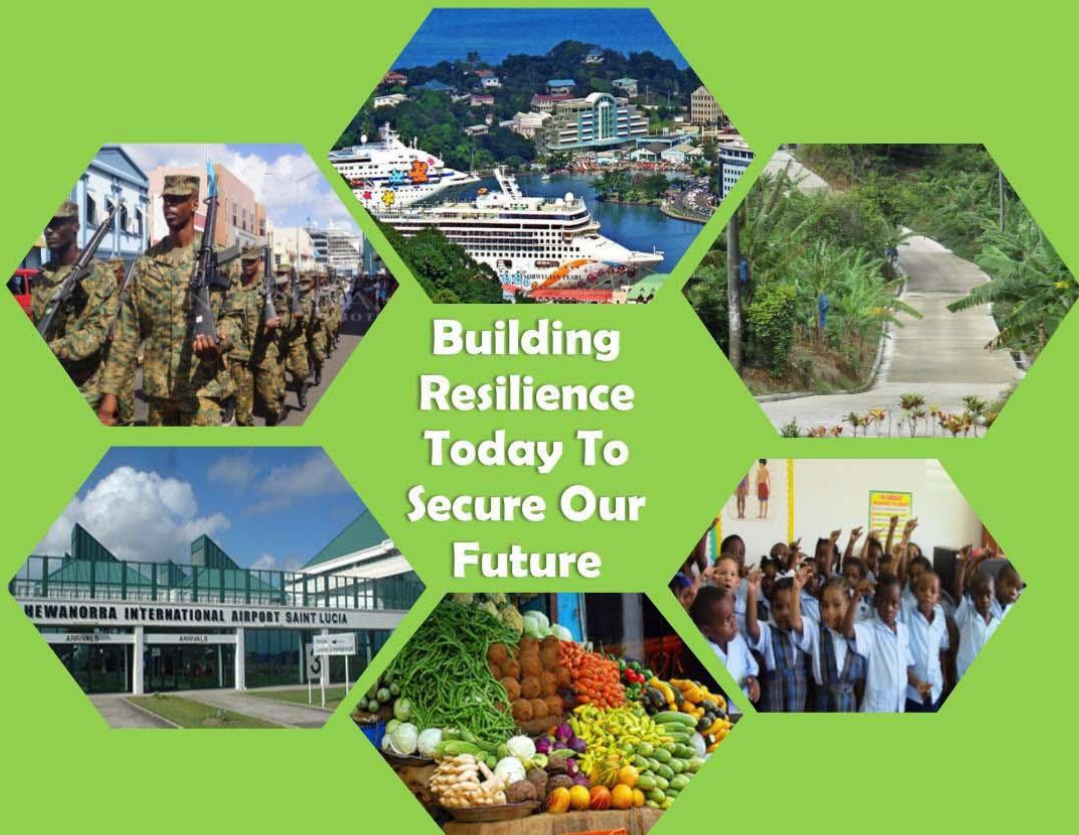




GOVERNMENT OF SAINT LUCIA

BUDGET ADDRESS

For the Financial year 2018/2019



**Building
Resilience
Today To
Secure Our
Future**

Hon. Allen Michael Chastanet

*Prime Minister and Minister for Finance,
Economic Growth, Job Creation, External Affairs
and the Public Service*

“Building Resilience Today to Secure Our Future”

INTRODUCTION

Mr. Speaker;

It is once again a special privilege for me to present to this Honourable House and to the people of Saint Lucia, the Government’s policy statement on the Budget for 2018/2019.

Permit me Mr. Speaker to take some time to express on behalf of this Honourable House and also on behalf of the entire nation our deep sorrow for the devastating loss of our Folk Research Centre (FRC) due to a fire on March 25, 2018. The FRC was our national repository for our rich heritage and culture.

I wish to pledge the support and commitment of my government to assist the FRC in its restoration efforts.

As a people we should all commit as we re-build from the ashes.

Mr. Speaker, toward the conclusion of our last sitting, I referenced the thousands of Saint Lucians who on June 6, 2016 freely chose to place the United Workers Party in office under my leadership. They did so because they had placed their faith in the promises my party made them. We admit some of the pledges we made will be more difficult to achieve than others, because there are very few quick fixes. But we are not deterred; we are determined to deliver on all our election pledges, regardless of impediments deliberately put in our way.

One of the promises we made at election time, Mr. Speaker, was to introduce to government affairs real transparency and accountability. Previous administrations may have made similar promises. But

after 15 years it became quite clear that their promises were just words, words, words. Empty words. Mr. Speaker, shortly after the June 6 general elections, I promised Saint Lucians that governance under my stewardship would no longer be business as usual; that our country was sick and dying from business as usual. That we would put an end to business as usual—or die trying.

It is also true that you cannot get a broken vehicle moving again until you have discovered precisely why it stalled in the first place. A doctor cannot usefully prescribe for a sick patient until he has thoroughly examined that patient. Random remedies, like random government policies, are doomed to deliver unpredictable consequences—from which, often, there is no return.

As I say, Mr. Speaker, at the conclusion of our last sitting, I repeated my party's election pledge to get to the bottom of a number of suspicious undertakings by our predecessors; undertakings that were neither transparent nor accounted for. It appeared in some cases that deliberate attempts were made to cover tracks and make investigation pointless.

We blocked an escape route in April 2017, Mr. Speaker, when we amended the Crown Proceedings Act on the recommendation of the 2009 Ramsahoye Commission. The amendment now allows for the recovery of public funds, unencumbered by a statute of limitations. Perhaps coincidentally, Mr. Speaker, at the time of the amendment members on the other side chose to absent themselves from the House.

But the amendment to the Crown Proceedings Act was only the beginning, Mr. Speaker. There is still a lot of

blinding smoke to be cleared from around a number of public concerns, including how we became embroiled in the marital affairs of a Saudi billionaire, and what induced a former prime minister to partner with American oil speculator notorious for his business practices. We must clear the suffocating smoke that conceals the truth about Messrs Walid Juffali, Jack Grynberg, Robert Lindquist, St. Jude Hospital and the infamous “Minister’s Account”.

And now Mr. Speaker, I will report on our progress as a Government since our first Budget last year, which Honourable Members will recall was crafted as the foundation for setting Saint Lucia on a new path of sustainable economic growth for the social advancement of our people. This, Mr. Speaker, is at its core what good, responsible governance is about. It is not simply about attracting investment, building roads,

schools, hospitals, police stations or providing jobs. Those are merely the tools – the means to an end – for improving the lives of all Saint Lucians. What this policy statement will do therefore is to lay bare the areas that this UWP government has identified as the next steps towards the ultimate goal of poverty eradication and shared prosperity among our people.

Mr. Speaker;

When the people of Saint Lucia elected the United Workers' Party to Government almost two years ago we were faced with a country in crisis. There was high debt, low growth, high unemployment, the country was over taxed and there was a loss of confidence by investors, by our own private sector and indeed, by the people of Saint Lucia. To all intents and purposes the economy had stagnated. We knew that we would have to be bold and innovative if we were going to turn things around. Mr. Speaker, we had a vision and we had

a plan and we have stuck to it in the face of doubt and criticism. Franklin D. Roosevelt once said that “the only limit of our realization of tomorrow will be our doubts of today.” I can assure you Mr. Speaker that this Government is focused on the realization of tomorrow.

We knew that we had to jump start the economy to achieve the realization of tomorrow. So that when we reduced the VAT in the first Budget it was not merely to fulfill an election promise. We had confidence in the people and businesses of Saint Lucia that they would create the economic activity that was required to get us back on track. They did better than even we expected. Despite all the carping and criticism about the loss of revenue, where we were projected to lose \$55 million, the outturn for the VAT is an estimated shortfall of \$27 million. More than this though Mr. Speaker, we made the conscious decision to restructure the tax burden.

The consequence is that the tax on fuel and its deployment to road maintenance and repairs has directly benefitted those who pay the tax. Similarly, with the airport tax. The people who use the airport will benefit from improved facilities. The taxes are therefore more targeted.

Mr. Speaker, we have taken the first step by creating economic activity and growing the economy. Unemployment and underemployment have fallen and we have establish a platform on which to build. Investor and business confidence has returned and we must now be ready to capitalize on it.

Mr. Speaker, the short term measures we have taken to boost the economy have been supported by our longer

term plan to restructure and reposition the economy so as to place it on a higher growth trajectory. In this regard, we have commenced the process of re-engineering government as we believe that a more efficient and responsive government is required for the delivery of improved services to the citizens and growth in the private sector.

Mr. Speaker, we all know that Government's ability to engage in long term planning has been extremely weak and this has been a major cause of our somewhat dysfunctional development.

It is for this reason that we have created the National Integrated Programme Planning (NIPP) unit. The NIPP will be responsible for engaging in the long term development of the country and thus allow for a more orderly and structured approach to the development of

our island. At a broader geographic level, we are at an advanced stage of developing master plans for Vieux Fort and for the redevelopment of Castries. This Budget is therefore premised on the need to facilitate and indeed drive further growth.

Before I get into our strategies for this budget cycle Mr. Speaker, it is worth recalling that last year I identified six key areas on which the government would focus over the next four years:

- I. Creating Sustainable Employment**
- II. Re-engineering Social Services**
- III. Reforming Government**
- IV. Improving Security and Justice**
- V. Building Capacity in Renewable Energy**
- VI. Adapting to Climate Change**

I wish now to give a brief update on our progress in these areas during Year One.

Employment

I am encouraged that the unemployment rate has declined. Even though we are by no means satisfied with the numbers, we have achieved success in providing more jobs.

From a peak of 24.4 percent in 2014, unemployment dropped to 21.3 percent by the end of 2016 and declined further to 20.2 percent in 2017. Youth unemployment remains a stubborn challenge at 38.5 percent, but we are going to take steps in this financial year to launch a major assault on creating new jobs for our young people.

I am heartened however, by a sharp decline in under-employment as a share of the labour force from 9.6% to 5.3%. This provides a promising sign that more people are finding more sustainable work and earning more.

Social Services

Mr. Speaker, in my address last year I articulated a vision for our social protection system that would target those most in need. It would provide a range of support interventions both cash and non-cash. It would be household centered and would above all, confer clear responsibilities not only to the state, but to the recipients themselves.

Having reviewed the system, our efforts this year will be concentrated on establishing the appropriate infrastructure for this social protection system. It will establish and track: -

- Who the vulnerable are
- The range of support needed and provided
- Their overall status and progress

The appropriate software to capture data on the above areas has been identified. With such information we will now be better placed to overhaul our current system of Social Services with one that is information based, administered at the local level and better equipped to accurately quantify the resources required to assist the vulnerable and those most in need. We can no longer continue to subsidize all sections of the society under the guise of protecting the poor. This is simply unsustainable.

Reforming Government

There is no doubt that an agile and responsive public service can make a significant contribution to economic

growth and national development. In this Information Age, the transformation of the bureaucracy to meet the expectations of the business community, and all Saint Lucians remains a challenge, an imperative and an important goal of my Government.

We have made progress in the following areas during the last year:

- An assessment of e-government initiatives has been completed and services have been prioritised for entry to the shared services platform based on their impact on government business
- The digitization of government records has been ongoing for some time now and will continue
- In order to complement Government's e-commerce strategy and to reduce the digital divide between rural and urban areas, as promised in our Manifesto, I am especially proud Mr. Speaker to report that the installation of the wireless internet

backbone for the Government Island-wide Network or GINet will be completed by mid-April, with the assistance of the Government of the Republic of China (Taiwan).

- Phase two of the project will allow schools, communities, government facilities and the general public in Castries, Micoud, Vieux Fort, Canaries and Dennery to be “connected” at low or no cost. This will provide access to the internet to young and old alike and help to improve overall productivity. There are also huge advantages to be realised by children from underprivileged homes who may not have previously had easy access to the educational tools and resources available online.

Improving Security & Justice

Considerable planning has been undertaken to improve the delivery of justice and policing services over the past year. Our initiatives to finance new infrastructure

for the judiciary and police are in the final stages of completion and the Police Force has undertaken a comprehensive review of its operations and has presented concrete operational and social programmes to reduce crime in Saint Lucia. I will elaborate on these a little later in my presentation.

In the interim the Police Force has been provided with a fleet of 15 new vehicles and 6 motorcycles and the Forensic Lab was re-opened to help improve investigative capacity.

Renewable Energy

There have been important gains in the renewable energy sector over the past year. I will highlight a couple of them here.

In its bid to increase the uptake of solar photovoltaic systems, The National Utility Regulatory Commission published the procedure for connecting Solar Photovoltaic Systems to the national electricity grid. This has simplified the application process with a resulting increase of 149 kW of electricity generated from the sun. We look forward to even more commercial properties and homeowners continuing to invest in PV systems in the coming year.

Meanwhile, development of the Geothermal Resources continues apace. In this regard, I am pleased to report the following developments:

- The pre-feasibility study for the Geothermal Project was completed in December 2017
- The draft Environmental and Social Impact Assessment (ESIA) Report for the drilling sites was submitted in January 2018.

- Work on the legislative and regulatory framework for introducing and integrating geothermal energy in the domestic power system is ongoing
- Preparation of a Power Purchase Agreement (PPA) between the geothermal developer and LUCELEC and a Geothermal Resource Development Agreement (GRDA) between Government and the geothermal developer, is also ongoing.

Climate Change

Mr. Speaker, we are a Small Island Developing State with limited natural resources, and we must all contribute to the sustainability of our Helen of the West. The development and resilience of the country cannot be successful without the participation of its citizens. Therefore, the planning process for the implementation of the Sustainable Development Goals

has, so far, been an inclusive one, which has embraced all sectors of society.

The effects of climate change and its mitigation must be made real to Saint Lucians beyond the horrific images of hurricane ravaged Barbuda, Dominica and Tortola that we saw last year. In an effort to bring mitigation closer to home, a pilot financing mechanism has been introduced to promote increased climate resilience under a Climate Adaptation Financing Facility or CAFF.

Mr. Speaker, tremendous effort was invested last year in lobbying our bilateral donors and multilateral agencies on the criteria for official development assistance (ODA) with the aim of creating the path to access critically required resources for building resilience in Small States. It was an onerous task and we have registered some success in getting the

international community to stop and pay attention. Our efforts were focused on removing the simplistic criterion of GDP per capita as the qualifying factor to be eligible for ODA funding. In addition, procedures to access ODA funding in times of emergency, require fundamental changes to allow for immediate access to these resources. Mr. Speaker, debt management strategies have also come under sharp focus by the multilateral agencies. It was important that we spoke collectively and that we continue to act in unison as Small Island states on this matter.

It would be remiss of me Mr. Speaker, if I did not take this opportunity to recognise the contributions of the OECS Commission, in particular that of the Director General, Dr. Didicus Jules for his sterling leadership during the 2017 catastrophic weather events. In addition, the Government of Mexico, President

Emmanuel Macron of France for his One Planet initiative, the UK Government and the Government of Canada in highlighting the urgent needs of Small Island Developing States for climate change development funding. I wish to thank them for their various efforts and assistance so far in helping us to help ourselves.

INTERNATIONAL ECONOMY

Mr. Speaker;

Before I move to the strategic policies of the Budget for the 2018/19 fiscal year, it is important to set the context of the economic environment in which we operate as a sovereign state. Most economies in today's world are either connected or impacted by what happens in the economies of its main trading partners. Saint Lucia is no different in this regard.

In its most recent World Economic Outlook, issued just a few days ago, the International Monetary Fund has revised its forecast for global growth upwards to 3.9% for 2018 and 2019. This is welcome news for us here in Saint Lucia. The growth momentum in our major source markets and trading partners in the US and Europe are expected to have beneficial spillover effects on our own economy.

The Euro Area is expected to grow by 2.2 percent in 2018, while the cut in corporate tax rates in the US is expected to have a positive impact on that economy with growth accelerating to 2.7 percent in 2018. This bodes well Mr. Speaker, for Saint Lucia's growth prospects. The U.S. remains Saint Lucia's largest source of both stay-over and cruise arrivals. It is imperative Mr. Speaker, that we position ourselves to take advantage of this global economic expansion and put

the necessary systems in place to capitalize on the spin off opportunities that will arise. Of critical importance is our ability as a county to work assiduously and urgently to remove the barriers to growth that are within our control.

REGIONAL ECONOMIES

In our own region, growth was mixed, but generally continues to lag behind other small developing economies, which is worrying. Guyana experienced growth of 3.5% due largely to an increase in gold production. Trinidad & Tobago continues to be hampered by low energy prices and reduced output resulting in negative growth of -3.2%. Barbados is still grappling with a high debt to GDP ratio of over 100% and saw a downward revision of growth from 1.0% to 0.9% in 2017.

High debt and fiscal imbalances continue to strangle economic growth in many of our sister economies. The fury of Hurricanes Irma and Maria was a stark reminder of the importance of building resilience in our economies, not only to recover from natural disasters and bolster the effects of climate change, but to mitigate

against the dangers of prolonged weak competitiveness, high fiscal deficits and inadequate human development. The impact of such events further manifests in increased insurance premiums and constraints on access to insurance payouts. This has implications for the pace of the recovery and reconstruction efforts as well as our continued competitiveness.

SAINT LUCIA ECONOMY

Here at home, preliminary figures for 2017 indicate that the economy has started to grow again by the notable margin of 2.5%. However, I wish to repeat, **it is imperative**, that we remove the impediments to further growth. If we do not accommodate growth through investment it will be temporary, unreliable and therefore unsustainable.

Our growth over the last year was driven largely by a strong recovery in the tourism sector and also reflected increased activity in construction, wholesale & retail and manufacturing sectors with positive spin-offs on other sectors.

Overall growth was tempered by a decline in output from the agricultural sector, which was affected by the passage of tropical storm Matthew late in 2016.

FINANCIAL SECTOR STRUCTURAL REFORMS

Mr. Speaker, before I examine the outlook for the year ahead I wish to identify three areas of our financial sector that require reform. This sector underpins every area of economic activity in the country. It affects the degree to which the business sector can invest and fund daily operations while, for consumers the sector facilitates consumption and savings. Without

consumption and investment, economic activity comes to a halt.

It is important to note Mr. Speaker that our commercial financial sector witnessed one of the largest expansions in credit in the ECCU prior to the 2008/09 global crisis and conversely, had one of the largest contractions. Slow recovery in this sector, partly due to delayed legislative reforms, has impeded financial intermediation, although the credit union sector has taken up some of the slack.

Mindful of these hindrances, the government is committed to fast track reforms to improve the environment within which financial institutions operate with a focus on the following interventions:

(i) Broadening the scope and making it easier to use multiple sources of collateral

Mr. Speaker, access to credit is a perennial issue within the Saint Lucia business landscape. Upon closer study, the issues surrounding the lack of suitable collateral play a central role in determining access to finance. Mr. Speaker, I am pleased to inform this Honourable House that the Government of Saint Lucia is working with the World Bank to allow for movable assets (such as accounts receivable of a company, its inventory and equipment) to serve as collateral and therefore enable business to use these “non-traditional” assets as security for loans to generate new productive capital.

This Mr. Speaker will be particularly beneficial to small and medium size businesses (SMEs) and other borrowers with characteristics that may fall outside a bank’s typical collateral definition i.e. land or cash. During 2017/18 Mr. Speaker, the government was able

to draft legislation that would allow for the use of movable assets and undertook an assessment of the Registry of the High Court as a possible host for the online Registry that will be set up for the registration of the securities.

(ii) Reforming the existing framework surrounding insolvency

Mr. Speaker, a 2015 report by the World Bank highlighted that the current legal framework for insolvency and restructuring and other aspects of the creditor/debtor relationship is outdated in Saint Lucia. It noted that there are multiple laws that apply, with often overlapping and inconsistent provisions and that creditors' recovery is difficult both within and outside insolvency. This is contributing to increased levels of non-performing loans and impeding the channeling of resources to viable enterprises.

Mr. Speaker, cognizant of the deficiencies in the existing framework it is the intention of the government to ensure that businesses in financial distress are rescued where possible and that a personal bankruptcy regime is introduced that provides a second chance for debtors. The evidence suggests that addressing these deficiencies will encourage entrepreneurship, which is a key focus of the government. During fiscal year 2017/18 the government was able to undertake various consultations on the draft legislation as well as the drafting of the accompanying regulations and work will continue to finalize the policy and the draft legislation.

(iii) Reforming the existing framework surrounding foreclosure:

Mr. Speaker, the issue of foreclosure has long been a vexing problem in our country, fraught with many of the issues surrounding insolvency – outdated legislation and a lack of will to press for change. Change must come however, if as a country we are to have access to financing for viable projects that is currently tied up in non-performing loans. As a consequence, we are in consultation with all parties and the Eastern Caribbean Central Bank to determine the best way forward and I will update the House at a later date.

OUTLOOK FOR 2018

Mr. Speaker, barring any natural disasters and building on the momentum in the tourism and construction sectors, I anticipate continued growth in 2018. We have seen renewed investor, business and consumer confidence in Saint Lucia's economy. Several foreign

direct investment projects in the pipeline are at an advanced stage and are expected to come on stream in 2018. The construction and tourism sectors are expected to expand with the commencement and continuation of the following projects:

- (i) Fairmont in Choiseul expected to commence in the second quarter of 2018;
- (ii) Marriott Courtyard at Pointe Seraphine
- (iii) Sandals La Source and the Gregg Norman Golf Course
- (iv) Bay Gardens residences
- (v) Dreams and Secrets in Canelles, Micoud; etc
- (vi) And continued development of the Pearl of the Caribbean Project

In spite of these positive developments Mr. Speaker, a number of factors are limiting our growth potential. As

I said at the beginning of my address to this Honourable Chamber, the foundation for growth has been laid.

It is now time to take the next step in “Building a New Saint Lucia.” During this budget cycle we will therefore concentrate on:

- Investing in our people
- Upgrading our physical infrastructure
- Improving Public Sector efficiency and
- Managing the cost of debt

These four planks Mr. Speaker, will be critical in positioning Saint Lucia and Saint Lucians to maximize our growth potential and the benefits to be derived therefrom.

Underpinning our growth strategy will be the need to build resilience in all that we do.

Resilience is an important component in making our growth sustainable, which in turn will enable us to finance our social assistance programmes for the vulnerable among us; provide opportunities for all Saint Lucians to improve their quality of life and allow us to face the challenges of climate change with greater confidence.

INVESTMENT IN SAINT LUCIANS

Mr. Speaker, I am going to start with the requirement to invest in our people, for it is Saint Lucians that lie at the very heart of our endeavours as a government.

Every Saint Lucian has the right to expect a standard of living that will allow them to raise a family, educate their children, live in a comfortable home, have access to affordable health and create wealth for the next

generation. These are basic human expectations. As a government our duty is to provide our citizens with an education that will equip them to seize the opportunities that are available in a growing economy; provide access to quality health care and housing; foster innovation and entrepreneurship; and to provide a social safety net for the vulnerable. These are the things we are committed to Mr. Speaker.

Education

Let us therefore examine how we will train and educate our people for the jobs of the future. It is an open secret that our education system has over time fallen short of providing our young people with the skills necessary to succeed in a rapidly changing world. When we came into office two years ago we found an alarming state of decay in most of our school buildings and a moribund

curriculum unsuited to the demands of a service economy. We have set about to correct these deficiencies in several ways.

First we recognized that skills mismatch is a real danger to both human and economic development in a small open economy like Saint Lucia. It is therefore imperative that we modernize our approach to teaching and learning. Both our teachers and our students must be technology compliant, adaptable and ready for the opportunities that the 21st Century demands of them. In this regard, curriculum development and the use of technology appropriate for teaching and learning will be high on the education agenda in the coming financial year and beyond.

The GiNet initiative will facilitate the integration of technology into the class room and there will be investment in and the rationalization of the existing school plant to maximize this new thrust in digital learning.

The start of the new school year in September will see the establishment of two Centres of Excellence in what were previously considered leisure or part-time activities, but in today's world can be the basis for lucrative careers. The Centre of Excellence for Sports will be located at the Gros Islet Secondary School and the Centre of Excellence for Creative Arts and Culture will be housed at the Anse Ger Secondary School. Both Centres will start with select programmes in their respective disciplines and ramp up to full strength over the next three years. Our young people will be given every opportunity to use their God given talents to

excel outside of and within traditional academic pursuits.

Mr. Speaker, one of the reasons that China is now a market leader in the manufacture of technology components is its early recognition of the value of technical and vocational training. While the western world was focused on the value of a university education, China was training its young people for opportunities of the future.

The lesson to be learnt is that we must prepare our people for jobs that we know will become available over the next few years. Hence the Ministry of Education is embarking on a new thrust in TVET and CVQ certification in hospitality studies, culinary arts, spa and wellness, investment services and construction techniques.

When we speak of resilience in our people, we are mindful that we must foster a culture of lifelong learning. It is the only way that we will be able to keep up with the rapid fire changes in technology that drive almost every aspect of our daily lives.

The rationalization of the school plant will be undertaken in earnest. Following on this, empty school buildings will be re-purposed as business incubators to encourage entrepreneurship and innovation in the surrounding communities.

The overarching education policy, aptly named EQUIP, has the following short and medium term targets:

- Improving the relevance and quality of instruction across the system
- Enhancing special needs education

- Rationalisation and repair of the school plant to make it learning and teaching friendly
- Teacher training and professional development.

The claim on the revenue for EQUIP this year is \$2.0 million dollars

National Apprenticeship Programme

We also recognized Mr. Speaker, the urgent need to capture young people not long out of school or about to leave school. With the millions of dollars that will be invested over the next few years in hotel plant and other national infrastructure, the Government is committed to ensuring that our young people benefit from the jobs that will come with this investment.

We will therefore re-double our efforts to expand the National Apprentice Programme to train our young

people in areas that will provide immediate or near term opportunities.

We have already facilitated the establishment of OJO labs in Vieux Fort where fifty-three young people are currently employed in the new technology field of artificial intelligence. The aim is to increase that number to over two hundred this financial year. We should be proud that we are among the first countries, if not **the** first, in the region to enter this industry.

All reports reaching me are of the excitement and gratitude of the young people employed at OJO labs so far.

We are also going to introduce short term training programmes in hospitality and construction so that our young people are ready to be employed with the

projects in tourism and construction as they come on stream.

Furthermore Mr. Speaker, since we have identified tourism as our main economic driver we must develop, either in partnership with the private sector or as a totally private sector enterprise, a programme where our young people can study culinary arts, hospitality services, back of house operations and tour operations. We have to get serious about supporting the tourism industry and providing opportunities for our young people to have decent paying careers.

The re-focusing of our education policies and training programmes are designed to have a positive impact on youth employment and I look forward to reporting the results to the country over the course of the next year

as the intended changes come into being and as jobs start to become available.

Mr. Speaker, my Administration is firm in its view that the empowerment of our young people, is pivotal to the building of resilience in our country. They have a central role to play as an agent of change in the building of a new Saint Lucia. It is a role they must assume **now**, not somewhere in the distant future and we as the current leaders, as the adults, must not only embrace this philosophy, but initiate concrete actions to foster and nurture a climate of inclusion and empowerment. We must develop a mindset of service excellence. We must nurture an innate mentality of service to community and to country.

We must evoke in all of us an attitude that expresses care and concern for those who are vulnerable and less

fortunate by being our neighbor's keeper, friend and confidante. Along with other strategies, we will introduce a national youth service programme, which I hope can be finalized within this fiscal year.

Building Social Resilience

Furthermore, building resilience must be designed to expand the capacities of our people and their representative organisations, to not just cope with, but **overcome**, all types of adversities.

The more resilient we are as individuals, as families, as communities, as one nation, the better prepared we will be to transform our society into one which converts crises into opportunities. Mr. Speaker, this focus on social resilience will be not be limited to our youth alone, but will embrace the most vulnerable and

marginalized in our society, for as the old adage says, “you are only as strong as your weakest link”.

Mr. Speaker, let me begin with arguably, the most vulnerable group in our society, our children.

As we embark on our journey of building a new Saint Lucia, it is clear that our current child protection system is not only inadequate but inconsistent with our global commitments. The legislative reform has been slow in coming, we have several limitations at the service and programme level that undermine the administration of child protection services and we are still unfortunately in the punitive mode of operation as distinct from a rehabilitation approach that is integral to our resilience thrust.

Mr. Speaker, the time for initiating action is now. In addition to the legislative reforms associated with the passing of the Family Laws Bills alluded to in the Throne Speech, my administration is committed to addressing some of the structural limitations associated with the administration of child protection services in Saint Lucia. The Division of Social Services, is currently staffed with eleven Family Case Workers, two of whom are assigned specifically to Foster Care and Adoption, leaving just nine officers for all remaining child protection cases and responsibilities. The manifestations of such a scenario are there for all to see.

In this fiscal year, we will begin the process of tackling this deficiency by initially adding three more officers to the staff complement. We recognize that this does not

address the optimal staff complement for the Division but over the course of the year we intend to review this situation and if feasible continue to augment the cadre of staff.

I also wish to signal the intent of my Administration to embark on a similar course of action in respect of all of the other institutions engaged in the delivery of child protection services in this country, inclusive of the Probation Services, Family Court, Welfare Services as well as agencies such as Transit Home and Boys Training Centre. Mr. Speaker we owe it to those dedicated officers who toil under immense and trying circumstances. But most of all, we owe it to the thousands of children in need of a good start on their life journey to becoming resilient and productive members of our society.

Mr. Speaker, if we accept, as my administration does, that sport is a critical vehicle for building the fabric of our nation, then we must equally accept this medium must be utilized in a more strategic and structured manner. Nowhere is this lack of cohesion more evident than in our sports infrastructure.

Mr. Speaker over decades we have accumulated over one hundred and sixty sports facilities on this island. That equates to one facility for every one and a half square miles of land. Such a ratio masks a myriad of issues such as:-

- Low levels of utilisation
- Limited to little maintenance provision
- Limited to little management capacity

It is for this reason that we have undertaken a comprehensive review of our sports infrastructure to

formulate an action plan which hopefully over the next ten years will produce a more focused approach to the development, upgrade, rationalization and management of sports facilities.

This year our efforts will focus on transforming the Soufriere Mini Stadium into a national facility that will accommodate FIFA sanctioned international football as well as IAAF sanctioned Track and Field events.

We will also establish facilities as part of Community Hubs within wider community settings like Dennery South and smaller ones like Desruisseaux and Micoud Playing Field.

As an administration however, we know that infrastructure in and of itself, will not equate to

maximizing the benefits of sports. Building capacity, increasing coaching and providing more avenues for competition will be pivotal to achieving this objective. This will become the focus of the collaboration that will be established between the Department of Sports and the National Lotteries Authority.

Our youth development agenda will be further complemented by the empowerment programmes supported by the CDB and USAID. These interventions will collectively focus on support to young people in the wider regions of Castries, Dennery, Anse La Raye, Soufriere and Vieux Fort. The first component will identify the nature and scale of youth at risk within those communities. The second relates to the design and implementation of interventions and support programmes based on the assessed levels of risk. Moreover, it places young people at the heart of the

process in articulating their risks and vulnerabilities as well as the solutions.

Mr. Speaker, at the local level we must ensure that whatever institutional and legislative framework we create is one that is practical and steeped in the confidence that our people are capable and ready to manage their own affairs. Local Government reform **cannot** and **should not** be automatically equated to elections. Of what purpose are elections if we have not nurtured the leadership and the capacity and experience in actually working and delivering on the ground? We cannot espouse governance at the local level if our institutions cannot effect change through their own efforts. Of what use is the collection of cemetery dues or any other revenue collecting activity in any jurisdiction if that Local Authority is unable to utilise these resources for the direct benefit of the

constituency? Why should a Council have to revert to Central Government for every single transaction, service or product it requires?

We cannot continue to frustrate and stifle local initiative, creativity, ideas and effort. Our focus must be on providing the management and training and support along with the procedural and legislative measures to allow them to get on with the job.

If we want to build resilience at the community level, we must confront these challenges head on and this is precisely what my Administration will be doing with the allocation of \$1.4 million towards local government community projects. It is a small but significant step in the overall message that must be communicated to our nation as a whole: -

“we welcome your ideas, your input, your participation in the decision-making and implementation process but you must recognise your responsibility to comply with established procedures and protocols and allow yourself to be subjected to broader scrutiny to ensure compliance”.

Health

In terms of investment in our people Mr. Speaker, health care is a universal concern that touches every Saint Lucian at some point in their lives. What is it that we most desire as individuals when faced with ill health or traumatic injury?

Every Saint Lucian wants to know that they have access to high quality medical care and that they can afford it. It is not a complicated issue, Mr. Speaker.

The members of this Government are firm in our belief that health care must be available and affordable to all segments of the population regardless of social standing or economic circumstances.

I therefore want to start with the clear understanding that there needs to be a new approach to how health services are financed in our country.

With health care costs skyrocketing, in tandem with the expectations of our people for first-world medical care, we **must** find a sustainable way to finance these costs. My Government is of the view that a universal National Health Insurance Scheme is the best way forward and we are currently receiving technical assistance from the Pan American Health Organisation and the European Union in this regard.

It is envisaged that both employers and employees will make mandatory contributions, in much the same way as they do now to the National Insurance Scheme.

I realize that the proposed changes to the way we finance health care may result in some apprehension, but if we want as a people to have access to the very best health care we can afford as a country then we must be accepting of change and resolute in our pursuit of excellence. In fact, Mr. Speaker, as a responsible Government, we are duty bound to provide the best health care we can for our citizens at the most affordable cost and this is what we are setting about to achieve. We could have raised taxes to improve the quality of health care, but it still would not benefit those who could not afford it.

We believe that the best option is to implement a National Health Insurance Scheme that neither favours nor discriminates against any Saint Lucian. On receipt of the technical advice and after consultation with the health care professionals we hope to be in a position to institute the health insurance before the end of this fiscal year.

I also wish to give Honourable Members the assurance that the transitioning of the Victoria Hospital to the OK-EU Hospital will be completed during this financial year. The Dialysis Centre has already moved into their new accommodation and from all reports is functioning well. The Radiology Department is about to move over and the Physiotherapy Department has already completed the move.

I wish now to turn to St. Jude Hospital. Mr. Speaker, this has been a most vexing, heart-breaking and painful

issue for my Government. We have inherited a mess from the former Government and this has placed my Government in a dilemma as it relates to the way forward. There was clearly a lack of planning and no vision on this project. Indeed, this was clearly manifested in the increase in the annual estimated project cost, which the member for Laborie pointed out in his contribution to the debate on the Budget Estimates. It would be tempting to take the easy way out and continue with the construction of the St. Jude Hospital. The Technical Audit, however, outlined a number of deficiencies in the construction of the Hospital and estimated that it will cost about \$100 million to complete the facility.

Mr. Speaker, we are now faced with two options on the way forward. The first is to complete the construction of the current St. Jude Hospital Project, with all of its

shortcomings and the second is to build a new hospital, starting from scratch. Whichever option we choose Mr. Speaker, it will take a minimum of two years for completion. This has been one of the most difficult situations that my Government has had to deal with. Shortly, my Cabinet will be making a decision on this matter, weighing the pros and cons of both options and ensuring that we make the best decision for the country and the people in the South of the Island. In the meantime, the hospital will have to continue operating from the George Odlum Stadium. We will undertake to repair the roof, plumbing and other works to keep the staff and patients as comfortable as we can during the interim. Mr. Speaker, I wish to ask the people in the South for their patience as we seek to deal with this most challenging problem.

INVESTMENT IN INFRASTRUCTURE

It is well understood Mr. Speaker, that tired and broken infrastructure is often a major impediment to growth. Targeted investment in national infrastructure is proven to raise productivity, increase economic activity and at the most basic level improve the lives of people. Saint Lucians know this only too well. The neglect of our road network has led to many wasted hours sitting in traffic and costly repairs to our vehicles.

Over the next four years, starting in this fiscal year, the Government will continue its comprehensive programme to rehabilitate our national infrastructure to increase productivity, guard against extreme weather events and enhance our competitiveness as a destination for business and tourism.

As with our people, building resilience in our physical infrastructure will be critical to our fortunes going

forward and will help to drive economic growth. Our road network, slope stabilization, river de-silting, drainage and riverbank stabilization are all critical components of ensuring the safety of our people, keeping our transportation network open and improving the movement of people, goods and services. We will therefore make an investment of approximately \$70 million in infrastructural development this year. This will have the added benefit of providing jobs for our contractors, skilled artisans and construction workers.

Additionally, the Government of Saint Lucia has received a grant of 28.6 million sterling from the United Kingdom Government through its Department for International Development (DFID). These funds have been approved for the rehabilitation of the West Coast Road and the Millennium Highway. The designs will

incorporate climate resilience elements to better enable them to withstand major climatic events.

The Millennium Highway has exceeded its operational life. The cost of maintaining the surface has simply become too expensive. It requires major rehabilitation if it is to serve its purpose of providing a safe overland link between the north and south of the island. The Government will therefore re-construct 5.3 km of the Highway from La Toc Roundabout to Cul-de Sac.

The other component of this project will see the re-surfacing of 18 km of the West Coast Road between Roseau and Columbette.

Design and procurement will commence this financial year and construction is expected to start in 2019. The

allocation for the two components this year is \$3.4 million, as construction is expected to start in the last quarter of the financial year.

Other road maintenance projects will provide a viable network of bypass roads for use as an alternative to the Castries – Gros Islet Highway. The aim is to reduce commuter time, improve safety, improve access to agricultural and tourism areas and support economic activity in the areas served by the Castries – Gros Islet Highway.

In conjunction with improvements to the road network, considerable work has been undertaken and will continue this financial year on improvements to bridges and slope stabilization.

In this regard, the Canaries and Thomazo Bridges will be completed as part of the funding provided by the Caribbean Development Bank after the passage of Hurricane Tomas.

It is estimated that over \$42 million is required for effective slope management over the next three years. During the coming year the Government has allocated over \$12 million in stabilization mitigation at Balata, Union, Colombette, Trouvalle, Saltibus and Mocha where contracts for the construction of retaining walls have either been awarded or are imminent.

In tandem with these hard structures, 29 rivers and ravines across the island have been identified for desilting over a three-year period at a cost of \$7 million.

I turn now to the development of the Cul-de-Sac Valley. Honourable Members are no doubt aware that this initiative dates back to the 1990's, but has not progressed in any meaningful way for one reason or another.

This is about to change. With the assistance of a grant from the Japan International Cooperation Agency (JICA) the bridge at Cul-de-Sac will be re-built to be more resilient to high water flows.

This will not only ensure that the link to the airport is maintained in the event of bad weather, but along with other flood mitigation efforts, will open the possibility of development of Cul-de-Sac to relieve some of the pressure on Castries.

Part of the JICA grant will also be used to rebuild the Ravine Poisson Bridge to ensure alternative access to the south and south-east. This programme will cost EC\$46.4million of which EC\$14.9 million has been allocated to the construction of these two bridges for 2018-2019 and work is expected to commence by June.

Ports of Entry

The next area of infrastructural investment the Government has identified relates primarily to tourism and of course, the net effect this will have on jobs for Saint Lucians. Our focus will be on both air and sea ports.

Mr. Speaker, with the number of pipeline projects in the tourism sector our room stock is expected to increase by approximately 2,000 rooms over the next 3-4 years. This is a 50% increase in our present room stock.

More than will be expected from the Hewanorra International Airport. This increased traffic can only be appropriately serviced by increasing HIA's amenities and capacity.

The Hewanorra International Airport will therefore undergo a major expansion to complement and capitalize on the gains expected by renewed marketing efforts of the island as both a holiday and business destination, greater airlift and increased hotel room stock.

Re-development of HIA will take place in a phased manner using concessional loan financing. We are currently finalizing the loan agreement with the Republic of China (Taiwan) for the US\$100 million

required. The US\$15 million a year in airport tax will be used as security against repayment of the loan. This allows the country to benefit from the immediate re-development of HIA. The country will acquire a much needed asset, which will be financed through a dedicated revenue stream overtime.

The works will include: -

- The construction of a New Terminal Building to handle projected tourism growth at a new location closer to the dis-used runway which can have synergies with the seaport and new road infrastructure.
- The air traffic control tower and technical block, built in the early seventies, is in need of modernization. A new tower will therefore be constructed.

- The runway is approaching the end of its useful life and the Turning Bay requires a realignment and extension.

Given the projected hotel room stock, the airport will be required by 2020.

I turn now to seaport development, Mr. Speaker, the expansion of the Point Seraphine Berth #1 has made it possible for the Castries seaport to berth Quantum class vessels, which can accommodate over 4,900 passengers per visit, compared to the 3-4,000 passenger vessels that we continue to service.

Invest Saint Lucia is presently examining options for the overall redevelopment of the Pointe Seraphine Duty Free Shopping complex and its immediate environs.

The goal is to modernize the shopping complex which was built almost 32 years ago. It is anticipated that the complex will be developed in accordance with the present and future expectations of a major cruise shipping facility to further enhance the visitor experience and increase visitor spend.

Mr. Speaker Pointe Seraphine can no longer be a dedicated cruise ship terminal. There is a need to diversify its use and as a consequence the overall proposed redevelopment will include the construction of a 140 room hotel, a modern “Class A” Business Center and a yachting marina.

Geotechnical exploratory works have commenced as a precursor for the overall development and feasibility plans.

The redevelopment of Pointe Seraphine will have a positive impact on the job market during construction and going forward as new commercial spaces open.

As part of the redevelopment of the Castries Port, the container park will need to be re-located. Investigations are ongoing as to the most suitable location.

All of this will have implications for the urban renewal of Castries itself. The build out of a sanitary sewerage system will be a priority and I am advised that technological advances in this industry mean that we can take a modular approach which will significantly reduce the footprint required by previous processing operations. Feasibility studies on the available options will be undertaken in the near term.

In addition, Mr. Speaker, we are going to focus on planned development in the South to maximize opportunities for our people and growth in the economy. As we are all aware, the South offers opportunities for rejuvenation and indeed expansion.

In this regard, the Pearl of the Caribbean project in Vieux Fort is ongoing. Work is currently underway on the racecourse in anticipation of the first race in 2019.

Site studies and physical planning approvals are underway for Il Pirata, Vieux Fort known as Site C. This location will be home to a Cruise Ship Homeport terminal, duty free retail, other retail and food and beverage establishments, hotel & casino, waterfront residences, marina and Free Zone businesses.

Undoubtedly, the Cruise Port is a major component of the project and will require significant infrastructure work and environmental studies. Land reclamation is also expected to take place adding approximately 200 acres to the site.

Real opportunities exist in home porting as a complement to the expansion of the HIA and its proximity to the Vieux Fort Port and this is an area that we will seek to develop. It will provide opportunities for the agriculture and transportation industries, but it must be carefully planned to avert undue pressure on our road and water networks. Consultations with all stakeholders will take place to alert them to the opportunities that will open up and to hear their ideas and concerns.

Village Tourism

The Village Tourism Project is both an investment in infrastructure and people. It seeks to give small to medium sized local investors in local communities the opportunity to share in the tourism pie. It will also augment our tourism product by offering an authentic Saint Lucian experience grounded in eco and heritage tourism.

The Project has two phases: Phase 1 is the Consultancy to facilitate the establishment of a Village Tourism entity.

This entity will be charged with the responsibility of creating economic opportunities for people interested in investing in their communities. Phase 2 consists of the establishment of Village Tourism Inc., an

organization established to act like a franchise to promote the offering of community tourism products and attractions that build on the natural, cultural and human capital. Moreover it will provide support to strengthen the operations of small businesses.

Grant funding from the CARICOM Development Fund in the amount of EC\$324,000 has been secured to finance technical assistance on the establishment of the institutional framework and for preparation of a road map and business plan for village tourism.

Water Resources

As developments in tourism and housing increase we must be able to provide an adequate supply of water to support them along with the existing need for a safe, reliable water supply. This brings me to the management of our water resources. There is an urgent

need to arrest the loss of water in the system, both as a cost saving measure and as a way of improving service to the public.

WASCO will therefore undertake a pipe replacement project in Castries and from Choc to Cap Estate in the coming financial year. In addition, the de-silting of the John Compton Dam will enhance the country's water security. The investment in this project also includes preparing a site to receive the silt from the Dam, which is currently underway.

The first phase of the Dennery North Water Supply Project was completed in January of this year at a cost of US\$6.6 million, of which US\$5 million was a grant from the Government of Mexico.

Phase two, which will include expansion of the water treatment plant and ancillary equipment and the provision of pipe borne water to Aux Lyon will be financed through a combination of loans and grants from the Caribbean Development Bank of US\$11.2 million. The spend on phase two this year is \$10.9 million.

The Vieux Fort North Water Supply Project will create a safe, efficient, reliable, climate resilient and sustainable supply of potable water to all residents of Vieux Fort over the long term. The project comprises:

- the construction of a new intake in the Vieux Fort River
- a water treatment plant at Beausejour
- installation of transmission mains from the Beausejour pumping station to the Beanfield

storage tank, Augier storage tanks and La Tourney storage tank

- upgrade of the existing Beanfield transmission main
- installation of storage tanks at Grace, La Tourney and Laborie
- and institutional strengthening for WASCO.

Upon completion, the system is projected to provide 4.8 million gallons a day.

Procurement activities are advancing and it is anticipated that works should commence within the last quarter of 2018. The allocation for 2018/19 is \$4.8 million.

WASCO will also investigate the drilling of arterial wells as an additional source of potable water to ensure

water security and build resilience into the system as more physical development takes place across the island.

Housing

I turn now to housing Mr. Speaker, where it is clear that the National Housing Corporation can no longer be the sole provider of start up homes. It is neither efficient nor cost effective for either the Government or those seeking this type of housing solution. We will therefore encourage the NHC to partner with the private sector to better satisfy the demand for housing. Let me make it clear from the outset that such partnerships may not be limited to start up homes, but will include lower middle income housing as well.

There is a clear demand in the housing market for this type of dwelling and we do not want to stifle growth in this sector by restraining the ability of the NHC to meet the demand. It is our intention to ensure that there is a fair and balanced approach to future housing development and no one should interpret this to mean that we are abandoning the need of some Saint Lucians for affordable housing solutions.

It is envisaged that Government can contribute the land and, if necessary or desirable, provide housing designs. Developers will be contracted to build, sell and manage the developments.

It is a win-win situation to satisfy the need for first-time home-owners and those who cannot afford mid-range homes on the open market. Let me caution that any such developments will be monitored and managed so as to prevent speculation and abuse. One thing is

certain, we can no longer do things in the same old ways and expect different results.

The Housing Construction Programme for this year will provide units for sale to first-time homeowners and retrofit the houses of vulnerable residents in Anse La Raye village.

It will also relocate vulnerable communities in Odsan and Bexon and relocate an informal settlement in Anse Ger, Micoud. \$10 million has been allocated to accomplish this in 2018/2019.

An allocation of \$4.0 million dollars from the Revolving Loan Fund will make just over 400 lots available through the National Sites & Services Programme for low and middle income earners in 2018/2019.

Agriculture

With the assistance of 10.3 million euro from the European Union, the Agricultural Transformation Programme of the Banana Accompanying Measures (BAM) project commenced in May 2013 and is expected to conclude during the 2018/19 financial year. This initiative aims to improve the revenue generating potential of the rural sector and its contribution to economic growth. The aim is to increase productivity in the agricultural sector through entrepreneurship, innovative and technology oriented approaches, agri-enterprise development, and quality standards and certification. The allocation for 2018/2019 is \$3.0 million.

Increasing Banana production continues to be a focus of the Government's agricultural policy, Mr. Speaker, with the assistance of grants from The Republic of

China Taiwan and the Government of Saint Lucia, the acreage under cultivation stands at just over 2,100 acres with 406 more farmers and their families benefitting from banana cultivation.

Food crop security and managing the food import bill will focus on making Saint Lucia self-sufficient in tomatoes, sweet peppers, pineapples and lettuce.

To provide economies of scale and strengthen viability, the aim is to exceed the demands of the local market and channel the excess to a new food processing industry. This should help to alleviate shortages and gluts and provide pricing stability in the fresh produce market. The ultimate goal is to export the manufactured products to the region.

Mr. Speaker, as promised last year, the Government took a critical look at the operations of the Saint Lucia Marketing Board and the Fish Marketing Corporation, with a view towards determining the viability of both companies. November 2017 marked 50 and 34 years of existence of the Saint Lucia Marketing Board and St. Lucia Fish Marketing Corporation respectively. Both companies have played their respective roles in the development of the agricultural sector, particularly in the marketing and distribution of local produce and fisheries. However, the commercial landscape has changed drastically, and both companies have failed to keep up, resulting in mounting debt, continuous losses and the inability of both companies to effectively and efficiently execute their respective mandates.

That being said, the Government recognizes the critical role which agriculture continues to play in our

economy, principally for creating employment, especially in rural communities; reducing poverty; generating income and perhaps most importantly for achieving food security.

After several stakeholder consultations with farmer and fisher organizations, private sector entities and individuals, government is considering options to consolidate and restructure the two agencies into a single marketing entity.

Security and Justice

Mr. Speaker, one of the key platforms for improving the fortunes of Saint Lucia, as I reminded the House earlier, is improving security and justice. One part of the Government's focus in this regard is the physical infrastructure in which those who administer and enforce justice and the law are required to operate.

For years our court system has been subjected to inadequate and disconnected physical accommodation. This has had a deleterious effect on all those who are part of the system whether judges, attorneys, litigants, accused or police officers. This Government is therefore committed to building a New Halls of Justice. However, Mr. Speaker we are mindful of the concerns expressed about the previously proposed site and we will be re-visiting the issue and inviting further consultation on the selection of a permanent home for the Halls of Justice.

In addition, we are in discussion with financiers to build, operate, lease and transfer a new Police Headquarters in Castries and a new Police Station in Gros Islet. We also know that new buildings alone cannot solve the problem of crime in Saint Lucia, but

our Police Force is deserving of better facilities and it is going to get them.

Police personnel will also receive training in investigative techniques, which in conjunction with continued investment in the re-opened Forensic Lab, should result in a higher rate of crimes solved.

Better policing methods will include community policing that will complement the social development of our young people, in particular. It is time Mr. Speaker that as a people we all go back to the basics of law and order. If we wish to have a safe, well-ordered society we all have a part to play. We cannot break the traffic laws and expect a reduction in accidents. We cannot vend wherever and whenever we feel like without discomforting others.

The Police will have a mandate to return law and order to the conduct of our daily affairs. No society can be free from discipline and be successful for too long. I am therefore calling on all Saint Lucians to play their part.

Mr. Speaker, a new digital radio system will finally be procured for the Police Force, and will incorporate the Fire Service. This will improve response times for first responders as the system has a GPS component which will allow for dispatchers to make informed decisions in real time when responding to accidents and scenes of crimes.

Mr. Speaker, at this juncture, I wish to extend my personal thanks to the many policemen and fireman who, in the absence of a communications network, have

used their mobile phones at their own expense to conduct the business of the state.

The new digital radio system will therefore provide tangible benefits in the conditions of service to the personnel of these two departments by way of a secure, efficient, island-wide radio network with the added bonus of immediate savings to their pockets.

Residency Programme

Mr. Speaker, I ask the House to note the removal of Saint Lucia from the EU blacklist of countries considered as tax havens. As Members across both sides of the aisle know, blacklisting is a persistent threat to our financial services industry.

As we seek to increase or indeed to replace revenue lost to ever increasing global tax regulations, as I mentioned last year, we propose to introduce a new Residency Programme for High Net-Worth Individuals to take up residency in Saint Lucia.

In the main, the programme recommends that the classification of “domiciled” be introduced to the Income Tax Act and advocates for a distinction to be made between a domiciled resident and a non-domiciled resident, with the non-domiciled category and subsequent requirements specifically designed to attract High Net Worth Individuals.

When the appropriate legislation to enable this programme is brought to the House, Members will be given an opportunity to understand and debate the objectives of the programme. Mr. Speaker this will be

pursued to compliment ongoing initiatives to the CIP and IBC regimes.

Insuring for Resilience

Mr. Speaker, I have so far identified several areas where building resilience will have a positive effect on the lives of our people, but even with the best will in the world we can never totally win against Mother Nature. As we have seen many times over in our small corner of the Planet what we need most in times of disaster is the ability to quickly finance recovery efforts.

The Government of Saint Lucia is currently a member of the Caribbean Catastrophe Risk Insurance Facility or CCRIF that provides parametric insurance products for tropical cyclones, earthquakes and excess rainfall. It was born out of the devastation visited on our region by Hurricane Ivan in 2004 and to date Saint Lucia has

received over US\$8 million for relief from adverse weather events.

Parametric insurance pay outs are based on the intensity of an event and the amount of loss, which is calculated based on a pre-agreed model. This allows for the quick dispersal of funds as there is no ambiguity as to the risk or the loss.

While CCRIF has been of enormous benefit to St. Lucia, and indeed to the region, it is not a panacea for disaster risk financing. For this reason, the Government is currently in discussion with the World Bank towards a new Catastrophe Deferred Drawdown Option or Cat DDO as part of the IDA 18 allocation for Saint Lucia.

- The Cat DDO is a contingent credit line that provides immediate liquidity in the aftermath

of a natural disaster [L] [SEP]

- Under the Cat DDO, Saint Lucia can secure immediate access to financing up to US\$20 million.
- The Cat DDO is triggered after the declaration of a state of [L] [SEP] emergency due to a natural disaster.

Mr. Speaker, there are always many competing claims on Government's limited finances. In order to meet the demands for improving education and healthcare, advancing social protection strategies, caring for our ageing population, fighting crime and eradicating poverty we must be, and indeed we shall be prudent managers of the public purse.

BAICO AND CLICO

Mr. Speaker, I am pleased to report to the House that the Supreme Court of the Eastern Caribbean has

recognized the Sanction Order issued by the Supreme Court of the Bahamas and as a consequence, the Judicial Manager has started the process of making payments to policy holders.

To date over EC\$8 million dollars has been paid on 117 policies. It is worthy of note that Saint Lucia Policy holders will be paid in full out of the company's Insurance Fund.

With regard to CLICO, some thirty creditors have agreed to receive 65% of the sum owed in full and final settlement amounting to a sum just over EC\$11 million.

Nine creditors have opted to take 40% or EC\$ 1.3 million of the amount owed now with the remainder to

be received as the Company's remaining assets are liquidated.

MANAGING THE COST OF DEBT

In this regard Mr. Speaker, we have focused considerable attention on reducing our debt and our debt servicing costs. Our public debt continues to grow as a consequence of deficits from previous Budgets. Although it has grown at a slower rate of 4.9 percent over the preceding 3 years and translates to a Debt/GDP of 68.8 percent we need to place our debt on a sustainable path.

Mr. Speaker, despite our debt dynamics, St. Lucia continues to enjoy good investor appetite. Accordingly, all bonds were issued in 2017/18 at a lower interest rate than in the past and with longer maturities.

Similarly, we obtained over subscription of securities on the shorter end of the market. Although these developments are favourable, a diagnostic study undertaken last year revealed a high roll-over risk because over 50% of our portfolio is in short term instruments and remains vulnerable to an increase in interest rates. These findings were in-keeping with our own Medium Term Debt Strategy (MTDS) assessment.

Our approach therefore continues to focus on lengthening the maturity profile of our portfolio and reducing cost. This approach will reduce risk and thereby strengthen investor confidence and present opportunities to broaden our investor base

Mr. Speaker, the current structure of our debt places immense pressure on our cash flow. It mandates our immediate attention. A large portion of the EC\$3.1

billion debt stock matures in the upcoming year comprising both Treasury Bills and Bonds. Accordingly, Mr. Speaker we continue to set aside monies for the bond sinking fund to secure financing of maturing instruments.

A provision of EC\$12 million is made in this year's estimate for this purpose. In keeping with the policy decision introduced last year this provision is supported by a dedicated revenue stream.

Additionally, and in conformity to international best practices we will be introducing to Parliament a Public Debt Bill. This legislation will instill discipline in the management of Government finances and also improve the accountability and transparency of our debt administration. Mr. Speaker, all these interventions are

needed to strengthen our debt management and place St. Lucia's debt portfolio on a sustainable path by 2030.

Mr. Speaker as we are all aware every extra cent which goes into the servicing of our debt particularly interest payments, is a cent lost to the contribution towards better education, health care and infrastructure to name a few. We will therefore commit to the fiscal discipline that is required to ensure prudent debt management.

IMPROVING GOVERNMENT EFFICIENCY

Mr. Speaker, a significant component of Government expenditure is wages and salaries. Wages and salaries in 2017/18 are estimated at \$480 million or 35.0 percent of total expenditures.

The government understands that in the past the debate on the issue has typically focused on the size of the public service and varying viewpoints have been espoused with respect to either reducing the size of the service or the wages paid to public servants.

I am of the belief Mr. Speaker, that these discussions miss a more fundamental point and that the systems in place to facilitate a more efficient public services have been ignored.

In this regard Mr. Speaker, Government is at the stage of exploratory discussion to determine how best to transition Saint Lucia to an e-society with the clear goal of transforming the way that government provides services to Saint Lucians. The expansion of the e-Government platform will result in time and cost

benefits both to government and the average citizen, as well as business and investors.

FISCAL STRATEGY

Mr. Speaker, having spoken about the economic landscape, I now turn to the fiscal operations of government.

In this regard, my government is cognizant of striking the right balance between increasing expenditure to remedy social ills on the one hand and raising taxes as a source of revenue to fund that expenditure on the other. It is imperative to note that it is the intention of this government to ensure that revenue generation does not come at the cost of impeding the economic recovery currently underway. The delicate balance referred to requires reforms both to taxation and

expenditure with the aim being to reduce the need for continued deficit financing over the medium term.

I want to stress Mr. Speaker that the overarching aim of my government is to enhance the overall efficiencies of expenditures, while also ensuring that capital spending is aligned to building resiliency and addressing infrastructure gaps. Further to this efficiency gain there is a need to manage expenditure levels by seeking ways to reduce the debt servicing burden.

REVENUE MEASURES

Increasing the Existing Fuel Price Cap.

Mr. Speaker, in my 2017/18 budget speech, I announced the Government's intention to raise the excise tax rate on gasoline and diesel from \$2.50 to \$4.00 per imperial gallon effective June 2017. Given the Government's tight fiscal situation, the additional \$1.50 was earmarked as a dedicated revenue stream to finance maintenance and upgrade of our road network and related infrastructure such as bridges. This is particularly pressing in light of the pressures on our existing roads from the continued influx of imported motor vehicles.

In 2017 the number of vehicles imported into Saint Lucia rose by 25 percent to 3,952, on the heels of a 40 percent in 2016.

In order to provide some level of stability in prices at the pump, the government also simultaneously capped the price of \$12.75 on both gasoline and diesel.

These policy decisions under the new pricing regime, Mr. Speaker, became effective on July 3, 2017. At that time the international price of crude oil was US\$47.07 per barrel.

Since then, international oil prices have increased steadily to US\$64.69 per barrel as at 28 March 2018 which is a 37.4 percent increase from July 3, 2017. Despite the increase in oil prices, the price of gasoline at the pump has been maintained at the cap of \$12.75 from July 3, 2017 while diesel prices were below the cap up until November 26, 2017 and at remained at \$12.75 since then.

This has meant that the actual excise tax rate on gasoline has been below the targeted \$4.00 per gallon since July 3, 2017. The excise tax rate on diesel which was \$4.00 up to November 26, 2017 has since decreased below the intended \$4.00 per gallon. Since July 3, 2017 to date, the excise tax rates on gasoline and diesel have averaged \$3.39 and \$3.81 per gallon respectively. This has meant that we have collected on average an additional \$0.89 and \$1.32 on gasoline and diesel respectively rather than \$1.50 per gallon intended.

Mr. Speaker, given the present volatility in the petroleum market, the Government will review the Price Cap periodically over the next year so as to maintain the \$1.50 excise tax rate. The shortfall has specifically limited the allocation for road repairs and it

is the intention to collect the full \$1.50 to accelerate the road maintenance programme.

In this regard Mr. Speaker, the Government has secured a loan of US\$50 million from the Republic of China Taiwan to invest in road repairs and improvements and the refurbishment of schools. The proceeds from the increase in the fuel tax will therefore be assigned to the repayment of this loan. Again Mr. Speaker, like the airport tax it is a measurable and productive use of the tax increase for urgently needed near term investment.

FINANCING THE 2018/19 BUDGET

Mr. Speaker, I will now highlight the major spending aspects of the financial year. The total budget amounts to one billion, four hundred and eighty-seven million, five hundred and eighty-three thousand, two hundred dollars (\$1,487, 583,200) representing a 1.8 percent reduction from the Approved Estimates in 2017/18. However, it represents an increase of 8.9 percent over the preliminary outturn.

Of the amount budgeted for 2018/19, recurrent expenditure accounts for 80.8 percent and amounts to one billion, two hundred and two million, nine hundred and fifty-five thousand, three hundred dollars (\$1,202,955,300), while capital expenditure accounts for 19.2 percent and amounts to \$284.63 million. The

budgeted amount for recurrent expenditure includes \$137.05 million for debt principal repayments.

Sources of Funding

I propose to finance the budget in the following manner:

1. **Recurrent revenue** of \$1.1 billion comprising:
 - a. Tax revenue of \$1 billion (90.9 percent)
 - b. Non-tax revenue of \$100.84 million (9.1 percent)
2. **Capital revenue** including the proceeds from the sale of assets in the amount of \$7.72 million;
3. **Grants** in the amount of \$69.69 million from the friendly governments and multilateral institutions including:
 - a. Republic of China on Taiwan (ROCT), \$22.19 million;

- b. Japan International Cooperation Agency (JICA), \$11.97 million;
- c. World Bank (IDA/IBRD), \$9.8 million;
- d. European Development Fund (EDF), \$6.72 million;
- e. Caribbean Development Bank (CDB), \$4.66 million, and
- f. United Nations Environmental Programme (UNEP), \$4.84 million.

4. Government Instruments, including bonds of \$233.12 million; and

5. Other loans of \$67.81 million comprising:

- a. Caribbean Development Bank (CDB), \$25.66 million.
- b. International Development Association (IDA), \$28.55 million, and
- c. Republic of China on Taiwan (ROCT), \$13.58 million

Allocation of Expenditure

Mr. Speaker, I wish at this time to provide a brief summary of the allocation of expenditure.

The Economic Sector is poised to receive the largest share of total expenditure in the amount of \$862.3 million or 58 percent of the total. This represents an increase of \$82.69 million or 10.8 percent over the previous financial year, 2017/18. Of the total amount to be spent on the Economic Sector, a sum of \$135.5 million or 15.7 percent is allocated to capital expenditure while \$726.75 million or 84.3 percent represents the share allocated to recurrent expenditure.

Mr. Speaker, the Department of Finance will receive the largest share (60.8 percent) of this amount totalling

\$524.64 million. I wish to point out that 98 percent of the total expenditure by the Department of Finance is of a recurrent nature, with \$415 million budgeted for debt service payments and retiring benefits.

The budgeted expenditure under the Department of Infrastructure is \$92.54 million with \$51.22 million dedicated to capital expenditure.

In road infrastructure, \$14.95 million will go towards Bridges and Culverts while \$5.23 million will be spent on the Disaster Recovery Programme as we continue to repair the damage inflicted by Hurricane Tomas.

Mr. Speaker, I propose to allocate to the Department of Economic Development, Transport and Civil Aviation the sum of \$71.05 million for capital expenditure, of

which \$26.97 million is to be allocated to the Disaster Vulnerability Reduction Project (DVRP). The objective of this project is to reduce vulnerability to natural disasters and climate change. I am also proposing an allocation of \$18.91 million to the St. Jude Hospital Reconstruction project and \$18.6 million for the Constituency Development Project (CDP.)

As part of efforts to enhance food security and forge linkages with the tourism industry, our investment in agriculture will continue with total budgeted expenditure under the Department of Agriculture budgeted at \$47.92 million, of which \$26.8 million will be capital expenditure. Key investments in agriculture will be \$4.38 million under the Banana Productivity Improvement Project and the \$3.02 million under the Agriculture Transformation Programme.

In the important area of water, I am pleased to allocate \$10.98 million to complete the Dennery Water Supply Redevelopment Project as well as \$4.85 million to commence a similar project in Vieux Fort.

Mr. Speaker, I wish to propose capital expenditure of \$32.03 million in the Department of Tourism. Of this amount, \$26.9 million will go towards tourism marketing to support marketing and airlift to our country.

Mr. Speaker, I now turn my attention to the Social Services sector. An allocation of \$416.14 million is proposed for this sector, of which \$371.86 million is recurrent and \$44.28 million is capital.

The bulk of recurrent expenditure in this sector is earmarked for the Departments of Education and Health with the remaining amount going to the Departments of Equity, Labour, Youth Development and Sports and Local Government.

In terms of capital investments, \$12.95 million is budgeted for the Department of Equity, of which \$6.49 million is for the Home Care programme, while \$3.26 million is allocated to the Youth Empowerment for Life Project and \$1.93 million to the BNTF 9th Programme.

Under the Department of Health, the capital expenditure amounts to \$7.9 million which is dedicated to the New National Hospital infrastructural works and Commissioning in the amounts of \$4.7 million and \$2.66 million, respectively.

Proposed capital expenditure under the Department of Education is \$2.45 million, of which \$2 million is for the St. Lucia Education Quality Improvement Project.

To deal with the housing shortage, I propose capital investment in the Department of Housing, Urban Renewal and Telecommunications of \$17.9 million. The major initiatives would be the PROUD/Settlement Upgrade Programme, the National Sites and Services Programme and the Housing Construction Programme.

Mr. Speaker, I now turn my attention to the Justice Sector to which total expenditure of \$138.5 million is allocated. The bulk of this expenditure is of a recurrent nature to support our police, fire and correctional officers. However, under the Department of Home Affairs, I propose capital expenditure of \$2.9 million, of

which \$2.6 million will be devoted to a Digital Radio System for the police and fire services.

With respect to the General Services agencies, I propose a total allocation of \$61.46 million, with \$24.1 million being allocated to capital expenditure.

Of this amount, \$7.95 million is allocated under the Office of the Prime Minister to the National Apprenticeship Programme (NAP) to support a call center and hospitality training. Under the Department of the Public Service, I have budgeted \$4.03 million towards a Shared Services Platform to integrate all e-government initiatives, as well as \$3.3 million for Reorganisation and Refurbishment of Government Offices. I have also allocated \$1.4 million for the Government Islandwide Network (GiNet), to provide free Wifi at 5 locations across the island.

Finally, I wish to propose a total allocation of \$9.06 million to the Organs of Parliament which includes the Governor General, the Legislature, the Services Commissions and the Electoral and Audit Departments.

Mr. Speaker, as mentioned earlier you will observe that the total proposed expenditure of one billion, four hundred and eighty-seven million, five hundred and eighty-three thousand, two hundred dollars (\$1,487,583,200) is 1.8 percent lower than the Approved Estimates last year.

This was driven by a 22 percent reduction in the proposed spending on capital expenditure that more than offset a 4.5 percent increase in the proposed recurrent expenditure.

CONCLUSION

Mr. Speaker, I believe that the focus of the Government's strategy for this financial year meets the goals which we set ourselves, to take Saint Lucia forward and build resilience in Saint Lucia. This budget touches on all sections of our economy and will benefit all Saint Lucians.

This budget has been prepared without introducing any new taxes. I wish to emphasize, there will be no new taxes. The only adjustment to revenue, comes from the removal of the cap on fuel, as world oil prices have increased considerably in comparison to prices last year.

Mr. Speaker, four major areas have been identified as limiting factors to sustainable growth in Saint Lucia. These have all been addressed by this budget statement and will be the focus of our government for the remaining three budget cycles; these areas are:

- Investing in our people
- Upgrading our physical infrastructure
- Improving Public Sector efficiency and
- Managing the cost of debt.

Our focus on these areas will lay the foundation for the building of a new Saint Lucia and must be implemented simultaneously to achieve the growth we are desirous of achieving. It is paramount that we understand that underperformance of any one of these four pillars can potentially undermine the success of the whole.

Mr. Speaker, our Government inherited an economy and country in need of urgent attention towards improved stewardship and greater focus. This has forced our Government to make a number of difficult decisions from inception, all of which have been made with the aim of creating a better Saint Lucia for all. There are still many tough decisions to be made in the future and I would ask all Saint Lucians to bear patience as our labour and sacrifices, will soon begin to bear even more fruit.

We are on the right track, but we must all stay the course to achieve success. Over the next three budget cycles, our Government will invest over \$1 billion dollars in capital expenditure in order to construct new and rehabilitate existing infrastructure. Confirmed public sector projects include:

1. The redevelopment of the Hewanorra International Airport,
2. Road rehabilitation including the west coast road, and millennium highway,
3. Construction of the Dennery and Soufriere polyclinics.
4. John Compton Dam Rehabilitation Project
5. Dennery and Vieux Fort Water Supply Projects
6. Reconstruction of bridges in Cul de Sac

We have been able to secure much of the funding for the above projects through the relentless efforts to source grant and concessional funding. The remaining funding will come from revenue sources which have already been identified. Mr. Speaker the financing for all of these projects has been secured, and the political will to develop Saint Lucia is stronger than ever.

In addition we are at an advanced stage in finalizing the financing for the construction of the Halls of Justice, police headquarters and Gros-Islet Police Station.

This will mean the creation of more jobs, more opportunities for personal advancement and a better quality of life for all Saint Lucians. All of these projects are transformative, and will each in some way impact the lives of all Saint Lucians.

In addition to significant public sector investment we can also expect an equally robust programme of private sector investment in the coming years. We can look forward to the construction of 6 new resorts within the coming years, with investments totaling over 700 million dollars. This too will translate into sustainable jobs for our people throughout the island.

Mr. Speaker, the recent spate of hurricanes that our region has experienced over the past few years is a stark reminder of the world in which we live. It is a world that is relentless unforgiving and tough. We need to be ready for it. We must become resilient as individuals and as a nation, we must adopt a psyche of positive attitude and strong work ethic, this is the only way to attain economic development, competitiveness and social harmony. Mr. Speaker the policies of my

government articulated in this budget will be the platform for achieving the prosperity and progress as we move towards building a new Saint Lucia.

Finally, Mr. Speaker, I must thank all of the people of Saint Lucia, from the north in Gros-Islet to the southernmost tip of Saint Lucia in Vieux Fort. It is the experiences, challenges and successes of these people which inspire and drive this administration to work towards the betterment of this country.

It is against this background Mr. Speaker, that I commend these policies for the financial year 2018/2019.