment of the Banking Act will be considered. We expect that this will be done during the first half of the new year.

National Insurance Scheme

Notwithstanding a reduction of net income, the National Insurance Scheme experienced another successful year of operations during 2002. This is reflected in the 13.1 percent increase in benefit payments to contributors and in the 7.8 percent increase in reserves which occurred during the year. At the end of December 2002, the Scheme had total assets of $259.18 million and total reserves of $258.3 million, including $52.3 million in the National Providence Fund.

The last actuarial valuation of the Scheme concluded that these reserves are sufficient to pay expenses, including benefit payments, for the next 13 or 14 years. St. Vincent's NIS contribution rate of 6 percent is the second lowest in the Caribbean. Only Jamaica with a rate of 5 percent is lower.

A strategic plan to chart the way forward for the National Insurance Scheme (NIS) will be completed by the end of this year. The plan will focus on the kinds of social security programmes that the scheme will embark upon over the next five years and the role of the NIS in economic and social development. The NIS is also in the process of rationalising its investment strategy with the objective of maximising the returns on its investments, while at the same time eliminating investments with unacceptably high levels of risks. To this end, an Investment Policy Guide will be finalised by the end of 2003. This document will guide the investment decisions of the National Insurance Investment Committee and will include, *inter alia:*

- Guidelines and recommendations for assessing investment opportunities;
- Efficient management of pension fund; and
- Portfolio management, and investment strategies.

During 2004, the public education drive will be intensified. Specifically, this will aim at extending coverage to persons within the informal sector such as fisher-folk, taxi -men, vendors, and mini bus drivers and conductors. This is in keeping with the aim of providing a social safety net that will ensure an adequate standard of living for these workers during retirement. Surveys will be conducted among stakeholders to determine ways of enhancing current benefits to make the NIS more relevant to their needs.

International Financial Services Sector

Since the blacklisting of St. Vincent and the Grenadines by the FATF in June 2000 there has been a steady decline in the registration of new business entities. Notwithstanding this fact, fees collected in 2002 amounted to $3.52 million which is 2.7 percent more than the $3.43 million collected in 2001, as renewal of existing International Business Companies (IBCs) actually increased during the year.

For the first nine months of 2003 there were declines in registration of new businesses and renewals of existing companies. As a result revenue earned by the Central Government amounted to $1.92 million which is 31 percent less than the amount earned in the corresponding period of 2002. However, since the removal of St. Vincent and the Grenadines from the FAFT list of NCCTs there has been some improvement in business and for the quarter ending September 2003 some 154 new entities were registered as compared to 144 for the corresponding period in 2002. This is a most encouraging trend, and one which we anticipate will accelerate in the coming months as we move to market our international finance business in a more aggressive manner.

The Government of St. Vincent and the Grenadines continues to institute measures to enhance the image of the international financial services sector in order to ensure that the name St. Vincent and the Grenadines becomes synonymous with a top quality financial jurisdiction and professionalism. For this reason, we have moved to change the name of the agency from the Offshore Finance Authority to the International Financial Services Authority (IFSA) in order to shed the negative images associated with the word 'offshore' and to embrace the international concept that truly reflects the nature of the industry.

Our efforts to clean up the sector were suitably rewarded when in June of this year the Financial Action Task Force (FATF) removed St. Vincent and the Grenadines from their list of Non-Cooperative Countries and Territories. It is anticipated that this will serve to attract new business and boost the development of the Sector as a whole. Notwithstanding this stamp of approval, the sector was subject to another intensive scrutiny when the FSAP team along with the Caribbean Financial Action Task Force (CFATF) team carried out a detailed review of the Sector with particular attention paid to the anti-money laundering and anti-terrorist financing practices. The preliminary report identified a number of regulatory and supervisory weaknesses when measured against the Basel Core Principles, particularly in the areas of acquisitions and investments and in the law and practice concerning the location of mind and management. The report also recommended the adoption of further anti-money laundering measures particularly in the area of supervision and compliance.

Accordingly, the Government will further amend the International Financial Services laws to implement the recommendations of the FSAP, to create fees for new services and to remove the restrictions which required all registered agents to be nationals of St. Vincent and the Grenadines. Removal of the restriction on registered agents will also bring the country into compliance with Protocol II of the Treaty of Chaguaramas which provides for the right of establishment of all CARICOM nationals.

CARTAC has been requested to provide technical assistance in drafting these amendments and in consolidating all previous amendments into one piece of legislation. We expect that this Consolidated Bill will be presented to Parliament during the first quarter of 2004.

Financial Intelligence Unit

Since its inception in May 2002, the FIU has made significant progress in a number of major areas. The FIU has been involved in raising the level of reporting on suspicious activity and the implementation of the anti-money laundering legislation, thereby facilitating forfeiture of gains from criminal activity. So far, the value of property restrained as a result of the initiative of the FIU has increased to EC$4.1 million. The FIU has further facilitated the forfeiture of money into the Confiscated Assets Fund.

In July 2003, the FIU was accepted as a member of the Egmont Group of International FIUs. Membership into this group is testimony to the fact that the mandate, operation and work of the St. Vincent and the Grenadines' FIU are in keeping with the high international standards of this select group of FIUs, which focus on excellence in operation and service.

In the upcoming year, the FIU intends to work to consolidate its operations and progress thus far. It also aims to strengthen its relationships at the international level so as to assist in the fight against the global scourges of money laundering and terrorist financing. A priority of the FIU for the next year is to undertake money-laundering prosecutions locally and internationally, through quality financial investigations and intelligence sharing.

EDUCATION AND TRAINING

Even before coming to office in 2001, the ULP highlighted the importance of education to the development of St. Vincent and the Grenadines. Since taking office and after indepth analysis of our conditions, this administration has determined that education together with poverty alleviation will be central planks of our Government's development agenda. It is education that will be the main vehicle to alleviate poverty and provide opportunities for improvements in the quality of life of our people. This will be achieved mainly through improved access and quality at all levels of the education system. In real terms, this is demonstrated by the allocation of $70.0 million or 20.0 percent of the total recurrent expenditure and $24.2 million or 17.6 percent of the capital expenditure towards the financing of education in 2004.

In the area of early childhood education our policy is to increase access to approximately 40 percent by 2004 and to establish mechanisms necessary for co-ordinating the delivery of nation-wide early childhood development programmes that meet the required minimum standards. In 2004, the Government will expand access by converting space in a number of primary schools with declining enrolment due to falling birth rates, to make available pre-school sections at these schools and at the four new primary schools to be constructed. To enhance the delivery of Pre-primary education, Government will continue to train more Pre-school teachers through the VINSAVE Programme.

With respect to primary education, a significant amount of resources have been allocated to the training of teachers. The number of teachers trained in the primary and all- age schools is now 80 percent. This is complemented with a vigorous in- service training programme in areas such as curriculum development, the teaching of reading and computer literacy. In terms of coverage, 97 percent of children of primary school age are registered in primary schools. It is our intention to have one hundred percent coverage and to implement measures to ensure that every child of primary school age not only registers but attends school on a daily basis. It is only through a sound basic education that the ground work is laid to access higher levels of the education system.

In keeping with our policy of improving the physical plant to complement the drive for quality education, a provision of $1.5 million has been allocated in the 2004 Estimates to commence preparatory work on primary schools in Port Elizabeth, Fair Hall and Edinboro. These will be funded under the Caribbean Development Bank (CDB) Basic Education Project Phase 2. Major extensions and rehabilitation of schools are also proposed for Lodge Village and Owia. The physical conditions of the Owia school have been far from satisfactory for a number of years and it is more than time that the children of Owia be provided with facilities that are of equal standard with schools in the rest of the country.

In my 2003 Budget Address I mentioned that progress on the construction of the Peruvian Vale All-Aged School has been slower than anticipated. I am disappointed that despite all our efforts construction work on this school has not yet commenced. An amount of $1.2 million have been allocated for this school in the 2004 Capital Estimates and it is expected that since all the bottlenecks have now been removed, construction will begin no later than March 2004.

At the Secondary level, the Government's policy objective of providing universal access to secondary education by 2005 is being vigorously pursued. In my 2003 Budget Address I indicated that Government will put in place measures to guarantee a secondary education to every child of secondary school age. At the beginning of the 2003/2004 academic year, over 2000 students from the primary schools were admitted into secondary schools with the majority of additional places being offered at the St Vincent Grammar School, the Girls High School, and the Carapan Secondary School and the

Georgetown Secondary School. In order to ensure the success of these students and to improve the level of performance, additional resources in the form of counsellors, teachers, textbooks, equipment and materials and supplies, have been allocated. This is a significant achievement but the programme must continue. In the 2004 Estimates we have made further allocations to increase the capacity by a further five hundred (500), at least, above the pre-existing in-take levels. This Government will not rest until the objective of providing a secondary education for all students of secondary school age is achieved. Indeed, we are almost there already.

While all this is ongoing, Government continues to negotiate with the donor community for funds to construct new secondary schools. Funding for the construction and equipment for these schools is expected to come from the World Bank, the Caribbean Development Bank, the Republic of China on Taiwan and the European Union. The project for the Union Island Secondary School has been submitted to the European Union and a contract for the design of this school has already been awarded. The project at Union includes the construction of a secondary school staff quarters and students quarters. It will also make provision for curriculum development, undergraduate degree training fellowships, training for principals and administrators and improvement to the legal and regulatory framework of the education system. Also included in the proposal to the EU is an allocation for 1.2 million Euros to develop a special programme for slow learners and under achievers.

It will be recalled that in 2002 we constructed four additional classrooms at the Community college to cope with the increased demand for places at this post secondary institution. While this has somewhat assisted to alleviate overcrowding at this facility which was originally constructed to accommodate two hundred and fifty students, there is now an enrolment of 915. Intake of students has increased every year since 2001 with 447 in 2002 and 500 gaining admission in September 2003.

This is why this administration has made efforts to accelerate the process for the construction of additional classrooms and other facilities to include staff room, cafeteria and students' common room. Tenders for the design of these facilities to be funded by the EU have been launched and construction is scheduled to commence during the last quarter of 2004. These facilities are in addition to the $6 million Learning Resource Centre currently under construction and scheduled to be completed in May 2004.

Enrolment at the Teachers College is expected to decline as the number of trained teachers approaches the 100 percent mark. The college will place emphasis on in-service training, teacher upgrading and facilitation of Distance Education Programmes. The Community College is upgrading its staff as part of its effort to commence the introduction of first and second year undergraduate degree programmes offered by the University of the West Indies. The introduction of these programmes is expected to reduce the cost of students pursuing undergraduate degrees and increase the number of students accessing tertiary education.

The area of Technical Vocational Education and Training (TVET), has been receiving attention. The major initiative in this aspect of education is the STATVET Project funded by the EU. This project is aimed at upgrading the skills base of the labour force in response to the imperatives of globalisation and the domestic economy. In addition, the Government is working closely with the HEART Trust of Jamaica to develop "competency based" programmes in a number of skill areas. These will be made available to out-of-school youths and adults through the various Multipurpose Centres. These programmes are predicated on industry standards in construction, hospitality, agriculture and related areas and are in keeping with the need to make our work force more competitive to face the challenges of the regional and hemispheric trading arrangements.

In the area of Special Education, the Government is moving in the direction of integrating children with special needs into the mainstream of the education system and to give them access to all opportunities provided by the State. Given the role of Information and Communication Technology in today's learning environment, special provision will be made for the participation of children who are physically challenged in the Computerization of Schools Programme.

A massive programme of Adult Education will be launched in 2004. It will draw on resources from several ministries. It will be comprehensive and national in scope. The bureaucratic approach will be discarded and an uplifting national mobilisation effort will be fashioned. The aim is to enable every Vincentian who cannot read and write, who cannot function effectively in a literate world, to become truly literate.

The Ministry of Education is cognizant that early identification and remediation of learning difficulties is central to its efforts at ensuring equity and in improving the quality of education in the state. To this end, a survey was conducted to diagnose children in the education system with dyslexia. The results of the study will be used to develop appropriate strategies and programmes to meet the needs of those children so affected.

The quality of the human resource base is critical to our future development efforts. This is why we have increased training for Public Servants and for students at the tertiary level. The following indicators are quite revealing. In 2001 expenditure on training through the Services Commissions was $2.7 million. In 2002, it climbed to $3.2 million and to $4 million in 2003. In the area of long term training, 127 persons benefited in 2001; this increased to 132 in 2002 and to 205 in 2003.

With respect to university students who have received Government assistance, we note the following:

Year	Awards and Financial Assistance (No. of Students)	Economic Cost (No. of Students)	Total	Expenditure (million)
2000/2001	177	45	222	$1.9
2001/2002	270	108	378	$2.4
2002/2003	513	194	707	$4.0

Further, the sums available under the regular students loan programme have more than trebled since the ULP came to office. Moreover, this Government initiated last year a special student loan programme for tertiary education for students from economically disadvantaged circumstances, with a loan of $1.9 million from the CDB. The Government guarantees the loans for such students.

Beyond all that, there is an increase in the number of students receiving scholarships through the Government of St. Vincent and the Grenadines, the European Union, Cuba, Mexico and other countries and organisations. Twenty Vincentian nationals received awards to pursue studies in Mexico commencing in September 2003 under an agreement between the Government of St. Vincent and the Grenadines and the Government of Mexico.

St. Vincent and the Grenadines will receive 140 scholarships from Mexico over a five period. It is the first time that Mexico has awarded undergraduate university scholarships to any country in the world.

YOUTH AND SPORTS

This Government is cognizant that the youth of St. Vincent and the Grenadines are the guardians of the future; the welfare of young people is critical since stunted youth development will have serious repercussions for economic growth, the society at large, public spending and the generations of tomorrow. To this end, the establishment of resource centres where many young people are taught useful computer skills will contribute to elevating the educational level and create avenues for employment for our youths.

The Youth Empowerment Services (YES) programme has continued to offer valuable on-the-job-training in the areas of education, health, agriculture, clerical, communications, technology, childcare and care of the elderly. Since the start of the programme five hundred (500) persons have been trained each year and over sixty (60) persons have received permanent employment the public and private sectors.

This Government is a strong believer in the potential of the youth and the role they must play in National development, this is why in June 2003 a National Youth Commission was reappointed.

The adoption of the National Youth Policy and the restructuring of the Youth Affairs Department are all still major tasks to be accomplished. The process has commenced with extensive consultations with stakeholders. The National Youth Commission spearheaded these consultations.

As part of the restructuring effort, however the Youth Affairs Department would be relocated to new and spacious accommodation by December 31st, 2003 to deal more effectively with the many programming areas impacting upon youths. In all other sectors youths are being integrated into the overall development plan of the Government.

The signature project of this administration in the area of sports is the National Stadium. Work will begin in January 2004 on the access road and resettlement area as well as on the main stadium site. The automobile racing track will also be graded. Some one hundred persons will receive employment during this phase of the project. Expenditure for 2004 is estimated at $5.0 million. In order to ensure that a cadre of trained persons in stadium management are available, we will continue to provide university level training in facilities management for employees of the National Sports Council.

Work will also begin in 2004 on upgrading of the Arnos Vale Playing Field with a view of hosting games during the 2007 World Cup. A St. Vincent and the Grenadines 2007 World Cup Committee has been established to which Mike Findlay is attached as a consultant.

POVERTY REDUCTION

In 2002, this Government began a concerted and targeted assault on poverty with the formulation of its Interim Poverty Reduction Strategy Paper (IPRSP). In my last Budget Address, I indicated that the development of this strategy reflects not only a milestone for the ULP but a remarkable achievement in the quest for prosperity of the people of Saint Vincent and the Grenadines. Very importantly, I declared that it was the intention of the Government to achieve one of the Millennium Development Goals, that of halving the level of poverty in Saint Vincent and the Grenadines by 2015. It is both my duty and my honour, to report that that process is well underway.

In early 2003, the National Economic and Social Development Council (NESDC) was charged with the responsibility of developing the operational parameters of the Social Investment Fund (SIF). The NESDC has been accorded legislative status to enable the efficient and expeditious implementation of its mandate. Work in this regard is well advanced and the SIF will be launched during the first half of 2004.

Further, as part of the poverty reduction strategy, the Children Against Poverty (CAP) programme was conducted in July 2003 for the second consecutive year. Its success last year, as a medium for introducing life-skills and the importance of education in the fight against poverty demanded that the scope of its operations be broadened and the number of communities targeted be increased from five to eight this year. Accordingly, the programme was extended to Greggs, Kingstown and Bequia in 2003. This is addition to the centers already set up at Sandy Bay, Calliaqua, Sion Hill, Barrouallie and Chateaubelair. Although only in its infancy, the programme has established a reputation for excellence and is oversubscribed. In excess of six hundred children have benefited, so far, from the programme.

The Government is cognizant of the many pressures confronting our youth and has thus, sought to develop a comprehensive programme to protect students-at-risk and those who are socially vulnerable. Within this context, emphasis has been placed on fostering the rights of children as set out in the United Nations Convention on the Rights of the Child. It is clear that economic hardship carries with it social ills which demand Government's intervention, particularly in providing the enabling legislative framework and support services. To this end, Government has embarked on a course of legislative reform in order to protect high-risk groups such as children and young people. Early in 2004 we will seek to harmonize and upgrade all laws relating to children and families in St. Vincent and the Grenadines.

Having articulated the fact that poverty is multi-dimensional, the Government has adopted a multi-faceted approach to combat the problem. We have also instituted the following measures as part its strategy for poverty reduction:

- The job-creation thrust of the Government.
- The Low-Income Housing Project which has created the opportunity to improve the quality of housing available to the less financially able and to stem the spread of squatter settlements in the country.

- The Government has completed the purchase of a property to be used as a Crisis Centre for victims of domestic violence and other forms of abuse.

- A more concerted effort is being made to cater to the needs of the elderly, including an increase in the number of care-givers trained to assist the elderly in their homes. As announced in my last Budget Address the construction of two Day Care Centres for the elderly are presently being constructed and are expected to be completed within the first half of 2004, one at Cane Grove, the other at Black Point.

- Enhanced safety net for the poor through public assistance and the provision of building materials.

- Fostering an environment of thrift within schools that will instill in young people an understanding of the value of money and the developmental benefits of accumulating capital. Under the theme "Schools Cooperatives - Benefiting Nation Building", it encourages students not only to save but to develop an entrepreneurial spirit.

- The Non-Contributory Pension Programme which was established in 2002 for 300 displaced banana farmers has been incorporated into the broader programme at the NIS, which now has a total of 1,700 pensioners.

- Government continues to develop the micro-enterprise sector and to encourage entrepreneurship as a viable means of employment.

- In 2003, the Youth Empowerment Service (YES) recruited over 600 young persons. This programme continues to contribute to the building of human capital in St.Vincent and the Grenadines.

- In 2004, the North Windward Development Project will be launched with assistance from the Caribbean Development Bank (CDB). The project will enhance the livelihoods of the people of North Windward as a means of ensuring sustainable development.

It has been recognized that a framework of good governance, democracy and transparency must support all these efforts at poverty reduction. This is one of the reasons why this Government in October of this year responded to a call by the St Vincent and the Grenadines Young Leaders and brought a motion on poverty to this Parliament. This historic and unprecedented occasion is symbolic of the Government's commitment to reduce poverty and its obligation to secure the future prosperity of the young people of our nation.

With the same enthusiasm, we will implement the following programmes in 2004 aimed at reducing poverty and improving the general welfare of the people of St. Vincent and the Grenadines. Work is well advanced on the Social Investment Fund which will be launched during the first half of 2004.

This programme, to be financed by the European Union to the tune of $10.0 million, will provide a mechanism for channelling resources, according to predetermined eligibility criteria, to small scale sub-projects for poor and vulnerable groups and communities. Funding will be provided in support of community activities in areas such as community development programmes, employment and income generation activities, improved access to basic social services, human resources development and skills training, capacity building, and institutional strengthening especially of civil society organisations.

HEALTH

It is the aim of this administration to provide a universal, equitable, sustainable, comprehensive health care and health education service in order to promote the health and general well being of the population. This will be achieved by concentrating on the primary health care approach and the upgrade and extension of secondary health services. To this end, we will continue with efforts to expand and improve the delivery and quality of health care services within the State. Expenditure in the sector has remained at a constant high of around 14.0 percent of the recurrent budget over the last three years.

During 2003 there were some significant achievements in the quality of health care provided. As part of its programme to improve the delivery of primary health care, the Biabou Clinic was completed at a cost just over EC$1.0 million. The Greggs Clinic, which begun construction in the latter part of 2002 has been completed and will be officially opened later this year. In an effort to bring more of the existing clinics up to an acceptable level, work commenced in August of this year on the refurbishment of twenty-one (21) of these clinics. This programme is being funded by the European Union through the Primary Health Care Renewal Programme.

The third phase of the Milton Cato Memorial Hospital (MCMH) will be completed before the end of this year and preliminary work on Phase IV has already started. Arrangements for the purchase of adjacent properties for further expansion and upgrading of the hospital are well advanced.

On the issue of improving the efficiency of the Milton Cato Memorial Hospital, it will be recalled that my 2003 Budget Address indicated that a committee has been set up to study the implications coming out of the review of that institution. The Committee has reported to Cabinet and an Implementation Steering Committee has been established to oversee the transition to the new structure. The process is very involved covering new legislation, governance structure and a policy for the transfer of staff. During 2004 the public will be informed of the details of the new arrangements which will take effect from 2005. We are confident that a reorganised MCMH will provide an improved quality health care to the people of this country.

This administration is concerned about the use and abuse of illegal drugs in St. Vincent and the Grenadines. Indeed, the figures show that a high proportion of our young people at the Mental Health Centre are there because of the abuse of drugs. In recognition of this challenge, Government has designed a comprehensive Drug Demand Reduction Programme. Implementation of this programme will commence in 2004. This project will, among other things, seek to:-

- raise public awareness on matters related to drug abuse prevention and control by promoting community involvement in drug demand reduction efforts;

- strengthen the institutional capacity of the Ministry of Health with regards to programme coordination and implementation in the field of drug demand reduction;

- collaborate with other development partners who offer rehabilitative and counselling services to drug users; and

- strengthen current treatment and rehabilitative capabilities.

The loss of trained and experienced nurses from our health care system has also presented a challenge to this administration. We have wasted little time in addressing the problem. In September this year we recruited 100 student nurses. This is the largest intake ever in the history of the School of Nursing and we expect that these students once trained will fill the breach resulting from the exodus. In addition, the recruitment of nurses from Cuba has helped to alleviate the shortage. The conditions for the physical training of our nurses will improve when the extensive rehabilitative and extension work currently ongoing at the School of Nursing is complete.

HIV/AIDS

Significantly, as I present this budget today December 1st is being celebrated as World AIDS Day. St. Vincent and the Grenadines therefore joins the rest of the world in the fight against this pandemic.

There is growing recognition that HIV/AIDS is not just a serious health issue in developing countries, but a major developmental threat which has the capacity to undermine the social and economic achievements of emerging economies. The central challenge, among others, for St. Vincent and the Grenadines is to reduce the effects of the pandemic on the human resource base.

We recognise that despite the fact that the number of HIV/AIDS cases had doubled in the 1990s, little was done by way of response to this crisis. In 2002 this administration significantly revised the HIV/AIDS strategy so that it could become more focused. We have delineated a comprehensive programme to combat the spread of HIV/AIDS, the broad components of which focus on institutional strengthening, education, prevention, surveillance, treatment and support.

In essence, this Government has:

- Increased its commitment, attention and funding related to HIV/AIDS;
- Improved HIV/AIDS Prevention and Care Activities;
- Provided more support to conduct research on the prevalence of HIV/AIDS; and
- Strengthened the national response capabilities to cope with the disease.

Over one million dollars per annum is spent on HIV/AIDS programmes from local resources. In addition, a Country Co-ordinating Mechanism has been established as a means of maximizing all resources in the fight against the pandemic.

Persons living with HIV/AIDS continue to receive targeted forms of assistance through the Ministry of Social Development. Anti-retroviral drugs are being prescribed and administered based on a diagnostic evaluation and treatment. This programme is carried out within a framework of focused counselling and support. Orphans living with HIV/AIDS continue to receive assistance both from Government and non-Governmental sources.

Young people between the ages of 15 and 24 represent approximately half of the people who have been infected with HIV/AIDS thus far. In light of this, Government will give special consideration to this age cohort and will intensify action against HIV/AIDS in the following ways:

- Promote young people's genuine participation in expanding national responses to HIV/AIDS.
- Strengthen Health and Family Life Education in secondary schools and improve the quality and coverage of the out-of-school programmes.
- Expand access to youth-friendly health services including HIV/STD prevention, testing, counselling, care and support.
- Intensify the public awareness drive on HIV/AIDS prevention.
- Develop inter-sectoral strategies to address groups at risk including street children and displaced adolescents.
- Ensure care and support for young people and orphans living with HIV/AIDS.

WATER AND SOLID WASTE

Government is committed to providing a safe and reliable water supply to the citizens of this country at the lowest possible rates. To complement the Dalaway Water Treatment System, which has recently been commissioned, the Windward Water Supply Project has recently commenced. This project involves the laying of over several miles of transmission lines and is designed to significantly improve the quality of water to the Windward Coast and the South Eastern part of St. Vincent, from Byera to Diamond.

In addition to the long term gains to be derived from the implementation, this project currently employs approximately 50 persons. With the construction of the intake and treatment works still to come, 200 persons will find work on the project.

The Windward Water Project which is expected to cost $27.0 million is a major investment by the Government. However, much more capital investment is necessary in order to maintain the quality. Accordingly, a tariff study will be conducted during the first half of 2004 to assess the viability of the CWSA to undertake the needed capital works.

Water quality remains an issue with deforestation and illegal activities in the Majorca area in particular. The Forestry Improvement Project co-funded by the CWSA and VINLEC, is expected to reduce the damage to the forest and secure the future of water from Majorca as well as other affected catchment areas.

Consultancy work on a socio-economic study for the Grenadines will begin early next year. This is the prelude to the Grenadines Water Supply Project, which is expected to bring a reliable water supply system to the main Grenadine islands of Bequia, Union Island and Canouan.

Work is ongoing on the upgrading of security for all water supply systems in St. Vincent and the Grenadines. A programme will also be put in place for the effective management and control of the Vermont Nature Trail in the heart of the Dalaway Water System. Some 4.8 acres of lands which have been farmed in the Stream 24 area of the Dalaway system have now been purchased by the CWSA and is to be reforested. This now gives the CWSA exclusive control of this vital water supply area.

From a public health perspective, this Government discourages the use of community baths and public stand pipes. We therefore seek to provide communities that previously depended on these facilities with an alternative source of water supply. That is why we have provided some 937 consumers with connection services between 2002 and 2003.

In the area of solid waste, this administration has taken bold initiatives including the nationwide collection and disposal of garbage, which have resulted in a much cleaner country. We are, however, concerned that the large number of derelict vehicles, which are left unattended, will undermine the good work we have done so far. In this regard the 2004 Capital Estimates makes provision for a project to clean up derelict vehicles and discarded appliances at a cost of $0.5 million.

Short term measures, have been put in place for the collection and disposal of solid waste in the Grenadines. Every effort is being made to implement speedily the Grenadines Solid Waste Project to be funded by the European Union. This project is taking much longer than anticipated but we have finally agreed with the European Union on the way forward. Tenders for the design of the project will be launched early in 2004. The documentation has been prepared and is awaiting approval to invite consultancy service for the design of the project works.

Other areas of waste management to be addressed over the next year include an assault on discarded used tyres, biomedical waste and used oil.

The Diamond Landfill has been operating successfully and construction work on the Belle Isle Landfill is well on the way. We expect this landfill to be completed early the New Year and when commissioned the Arnos Vale facility will be closed.

In order to better manage the whole process of waste collection, transportation and disposal, the street sweeping functions are to be passed to the CWSA.

HOUSING

Government's initiatives to improve the housing stock intensified earlier this year with the official start of the Low Income Housing Project. The project has gained momentum over the past few months and work is in progress on five sites namely, Brighton, Green Hill, Ottley Hall, Peter's Hope and Petit Bordel.

The application process commenced in April and at the end of September, over one thousand applications were received for the two hundred (200) houses to be constructed during the first phase of the project. It is anticipated that at least one hundred and eighty (180) units will be completed by February 2004 and twenty units on Canouan utilising private lands. An additional two hundred (200) units of a different type for lower income earners will be completed by the end of December 2004. The income eligibility band to qualify for the first batch of houses was widened from the original range of between $750.00 and $1,250.00 per month to incorporate persons earning up to $1,500.00 per month.

SEAPORTS AND AIRPORTS

The terrorist attacks of September 11, 2001, resulted in actions within the international community to prevent ships being used as instruments of terror or as delivery platforms for weapons of mass destruction. In December 2002, under the auspices of the International Maritime Organisation, (IMO) the International Convention for Safety of Life at Sea (SOLAS) was amended to provide special measures to enhance maritime security. The new security measures in SOLAS are supported by the International Code for the Security of Ships and Port Facilities (ISPS Code). The new SOLAS provisions and the ISPS Code both contain mandatory provisions, binding on all Contracting Governments in respect of port facilities and ships and will come into effect on July 1st, 2004.

As St. Vincent and the Grenadines is a Contracting member of SOLAS and the ISPS Code, all of the mandatory provisions are binding in respect of its port facilities and ship that fly our flag. The Code aims to establish a framework for co-operation between Contracting Governments, Government agencies and the shipping and port industries to detect and assess security threats. It also requires Governments to take preventive measures against security incidents affecting port facilities used in international trade, and to provide a methodology for security assessments so as to have in place plans and procedures to react to changing security levels and to ensure that adequate and proportionate maritime security measures are in place.

In order to comply with the ISPS Code a port facility security assessment must be carried out by a recognised security organization and a plan developed and maintained which is adequate for the ship/port interface. As a Contracting Government, the Government of St. Vincent and the Grenadines is responsible for the following, *inter alia*:

- Measures designed to prevent weapons or any other dangerous substances and devices intended for use against persons from being introduced into the port facility or on board ships;
- Measures designed to prevent unauthorized access to the port facility, to ships moored at the facility, and to restricted areas;
- Exercising control and compliance measures over ships visiting our ports;
- Setting security levels as defined by the Code;
- Procedures for responding to security threats or breaches of security, including provisions for maintaining critical operations of the port facility or ship/port interface; and
- Procedures for evacuation in case of security threats or breaches of security.

The implementation of these measures require a level of training of training and experience which most of the existing Port Guards do not possess. We will now have to move to a system of Port Police where Civil Service entry level qualifications will be a prerequisite. This will mean the redeployment of some existing staff but this is a matter that we must face.

The implementation of the new maritime security measures in St. Vincent and the Grenadines is stymied by the inherent weakness in our maritime administration. There is no home-based maritime administration which can provide timely guidance to Government on maritime policy and oversee implementation and coordination of maritime activities. This will be addressed early in the new year with the establishment of a Maritime Commission.

Under the Emergency Recovery Project funded by the World Bank, an amount of US$2.1 will be spent on security enhancement at seaports and airports. The Airport and Seaport Security Enhancement component would finance the physical and technical resources necessary to upgrade security arrangements at ports and airports to comply with relevant international regulations. It will include: (a) civil works to upgrade perimeter fencing and roadways, and improve secure access to key facilities: (b) equipment, including communication, passenger and luggage screening, identification (badge) and surveillance systems; and (c) technical assistance and training to develop and implement security programmes, emergency and contingency plans at airports and ports, crisis management, and passenger and luggage screening in line with emerging international security regulations.

ROADS

A well developed and maintained road network is essential to the development of the productive sectors of the economy, such as agriculture, tourism, and manufacturing. It also is essential to an efficient internal transportation system. In recognition of this fact Government plans to spend $19.4 million in 2004 and $49.0 million in 2005 on roads and bridges. Early in the new year an evaluation and inventory of all bridges will be undertaken, as well an assessment and inventory of all roads throughout the state. These studies will enable us to have a more focused intervention as far as the rehabilitation of roads and bridges are concerned.

During 2004 work will recommence on the rehabilitation of the Windward Highway and will continue in phases to Diamond as the Windward Water Supply Project comes to a close. When completed, this project will significantly improve the quality of the road network and I urge motorists and pedestrians to bear with the necessary inconveniences while the road is undergoing reconstruction. Substantial amounts will also be spent on the upgrading of feeder roads, and highways and suburban roads.

A provision has been made in the Capital Estimates for the necessary studies and commencement of construction work on the Cross Country Road.

NATIONAL SECURITY

This Government is committed towards maintaining a peaceful and law abiding country. However there has been in recent times a number of heinous crimes which has engendered fear and insecurity among our citizens. The people of St. Vincent and the Grenadines are overwhelmingly peaceful and law-abiding but there exists among us a small, but stubborn minority of criminals who are bent on embracing criminality as a matter of choice.

This Government also sees the stamping out of corruption and the engendering of good governance as an integral part of our national security. This is evident from the number of laws touching on good governance which we have brought to this Parliament. The Proceeds of Crime and Money Laundering Act and the adoption of the OAS Convention Against Official Corruption are examples of such measures.

The establishment of a permanent, broad-based National Commission on Crime Prevention, to include representation from the state administration, the Police, appropriate non-Governmental organisations and the parliamentary opposition, is evidence of our commitment to reduce crime. Furthermore, as an indication of our resoluteness in this regard, a National Commission on Crime Prevention Unit headed by a Director has been established within the Ministry of National Security to coordinate the work of the commission.

As an integral part of improving our security, it must also be recalled that on 20th February 2003 this Government brought a motion on the crime situation in St. Vincent and the Grenadines and resolved that this Honourable House endorses the crime-fighting plans of the Government which contained fourteen core strategies. These strategies have already been detailed to the public and are being elaborated upon by the National Commission on Crime Prevention and the Police Force.

The existing building which currently houses the prison is dysfunctional in all aspects. The prison which was built to accommodate 100 in mates regularly holds close to four hundred. To address the problem of inadequate accommodation at the prison, Government has started preliminary work for the construction of a new facility at Belle Isle. A contract has been awarded for the design of the facility and construction is expected to commence during the first quarter of 2004. The new facility when completed would better provide for the rehabilitative functions of the prisons.

Efforts aimed at increasing the capability of the Royal St. Vincent and the Grenadines Police Force to carry out its functions efficiently and to respond in a timely manner is on-going. New internal arrangements for the prevention and detection of crimes have been made and the results so far have been encouraging. The community relations programme of the Police Force continues with the establishment of new neighbourhood watch groups. The established Police Youth Clubs are functioning effectively and additional clubs will be started during the new year.

In order to curb the increase in firearm related offences, His Excellency, the Governor General, proclaimed a one-month gun amnesty throughout the state. As at June 30, 2003, a total of nineteen firearms were handed in to the Police.

In our continuing efforts to improve the physical conditions under which our security personnel operate, designs for the Canouan Police Station have been finalised and construction work will begin in the new year. The Layou and Owia Police Stations have been upgraded. Several other Police Stations are included for improvement in 2004 including Union Island, Questelles and Calliaqua. Projects for 2004 include the relocation of the Questelles Police Station, and a new Police Station at Union Island.

THE GRENADINES

The Government is cognizant of the important role of Canouan in the overall development of Tourism throughout the State. Accordingly, significant resources will be expended to develop this island. In 2003, we have open a Magistrate's Court, a health centre with a resident doctor and the provision of civic services by an Administrative Office. The people of this island can now access these essential services at home base rather than traveling to neighboring Union Island and mainland St. Vincent.

The implementation of the Canouan Development Project is ongoing. In the 2004 Estimates we have allocated $1.5 million for the several activities under this project to include: road works, signage and beautification of buildings along the main street. We have made a further allocation to commence construction of the new Administrative building estimated to cost $2.8 million. Provisions are also made for the construction of a new Police Station to cost $1.6 million to commence in 2004. The construction of the jet airport will also start in 2004. These projects in themselves will boost economic activity by creating jobs directly and indirectly for the people of Canouan.

As part of Government's input into planned tourism development on Canouan Government has purchased the Canouan Beach Hotel for $4.0 million to be used as equity holdings in a joint venture marina project with Canouan developers and Moorings. An interim lease of the property is presently being negotiated with the Canouan developers to house their additional staff, while the feasibility and environmental studies are being conducted for the marina.

Government is continuing to further develop the rest of the Grenadines in order to enhance their social services, infrastructure, and tourism capacities. A decision has been taken to enter into a management contract with the Palm Island Resorts Limited, and civil society organisations, for the management of the Tobago Cays Marine Park in order to enhance its revenue earning potential and to protect this fragile marine eco-system.

These developments are in addition to plans for a new police station and a new secondary school on Union Island, refurbishing of the Bequia Community High School, increased electricity generation capacity on Bequia, Canouan and Union Island, and refurbishing of the fisheries centres in Bequia and Union Island already mentioned.

CONSTITUTIONAL REVIEW AND LOCAL GOVERNMENT REFORM

In 2003, the people of Saint Vincent and the Grenadines were engaged in public dialogue on the issue of Constitutional Review in a manner that reflects this Government's belief in participatory democracy and good governance. Consultations included our citizens in the diospora of Barbados, Trinidad and the Tobago, Canada, the Virgin Islands, the United Kingdom, the United States of America and Cuba. The Constitutional Review Commission (CRC) was formally launched on February 10th, 2003, with a mandate to examine this country's constitution and make recommendations for its root-and-branch reform in keeping with our social, economic, political and historical circumstances. Given the fact that the Constitution is the Supreme Law governing Saint Vincent and the Grenadines, there can be no question as to the importance of this process in the development of Saint Vincent and the Grenadines.

Following the second round of structured consultations in constituencies in October and November, the CRC will present an Interim Report to Parliament by the end of this month and a Final Report by December 2004. I want, on behalf of the Government and people of St. Vincent and the Grenadines to thank the public spirited citizens who are on the CRC for their magnificent efforts. The work of the CRC's Deputy Chairman has been exemplary.

Shortly, the Government will be appointing a commission on Local Government to consult the public and make appropriate recommendations for the introduction of effective, participatory, democratic local Government.

PUBLIC SECTOR REFORM

Poorly functioning public sector institutions and weak governance are major constraints to growth and equitable development. Government will, therefore, focus on building efficient and accountable public sector institutions as one aspect of its poverty reduction strategy. The Government recognises that the public sector performs many functions including the implementation of policy, service delivery, and oversight and accountability. The aim, therefore, is to build long-term systems for efficient employment and career incentives in the civil service.

The Public Sector Reform Unit is the agency mandated to advise on, and co-ordinate the process of implementation of, Public Sector Reform in St Vincent and the Grenadines. The clearly articulated vision and mission statements of the Public Service will guide the process. Public sector reform will therefore focus on four major programmes:

(1) The Performance Management and Development System (PMDS);

(2) Re-classification of the Public Service;
(3) The revision of the regulatory instruments; and
(4) Customer Service improvement.

PUBLIC SECTOR PAY

On October 31, 2003, in preparation for the imminent Estimates for 2004, the Government of St. Vincent and the Grenadines agreed with the leadership of the public sector trade unions for salary increases for public servants for a new salary round for 2004 and 2005. It was agreed that from January 1, 2004, there will be a four percent salary increase for public servants and a further three per cent increase from January 1, 2005. These increases are in addition to the normal increments which across the public service amounts to roughly 2.2 percent annually.

The salary increase for public servants in 2004 brings the salary bill to $131.9 million. Additionally, allowances amount to $9.5 million and pensions and employer's contributions to NIS another $18.8 million. Further wages account for $14.2 million in the budget. Thus, salaries, wages, allowances and pensions and NIS contributions will cost the Government $173.9 million, out of a recurrent budget of $343.68 million.

Mr Speaker, I am sure that the vast majority of nurses, doctors, public servants, teachers, policemen and women and all right-thinking Vincentians view this salary increase as reasonable in all the circumstances. The Government of St. Vincent and the Grenadines, and I personally appreciate the efforts and contributions of public servants over the past 2 ½ years of this administration. I believe that this Government has been a good employer and that we have been looking out for the welfare of all public employees, in many, many ways which do not require elaboration here. The relationship between the public sector unions and this Government has been excellent. I want to thank all the trade union leaders for their profound sense of responsibility and maturity. It is true that while employees would always want higher salaries, they know that fiscal prudence demands reasonableness in salary settlements so as to avert the fiscal imbalances and problems in some of our neighbouring countries. The general public, too, is cognizant of the fact that high salary/wage settlements throughout the economy, unless accompanied by a corresponding increase in productivity, can adversely affect the desirable competitiveness of the economy.

The Government and the public sector unions further agreed that in the first quarter of next year, discussions/negotiations will continue on allowances and other conditions of employment in the public service

PUBLIC FINANCES

The fiscal position of the Central Government, for the year ended December 31, 2002, improved relative to 2001. On the current account, revenue increased by 12.3 percent, outpacing the growth in current spending which grew by 6.1 percent. As a result, Central

Government savings increased to $31.0 million up from $13.1 million realized in 2001. The overall fiscal deficit widened by 24.1 percent to $19.2 million in 2002 compared with $14.9 million in 2001, due mainly to a 20.0 percent increase in expenditure on the Public Sector Investment Programme (PSIP).

This improvement in the fiscal current account resulted from buoyancy in revenue sources as the external economy impacted positively in the areas of lower petroleum prices and increased domestic consumption.

Preliminary data for the first ten months of the current year show a marked improvement in fiscal performance, with a current account surplus of $37.9 million compared with a surplus of $20.9 million for the corresponding period of 2002. Capital expenditure for the first ten months of 2003 amounted to $53.6 million representing an increase of 16.0 percent over the $46.2 million spent in the corresponding period of 2002. The overall deficit for January to October, 2003, declined to $11.4 million in comparison with $23.4 million in the corresponding period in 2002.

In order to maintain fiscal stability and sustainability, it is essential that Government adopts measures to bolster revenue and more importantly current savings. These savings must be used to finance the Public Sector Investment Programme (PSIP) either in whole or as counterpart funds, for employment generation, poverty alleviation, and amortization of public debt.

Given St. Vincent and the Grenadines relatively high ratio of tax revenue to GDP, it is Government’s intention to broaden the tax base through the introduction of a Value Added Tax (VAT) and adoption of a market-based Property Tax System in the medium term which will eventually lead to reduction of the marginal tax rates over time. The Government is presently perusing the Tax Reform and Administration Commission Report with a view to adopting the recommendations. The Report advocates that fiscal policy in the currency union should emphasize fiscal discipline and prudence. It should be directed to supporting the developmental and growth targets by generating surpluses for investment and emergencies, and Government’s role as a major facilitator in economic development. Fiscal policies should also embrace tax harmonization across the Currency Union beyond the fiscal convergence necessary for the effective currency union.

Waste, corruption, a mal-administration of resources and a lack of transparency must be fought at every turn. It is for this reason, among others, that the Government is fashioning a fiscal covenant with the major civil society stakeholders as part of an overall social contract.

Public Debt

Preliminary data indicate that at the end of September 2003 the total outstanding public debt was $741.3 million, representing a $30.0 million (4.2 percent) increase compared with the outstanding debt at the end of December 2002. The growth in the public debt is attributed mainly to a $23.41 million (5.1 percent) increase in the external debt which moved from $457.7 million at December 2002 to $483.1 million at September 2003 as a result of the following:-

(a) A loan of $20 million from the Royal Merchant Bank Finance Company to help finance the PSIP.
(b) A loan of $4.0 million from the Government of Trinidad and Tobago to finance the purchase of preference shares in LIAT. The share issue is part of LIAT's recapitalisation plan.
(c) Drawdown of the Emergency Recovery Loan of approximately $5.0 million.
(d) A revaluation adjustment of $5.4 million resulting from the depreciation of the $US against major currencies in which parts of our debt are denominated.

Notwithstanding an increase in loans from commercial banks and the appreciation of some currencies such as the Euro, we have managed to contain our debt servicing costs and for the first ten months of 2003, interest payments on the public debt amounted to $22.7 million which represented a 4.4 percent increase of the interest cost for the corresponding period in 2002.

This has been achieved through constant efforts to restructure our debt portfolio so as to lower interest cost by issuing our Treasury Bills on the Regional Government Securities Market (RGSM), and by substituting lower cost external debt for the higher cost local loans.

We also anticipate significant savings from the arrangements which we have negotiated with SACE and the Bank syndicate for the Ottley Hall Loan. The proposal is for the existing rescheduled loan to be repaid over a period of thirty-three years, including a three year grace period on principal repayment. This means that for the period 2004 - 2006 annual debt servicing payment on the Ottley Hall Loan is estimated at $1.12 million as compared with $8.8 million under the existing agreement. For the period 2007 to 2018 annual debt service goes up to $4.56 as compared with the $8.8 million under the existing agreement. The Government is now awaiting the draft agreement and we anticipate that new agreement will be in place from the first quarter of next year.

RESOURCE REQUIREMENTS

The total cost of the Government's programme for 2004 which I have outlined above is four hundred and eighty-three million, four hundred and fifty thousand, five hundred and seventy-three dollars ($483,450,573). This is made up of recurrent expenditure (including Amortisation and Sinking Fund Contributions) of three hundred and forty-three million, six hundred and eighty thousand, nine hundred and eighty-three dollars ($343,680,983) and a capital programme of one hundred and thirty-nine million, seven hundred and sixty-nine thousand, five hundred and ninety dollars ($139,769,590). A detailed analysis of all this was provided by me in the Parliamentary Debate on the Estimates of Expenditure last week.

This budget has been fashioned in a manner to respond to the prevailing economic circumstances on the international, regional and domestic fronts. For the 2004 fiscal year, much emphasis has been placed in presenting a budget which consolidates our fiscal position and places the economy on a sounder footing to take advantage of the anticipated improvements in the international economy. Therefore, while our fiscal policy stance may be somewhat expansionary, it is carefully balanced to ensure fiscal and debt sustainability. This is evidenced by the modest increase of 5.1 percent of the 2004 budget over 2003.

In 2004, recurrent expenditure is increasing by 6.2 percent over the recurrent expenditure budget for 2003. All categories of spending are increasing over 2003. The main contributors are Wages and Salaries, Good and Services, and Amortization. The summary of the recurrent budget by economic classification is as follows:

Item of Expenditure	**2004 $m**	**2003 $m**	**% change**
Wages and Salaries	155.12	149.45	3.8
Pensions and NIS	18.80	17.20	9.3
Other Transfers	35.07	33.49	4.7
Interest Payment	31.18	29.85	4.5
Goods and Services	67.87	63.12	7.5
Sub-total	**308.04**	**293.11**	**5.1**
Add:			
Amortization	29.64	24.38	21.6
Sinking Fund Contributions	6.00	6.00	0.0
TOTAL	**343.68**	**323.49**	**6.2**

It is the policy of this Government to utilize the capital programme as a stimulus for economic activity while at the same time providing the platform for private sector development. In this regard, Government places a particular focus on first delivering a realistic and strategically targeted capital budget, and secondly, improving the implementation rate of this budget. The 2004 capital development programme is designed to:

1. continue the accelerated developments in Education by providing the requisite physical infrastructure to support the achievement of universal secondary education and improve primary school facilities;
2. complement the work being done in education and the productive sectors, by directing resources to other essential services namely health, community services, transport, administration and national security; and
3. accelerate the effort to diversify the economic base by investing strategically in Agriculture and Tourism.

At the end of 2002, Capital Expenditure was an estimated $63.6 million or an implementation rate of 46.6 percent, compared with $48.2 million in 2001. At the end of October 2003, capital expenditure totalled $53.6 million dollars, 15 percent above the figure for the corresponding period in 2002. An estimated expenditure of $75 million, or an implementation rate of about 55 percent, is projected for the year 2003.

We have moved one step closer to a more effective capital program management with the completion in May 2003, of a diagnostic study for the establishment of an integrated project/programme management system. In the medium term we intend to implement some of the recommendations emanating from the study.

As we look towards 2004 we envisage further intensification in activity as several of the major projects enter the construction phase. By extension, a higher rate of project implementation is anticipated. Given the level of activity projected and our commitment to increasing the effectiveness and impact of such activities, a Project Implementation Unit will be established in 2004, charged with responsibility for the implementation of major capital projects. This intervention takes us one step further in the integrated approach to development that we have embarked upon. This Unit is expected to complement the Project Management & Coordination Unit established at the beginning of 2003.

The 2004 capital budget distributed by economic sector is as follows:

	2004 $m	**% share**
Transport	32.03	22.9
Education	24.23	17.3
Agriculture	15.91	11.4
Community Services	12.74	9.1
Health	7.42	5.3
Tourism	1.19	0.9
Others	46.25	33.1
	139.77m	**100.00**

<u>Capital Budget Financing</u>

Approximately sixty-one percent or $85.1 million of the financing for the 2004 capital budget comes from external sources, namely Grants and Loans, while domestic sources of funding contribute the remaining $56.7 million or 39 percent.

On the external side, Grants amount to $41.8 million. The principal donors are the European Union and the Caribbean Development Bank (CDB), the Republic of China and Japan. External Loans totaling $43.4 million will be raised from the CDB $3.8 million, the ROC $2.5 million, and Kuwait $2.5 million. Government intends to enter the regional and domestic financial markets to raise an additional $60 million to assist with the funding of the 2004 capital budget. In view of the existing level of liquidity and interest rate conditions in the market, the cost of these funds is not expected to be high. These new borrowings, net of Amortization and Sinking Fund Contributions will result in a $24.4 million increase in the Public Debt.

The full details of the financing structure of the 2004 capital programme are as follows:

Source of Funds	**2004 $m**	**% share**
Domestic Receipts	**54.68**	**39.1**
- Revenue	9.25	6.6
- Local Loans	41.50	29.7
- Development Bonds	3.93	2.8
External Receipts	**85.09**	**60.9**
- Grants	41.72	29.9
- Loan	43.36	31.0
TOTAL	**139.77**	**100.0**

A holistic review of the 2004 Budget reveals that there is a current account surplus of $35.8 million and an overall deficit of $53.2 million. The current account balance is applied to the capital side to supplement the financing of the development programme, thereby reducing the size of the overall deficit. This is why current account surpluses are of critical importance. The budget for 2004 can be summarized as follows:

Item	**$ m**
Current Revenue	343.80
Less: Current Expenditure	308.04
Current Account Surplus	**35.76**
Add:Grants	41.72
Other Capital Receipts	9.13
Funds available for capital budget	86.62
Less: Capital Expenditure	139.77
Overall Deficit	**(53.15)**
Financed By	**53.15**
External Loans	43.36
Local Loans	41.50
Development Bonds	3.93
Less: Amortization	(35.64)

FISCAL MEASURES

Fiscal measures for the upcoming financial year will focus on preparing St. Vincent and the Grenadines to meet the challenges of globalisation and the fuller integration of our economy into the global economic and trading systems. St. Vincent and the Grenadines is a signatory to the WTO and CARICOM trade agreements, both of which require the country to re-examine its fiscal regimes, redesign them in a manner which promotes competitiveness and remove practices which discriminate against non-nationals. Tax reform is also required in advance of the FTAA and to satisfy the requirements of the OECS Heads of Government for a single economic space by 2007.

Under the existing tax structure a significant proportion of revenue originates from taxes on international trade and transactions. Given the specific provisions of the trade agreements, these charges will have to be reduced or removed in some cases. It is in this context that the Government has agreed to the introduction of a Value Added Tax (VAT) which we aim to implement, in conjunction with other OECS Governments from 2006. The intention is to replace all indirect taxes, except import duty with this VAT. It is estimated that a rate of 15 percent will be sufficient to recover all revenue from the taxes removed. To ensure that the VAT will not adversely affect the poor, products that account for a large part of spending by the poor such as basic foodstuff will be excluded from the tax.

We also propose to supplement the VAT by applying an Excise Tax on certain goods that are now highly taxed, including petroleum products, alcoholic beverages, tobacco, passenger cars and possibly some other consumer durables and some services. We have made a provision in the 2004 Estimates for the establishment of a VAT Implementation Unit, within the Ministry of Finance and Planning, which will prepare the country for the new venture.

Government has also agreed to modernise the Property Tax System over the medium term. The current system based on ascribed rental value is administratively cumbersome and gives the impression that the tax is unfair. Accordingly, we propose to convert the rental value assessment system into a market value assessment system and to reassess the values at regular intervals to ensure that property assessments stay up-to-date.

In all of this, we do not propose to increase the Property Tax burden, on homeowners. Our analysis has shown that a tax rate of approximately 0.08 percent of market value will not result in any increase to the average homeowner. The same rate applied to market values of commercial properties will require a 33 per cent discount to produce a neutral tax burden on commercial properties. The analysis has also shown that addressing inadequacies in the list through a revaluation process and pro-active arrears management is likely to result in a 35-40 per cent increase in collections from property tax. The implementation of the new property tax system will be simultaneous with the VAT sometime in 2006.

As part of our tax reform, attention will be given to implementing measures to ensure that all citizens pay their fair share of the tax burden. I am disheartened to learn that a large number of our professionals have been involved in extensive tax evasion practices with some professionals simply refusing to pay any income tax whatsoever. Such acts of lawlessness by so-called "good citizens" will no longer to tolerated and Government will use the full force of the law to deal with these large-scale tax defaulters and tax cheats. It is absolutely unfair and wrong to have a situation where obviously well-do-do professionals are paying less taxes than corporals, senior clerks and stevedores for example.

The revised Treaty of Chaguaramas requires member states to remove legislative and administrative restrictions, which treat nationals of other CARICOM States less favourably than their own nationals. This is in keeping with efforts to establish the CARICOM Single Market and Economy (CSME). St. Vincent and the Grenadines has been identified as having discriminatory restrictions in a few areas and we have given a commitment to have these restrictions removed no later than December 31, 2003.

In accordance with this commitment we have already amended the Hotels Aid Act in order to allow CARICOM nationals to qualify for concessions under the same terms as nationals of St. Vincent and the Grenadines, that is on the construction of five guest rooms as opposed to ten at present. Earlier in this presentation, I mentioned our plans to amend the Registered Agent and Trustee Licensing Act in order to permit CARICOM and Non-CARICOM nationals to be licensed as Registered Agents. I now propose the following additional measures.

1. To amend the Professions Licensing Act in order to exempt CARICOM nationals from the requirement to pay a licence fee as transient traders pursuant to Section 3(3) of the Act. In order to bring these traders on par with local traders, all traders, whether resident or not will be required to pay the annual licence fee charged on traders pursuant to Schedule 1 of the Act.

2. To increase the Insurance Business Tax payable on local insurance companies to five percent (5%), which will bring it up to the level of tax charged on CARICOM and other insurers operating in St. Vincent and the Grenadines. This measure to expected to yield $250,000 per annum.

The following additional revenue measures are proposed for implementation from January 01, 2004.

Airport Service Charge

I propose to increase the Airport Service Charge from $35 to $40 per passenger. The Government plans to implement significant improvement to the E.T. Joshua and Canouan airports with planned Capital Expenditure in excess of $100 million over the next three years on these airports.

The increase in the Airport Service Charge is an attempt to recover a portion of this cost and to improve the viability of the project. The estimated yield from this measure is $500,000 per annum.

Vehicle Surtax

I propose to increase the vehicle surtax payable on all imported vehicles over four years old by $1,000 for each category. This charge is to help offset the cost of removing derelict vehicles from the streets of St. Vincent and the Grenadines. Indeed, during 2004 we will in conjunction with the CWSA implement a project for the removal of derelict vehicles from our streets. We have included a provision of $250,000 in the 2004 Estimates as the Central Government's contribution to this project. The estimated annual revenue yield from this measure is $750,000.

Firearm Licence

I propose to increase the annual licence fee for carrying a firearm from the present $50 to $250 in the case of shotgun and to $500 for revolvers and pistols, rifles, and firearms for watchmen and servants. The measure is expected to yield over $250,000 per annum.

Charges for Passports and Other Travel Documents

I propose to increase the charges for passports and other travel documents as shown in the Annex to this presentation. A normal passport will now be increased from $50 to $60. This measure is expected to yield $75,000 per annum.

CONCLUSION

Mr. Speaker on November 7, 2003, the preliminary conclusions of the IMF Article IV Consultant for 2003 – the routine IMF consultations, were delivered to the Government. In keeping with the Government's openness and transparency the "Preliminary Conclusions" were published, unedited, in all three newspapers in St. Vincent and the Grenadines on November 21, 2003.

What was the summary assessment by the IMF Staff Mission on the performance of the economy of in 2002 and 2003 so far and how did the IMF Mission view the management of the economy by the ULP administration? On both issues - performance of the economy and management of it – the IMF's verdict was favourable. Let us succinctly state the IMF position.

First, listen to the IMF's Mission on the issue of economic growth in St. Vincent and the Grenadines:

"Against the backdrop of a weak global economy and the ongoing loss of the preferential trade access for the traditional crop (that is, bananas), the economy 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".

Secondly, what did the IMF Mission have to say on the "counter-cyclical fiscal stance" of the Government. It 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".

Thirdly, what was the view of the IMF Mission on certain other critical concerns such as unemployment and poverty? This was their summation:
"The (IMF) Staff was encouraged by the progress being made in developing strategies to address these problems of unemployment and poverty, and the spread of HIV/AIDS, as well as the Government's efforts at building consensus for key economic reforms through extensive consultations with civil society. Full implementation of these programmes will play an important role in improving living standards throughout the population."

Fourthly, what was the gist of the IMF Mission's advice to Government?:

1. The counter-cyclical fiscal policy stance, "can only be pursued on a temporary basis and it is crucial that the private sector re-emerge as the engine of growth in the economy. In light of the vulnerabilities facing the region, such as the uncertain prospects for tourism and developments in the global economy, the Mission encourages the Government to adopt an appropriately cautions fiscal stance in the 2004 budget."
2. "The need to enhance the economy's competitiveness has to be borne in mind in fixing the minimum wage and wage negotiations involving the private and public sector."
3. "Regulation and supervision of the non-bank financial institutions need to be strengthened".

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 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. The Government does not consider the increase in the 2004 Budget over the 2003 figure of $23.6 million or a rise of 5.1 percent to be imprudent. At the same time, it will not embrace a paralysing condition of excessive caution.

Mr. Speaker, it would be recalled that in 2001 when the ULP Government first embarked on a creative, counter-cyclical stance, we were criticised, here in St. Vincent and the Grenadines by some who are bedevilled by an excessive caution induced by their nature, disposition and philosophy. Even the IMF was prepared to acknowledge that this fresh approach, which emanated from outside the walls of an outdated "Washington

Consensus", ought not to be critiqued upfront. The proof of the pudding surely would be in the eating.

Indeed, by the end of 2002, the IMF Staff Mission was forthrightly approving when it asserted that in St. Vincent and the Grenadines the counter-cyclical fiscal policy of the Government averted a recession and stemmed a rise in unemployment. Now, in 2003, the IMF openly states that our fiscal stance is "an appropriate response in the current economic situation", although it urges caution by us in 2004 – an issue which I have just addressed. 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. This approach calls for, among other things, steady hands, mature judgement, astute leadership, an uplifting philosophy of life and production, and above all, a people who dig deep into their individual and collective resources of strength, motivation and wisdom to turn setbacks into advances.

As Minister of Finance, as a trained social scientist and as someone who has lived through and participated in the most momentous events of the post-independence Caribbean, I say to Honourable Members and this nation that the economic management of any country, including St. Vincent and the Grenadines, is not simply the composite of a series of technical functions. It is partly that; but it is much, much more. It is fundamentally about a profound knowledge of our country's economy and society – "knowledge" not merely "information" about a relevant history of economic thought, about comparative economic history, including that of modern globalisation, and about a many-sided praxis of a focussed political economy.

Mr. Speaker, this ULP Government understands all this. Accordingly, it leads with a sense of purposeful optimism, in the interest of our people's humanisation. This Government concentrates upon enhancing our nation's strengths and possibilities and reducing, as far as is humanly possible, our weaknesses and limitations. We in the ULP Government reject absolutely the political evangelism of negativism and its debilitating philosophical premise of "learned helplessness". Our people who, by-and-large are good-natured, and who have been nurtured in the kingdom values of hope, faith, love, peace, justice and unity, embrace instinctively all that I have been articulating. A remarkable consensus has grown up around these core principles and values, despite an occasional dissonance, which our Caribbean civilisation, including its Vincentian component, has successfully tested in its painful and joyous journey from European conquest and settlement, through slavery and indentureship, through colonalism and imperialism, through the process of constitutional decolonisation, to freedom, democracy and national independence.

Mr. Speaker, our nation, our people have come a long way. And over the past thirty-two months of the ULP administration, our people, purposefully led have done commendably well despite awesome challenges deriving from the condition of the international economy, the awful inheritance bequeathed to this Government by its predecessor, the very economic structure of St. Vincent and the Grenadines, and natural disasters.

Adverse circumstances beyond the control of the people of St. Vincent and the Grenadines or their leaders have come upon our nation in swift succession since 2001: the terrorist attacks in the United States of America on September 11, 2001; the effects of the subsequent wars in Afghanistan and Iraq; the enveloping political and economic uncertainties, internationally; the droughts in 2001 and 2003; the devastating Tropical Storm Lili of September 2002; and the worst economic situation internationally for 30 years.

Throughout the OECS, and wider Caribbean, many perhaps most, countries have been unable to withstand the recent “slings and arrows of misfortune”. Accordingly, many have racked up either negative growth rates or deficits on the Government current accounts; some have had both. St. Vincent and the Grenadines, on the other hand, has achieved modest economic growth of some 1.4 percent in 2002 and an estimated 2 percent for 2003 and a current account surplus of 3.2 percent of GDP in 2002 and is on track for a targeted current account surplus of 4 percent of GDP in 2003. While some countries have been unable to service their debts and to pay public servants on time, St. Vincent and the Grenadines has been meeting our payments in a timely manner.

Mr. Speaker, this Government has full confidence in the people of St. Vincent and the Grenadines. It knows that it is responsible to them; and it is responsive to them. It is fundamentally for these reasons, and more, that Ministers and I, accompanied by officials, have engaged the stakeholders and general public in several meaningful consultations on the preparation of the 2004 Estimates and Budget. This exercise is of profound significance to us and many, many proposals from the stakeholders and the general public have found their way in the Estimates and in Government’s budgetary policies. I shall detail some of these when I wind up the debate later this week. From the five public consultations alone, 79 members of the public made hundreds of suggestions for inclusion in the Estimates this year or next year.

Mr. Speaker, the consultations are a most rewarding exercise in governance. The public understands the core of the Government’s policies; they are keeping their focus and are not being side-tracked by side-shows and irrelevancies.

Mr. Speaker, last year this Government accorded all public servants and retired public servants a one-half month salary tax free. This cost the revenue $6 million. Private sector entities and statutory bodies followed suit. There were other strategic initiatives by the Government last year to put more money in people’s pockets and to stimulate further the economy. What are the reliefs, additional monies, or other strategic initiatives of a similar kind this year.

Mr. Speaker, on November 19, 2003, I announced that all family barrels (excluding electronic or such like equipment) which arrive in St. Vincent and the Grenadines from that day until December 31, 2003, irrespective of the date on which the barrels are cleared from Customs, will be exempt from Customs Duties and Consumption Duties. A handling charge of $25.00 for the large barrels and $15.00 for the small ones are to be paid. This is estimated to cost the Treasury in excess of $300,000 this year. Thousands of Vincentians are benefiting from this measure. Customs Officers, though are on the look out for those who seek to abuse this exemption.

Mr. Speaker, last year, the poor, including the elderly poor, who are on public assistance or who receive the non-contributory aged pension through the NIS, got no bonus or extras. This year is their time. Accordingly, this year, all those who are on the public assistance or who receive the non-contributory aged pension through the NIS will get an extra $50 with their December payment. Seven thousand, seven hundred (7,700) persons will benefit from the measure. It will cost the Government $385,000. This is part of the Government's "Reach Out and Touch" Programme for 2003.

Mr. Speaker, as I speak today, there are more persons in employment on the roads and in various Pubic Sector Investment Projects than ever in the history of St. Vincent and the Grenadines. On November 17, 2003, I approved $1.5 million to provide Christmas work on the roads. Under this programme some 5,000 persons are up-and-down the country cleaning the roads and drains or involved in ancillary work. Young and old, men and housewives, persons with diverse occupations, are on the road working.

Additionally, hundreds of workers are engaged in rehabilitation work consequent on the recent rainstorms. Further, some 600 workers are currently employed on the low-income housing project and hundreds more are employed in several Public Sector Investment Projects from Union Island to Kingstown, up to North Windward and North Leeward.

Mr. Speaker, I want to say a word or two more about public servants remuneration. On October 31, 2003, the public servants and the Government came to an agreement on salaries for 2004 and 2005, and on the way forward for allowances and the reclassification exercise. The leadership of the Public Service Union, with the concurrence of all the other public sector leaders, formally proposed, as part of the over-all agreement, that the public servants, teachers, policemen/women, nurse and doctors be each paid across the board, a $200.00 bonus in the month of December 2003. I indicated that it was not possible for me to agree to, at that time, this proposal since I had to study carefully the impact on the fiscal situation, including the Government's cash-flow. I am now most pleased to announce that I will add to the unions' bonus proposal. Accordingly, in the December 2003 pay packets of public's servants, teachers, policeman/woman, nurses and doctors and all public service pensioners, there will be a bonus of $250.00 across the board tax-free. This bonus will cost the Government $1.5 million.

Mr. Speaker, I am satisfied that the public service employees deserve it. It is an incentive, too, for them to work harder and be more productive. Indeed, it is their patriotic duty to do so. I want all categories of public servants, broadly-defined, to know that this Government cares, this Prime Minister keeps his word, and the workers of this country are again provided with evidence that they can TRUST this Government.

This bonus payment is a vindication, too, of the honest, responsible and mature leaderships of all the trade unions who were so traduced and vilified, not merely criticised, by those who have never placed the working people's interest at the heart of their public policy.

In the aggregate, over 22,000 Vincentians will benefit directly from the counter-cyclical fiscal initiatives and other strategic actions at this time of the year. Thousands more would indirectly benefit through the normal workings of the economy and society.

Mr. Speaker, given the lead of the Central Government, I am urging all state-owned corporations and companies and the private-sector entities or employees to follow suit with whatever reasonable bonus that they can afford.

Mr. Speaker, St. Vincent and the Grenadines is a small, developing country in the lowest one-third of the middle-income developing countries. Having regard to all our country's economic possibilities, this Government is on a quest within the next ten or so years to lift St. Vincent and the Grenadines into the ranks of the top one-fifth of the middle-income developing countries. From that platform we can achieve higher heights. We can do it. But we must all work harder, more productively and in a focused and responsible manner. In the process, we would progressively lift the quality of our lives and the standard of our living, individually and as a nation. Let us do so, Together Now!

But this Budget is about more than economics and finance, though those are the central concerns. It is about good governance; it is about a many-sided reform programme touching on practically every facet of life and production and it is about real flesh-and-blood people who constitute our nation at home and in the Diaspora. It is about us all, Together Now!

Thank You!