

BUDGET ADDRESS FOR 2012/13

*“Fulfilling the Social Contract/Remaining focused in the midst of Economic Turbulence”*

## Introduction

Madam Speaker, Cabinet Colleagues, Members of this Honourable House, fellow Dominicans, residents and friends.

I am privileged and deeply honoured to deliver my ninth consecutive budget address to this Honourable House. This has been made possible by God and the people of Dominica who continue, in different ways, to express their support and confidence in the Government that I humbly lead.

I am thankful to the many people who call and send emails, texts and blackberry messages, with words of encouragement. My thanks also go out to those, including the religious community, who continually reassure me that they are praying for me. With God, all things are possible.

Madam Speaker, I remain grateful to the people of Vieille Case, Thibaud and Penville, who have repeatedly reposed their confidence in me, by returning me to this Parliament. Words cannot express, how much I appreciate my constituents who remain faithful and who keep holding the fort as my call to serve the country, takes me away from them more often than they or I, would like.

To my Cabinet colleagues, I say thanks for your support, for keeping your shoulders to the wheel, as we confront the task of developing the Dominican people, in one of the most challenging periods we have faced as a team.

As I reflect on the past three years, Madam Speaker, I value very much the support and cooperation this government has received from civil society; our social partners in particular.

Madam Speaker, we live in unusual and challenging times. Never before in recorded history has humanity had to confront the destabilizing and sometimes horrific effects of climate change; never before have so many states been tottering on the brink of bankruptcy. Superimposed on this, Madam Speaker, is a growing individualism and secularism that is overhauling value systems and introducing behaviours that past generations frowned upon.

This is the environment in which Dominica and Dominicans are called to navigate a path, that will see our nation through these turbulent times and take us to a place where every citizen is safe, secure and assured that his needs and that of his household will be satisfied.

The budgets that this Government has presented over the years have been designed to bring hope to the people of this country. In each budget address, we presented a picture of the global economy, and showed how we would

attempt to develop this country in spite of the economic challenges that confront us.

I must say Madam Speaker, that notwithstanding the constraints and limitations within which we operate, for the most part this Government has been able to deliver on its promise to take this country to the next level.

Madam Speaker, as events are now unfolding it is clear that the hard decisions we took and the policies we introduced between 2002 and 2006 have stood us in good stead for what is now required.

Madam Speaker, as these difficult times persist, we are mindful that it cannot be business as usual. We recognise that our response must be a collective one, in which each Dominican is willing to contribute to our survival. We ask ourselves the same questions that other countries are asking, and that is “how do we balance the objectives of pursuing economic growth whilst maintaining a strong fiscal stance”?

Madam Speaker, in other countries there have been attempts to answer this question from both sides of the fence. We researched, and read perspectives from various Caribbean leaders and political parties in opposition on approaches to solving the region's economic problems. The only country for which no record of opposition participation in the economic debate can be found is the Commonwealth of Dominica. Our opposition, Madam Speaker, has been asleep. Rather than familiarise themselves with the issues of the day, they opted instead to pursue the politics of degradation, innuendo and character assassination.

During those important years, we came to this Honourable House to the spectre of empty Opposition chairs. In that period Madam Speaker, we delivered several crucial and far reaching budgets at the height of the global economic crisis with no input or response from opposition parliamentarians, who, nevertheless saw nothing wrong in going to the treasury to draw salaries that were clearly not earned.

As a government and as a country we navigated those turbulent economic flood waters without a single expression of interest, from the elected opposition in the Parliament of this country.

For the first time in two and a half years, Madam Speaker, we hear noises from Opposition quarters in the lead up to the budget; setting forth what ought to be contained therein. But what is more laughable, Madam Speaker, is that they are armed with the same ideas and suggestions they could not implement when they were in office although there was no global crisis then.

For two and a half years they slept, while the country navigated its way through turbulent economic waters and this past week, they got their voices back by trumpeting the same rhetoric of 2009. It would seem that since this crisis started they never read a book; never reviewed a file; never paid attention to what was going on around them in the region and the world.

But, Madam Speaker, we did what the Dominican people elected us to do; that is to govern this country and find solutions to the challenges. There are no easy answers or any quick fix solutions. It is all about focusing on the priorities we must pursue; it is about commitment to hard work; it is about endurance; it is about steadfastness and loyalty to country.

When we consider all these, we reiterate that Government's response to the economic challenges must be the pursuit of economic growth while maintaining a strong fiscal stance.

And so Madam Speaker, we have chosen the theme of this budget address as, *"Fulfilling the Social Contract/Remaining focused in the midst of Economic Turbulence"*.

It is a continuation of the pursuit of the path to growth, by being responsive yet responsible - the theme of the budget address of 2011.

It is no accident that the revised Growth and Social Protection (GSPS) was tabled in the Parliament earlier today. While the objectives of the strategy may not all be new, Government has taken the opportunity to revisit, review and refocus the earlier strategy taking into consideration the global realities. What are these realities?

#### International and Regional Context

Madam Speaker, there is still too much uncertainty for one to be clear on the global economic prospects.

According to the IMF's Finance & Development (F&D) magazine,

*"Five years after the first rumblings in the U.S. mortgage market presaged the greatest global financial crisis since the 1930s, the global economy remains in distress, with uncertainty still looming large. Millions of people, especially youth, are out of work in parts of the world, imposing huge social strains on their countries.*

*The emerging markets and low-income countries that weathered the global recession relatively well, are now vulnerable to further shocks. Until households and financial institutions fix their balance sheets, advanced economies are at risk of only halting recoveries. The sovereign*

*debt crisis in Europe continues to sap confidence and a new slowdown—or worse—looms”*

There is no shortage of literature on the current state of the global economy but throughout, the message is the same.

There are small signs of recovery in some countries but rising oil and other commodity prices, threaten to make it harder to sustain a recovery. Recent data suggest that at 7.5 percent growth in the first quarter of 2012, economic activity in China may be slowing. Likewise in India, where the change in economic output in the first quarter of 2012 was 5.3 percent, making it the lowest level of growth in ten years. A major challenge is how to rein in debt, to avoid snuffing out the growth needed to create jobs.

The IMF expects U.S. growth to remain modest during the next two years, constrained by housing difficulties, the expiration of fiscal stimulus measures, and continued low global demand, particularly in Europe. Growth is projected at 2.1 percent in 2012 and about 2.4 percent in 2013. That level of growth is not nearly enough to make the kind of turnaround that is desired. A major challenge for the US Government is to manage the pace of reducing its deficit without hurting the economy.

Of course, we must continue to monitor the activities in Eurozone countries. As one of our major development partners, the economic situation in Europe will undoubtedly impact negatively on Dominica and other Caribbean countries. Growth in the UK is projected at 0.8 percent in 2012 and about 2.0 percent in 2013; in Germany, 0.6 percent in 2012 and 1.5 percent in 2013; in France 0.5 percent in 2012 and 1.0 percent in 2013.

Caribbean economies have been hit hard by the global crisis and the recovery is likely to be slow and drawn out. For those countries which experienced growth in the last period, this was small; and a number of countries experienced declines. The Eastern Caribbean Currency Union (ECCU) contracted by 0.6 percent in 2011, as construction and agriculture declined, but there are signs of some recovery in tourism.

In short Madam Speaker, it is not a pretty picture. Madam Speaker, throughout this crisis, Dominica has shown some resilience owing to the policies adopted by this Government and our continuing effort to maintain a strong fiscal position. It is however difficult not to be impacted at all by a crisis of this proportion.

## REVIEW OF THE DOMESTIC ECONOMY AND SHORT TERM PROSPECTS

### **Economic Performance**

Preliminary GDP estimates indicate that economic performance for the year 2011 remained positive amid continued global economic woes. The economy is estimated to have grown by 1.9 percent in 2011 and is projected to grow by 2.0 percent in 2012 and 1.8 percent in 2013. This improvement in performance was due mainly to growth in the agriculture, construction, and tourism sectors.

Madam Speaker, I will highlight the performance in a few of the sectors.

### ***Agriculture***

In 2011, agricultural production accounted for 11.7 percent of total GDP, with an overall increase in the sector of 5.1 percent compared to a 7.7 percent decline in 2010. Growth was recorded in all of the major subsectors except livestock.

An increase of 6.3 percent was recorded in crops, mainly attributable to banana production which recorded a marked increase of 23.1 percent. Fishing, now recorded as a separate indicator, yielded positive growth of 11.8 percent, after a decline of 17.5 percent in 2010.

In 2012, the sector is expected to expand further with a projected growth rate of 4.3 percent. This is supported by positive growth rates in all the subcomponents, most notably that of crops, for which production is expected to expand by 4.5 percent.

The banana subsector is expected to grow by 1.7 percent and other crops by 5.0 percent, reflective of governments continued efforts at keeping the sector on solid footing.

### ***Tourism***

The hotels and restaurants sector is estimated to have grown by 6.1 percent in 2011 in contrast to marginal growth of 0.5 percent in 2010. Total number of visitor arrivals up to December 2011 is estimated to have decreased by 1.2 percent.

Additionally, the number of cruise calls and passengers is estimated to have decreased as a direct result of the global crisis. There were no cruise calls in the offseason. However, the average length of stay, as well as the average expenditure per day increased, resulting in an overall increase in the value added in the sector.

Overall, the tourism sector is expected to grow by 1.9 percent in 2012. Projections take into account the new business that new hotels are expected to bring to Dominica.

### ***Construction***

The construction sector is estimated to have expanded by 4.5 percent in 2011 compared to 8.7 percent in 2010. Growth in the sector is driven to large extent by the Public Sector Investment Programme (PSIP).

Projections for 2012 suggest continuing growth in that sector.

### ***Education***

The education sector continues to make a very noticeable contribution to GDP. The sector accounted for 13.9 percent of GDP in 2011, a slight decrease from the 14.2 percent of 2010. Preliminary estimates indicate that the sector has recorded a decline of 0.3 percent. This was due to a 7.0 percent decline in the public education subsector.

In 2012, the sector is expected to expand by about 4.3 percent, driven by an increase in the private education subsector as a result of an expected increase in enrolment and supported by consistent growth in public education.

### ***Financial intermediation***

The sector as a share of GDP is 7.7 percent. The main subsector, that of banking, reported a 0.7 percent rate of decrease contributing to the overall decline of 0.5 percent. Insurance, the other component of this subsector, contributed 1.5 percent to GDP.

Projections for 2012 envisage a further expansion in the sector as a whole with an anticipated growth rate of 2.6 percent. It is expected that banks and other financial institutions will do better, as well as insurance and pension funds.

### **Fiscal Developments 2011/12**

Government continues its efforts at consolidating its fiscal position but not all targets were achieved. Total revenue is estimated to have fallen short of the budget estimate by \$20.4 million. This was due to shortfalls in the collection of both current and capital revenue.

Current revenues fell short of original estimates by \$16.3 million mostly attributed to a shortfall in the collection of tax revenue.

Table 1 shows a comparison between the outturn for the current fiscal year with the original budget.

**Table 1. Fiscal Outturn for 2011/2012 (Budget and projected outturn)**

Indicator	Budget 2011/2012	Preliminary projected outturn 2011/2012
Total Revenue + Grants	435.8	409.8
Total Revenue	366.6	346.2
Current Revenue	360.1	343.8
Tax Revenue	327.6	299.9
Non-Tax Revenue	32.5	43.9
Capital Revenue	6.6	2.4
Grants	69.2	63.6
Total Expenditure	448.9	466.9
Current Expenditure	322.9	310.9
Capital Expenditure	126.0	156.0
Current Account Balance	37.2	32.9
Overall Balance	(82.3)	(120.7)
Overall Balance +Grants	(13.1)	(57.1)
Primary Balance	5.6	(37.0)
Primary Balance (% GDP)	0.4	(2.7)

*Source: Ministry of Finance*

Collection of taxes on incomes and profits exceeded original estimates by \$1.1 million and amounted to \$55.1 million. This was due mainly to an improvement in collections by \$1.6 million of personal income taxes. Shortfalls were noted for both corporate income tax and withholding tax.

Revenue from taxes on domestic goods and services fell short of the initial budget estimate. Collections for the current fiscal year were recorded at \$173.6 million, 9.7 percent less than anticipated. Collection of the VAT is expected to yield a lower outturn than the original estimate for the year.

Initial estimates of revenue from taxes on international trade and transactions indicate a shortfall in collections by \$9.0 million, or 12.4 percent.

Collections of capital revenue for the fiscal year amounted to \$2.4 million compared to a targeted \$6.6 million. This performance is directly related to slower than expected rate of collection of revenue, related to the disposal of government assets, particularly land and houses.

Non-tax revenues exceeded initial budget estimates by \$11.4 million and yielded collection of \$43.9 million.

Government continues to exercise tight expenditure controls where possible. However, storms and heavy rains necessitated some unanticipated expenditures to undertake rehabilitation works. As a result of this, as well as efforts to accelerate the implementation of the capital programme, the total outlay for 2011/12 is estimated at \$466.9 million, 4.0 percent over budget estimates.

Recurrent expenditures have remained well within the budgeted amounts. Recurrent expenditure to the end of the fiscal year is estimated at \$310.9 million or \$12.0 million less than budgeted.

Not all positions were filled in the public service, resulting in personal emoluments being less than budgeted while deliberate policy was applied to restrict expenditure on goods and services. Both interest payments and transfers exceeded their initial limits by \$1.4 million and \$2.5 million respectively.

Table 2 gives a snapshot of estimated current expenditure for fiscal year 2011/12.

Table 2 (EC\$ millions)

	Budget	Actual	Variance
Current Expenditure	<b>322.9</b>	<b>310.9</b>	-12.0
<i>Personal Emoluments</i>	144.9	135.2	-9.7
<i>Salaries</i>	122.9	118.6	-4.3
<i>Wages</i>	5.7	2.9	-2.8
<i>Allowances</i>	9.6	8.3	-1.3
<i>Salaried Allowances</i>	6.7	5.4	-1.3
<i>Goods &amp; Services</i>	92.8	86.6	-6.2
<i>Interest Payments</i>	18.7	20.1	1.4
<i>Transfers &amp; Subsidies</i>	66.5	69.0	2.5

Source: Ministry of Finance

The Public Sector Investment Programme (PSIP) remains the most prominent policy tool utilized by the government to stimulate growth. Acting as a fiscal stimulus, this programme of targeted capital expenditures continues to fuel economic growth, particularly in the construction sector. Expenditure at the end of the fiscal year has surpassed the original budget estimate, and is estimated at \$156.0 million.

Overall, government's fiscal operations for the year have resulted in a current account surplus of \$32.9 million. Lower recurrent expenditure outlays, compensated for weak revenue performance giving rise to this result. However, the overall balance after grants is in deficit of \$57.1 million. The primary balance which is the main fiscal indicator is also in deficit, of \$37.0 million or - 2.7 percent of GDP. This result is less than the target set in the 2011/12 budget and is as a consequence of the lower than expected receipts of revenue, additional expenditure to respond to the disasters of 2011 and the accelerated drawdown of loans for the implementation of the capital programme.

### **Money and Credit**

Madam Speaker, monetary and credit conditions in Dominica were stable during 2011, based on the assessment by the Eastern Caribbean Central Bank (ECCB). Each of the three pillars upon which this assessment was based remained stable: there was fiscal stability, financial sector stability, and exchange rate stability.

In the financial sector, liquidity conditions at commercial banks fell marginally during 2011, but remained at a relatively high level. Loan growth remained strong in 2011, reflecting the resilience of the local economy, despite depressing global financial conditions. Domestic credit of the commercial banking sector rose by 13.1 per cent in 2011, following growth of 12.5 per cent in 2010, largely attributed to growth in credit to the private sector. Interest rates also remained relatively stable in 2011. The fixed exchange rate system, the anchor of our economy, remained stable as it has been in the last thirty six years.

Monetary and credit conditions are expected to remain favourable in the near term as economic activity strengthens somewhat and confidence among economic agents increases. Continued programmes undertaken by the Government as part of the Eastern Caribbean Currency Union (ECCU) Eight Point Stabilisation and Growth Programme, will ensure the improvement in money and credit conditions.

### **External Sector - Balance of Payments**

In the external sector, Madam Speaker, there was an overall surplus of \$17.2 million in 2011, a marked improvement from the surplus of \$3.4 million in 2010. The economy was able to gain higher capital and financial inflows, despite the global crunch in investment inflows. Specifically, preliminary estimates indicate that net foreign direct investment inflows rose by 40.8 per cent to \$92.5m (7.1 per cent of GDP) partly associated with inflows for tourism properties.

The overall balance of payments position could have been even better in 2011, if it were not for the reduced grants; high import content and lower exports. Due to the unsettled international climate and local circumstances, it is not

expected that conditions on the current account will change much over the next three years. Reduced grant receipts, imports related to post flood rehabilitation, and depressed external demand are likely to put further pressures on the balance of payments over the next few years.

### **Overview of debt**

Madam Speaker, total disbursed outstanding debt at the end of the financial year 2011/12 amounted to \$896.3 million compared to \$866.2 million at the end of the year 2010/11, an increase of 3.4 percent. This amount consists of external debt of which \$541.9 million is held by central government and \$109.6 million is debt guaranteed for public corporations.

Domestic debt for the same period was \$202.2 million for central government and debt guaranteed for public corporations was \$42.6 million. The increase in total disbursed outstanding debt is as a result of disbursements on new and existing commitments.

At the end of the period, total disbursed outstanding debt to GDP ratio was 65.5 percent; Central Government debt accounting for 54.4 percent and Government Guaranteed debt accounted for 11.1 percent. Central Government debt service (interest payments only) to recurrent revenue was 5.9 percent; external debt service accounted for 2.7 percent and domestic debt service accounted for 3.2 percent. During the financial year Government contracted five external loans amounting to \$75.9 million from the Caribbean Development Bank (CDB), the International Monetary Fund (IMF), and Agence Française de Développement (AFD).

The loans from CDB and IMF were contracted to repair damages caused by the Layou floods and Tropical Storm Ophelia, while the loan from AFD was contracted for the completion of the Roseau to Melville Hall Road project. Additionally, in December 2011 a loan of \$20 million was obtained to provide bridging finance, particularly for project implementation.

### ***Assessing debt outcomes against the Debt Strategy***

A three year medium term debt management strategy for the period 2010/11 to 2013/14 was developed to guide the management of Government's debt. The strategy addressed the risk exposure in the debt portfolio and examined the trade-off between the cost of servicing the debt and the risk embedded in the debt portfolio.

In an attempt to mitigate against foreign exchange risk, a ceiling of 15 percent was set for non-US dollar denominated debt. That portion of the portfolio stands at 17 percent.

This is due to disbursements on a loan contracted from the People's Republic of China (PRC) which is denominated in Chinese Renminbi, and the loan for the rehabilitation of the Roseau to Melville Hall road, denominated in Euro currency. It is expected that once repayments begin, that this ratio will become aligned with the ceiling.

The cost of servicing the loans not denominated in US dollars or EC dollars has not increased as a result of exchange rate fluctuations. The Chinese Renminbi has been relatively stable and there has been an overall decrease in the cost of the Euro denominated loan as a result of an overall decrease in the exchange rate.

Government indicated its intention to participate on the Regional Government Securities Market (RGSM) with the issuance of treasury bills on the primary market. For the first time Government participated on the RGSM with the issuance of a 91 day treasury bill for \$15.0 million in February 2012. This issue was oversubscribed by \$20.6 million, and attracted an interest rate of 5 percent. In May 2012, a 91 day treasury bill in the amount of \$20.0 million was issued. That issue was oversubscribed by \$11.9 million, and attracted an interest rate of 4.5 percent.

As part of the debt management strategy, guaranteed debt is limited to 17 percent of the total debt stock. During the financial year the share of guaranteed debt remained stable at 17 percent. There was a decrease in the disbursed outstanding guaranteed debt of \$11.6 million or 7.0 percent.

The ceiling for the overall increase in both Government Guaranteed and Central Government debt is limited to 1.5 percent. Total disbursed outstanding debt increased by \$29.8 million or 3.4 percent, making the net increase in the total debt in excess of the ceiling. This is attributed to loans contracted to meet the cost of rehabilitation of damages caused by Tropical Storm Ophelia and the Layou floods.

Government has set an upper limit of 5 percent for its exposure to variable debt instruments held by external creditors. During the year under review, the limit was exceeded by 1.4 percent to 6.4 percent. This increase, was due to maturity of fixed debt, and contraction of new debt with variable component. In essence the composition of the debt changed.

Government makes every effort to ensure that all loans have maturities in excess of ten years and to maintain an Average Time to Maturity (ATM) at 9.5 years or above. All the new loans contracted have principal repayment periods of 10 years or more, so that this target is achieved.

Government has successfully concluded debt restructuring negotiation with the last major commercial creditor. The successful restructuring of the \$82.6 million bond with the Royal Bank of Trinidad and Tobago (RBTT) is a major achievement of the Government. Presently, less than one percent of the debt remains un-restructured. The result of the debt restructuring allows for a longer maturity on the debt instrument and the application of a lower interest rate.

All in all, Madam Speaker, we are still broadly within the debt parameters we have set. We are however mindful of the impact of natural disasters, on debt accumulation. We remain committed to ensuring that the debt remains at sustainable levels.

### STRATEGY FOR GROWTH

Madam Speaker, I quote from the Growth and Social Protection Strategy (GSPS) which was tabled earlier as follows:

*“The GSPS represents Government’s strategy for pursuing growth and poverty reduction going forward and for doing this in a comprehensive manner, with its three-fold focus on:*

- *Fiscal policy and administrative reform, including creating an enabling environment for private enterprise and investment attraction;*
- *Sectoral strategies for growth; and*
- *Strategies for poverty reduction and social protection.*

*The Government intends to continue to conduct a fiscal policy that is prudent and conducive to growth, based on expenditure restraint, administrative modernisation and reform, and careful management of the public debt. Administrative reforms aim at a more modern and efficient public service that promotes and is supportive of private sector development. Substantial improvements in the enabling environment for private enterprise, by a combination of institutional, fiscal, legislative, regulatory and administrative improvements are critical to achieving the GSPS objectives.”*

Madam Speaker, since the last revision of the GSPS in 2008, Dominica has faced external economic shocks which challenged our quest for sustained rates of growth. With each shock, resources have had to be diverted away from planned productive investments, or mobilized, in order to restore and rehabilitate communities, as well as assist people, who were adversely affected.

These setbacks notwithstanding, Government remains focused and committed to advancing sectoral strategies for growth, as well as strategies for poverty reduction and social protection. In fact, we are satisfied, that had we not

made the interventions which we did, some of the growth sectors would not have had the recovery that we have seen.

The quest for economic growth is not simple, straight forward, or one dimensional; one Economics Professor has described it as “*elusive*”. Indeed, a review of the growth performance of the OECS countries over the decade, indicates that growth has been generally erratic. Every country of the Eastern Caribbean Currency Union area, experienced periods of negative growth during the last decade. This has been attributed to the enduring effects of the global financial crisis, and the generally challenging external economic environment, and in some cases, the impact of natural disasters.

Dominica averaged a growth rate of 1.9 per cent over the decade. Many studies have concluded that the development challenge facing Dominica and the other member countries of the OECS, is to accelerate growth and create more jobs for our people.

But this is easier said than done. Madam Speaker, most countries are unable to generate jobs fast enough to accommodate new entrants into the labour force. On the flip side, jobs may be available but there may be an insufficiency of persons with the requisite skills to fill those jobs. The 2009/10 Survey of Living Conditions estimates unemployment in Dominica at 14 per cent, though this figure includes persons who benefit from periodic employment.

Madam Speaker, members of this Honourable House, against this backdrop, I will now proceed to outline the measures Government intends to take in support of encouraging economic growth, employment generation, poverty reduction, and the overall improvement of the quality of life of all Dominicans.

There are three pillars on which countries build growth in their economies; they are:

1. A sound macro economic framework and financial management system;
2. Transformation to enhance competitiveness; and
3. Targeted investments.

These contribute to the creation of an environment that is attractive to private investment, supportive of donor confidence and conducive to leveraging resources from financial institutions.

I will summarise Government’s performance in the context of each of these pillars since these are reiterated in the Social and Economic Review and then will go on to outline the policy stance and the actions that will be pursued in the fiscal year 2012/13.

### **A sound macro-economic framework and financial management**

All other things being equal, reviews by reputable regional and International institutions such as the Caribbean Development Bank, the International Monetary Fund and the World Bank, as well as other development partners, indicate that Government's prudent approach to economic and fiscal management since 2002, solidified the first of the key platforms for sustained economic growth. I quote from the IMF 2011 Article IV report as follows:

*“Dominica withstood the global crisis well. The decline in global activity led to a mild contraction relative to most countries (-¾ percent) due to limited reliance on tourism, a mild pre-crisis boom in investment and supportive fiscal policies.”*

Madam Speaker, the statement that ‘supportive fiscal policies’ contributed to the relatively mild impact of the crisis, must be emphasized.

This confidence raising performance, triggered support for Government's Public Sector Investment Programme (PSIP). It allowed the release of grant funds from donors and also made it possible to secure financing on highly concessionary terms. This in turn gives support to the vigorous implementation of the PSIP.

The results are shown in the GDP figures which I referred to earlier.

Notwithstanding the continuing uncertainty in the external economic environment, Government is retaining its economic growth target at an average three per cent per annum. Increased levels of activity are expected in all sectors, and in particular in tourism, agriculture, manufacturing and energy.

The primary balance is also set at 2.4 percent of GDP over the medium term; so that where the projected primary balance is expected to be less than the set target in one year, the necessary adjustments will be made in subsequent years, within the cycle. This allows Government to make the necessary adjustments over more than one fiscal year, and takes into consideration the variations that may occur, between projected GDP growth and actual GDP growth, when one considers the uncertainty in the economic environment.

### **Transformation to enhance competitiveness**

Madam Speaker, the word “competitiveness” echoes in budget addresses and economic reports of OECS and CARICOM member states. This all pervasive awareness of being competitive has been the inevitable consequence of the gradual removal of barriers to trade, across global borders. This growing culture of competitiveness for survival is more pressing on small island developing states such as Dominica.

Whatever we define 'competitiveness' to be, we are faced with the imperative of structural transformation, and improvement to the legislative and regulatory environment, in order to orient the productive and economic sectors of our economy, to compete in the global trade arena. Government's structural reform agenda has been ongoing and seeks to improve substantially, the quality and efficiency of Dominica's public service institutions, as well as its competitive standing, in regard to aspects of the country's investment climate.

The reform of the Customs is now virtually complete, and members of the public and the private sector will agree, that it now takes considerably less time to clear goods. This has been due, Madam Speaker, to the successful introduction of the trade facilitation software ASYCUDA World. Other reforms have enhanced Customs Intelligence/investigations and Risk Management and are moving the Customs in the general direction of trade facilitation.

Madam Speaker, major consultancies have been completed on the subject of land tenure and administration. Now in place is a Unified Land Information System for state and private lands; this system has vastly improved on the efficiency of administering land matters, since all lands have been digitized and coded thereby allowing the determination of its status in a matter of seconds. Land transactions are now simpler and considerably shortened thus speeding up the execution of business decisions involving land.

With respect to the management of the public finances, a new Bill to strengthen public finance administration is being considered. The final approval of the Procurement Bill which has benefitted from wide stakeholder consultation, will also be pursued.

Government is also participating in the regional Electronic Government for Regional Integration Project (EGRIP) which seeks to promote the efficiency, quality and transparency of public services through the use of integrated e-government applications.

The provision of national identification (ID) cards is also part of this project. A full assessment of the requirements for the ID system has been undertaken, and preliminary design of the cards has been submitted to the EGRIP Regional office. Tenders have been launched by the EGRIP Regional Office to identify a firm that will build the system and it is expected that Government will receive the results of the bids by the end of August 2012, for consideration.

Madam Speaker, the transformation and modernization of the public service will continue as a work in progress. The ultimate goal of the exercise is to have in place systems and procedures which allow clients to conduct their business, with the greatest degree of efficiency.

I now move to highlighting some areas of transformation that connect more directly with investment and growth.

### **Targeted investments**

Madam Speaker, Government has determined that it will use existing mechanisms to increase investment. The design of the elements of these investments benefits from knowledge of what has worked in the past as well as knowledge of what has not.

They are, in the short to medium term:

1. The expansion of agriculture;
2. Improving the performance of the tourism sector through Government led investments in new hotel plant and improved airlift;
3. Establishment of Export Dominica as the main vehicle for the export of Dominican products;
4. Increase support to small and micro businesses by significantly increasing the quantum of resources available for on lending;
5. A package to stimulate expansion and performance of producer cooperatives;
6. Introduction of a pilot programme of moving persons from welfare and unemployment to work;
7. Implementing a Low Carbon Strategy and pursuing the geothermal potential.
8. Increase local and foreign direct investment using the Economic Citizenship Programme

#### ***1. The expansion of Agriculture***

Madam Speaker, Government continues to invest heavily in the agricultural sector. Government recognizes that agriculture has the potential and provides the opportunity for rapid growth. On the export side, there is an increasing demand for a number of crops in which Dominica has a competitive advantage within the Caribbean.

Since 2007, Government has been implementing the 'support to horticulture programme' which is aimed at increasing production of non-banana crops. Guided by information on the weaknesses and constraints faced by the sector, Government will launch a targeted approach on increasing production of selected crops thus enabling agriculture to play a more dynamic role in the economy.

The following targets have been set for the crops identified over a period of five years:

1. Increase the share of banana farmers who produce at least 7 tonnes per acre from 23 percent to 80.0 percent of production;

2. Increase productivity from an average of 5 tonnes per acre to an average of 9 tonnes per acre;
3. Increase production of non banana crops excluding coffee and cocoa by approximately 1000 acres;
4. Increase exports of non banana crops by 25 per cent.

In implementing this strategy an initial assessment of the production unit will be done and will be used to develop a long term business plan, for each targeted farmer.

Government has already commenced a programme of rehabilitating feeder roads in the major production areas; support will also be provided for on farm irrigation, especially where farmers are able to organize themselves in groups for that purpose. Under this programme 100 new full time jobs and 200 new part time jobs, will have been created by the end of the first year.

Government recognizes that there are a significant number of farmers who will continue to operate at a non commercial level and who grow a number of different crops on their relatively small holdings. Such farmers make a contribution toward food security and their efforts are important in sustaining livelihoods in our rural communities.

They will be included in the chain of support to the sector and these farmers are encouraged to form groups, in which they can meet to discuss common problems, and thus make it easier for the delivery of services to them.

The strategy will be funded from resources to be provided by the European Union and Government. The estimated cost over three years is approximately \$50 million.

Madam Speaker, in the last few weeks there has been heightened vigilance in the agriculture sector owing to the threat of the Black Sigatoka disease, which affects banana and plantain. A plan of action which was formulated two years ago, for the control of the disease, has been triggered. Under the plan, farmers have been provided with information on how best to manage the disease and to take precautionary measures to prevent the spread.

Farmers are asked to be vigilant, and to adhere to the guidelines provided, including cutting down of trees that may become affected and to apply the necessary pesticides which we have ensured are on island.

Government has been implementing a citrus certification programme aimed at addressing the Citrus TRISTEZA Virus (CTV), and the programme is so far successful. The citrus industry is now challenged by the Citrus Greening Disease and coconuts have been affected by the red palm mite. A programme to address the latter is also being implemented.

### **Support to DAPEX**

The Dominica Agriculture Producers and Exporters Company (DAPEX) was established to conduct the business of agricultural production and export. Currently, Government provides a subsidy to DAPEX on fertilizer imported by the company for sale to farmers.

A meeting held by Government with members of the board and management of DAPEX revealed that the company was experiencing cash flow challenges, which adversely affected its capacity to purchase commodities from farmers thus constraining its capacity to take advantage of export opportunities.

In response to this, Government and DAPEX have entered into an agreement under which Government will provide interest free loans to DAPEX in order to allow the company to purchase produce from the farming community. These loans will allow DAPEX to make payments to farmers in a timely manner thereby ensuring that farmers and their families have a regular income. This hopefully will give farmers the confidence to increase production to the levels required by the markets. This agreement is expected to stay in effect for one year, and will be reviewed at the end of that period.

Currently there are 150 farmers who have marketing arrangements with DAPEX. It is hoped that with this programme the number of farmers who sell their produce to DAPEX will increase to at least 250 and provide the basis for an expanded market base.

Madam Speaker, a similar arrangement exists with some hucksters through DEXIA and we expect the financial support to DAPEX to yield similar good results.

### **Sea transportation**

There remains the challenging task of providing a realistic and viable response, to the issue of sea transportation for agricultural produce. Studies conducted on behalf of the Governments of the Windward Islands, and financed by the European Union on the feasibility of acquiring a ship for this purpose have advised against such a venture.

The study further advised that there is adequate shipping currently available, and that the real issue to be tackled was that of increasing agricultural production. If production is addressed there is greater likelihood of having reliable shipping arrangements.

The study also noted that the small cargo vessels that constitute the informal traffic offer niche services for:

- The huckster trade;
- Imports of regionally manufactured goods from the Region;

- Small food and other export industries; and
- Private sector trade, in particular the transport of personnel effects.

The view was expressed that these services are particularly suited to small consignments and are provided at reasonable cost. The services were however frequently criticized on the grounds of reliability, regularity, scheduling, cargo handling and public awareness of the services offered.

Faced with this reality, Cabinet has approved an initial amount of \$500,000 to be made available to the private sector to upgrade their vessels and in exceptional circumstances to procure a new vessel.

Government will consider replenishment if the full amount allocated is taken up before the end of the fiscal year. Resources from the Economic Citizenship Programme are earmarked for this activity.

## ***2. Boosting tourism***

Madam Speaker, the history of reviews of the tourism sector, and the scope for the development of the sector is well documented starting with the report of British firm, Shankland, Cox and Associates, some forty two year ago. Suffice it to say, Madam Speaker, each report recognizes that there are challenges in making Dominica a major tourist destination but more importantly each report acknowledges the tremendous opportunity that Dominica has for becoming a major destination.

The completed upgrade of the Melville Hall airport to accommodate night landing, has considerably eased what was the air access constraint to both arrivals and investment. Part 1 of Lot 2, of the rehabilitation and upgrading works, on the road from Pond Casse to Melville Hall, currently in progress will be completed by the end of the year. Citizens and visitors travelling between Roseau and Melville Hall will be afforded a comfortable drive along a road with enhanced safety features.

The contribution of the tourism sector is spread throughout the various sectors of the economy and the impact on employment is evidenced over the many services which are provided to visitors.

Government is confronting the challenge of increasing the quantity and quality of the hotel plant in Dominica through three initiatives. The first of these, concerns our desire to erase the image of Roseau as the only capital in the OECS with inadequate hotel accommodation and facilities for hosting regional and international meetings. The ongoing project involving the construction of a new and modern State House Complex with conference facilities is a first step in debunking this image.

Government had previously mentioned its intention to facilitate the construction of a new hotel in the Roseau area. In fiscal year 2012/13, Government will commission designs, for constructing a hotel on the site occupied by the Public Works Corporation. The intention is to erect a one hundred and twenty room hotel in that location.

In the first instance jobs will be created through the construction of the new hotel. The more sustainable jobs will be created once these facilities become fully operational.

The second project is the completion of the new hotel in the Cabrits. This facility is being constructed with financing from the Kingdom of Morocco. Upon completion, the hotel will comprise 58 rooms and will also create about 100 new jobs.

The details on the management and operations of the hotel are being developed; however there is a strong desire that the hotel be developed and managed to offer a unique Dominican experience. Here again, I am signaling to individuals and firms, who possess or can quickly mobilise the necessary skills and experience in hotel operations and management that Government would welcome proposals from them, for managing the hotel.

Madam Speaker, the project for construction of the hotel includes a training component, in order that there is a cadre of persons who could be employed at the hotel. Effective September, we are inviting those individuals who have qualified in various disciplines relating to the hospitality industry, to register with the Employment Agency so that the training programme can be initiated. We will also engage local hoteliers, to determine how they can partner with Government in this programme.

The wish to see the AID Bank become the financial engine of economic growth has been expressed by Government on several occasions, and Government has facilitated the Bank`s access to various lines of credit for this purpose. It is expected that the hotels assisted by the AID Bank will create additional jobs.

Available data from the Discover Dominica Authority (DDA), indicate that during 2010/11, eight new hotels and guest houses became operational, out of sixteen (16) that had been granted concessions. Ninety one (91) permanent jobs were created and three hundred and thirty two (332) persons were employed during construction.

Even as we attempt to increase the number of new rooms, Madam Speaker, Government is mindful that there are a number of rooms currently available which are not export ready. There already exists a special regime of concessions which are provided, to assist hoteliers to enhance the current stock of rooms. Some have made use of this facility. But there are those, who have

not been able to do so, because of their inability to make the necessary investments. Towards that end, Government has agreed to make available an amount of \$10.0 million at special interest rates to assist those hoteliers who are willing to upgrade their rooms.

Madam Speaker, there is still great potential to build on investments in tourism.

### **Air access**

Madam Speaker, I cannot refer to sustainable jobs in the tourism sector, without addressing the issue of air access.

Government has expressed its policy on air access on several occasions. In short, the Government recognizes the necessity of having an international airport but takes due cognizance of the cost of construction and the burden it will place on future generations. While Government is taking a pragmatic approach to this matter, it will continue to place great emphasis on improving the existing infrastructure and to facilitate an increase in the number of flights coming into Dominica.

Here are some facts Madam Speaker.

- LIAT accounts, on average, for 70 percent of passengers arriving by air into Dominica.
- Approximately 65 percent of LIAT passengers on a monthly basis are visitors.
- American Eagle accounts, on average, for 21 percent of arrivals with the main source of passengers being the US and its territories. However, further service by American Eagle is in doubt and at present only LIAT has the type of aircraft and navigational assets, though limited, to effectively replace that service.
- Dominica, specifically the tourism sector is almost solely dependent on LIAT to bring in the bulk of non-French Caribbean and European, particularly UK, visitors, who combined account for almost 40 percent of arriving visitors.
- LIAT is the only regular service provider currently connecting Dominica to the regional hubs of Antigua and Barbados.

It is in the context of these facts that a decision was made to become a shareholder in LIAT.

The Government of Dominica is fully aware of the challenges faced by LIAT, and the necessity for there to be increased efficiency in the operations of the airline. But it will be fool hardy on our part, not to take a broad view of this matter. The truth is Madam Speaker, that most airlines are asking

Governments for financial support as a precondition, for scheduling flights to their jurisdictions. The Government of Dominica does not necessarily subscribe to this practice, and prefer the option of being part of the company, and be in a position to contribute to making decisions that will make the operations of the company more efficient.

It is our view at this time, that this is one of the best approaches to increasing the number of flights into Dominica, and in a sense guarantee adequate airlift into Dominica and to guarantee a solid tourism sector.

The modalities of the arrangement are still being worked out and Government is in active discussions with the management and the existing shareholders on this matter. We will keep the public updated as we proceed.

The discussion with LIAT is part of a broader plan to improve airlift. In that context, discussions are also taking place with Air BVI, in collaboration with the DeVry University, to establish a service from Miami to Dominica.

### **Community tourism**

Government is of the view that community tourism is a powerful vehicle for developing our tourism product and a significant means of community empowerment. In collaboration with the relevant community based organisations, the Ministry of Tourism is required to review the operations of those enterprises, that may have operational challenges with a view to crafting appropriate support mechanisms specific to their needs.

### ***3. Establishment of Export Dominica***

Madam Speaker, the development of an export culture, and the transformation of Dominica's export sector, are critical elements in the quest to achieve sustained economic growth. The process for doing so has been set in train, with the development of the National Export Strategy (NES), and the more recent establishment of the National Export Council. The objective of the NES is "To achieve a diversified and competitive export sector, driven by innovation and a strong spirit of entrepreneurship, to produce high value goods and services, for sustained improvements in the standard of living for all Dominicans".

The Council comprises representatives from both the public and private sectors, and its mandate is to monitor and manage the implementation of initiatives and evaluate outcomes of the NES.

The Dominica Export Import Agency (DEXIA) was established as a monopoly to import rice and sugar, and to price these commodities, so that they remained within the reach of the average Dominican. The Agency also has a trade facilitation function, that it discharges, but with mixed results. With the new thrust to increase economic performance through exports and in light of the

price competitiveness that trade liberalization has introduced into the marketplace, the time has arrived for the DEXIA model to change.

A new entity, to be called Export Dominica, will be established in the new financial year. By diverting the resources currently utilised by DEXIA to the new agency, greater value will be realized if some of these resources are used to support and sustain for example, the livelihoods of the thousands of workers in the agricultural and non-agricultural sectors who were intended to be the principal beneficiaries of DEXIA`s mandate in the first instance.

Export Dominica will focus on export facilitation; the entity will be required to plan and execute its work in close collaboration with the Ministry of Agriculture, manufacturers, producers of cultural products and other enterprises with the potential to export.

Madam Speaker, the sole purpose of this change, is to support all the investments in agriculture that I referred to earlier and in manufacturing or agro-processing; whether it is from small or medium-sized business; we must produce and we must export. We must earn foreign exchange that will help finance the activities of the country.

#### ***4. Increase support to the manufacturing sector and small and micro businesses***

##### **Manufacturing and Agro Industry**

The manufacturing sector is estimated to have contributed 3.4 percent to GDP in 2011.

Information from the AID Bank indicates that between July 2011 and June 2012, loans amounting to \$15.9 million were approved for the industrial and manufacturing sectors. These loans are possible because of Government`s role in assisting the AID Bank in securing low cost financing for onlending to these sectors.

There is evidence that agro processors experience difficulties year after year, in sourcing raw materials locally at reasonable prices. We strongly support the current initiative of the Bello factory, in partnering with DEXIA, which will be contracting farmers to grow hot peppers for processing.

Another challenge to this sector is the marketing and export of the manufactured products. The new arrangements for export and government`s investment in transportation will aid in resolving this challenge.

In recent weeks, the Invest Dominica Authority has been partnering with the Manufacturing Association, to bring increased visibility, to the work in the

manufacturing and agro processing sector. Seeking to build on that partnership, Government proposes to establish a manufacturing and agro processing task force to commence a structured dialogue with the umbrella bodies representing the sectors.

The final arrangements are being made for the installation of the coffee plant which will be located in Portsmouth. Once operational, this will give an added boost to the manufacturing sector.

### **Small and Micro Business**

Global experience has shown that the fostering of small business is perhaps the surest route to employment generation and poverty reduction. Armed with that knowledge, Government has demonstrated strong leadership and commitment in supporting the development and expansion of small and micro businesses.

Sustained support to the National Development Foundation of Dominica (NDFD) and the programme of the Dominica Youth Business Trust (DYBT) within the Youth Division, stand out as evidence of this. Under the auspices of the DYBT, 166 jobs for young persons have been created.

In order to stimulate activity in the sector, and to give a boost to persons with ideas for starting their own business, Government in 2008, established the Small Business Support Unit. To date, the SBSU has disbursed \$5.2 million in soft loans and grants to 1,695 business owners and have resulted in the creation and sustenance of 1641 jobs spread all over the island.

In the next round of financing, the SBSU will utilize eighty per cent of its funds to target specific enterprises. The following specific sectors will be targeted:

- Confectionary;
- Agro Processing;
- Garment Manufacturing;
- Furniture manufacturing;
- Craft/Woodwork/Art; and
- Hairdressers, Hair braiders and Barbers

Currently, the SBSU is holding 30 applications from the sectors mentioned above. An initial amount of \$1.0 million is allocated in the fiscal year 2012/13, for financing the loan and grant portfolios of the SBSU.

### **Role of the National Bank of Dominica (NBD)**

Information coming from both the National Development Foundation (NDFD) and the SBSU indicate a demand for funding from small and medium business in excess of amounts they were established to lend to any one enterprise. In addition, there are those enterprises which were able to upgrade their business

with the assistance from the SBSU, and are now at the point where they are able to make a bigger investment.

In an effort to meet this need, Government announced in the 2011 budget address, its intention to provide ten million dollars (\$10.0 million) to the NBD, for the purpose of establishing a revolving fund for small and medium businesses and for on-lending to agencies like the NDFD, to assist eligible beneficiaries. We expect the NDFD to be a major partner with the NBD on this special facility.

This facility will be targeted at agriculture, trade, tourism, information technology and agro-processing and will therefore support the initiatives that government is taking in these sectors. According to the information from the NBD and the NDFD, this initiative is expected to sustain and create in excess of 500 jobs.

The NBD launched this facility on 16<sup>th</sup> July and we encourage eligible business to make use of this facility.

#### **Apprenticeship programme**

In an effort to more closely align the skills base to the requirements of the labour market, and in response to complaints from a number of businesses, on the difficulties they encounter in recruiting skilled workers, a revised apprenticeship programme will be introduced.

Under this revised programme, “partner enterprises” will be invited and contracted to provide on the job training to trainees for a period of six months. Government will contribute three hundred and fifty dollars a month to each “partner enterprise” as a contribution to the compensation package to each intern.

This initiative will be coordinated by the Employment Agency and will cater for two cohorts of two hundred trainees in the first instance, thus preparing four hundred persons for the job market. Government will contribute five hundred thousand dollars (\$500,000) to this endeavour.

#### ***5. Support for Producer Cooperatives***

Madam Speaker, earlier this year I challenged the cooperative sector, to improve their contribution to the economy. Government received a submission from the Cooperatives sector, requesting assistance to develop what we refer to as producer or non-financial cooperatives. A total of 25 cooperatives have been identified for assistance under the proposed programme which will include assistance for purchase of equipment and tools, putting in place a revolving fund and improvements to production sites.

It is intended that the financial cooperatives, that is credit unions, partner with the Cooperatives Societies League, and the Cooperative Division of Government, to implement the proposal. The Government will provide, in the form of an advance, an amount of \$1.0 million in the first instance, to implement the proposal.

According to the Cooperatives Societies League, it is projected that this proposal could sustain and create an additional 200 new jobs in agriculture, fisheries and agribusiness sectors.

**6. Pilot programme of graduating people from unemployment to work**  
Madam Speaker, among the ranks of the unemployed are found people on welfare who are able and often willing to work. As a first step toward drawing both the unemployed and those on welfare into the mainstream economy, two pilot programmes will be initiated by Government.

One of the programmes will be implemented in the village of St. Joseph which the Country Poverty Assessment identifies as having the highest poverty head count in the country. This programme will target unemployed youth, and single mothers with children aged three to twelve years.

Unemployed mothers in this category who are already in receipt of some form of assistance will be required to undertake some type of work. Those who are not currently receiving any financial assistance will be provided with a stipend, on the condition that they undertake some type of work. These single parents will have to ensure that their children attend school, and the parents will be required to attend Parent Teachers Association meetings.

The training programmes which were recently organized in these communities in the aftermath of the Layou floods, will be followed up with activities which could lead to the formation of a cooperative so that beneficiaries would make maximum use of the training received.

Madam Speaker, the other intervention will seek to inject a sense of dignity and pride among the members of the small community enclave of Silver Lake. Work has already commenced on designs of a new housing complex for the inhabitants of Silver Lake that will possess the amenities of any modern housing development.

An employment programme similar to that which was just outlined is planned for Silver Lake. Families which are currently in receipt of public assistance will be assigned to undertake work with the local authority. Some persons have indicated an interest in caring for the elderly and will be assigned to the "Yes we Care" programme in the Roseau area. This assignment, it is hoped, will

lead to more long term employment of these persons. The lessons learnt will guide the expansion of this programme in other areas.

This programme will be administered by the Ministry of Community Development and Gender Affairs, in collaboration with the local authorities. The programmes offered by the DYBT and Youth Division will be tailored to meet the needs of the young people in the target communities.

### ***7. Implementing the Low Carbon Strategy***

The development of Dominica's geothermal potential is one part of the country's low carbon strategy. Dominica prepared and presented its Low Carbon and Climate Resilience Strategy to the Climate Investment Fund. The strategy was developed through broad-based participatory stakeholder input. The implementation will facilitate Dominica's transformation to a climate-resilient and low-carbon development economy, as well as address climate change impacts on agricultural productivity and food security within vulnerable communities, infrastructure and safety.

It is expected that through this medium, programmes designed to mitigate and strengthen resilience will be supported by donors. Of course Madam Speaker, assistance and support for renewable energy will be one of the major pursuits under this strategy. The strategy allows Dominica to gain access to grant and concessional resources which can be used for the purposes indicated above.

Madam Speaker, building climate resilience is not only about planting or preserving trees; it is that, and a lot more. When unseasonal heavy rains damage major infrastructure, shouldn't government seek to build new infrastructure which is more resilient? When unusual drought conditions affect agricultural output, shouldn't we introduce measures and new systems which will guarantee production despite weather conditions?

It would seem Madam Speaker, that some of us have not understood what climate change development finance is about, or that we are so shortsighted, that we are unable to see how changes in climatic conditions, are affecting every facet of life. Government's approach to responding to climate change is comprehensive; it cuts across all sectors and will address issues of mitigation, rehabilitation, reconstruction and sustainable development.

Resources amounting to \$43.2 million have already been identified for financing infrastructure in the east and south east. This area was negatively impacted by the heavy rains which occurred at the end of November 2011. Included in the proposal that is being discussed with the World Bank is the installation of equipment in the Carib Territory to assist in determining the reason for the land slippages occurring in that area.

### **Geothermal energy**

Government unreservedly holds the view that the cost of energy is an incentive to investment, job creation, and to lowering the cost of living. This view rests on knowledge and information of the costs at which goods and services are produced, by countries that are able to produce electricity at relatively low costs. This view is further anchored in extensive empirical work, that has examined the role of energy in the growth process.

For over fifty years, evidence abounded that below the surface of the ground in Dominica, there was energy in the form of heat and that this energy could be harnessed to produce electricity.

It took this Government to move boldly and take the risk and provide the resources to examine the feasibility of generating electricity, from this “geothermal energy”. Over \$20 million later, and after drilling three test wells, we have managed to confirm, that there is indeed an exploitable geothermal resource in the Roseau valley that can be used to produce electricity.

Madam Speaker, this information now permits us to announce the policy of developing a carbon negative economy by 2020. As a first step in implementing this policy, we have commenced the process of negotiation for building a 10 to 15 megawatt geothermal plant within two to three years. The electricity thus generated will be used exclusively to augment the domestic supply, 70 per cent of which is currently dependent on the importation and use of diesel fuel. One study conducted in January of this year, concluded that such a geothermal plant could result in a reduction of electricity bills by 45 to 50 percent.

The next move, Madam Speaker, will be to supply Guadeloupe and Martinique with electricity via undersea cable. The feasibility study for this, is ongoing.

Government is currently engaged in discussions with reputable firms in the geothermal and power generation industries on the matter of partnering with Government in the construction and operation of the plant. There is a strong likelihood that the plant could be operational by 2014. The general public will be informed further on this in the coming months.

We are already considering the types of industries we would be interested in attracting to set up shop in Dominica, so as not to spoil our image as the Nature Island of the Caribbean.

The State College will be called upon to play a role in preparing young Dominicans for the jobs that will be created which I am informed, could run into the hundreds. As a start, with the resources to be provided by the EU

under the 10<sup>th</sup> EDF programme of assistance, ten persons will be trained in relevant geothermal disciplines.

### ***8. Economic Citizenship Programme***

The Economic Citizenship Programme (ECP) is a useful avenue for promoting foreign direct investment. Dominica's citizenship programme is a well regulated, respected and transparent programme which is characterised by a high level of due diligence.

However, Madam Speaker, programmes such as these always benefit from periodic review. In that regard, the Economic Citizenship Programme is currently being reviewed with a view to strengthening the administrative procedures, and increasing investment opportunities which have been identified by the state, and which are elucidated in the revised GSPS. These resources have been used to finance government's contribution to the capital programme, such as the local component of the Geothermal project.

The intention, Madam Speaker, is to encourage participation in local investment opportunities. In that regard, we are considering the possible involvement of economic citizens in local projects. We believe that there is scope for much more significant financing, if viable projects are identified and presented by the private sector.

Madam Speaker, the initiative that I have highlighted is not all new. What is new is the approach that we plan to take to make the ongoing programme more effective. I call on those persons who have a part to play in implementation to ensure that we all deliver for the benefit of the people of this country.

### **BUDGET FOR 2012/13**

Madam Speaker, I now present the budget proposals for the 2012/13 financial year.

Recurrent revenue is estimated at \$369.8 million. Recurrent expenditure, (exclusive of debt amortization of \$41.6 million), is estimated at \$322.8 million thus projecting a current account surplus of \$47.0 million for 2012/13.

The primary balance, Government's main fiscal indicator, is projected to be - \$4.5 million or -0.01 percent of estimated GDP for 2012/13. While this figure is less than the desired ratio of 2.4 percent of GDP, it represents a positive adjustment, from the projected outturn for 2011/12. In addition, the next two

years of the budget framework indicates further adjustment that, other things being equal, will see the primary balance return to the targeted ratio.

Table 3 shows the overall summary for the fiscal year 2012/2013 with comparative figures for the two preceding years.

Table 3. Budget Summary 2012/13 (\$million)				
	Estimate 2012/13	Estimate 2011/12	Projected 2011/12	Actual 2010/11
<b>Revenue</b>				
Recurrent Revenue	369.8	364.9	348.2	357.1
From Grants	58.7	69.2	70.3	120.7
From Loans	49.7	32.1	52.8	55.6
(Government)	5.1	6.5	2.4	1.8
<b>Total Revenue</b>	<b>483.3</b>	<b>472.7</b>	<b>473.7</b>	<b>535.18</b>
<b>Expenditure</b>				
Salaries and Allowances	145.4	144.9	135.2	135.2
Other Current Operating Expenditure	157.9	159.3	155.6	156.2
Debt Service	19.5	18.7	20.1	20.6
PSIP (Capital Expenditure)	134.7	128.3	156.1	220.3
<b>Total Expenditure</b>	<b>457.5</b>	<b>451.2</b>	<b>467.0</b>	<b>532.3</b>
Debt Amortization	41.6	34.0	35.7	26.1
<b>Primary Surplus</b>	<b>-4.5</b>	<b>8.1</b>	<b>-26.0</b>	<b>-32.1</b>
<b>Current Account Surplus</b>	<b>47.0</b>	<b>42.0</b>	<b>37.3</b>	<b>45.1</b>
<b>Overall Surplus/(Deficit)</b>	<b>(15.9)</b>	<b>(12.5)</b>	<b>(29.0)</b>	<b>(23.2)</b>
<b>Total Expenditure plus Debt Amortization</b>	<b>499.1</b>	<b>485.2</b>	<b>502.7</b>	<b>558.4</b>
Memo item: GDP (Current Prices)	1,421.20	1,341.90	1,341.9	

### Recurrent Revenue

Madam Speaker, recurrent revenue for 2012/13 is estimated at \$369.8 million. This surpasses the 2011/12 estimate by \$4.9 million.

Table 4 gives a summary of the estimates of revenue for 2012/13. The major categories are:

- Value Added Tax - \$122.5 million or (33.1%);
- International Trade Taxes - \$68.7 million or (18.6%);
- Other Domestic Taxes - \$67.1 million or (18.1%);
- Non-Tax Revenue - \$53.6 million or (14.5%)
- Personal Income Tax at \$33.0 million or (8.9%); and
- Corporate Income Tax - \$25.0 million or (6.8%);

**Table 4. Breakdown of Current Revenue Projections**

Item	Estimates 2012/2013	%	Projected 2011/2012	%	Estimates 2011/2012	%
Personal Income Tax	33,000,000	8.9%	32,074,865	9.2%	30,353,000	8.3%
Corporate Income Tax	25,000,000	6.8%	25,484,740	7.3%	26,243,000	7.2%
VAT	122,500,000	33.1%	122,206,650	35.1%	131,670,300	36.1%
Other Domestic Taxes	67,055,500	18.1%	58,752,458	16.9%	69,103,000	18.9%
Int'l trade taxes	68,731,000	18.6%	63,730,205	18.3%	72,741,700	19.9%
Non-tax Revenue	53,559,000	14.5%	45,980,153	13.2%	34,846,000	9.5%
<b>Total</b>	<b>369,845,500</b>	<b>100%</b>	<b>348,229,071</b>	<b>100%</b>	<b>364,957,000</b>	<b>100%</b>

#### **Recurrent Expenditure**

The 2012/13 recurrent expenditure budget of \$364.4 million compares with projected amount for 2011/12 of \$346.6 million.

The table 5 shows the distribution of expenditure by Spending Agencies.

Table 5

Ministry/Department	Amount	%
President's Office	733,966	0.2%
Integrity in Public Office Commission	667,866	0.2%
Legislature	1,378,697	0.4%
Audit Department	1,123,701	0.3%
Ministry of National Security, Labour and Immigration	37,544,586	10%
Elections	541,151	0.2%
Ministry of Employment Trade, Industry and Diaspora Affairs	4,009,518	1%
Prime Minister's Office	5,199,803	1%
Ministry of Finance	99,951,761	27%
Ministry of Agriculture and Forestry	9,469,247	3%
Ministry of Education and Human Resource Development	58,405,876	16%
Ministry of Lands, Housing, Settlements and Water Resource Management	3,473,551	1%
Ministry of Social Services, Community Development and Gender Affairs	16,646,679	5%
Ministry of Health	46,820,402	13%
Ministry of Environment, Natural Resources, Physical Planning and Fisheries	2,546,700	1%
Ministry of Tourism and Legal Affairs	14,680,050	4%
Ministry of Information, Telecommunications and Constituency Empowerment	1,860,300	1%
Ministry of Carib Affairs	386,183	0.1%
Ministry of Culture, Youth and Sports	5,050,186	1%
Establishment, Personnel and Training Department	11,471,585	3%
Ministry of Public Works, Energy and Ports	31,171,239	9%
Ministry of Foreign Affairs	11,315,394	3%
Total	364,448,440	100.0%

Madam Speaker, the budget takes into account the continued implementation of Government's social programme including, but not limited to, the 'Yes we Care', the school transfer grants, the school transportation programme and public assistance.

Madam Speaker, 34.0 percent of the budget is being allocated towards the social sector. Sixteen (16) percent of the budget is being allocated to Education and Human Resource Development. The Ministry of Health and the Ministry of Social Services are being allocated with 13.0 percent and 5.0 percent respectively.

The allocation for the Ministry of Finance is 27.0 percent and includes provision for interest payment and debt amortization in the amount of \$61.1 million as well as retiring benefits of \$21.2 million.

The other major allocations are to the Ministry of National Security, Immigration and Labour with 10.0 percent of the expenditure budget and the Ministry of Public Works, Energy and Ports with 9.0 percent.

Madam Speaker, the sum of \$145.4 million is being appropriated for meeting personal emoluments; this covers salaries, wages and all allowances. This expenditure item constitutes the largest share of the recurrent budget. The wage bill amounts to \$135.5 million, and has been maintained at about 10 percent of GDP over the past few years.

The allocation for goods and services of \$90.4 million represents a 3.7 percent increase over the estimated amount for the last fiscal year of \$87.1 million. This year an additional sum of \$1.0 million is being appropriated for utilities and \$1.7 million for communication expenses. Due to the increased cost of these services, the annual budgetary allocation has been proving insufficient.

Also included in the goods and services allocation, is provision for upgrade of preschools, where this is necessary, to ensure that there are adequate facilities to accommodate all children of pre-primary age.

This allocation also covers expenditures such as road maintenance, other operating and maintenance services, professional and consultancy services, office and general expenses, training, purchase of equipment, maintenance of properties, insurance costs, and cost of medical supplies.

The sum estimated for transfers and subsidies is \$65.5 million. This allocation includes government's contribution for educational purposes of \$17.5 million; retiring benefits of \$21.2 million; contributions towards social protection of the elderly and the less fortunate \$6.1 million; contributions to local, regional and international institutions \$7.4 million; and grants to local governments \$3.6 million.

Madam Speaker, an amount of \$19.5 million has been provided to meet interest payments. This accounts for 5.0 percent of the recurrent budget.

Madam Speaker, it should be noted that the allocation for tourism marketing and promotion has been moved from capital expenditure to recurrent expenditure. This item is provided for every year, and as such is being deemed now to be of a recurrent nature.

Table 6 provides a summary of recurrent expenditure, plus debt amortization, by economic classifications.

Table 6: Summary of recurrent expenditure, plus debt amortization, by economic classifications

Classification	Estimate 2012/13	%	Projecte d 2011/12	%	Actual 2010/11
Salaries	123.6	34 %	118.8	34%	118.7
Wages	5.5	2%	4.8	1%	4.5
Salaried Allowances	6.4	2%	5.4	2%	4.9
Non-salaried allowances	9.9	3%	8.4	2%	7.9
Interest	19.5	5%	20.2	6%	20.6
Retiring Benefits	21.2	6%	23.3	7%	22.8
Grants & Contributions	37.5	10 %	39.2	11%	40.8
Subsidies (Public Assistance)	6.8	2%	6.5	2%	5.8
Refunds	2.0	1%	2.3	1%	2.5
Goods & Services	90.4	25 %	87.1	24%	86.7
Loan Repayments	41.6	11 %	35.9	10%	26.1
Total	364.4	10 0%	351.9	100 %	341.3

### Capital Revenue

Local capital revenue is estimated at \$5.1 million. This income is expected to be generated mostly from the sale of houses and lands.

## Public Sector Investment Programme

The Public Sector Investment Programme for the Financial Year 2012/13 is estimated at \$134.7 million and financed as follows:

- Local funds of \$30.3 million or 22.5 percent
- Loans of \$49.7 million or 36.9 percent
- Grants of \$54.7 million or 40.6 percent

The following table is a summary of the allocation of funds by Ministries

Ministries	Total	GOCD	LOAN	GRANT	Percentage of total
Public Works, Energy, and Ports	53,091,178	5,833,152	27,554,346	19,703,680	39.4%
Lands, Housing, Settlements, and Water Resource Management	18,320,370	7,233,414	-	11,086,956	13.6%
Education and Human Resource Development	13,049,343	3,041,187	9,785,290	222,867	9.7%
Agriculture and Forestry	7,633,743	2,133,743	-	5,500,000	5.7%
Establishment, Personnel & Training Department	7,087,668	2,150,000	2,987,402	1,950,266	5.3%
Office of the President	5,716,478	300,000	5,416,478	-	4.2%
Tourism and Legal Affairs	5,546,156	1,764,690	-	3,781,466	4.1%
National Security, Labour, and Immigration	5,357,075	1,397,600	1,000,000	2,959,475	4.0%
Health	4,172,756	1,514,129	-	2,658,627	3.1%
Ministry of Carib Affairs	3,950,000	450,000	3,000,000	500,000	2.9%
Employment, Trade, Industry, and Diaspora Affairs	3,839,748	2,706,303	-	1,133,445	2.8%
Finance	2,605,567	400,565	-	2,205,002	1.9%
Social Services, Community Development, and Gender Affairs	2,071,948	718,391	-	1,353,557	1.5%
Information, Telecommunications, and Constituency Empowerment	1,100,000	100,000	-	1,000,000	0.8%
Environment, Natural Resources, Physical Planning, and Fisheries	640,016	10,000	-	630,016	0.5%
Culture, Youth, and Sports	299,716	299,716	-	-	0.2%
Office of the Prime Minister	250,000	250,000	-	-	0.2%
Foreign Affairs	-	-	-	-	0.0%
<b>TOTAL</b>	<b>134,731,761</b>	<b>30,302,889</b>	<b>49,743,516</b>	<b>54,685,357</b>	<b>100.0%</b>

The Ministry of Public Works will receive \$53.1 million which is 39.4 percent of the total PSIP for the continuation of infrastructural works, such as the road from Pond Casse to Melville Hall and the Pointe Michel Sea Defense.

The disasters in Layou and from Tropical Storm Ophelia resulted in significant damage to buildings and infrastructure. The Government of Dominica was able to secure two (2) loans from the Caribbean Development Bank (CDB) totaling \$40.2 million for reconstruction and rehabilitation works to be undertaken on the affected roads and bridges.

In the geothermal sector, work will continue with the exploration and testing activities and the opportunity for harnessing this power.

The Ministry of Lands, Housing, Settlements and Water Resource Management will continue in its efforts to provide affordable housing to all segments of the society and hence \$18.3 million or 14 percent of the capital budget has been allocated to this undertaking. Projects aimed at improving the standard of housing through the provision of low income houses will continue. One major project which will get on the way, is the construction of apartment buildings for residents of Silver Lake. The Carib Territory Low Income Housing Project which seeks to provide housing that are more resilient to natural hazards and disasters will continue.

It is also imperative that the Ministry undertakes the infrastructural development of the areas which are to be converted to serviceable lots. Thus, projects will be undertaken to improve the road network, drainage and the installation of service utilities. Notable areas, where such work will be done, include Jimmit, Union Estate and Hillsborough Gardens, as well as areas identified for the Petro Casa houses.

The Ministry of Tourism and Legal Affairs will receive \$5.5 million or 4 percent of the PSIP budget to continue its work of improving Dominica's tourism product. The Ministry will be undertaking a Tourism Sites Enhancement project with the view to nurture community involvement in tourism and enrich the lives of all citizens, while contributing to the country's economic growth. This project will not only assist in ensuring that all tourism sites meet industry standards, but it will create employment and job opportunities, for residents in communities where facilities exist.

This financial year will see the construction of the Roseau River Promenade, which will include river walls and a canterlivered boardwalk. The main goal of this project, is to redevelop the area along the south-west end of the Roseau River bank, and to make it more aesthetically pleasing and with a safe environment for tourism, recreational and commercial activities. The promenade will create a better and more effective area for persons who are involved in the vending of products and services.

Madam Speaker, funding is being provided to the Discover Dominica Authority to undertake an Access Marketing Strategy project. This project will continue the work aimed at getting the right mix of air access options for Dominica.

The Ministry of Tourism and Legal Affairs recognizes the importance of every child being registered, hence the continuation of the National Birth Registration Campaign. The project also seeks to achieve universal, free, and on-time birth registration of all children born in Dominica by 2015.

The Ministry of Education and Human Resource Development will receive \$13.0 million or 10 percent of the total capital allocation. Efforts continue to be made to improve the quality, efficiency and effectiveness in basic education, by enhancing the learning environment at primary and secondary schools, upgrading the institutional framework and improving teacher quality. In keeping with these efforts, the Ministry will continue work on its projects aimed at assisting schools to more effectively manage all school related data, and providing real time information to all decision makers, on the status of education in Dominica.

Madam Speaker, an amount of \$7.6 million has been earmarked for the Ministry of Agriculture. In an effort to protect the agriculture industry, the Ministry will seek to expand the Molecular Diagnostic Laboratory. This should enhance real time molecular diagnostics of concern to the sector and place the Ministry in a state of readiness in the event of the introduction of exotic diseases. Additionally, it will be a source of revenue through the provision of diagnostic services for our sub-regional partners.

Development of the poultry sector and support for the expansion of the pork industry will continue. The project will help reduce the level of meat imports, by increasing local production and allowing the slaughtering and processing of meat under hygienic conditions which meet European Union Standards, and at the same time increasing local revenue.

Dominica has produced superior coffee in the past because of its climatic conditions and terrain, and is still capable of producing such. The Coffee Development project which is funded through a grant from the ALBA Caribe Fund is intended to revitalize Dominica's coffee subsector. This project will seek to facilitate the restoration, rehabilitation and long-term competitiveness of the local coffee subsector, with special emphasis on production, processing and marketing, leading to sustained long-term growth and viability of coffee production.

Madam Speaker, Government will continue its campaign against crime by ensuring that the police has adequate facilities to facilitate their work. The Grand Bay police station will be commissioned and work is expected to begin on new stations for Calibishie and LaPlaine. Renovation of existing structures will continue from that which was started last fiscal year. The Ministry of National Security is being provided 4.0 percent of this year's capital budget.

The capital budget of the Ministry of Trade, Employment and Diaspora Affairs includes the financing of some of the growth initiatives addressed earlier. This includes provision for the small business programme, the sea transportation assistance, the apprenticeship programme and the promotion of exports.

Madam Speaker, the Carib Territory Capacity building project continues this year. Some components of the project were affected by the land slippage, which took place last year in the Carib Territory, but we expect that the construction of the resource centres will begin during this year. Training is also ongoing in an effort to equip the Kalinago people with skills that will allow greater opportunities for employment.

The capital programme for the Ministry of Health continues the work to upgrade health facilities and importantly, to advance the preparation, for the construction of a state of the art hospital, to be financed with grant resources from the People's Republic of China.

In the area of public administration, provision is being made for the completion of the State House project, which includes offices for the Electoral Commission, Integrity Commission and Public and Police Service Commissions as well as a National Conference Centre. Renovations will also be undertaken on the Public Service Training Center and other Government buildings. The EGRIP project will also be continued.

Madam Speaker, we will focus on completing the ongoing projects during this year, but mindful that as new resources become available, we will move to introduce new projects.

#### FISCAL AND OTHER MEASURES

Madam Speaker, all governments have grappled with the desire to present budgets, that provide concessions, waivers and other tax allowances to citizens, while at the same time paying attention to the imperative of preserving the integrity and strength of public finances.

There is no easy solution to this dilemma at this time except that all Governments who have found themselves in that conundrum have had to be honest and forthright in the choices that were made.

There has been no shortage of requests for concessions, for waivers, for contributions, for relief of one kind or another. Madam Speaker, we would be happy to respond positively to all the requests. The truth is that we cannot. We have made it clear that Value Added Tax (VAT), is the platform of revenue, and it has to be preserved.

There is the misunderstanding that the VAT is paid by the businesses. This is not necessarily so. The VAT is paid by the final consumer. What a business pays to the Inland Revenue Division, is the net of what is collected from the final consumer and what it pays on its purchases. I need to also confirm, that where the VAT is charged at a lower rate, (10 percent on some tourism services), the credits are granted at a rate of 15 percent.

Some persons have asked for the VAT to be reduced, others want it done away with all together. But I believe Madam Speaker, that generally, the majority of citizens have accepted that the VAT is the most equitable and reliable form of indirect taxation available to us at this time.

The reality is that wherever taxes are removed, more than likely, it has to be replaced by another tax, an increase in an existing tax, or by a reduction in expenditure on goods and services. Of course, there are efficiencies to be gained, and Government is already implementing some options.

What I consider to be more important Madam Speaker, is that each of us should pay our taxes. The efficiency measures we have put in place, have confirmed that too many of our citizens take every action not to pay tax. Yet the same persons call for more relief, for greater investment, and for more services. I once again, urge all taxpayers to be responsible and to do the right thing for our country.

In that light, Madam Speaker, I will now present the measures which are included in this budget. The measures are mostly intended to address the increasing administrative cost of some services, many of which have benefited from improvements in recent times.

#### Adjustment in fees for work permits and other immigration services

It is proposed that the following fees be increased.

- Application for Citizenship from \$100 to \$250.00
- Fee for issuance of certificate of registration for citizenship from \$1,000.00 to \$2,000.00
- Application for Work Permit and Temporary Resident Permits; for CARICOM citizens from \$90.00 to \$250.00 and for all other persons from \$500.00 to \$800.00.
- Permanent Residence Permits; for CARICOM citizens from \$90.00 to \$400.00 and for all other persons from \$500.00 to \$800.00.
- Student visas from \$100 to \$250.00
- Domestic or visitor's visa processing fee from \$133.00 to \$200.00

These fees will become effective 1<sup>st</sup> September 2012.

Adjustment in Economic Citizenship fees.

The following new fees will apply to the Economic Citizenship Programme:

Package A - Single Applicant	A non-refundable investment of US\$100,000 rather than S\$75,000 as at present
Package B - Family Application (One Applicant plus spouse)	A non-refundable investment of US\$175,000.
Package C - Family Application Two (Applicant plus one spouse and two children below the age of 18 years)	A non-refundable investment of US\$200,000 rather than US\$100,000 as at present
Package D - Family Application Three (Applicant plus one spouse and three children below the age of 18 years)	A non-refundable investment of US\$350,000 and US\$50,000 for every additional person 25 years and below

These fees will become effective 1<sup>st</sup> September 2012.

Adjustment in the rate of import duty paid on firearms and re-introduction of penalty on lost firearms

The Firearm Amendment Act (#6 of 2011) makes provision for the following fees:

Firearm Users Licence	\$200.00
Estate Gun Licence	\$200.00
Firearm dealers licence	\$1000.00

These fees were recently approved. However, it has been deemed necessary to include in the list of fees a penalty in the event a firearm is lost. That fee is to be set at \$1000.00. That provision was included in the previous Firearms Act but was omitted in the new Act #3 of 2011.

Also, Madam Speaker, the rate of import duty on firearm is now set at 45 percent.

Effective 1<sup>st</sup> September 2012, the rate of import duty will be increased to 50 percent.

#### Adjustment in the rate of import duty on tobacco

Government has indicated its intention to introduce legislation which will have the effect of reducing smoking in public places. This is just one measure which will be introduced, in an effort to reduce smoking generally.

The import duty rate applied to tobacco is 45 percent. Effective 1<sup>st</sup> September 2012 the rate of import duty on tobacco will be increased to 75 percent.

#### Adjustment in passport and travel document fees

The new CARICOM passports were made available to citizens at the price of the 'old' passports when the former was introduced. The price paid by citizens was less than the cost to the Government, but Government wanted to ensure, that all citizens had the opportunity to obtain the new passport.

At this time, Government is pursuing further efficiencies, with the introduction of the equipment to electronically read the passports. Given these improvements, it is proposed that the price for passports be increased. It is also proposed, that the price of other travel documents be increased.

The proposed rates are as follows:

- Passport for adults from \$100.00 to \$150.00
- Passport for children from \$50.00 to \$75.00
- Seaman Passport from \$33.00 to \$100.00
- Travel Permit from \$10.00 to \$20.00
- Certificate of identity from \$20.00 to \$30.00
- Emergency Passport from \$20.00 to \$30.00

The new fees will become effective 1<sup>st</sup> September 2012.

#### Incentives for the upgrade of the bus and taxi fleet

Cabinet has already approved a special programme of concessions for taxi drivers registered with and certified by the Discover Dominica Authority. It is proposed that this concession be extended to all buses (those carrying in excess of 10 passengers) used for public transportation. The current rate of import duty on such vehicles is 10 percent.

A bus owner would be eligible to one bus free of import duty and he should not have benefited from any other concession on another vehicle for a similar purpose. To benefit from these concessions, the owner should be in full compliance with the payment of licenses and registered with the Dominica Social Security.

### Measures to assist in crime prevention

Madam Speaker, crime prevention and reduction is one of the priorities of this Government. I must thank the law enforcement agencies, including the police and the Customs, for their efforts and their success in bringing criminals to justice. As promised, we have been meeting with communities to discuss the matter of crime and efforts to address it. We have also increased surveillance in some of the problematic areas made possible with the appointment of additional special constables, which number twenty so far.

It is a view, that the penalties associated with crimes such as theft, robbery, burglary, may not be sufficient to deter would be perpetrators. The Ministry of legal affairs will undertake a review and will advise Cabinet on possible amendments.

In the meantime, Madam Speaker, Government acknowledges the attempts by the private sector to partner with Government agencies in fighting crime. Government therefore will facilitate the efforts to install closed circuit cameras in strategic areas, and as such will allow security cameras and other related equipment, to be imported free of duty. The precise list of items will be published subsequently.

This measure will become effective 1<sup>st</sup> September 2012.

### Other measures

#### Relaxing of immigration and visa application

While this measure will not result in an immediate increase in revenue, it is anticipated, that by easing the immigration and visa requirement in specific instances, may encourage more visitors to Dominica.

The measures being suggested is that persons with either a Schengen visa, American, British or Canadian visa, would not need a Dominican visa to enter Dominica.

#### Review of legislation intended to improve health and well being

The Ministry of Legal Affairs is to undertake a review of legislation that seeks to assist citizens to promote well being. Where such legislation is not in place, such as that which prohibits smoking in public places, these will be drafted. The benefits of such legislation will be felt in the longer term, but will impact directly on the cost of health services.

Related to the matter of health care, Madam Speaker, is Government's concern with health financing. Specifically, the current approach to financing tertiary and specialized care is not sustainable. There is a level of personal responsibility that must come into play. But we see it as Government's responsibility, to facilitate where it is possible. This is a matter that requires

the urgent attention of all of us. I have therefore, instructed the Ministry of Health to consult on this matter, and to propose possible options for consideration.

In the meantime, I encourage each citizen to take control of his or her health. Prevention is always better than cure.

On this note, Madam Speaker, we recall alarming incidents of visual impairment, glaucoma, partial and total blindness discovered over the period of the eye care programme, executed in association with the government of Cuba. One of the amazing lessons learnt, was the importance of early detection and prevention. Furthermore, it has been proven that impaired vision is often times linked to dyslexia and other causes of under performance by children.

The Government of Dominica is very concerned about this, and is currently discussing with private sector interests and specially trained professionals, a novel initiative in which, over the course of the next two years, we will mandate that all school children undertake a complete eye care, starting with a comprehensive analysis at the primary school level, involving the provision of examinations, treatment, spectacles and after care, at absolutely no cost to parents. Discussions are at an advanced stage, and I am optimistic of this programme getting on the way and impacting the children of this country before the end of this year. From eye care, it is our hope that within two years we can turn attention to provide similar services in dental care.

### CONCLUSION

Madam Speaker, earlier in this address, I emphasized that it cannot be business as usual. This statement applies even more so, to Central Government and to state agencies, involved in delivering on our social contract with the Dominican citizenry. Following this budget address, I will be directing the Cabinet Secretary to convene a meeting of all the state agencies that will be involved in this new thrust for growth and job creation. This meeting will review the plans of each state actor, for delivering the results expected of their sector.

Madam Speaker, a pre-eminent requirement for us to pull ourselves out of the current whirlpool of economic turbulence, is that we take every measure possible to do more with the resources available to us. We have to do more to eliminate waste, and to encourage collective effort in the delivery of services to the public, including the rural communities. We have a public service that is generally diligent and committed to work. However, a few of our public servants fall short of exercising the responsibility and duty of care entrusted to them, in discharging their functions. We must all do better.

It behoves us now to adopt an approach to cutting costs, in a manner reminiscent of some of the practices adopted, when we went through a period of stabilization between 2002 and 2006. The unnecessary use of office

telephones for private purposes should cease and turning off lights and air conditioning units after work, should be adopted as the norm. The unfettered use of Government vehicles and other state assets must be stopped.

Madam Speaker, this year's budget seeks to move us to be more responsible in light of challenges, many which are outside our control, but it is a call to show our resilience. It is a call to prove, that despite challenges, we can be hopeful and inspire ourselves to take action for our betterment.

As a government, we remain committed to the ideal of improving the lives of our people, but doing so with prudence, efficient implementation of projects and monitoring of the services that we provide. We must all share that ideal, and rally to the cause for a better Dominica.

Madam Speaker, we have crafted this budget against the backdrop of knowledge and appreciation of the facts. Others may wish to advance pie in the sky ideas for short term political gain.

As I intimated earlier, they are the same persons who shirked their responsibility and ran away from this Parliament when new ideas and tough decisions were required. Nothing they have said in recent months suggests a thorough grasp of the issues. Their reckless and irresponsible manipulation of statistics and reports is also to be condemned. The facts about Dominica's exemplary performance during the period of economic recession are available for all to see. We refer objective thinkers to the various institutions that compile and analyse these matters.

We invite citizens also, to reflect on the experiences of relatives and friends abroad. Discuss with them current conditions in their adopted places of residence. Reflect upon the fact that in recent times, there has been a reversal of the process of remittance transfer, whereby today many Dominicans are sending cash and packages to family and friends living abroad, as compared to ten years ago.

Madam Speaker, these are clear indicators of how we have weathered and are continuing to weather the storm. Of course, we would like to do better. We would like to increase governmental activity at the community level, but, we shall not jeopardise the economic interest of Dominica at the altar of political expedience.

We have every confidence in the majority of citizens to read and understand what is actually happening. Read recent budget addresses from Jamaica, Barbados, St. Lucia, Bahamas, Great Britain, Canada and follow developments in the United States and then appreciate the gravity and reality of the challenges that we confront.

This budget, Madam Speaker, sets us on course to fulfilling the social contract, by remaining focused in the midst of economic turbulence.

As we address the domestic issues, Madam Speaker, we also remain focused on the objectives of regional integration. We fully subscribe to the economic union, and the opportunities that it presents to the people of the OECS. In fact, we strongly believe that the strength of the integration movement, will be determined by our collective effort. As a matter of fact Madam Speaker, five members of this Parliament will represent Dominica in the OECS Assembly at its inauguration on 10<sup>th</sup> August 2012, in Antigua. I also anticipate that we will advance the process in making the Caribbean Court of Justice (CCJ) our final appellate Court.

I thank all our benefactors, development partners and bilateral friends. Even as you experience your own challenges, you have remained steadfast, in your support to the Dominican people.

Madam Speaker, I look forward to the results of the opportunities created in this budget and so move the Appropriation Bill for the fiscal year 2012/2013.

May God continue to bless our beautiful country and our efforts.

Thank You.