

Commonwealth of Dominica

# BUDGET ADDRESS

for Fiscal Year 2011/2012

Presented by:

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*“Pursuing The Path to Growth:  
Being Responsive yet Responsible”*

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## ***Pursuing the Path to Growth: Being Responsive yet Responsible”***

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## **Introduction**

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

I cannot make this presentation without first expressing my admiration for the thousands of Dominicans, residents and friends who participated in last weekend's disaster preparedness exercise.

I have been receiving photos, video clips, written and verbal accounts of various organised activities across Dominica, geared at preparing and buttressing this island against disasters of whatever nature. I wish to place on record, my sincere appreciation to those who heeded the call.

Madam Speaker, there is a clear correlation between the success of that event and the relevance of these Financial Statements and Budgetary Proposals which I have the honour and good fortune to present to this Honourable House at this time.

The plans and proposals I am about to outline will be meaningless if, as a nation, we do not have the fortitude and mental aptitude that are required for the process of nation building. The physical and other infrastructure that we put in place will be useless to our development without these virtues.

That is why the national response to last weekend's initiative is so important and inspiring. It tells us that Dominicans are ready to own the process. It tells me that just as we bore sacrifices during the economic stabilization programme and rallied together in the past, as a nation, in periods of adversity, so too, are we likely to respond to the call for continued fiscal prudence and maturity, as our country, the region and the world emerge from what has clearly been the worst economic depression known to modern man.

Madam Speaker, in last year's budget address, I laid out a vision of a New Dominica *"where every able bodied man and woman will have opportunities for gainful employment and where the elderly and the vulnerable will not go wanting"*. In pursuing that vision, I articulated pathways that would take us to higher levels of performance and achievement in the productive and social sectors of our economy.

I emphasized that this would be an enormous task, in light of the global economic environment which continues to be challenging. You will also recall my statement that we have to make a seismic shift in the way we do business in Dominica – both in the private and public sectors. I urged that terms such as efficiency, productivity and competitiveness should become more entrenched in our work and business ethic.

That vision continues to guide and inform Government's policy, programme and resource mobilization initiatives. I remain optimistic about Dominica's future, and trust in the capacity of our citizens to play their part in creating that brighter future.

Madam Speaker, in moving Dominica to a higher level, we have reached a point where events arising from the lingering global financial crisis now demand that we review, and adapt where necessary. By adapting we ensure that we pursue options that best address our current challenges while not losing sight of the goal. In other words, we must be responsive yet responsible.

What then, are our current challenges?

Arising from discussions concluded under the latest Article IV consultation with staff of the International Monetary Fund, and our own internal assessment, these challenges broadly cover four policy themes. They are:

1. Adjusting to the global economic challenges
2. Continued pursuit of a more sustainable fiscal position, following a three-year period of reductions in income taxes, and a vibrant Public Sector Investment Programme;
3. Strengthening the supervision of the financial sector in light of the recent challenges and arresting the effects of the failed regional insurance companies British American Insurance Company (BAICO) and CLICO on our economy; and
4. Accelerating growth prospects by boosting the country's capacity to attract and absorb private investment.

Madam Speaker, it is our responsibility to respond to what the numbers and the prevailing environment are telling us; I have therefore chosen the theme for this address as : ***"Pursuing the Path to Growth: Being Responsive yet Responsible"*** and later in this address, I will outline the policy measures that Government will focus on to keep the ship of State well afloat, and to continue to steer the Dominican economy away from danger and towards improved performance.

At this time Madam Speaker, I will give a summary of the international and regional circumstances which give rise to the first challenge listed above.

### **International and Regional Economic Developments and Prospects**

Madam Speaker, there has been much information about the current state of the global economy. Since 2008, performance of the global economy has not been very positive. Even while we remain hopeful that the recovery has started, economic experts indicate that this recovery is likely to be very slow.

In that context, Madam Speaker, estimates of World GDP growth are moderate. It is estimated that in 2010 the world economy grew by 5.0 per cent. Growth for 2011 is projected at 4.4 per cent. In advanced economies, real GDP is expected to rise by just 2.4 per cent in 2011.

However, in emerging and developing economies, growth is projected at 6.5 per cent for 2011. Downside risks to these projections include weak real-estate markets in advanced economies and a global rise in commodity prices.

In the United States, the world's largest economy, real GDP is estimated to have increased by 2.8 per cent in 2010 and growth is projected at 2.8 per cent in 2011. In the first quarter of 2011, growth decreased to 1.8 per cent and indications are that the recovery is slowing. Consumer prices continue to rise, led by increases in food and energy prices and the unemployment rate climbed to 9.0 per cent in April 2011.

In the United Kingdom, real GDP is estimated to have increased by 1.3 per cent in 2010. However the economy stagnated in the first three months of 2011 and GDP is projected at 1.7 per cent in 2011. U.K. unemployment claims rose at their fastest rate since January 2010 in May 2011, underlining the fragility of the economic recovery as government spending cuts and rising inflation reduce household confidence.

In the wider Euro-zone, GDP rose by 0.8 per cent in the first quarter of 2011, primarily reflecting robust economic activity in Germany and France. In Germany, Europe's largest economy, GDP rose by 1.5 per cent in the first quarter after increasing 0.4 per cent in the previous three months.

European exporters have helped fuel economic growth as fiscal consolidation and rising energy costs curbed consumer demand. However, European economic confidence weakened in May 2011 and German investors grew less optimistic, suggesting that the recovery may be losing momentum in the current quarter.

The European Central Bank forecasts GDP growth for the Euro-zone of 1.6 per cent in 2011. The recent crisis in Greece suggests that the worst is yet to come in the Euro-zone. To date, Greece has received two bailouts and additional austerity measures are still required to bring the economy out of the current decline.

The Chinese economy continues to grow rapidly. Real GDP rose by 10.3 per cent in 2010 but is expected to decelerate to 9.6 per cent in 2011. Inflation in China rose by 5.3 per cent in April 2011, despite sustained monetary tightening by the Bank of China.

Preliminary data indicate that economic activity in the Eastern Caribbean Currency Union (ECCU) contracted in 2010, albeit at a slower pace, for the second consecutive year. Real GDP for the ECCU is estimated to have contracted by 2.7 per cent compared with a 5.6 per cent decline in 2009.

This outturn was influenced by weak external demand for goods and services; contraction in public sector capital spending; declines in tourism related Foreign Direct Investment (FDI) inflows; and unfavourable weather.

Most countries were affected by drought in the first part of the year and tropical storm Tomas in the latter part of the year. The consumer price index rose by 2.2 per cent in 2010 compared with an increase of 1.2 per cent during 2009.

Provisional estimates indicate that real GDP in the ECCU remained relatively flat in the first quarter of 2011, compared with the corresponding period of 2010 and consumer prices in the ECCU rose by 0.9 per cent in the first three months of 2011.

The ECCB projects that real GDP growth in the ECCU could be in the region of 2.4 to 2.7 per cent in 2011. Improved performance of the tourism industry, increases in private foreign direct investment inflows and remittances, which should stimulate activity in the construction and other related ancillary services sectors, are the main factors likely to underpin this projected recovery.

## **Dominica's Economic Performance in 2010 and Outlook for 2011**

Madam speaker, the foregoing give an indication of what is going on around us and there are many examples that we can refer to. But where or how does Dominica fit into that scenario?

The point is, Madam Speaker that the global economic situation continues to be difficult. Small, open and vulnerable economies like those of the region including Dominica will therefore continue to be affected by these challenges. The world economic slowdown had obvious impact on Dominica's external trade, on the tourism industry and on the inward flow of remittances.

Overall though, preliminary GDP estimates suggest that amid the global economic slowdown, Dominica's economy exhibited an admirable degree of resilience, a fact attested to by regional and international observers.

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

We also follow closely, the eight point stabilisation programme which we agreed to, as a member of the Monetary Council.

In last year's budget address, I indicated that a rebasing of the national accounts and the consumer price indices of all the ECCU countries was being undertaken. The exercise was concluded late last year and was formally launched at the regional level. The domestic results became available in February 2011.

The rebasing of the country's national accounts has shed new light on economic activity. The GDP series was rebased to 2006 and the results show that real GDP for



2008 was increased to 7.8%. Consequently, the results for 2009 were adjusted downward to a contraction in real GDP of 0.74 percent.

Preliminary estimates for 2010 indicate a slight but positive growth rate of 0.33 percent. Projections for 2011 indicate a further expansion of economic activity with an anticipated growth rate of 1.34 percent.

## **Sectoral Contributions 2010 and outlook for 2011**

### ***Agriculture***

Agricultural production accounted for 10.96 percent of total GDP, and overall the sector is estimated to have declined by 10.6 percent in 2010 on the heels of a 1.5 percent growth rate for 2009. The performance of the crops sub-sector was severely affected by the extended drought in 2010.

In 2011, the sector is expected to rebound with an overall projected growth rate of 4 percent. A complete turnaround of the sector is anticipated as things normalize following the drought supported by government's policies to sustain the sector. The banana subsector is expected to grow by roughly 10 percent and other crops by 4.0 percent, the former, mostly as a result of the \$1.0 million investment made by Government in the industry.

### ***Tourism***

The hotels and restaurants sector is estimated to have grown by 0.36 percent in 2010 in contrast to a decline of 4.1 percent in 2009. Total number of stay-overs up to December 2010 is estimated to have increased by 2.1 percent with a corresponding increase in expenditure.

Additionally, the number of cruise calls and passengers is estimated to have increased by 3.4 percent and 0.3 percent respectively with a concomitant increase in expenditure.

It would be useful at this point, Madam Speaker, for me to share corresponding performance statistics on the performance of the cruise sub-sector in some neighboring countries, as there is the view, of but a few, that the reduced growth in arrivals from the cruise sub-sector occurred in Dominica alone.

On the contrary, Madam Speaker, the preliminary statistics from the ECCB show the following results for the respective countries:

- Antigua 21.5 percent decline in cruise passengers and a 17.2 percent decline in cruise calls,
- Grenada 2.7 percent decline in cruise passengers and a 16.3 percent decline in cruise calls,
- St. Lucia 4.2 percent decline in cruise passengers and a 4.3 percent decline in cruise calls, and
- St. Vincent 25.8 percent decline in cruise passengers and a 20.1 percent decline in cruise calls.

Overall, Madam Speaker, the tourism sector is expected to grow by 1.43 percent in 2011. Projections take into account the new hotels, namely the Rosalie Bay Resort and the Secret Bay Hotel at Portsmouth which have recently begun operations and the new facility being constructed at Anse De Mai which should begin operations during the year.

### ***Construction***

The construction sector is estimated to have expanded by 10.2 percent in 2010 compared to a contraction of 7.3 percent in 2009. Growth in the sector is driven to a large extent by the public sector investment programme.

Projections for 2011 indicate a further expansion of the sector with a growth rate of 8.4 percent. This is expected to be driven by ongoing public sector investment projects, as well as Government supported activity such as the new Moroccan Government funded hotel in Portsmouth and private sector projects.

### ***Education***

With the rebasing of the national accounts, the education sector is now identified as an independent sector. A large component of this sector is the contribution of offshore schools. The sector is estimated to have grown by 5.4 percent in 2010. Projections for 2011 suggest a growth rate of 1.0 percent for the sector.

### ***Financial Intermediation***

This sector accounts for 7.7 percent of GDP with its main component being banking. Estimates for 2010 indicate growth in the sector of 0.6 percent while the estimate for 2011 is a growth of 2.3 percent. The banking sub-sector expanded by 0.34 percent in 2010 and is projected to grow by 2.7 percent in 2011.

The other component of this sector is insurance which contributes roughly 1.5 percent to GDP. Growth in this subsector was 0.84 percent in 2010 and is expected to reach 1 percent in 2011. Activity in this subsector appears to have been hindered by the impact of the recent collapse of CL Financial which had negative implications for the British American and CLICO insurance companies.

Allow me, Madam Speaker, to give a quick update on the CL Financial, BAICO and CLICO matter. The regional Governments have established a health fund in order to pay claims for health insurance which formed part of the BAICO portfolio.

No other claims are being settled at this time but we continue to focus our minds on seeking possible solutions to deal with this matter. CLICO is now under judicial management and we await the initial report of the judicial managers to determine the next step in this process.

### **Fiscal Developments**

Madam Speaker, the fiscal year in review was a challenging one. Total revenue is estimated to have fallen short of the budget estimate by about \$3.8 million. This was due to a shortfall in the collection of capital revenue. Collections did not materialize as anticipated due to a delay in the disposal of some government assets and less than budgeted collection of arrears of capital revenue.

The table 1 below shows a comparison between the outturn for the current fiscal year and the original budget

Table 1

	<b>BUDGET 2010/11</b>	<b>PROJECTED 2010/11</b>
<b>Total Revenue + Grants</b>	<b>455.7</b>	<b>479.9</b>
<b>Total Revenue</b>	<b>363.8</b>	<b>360.0</b>
<b>Current Revenue</b>	<b>351.7</b>	<b>358.3</b>
<b>Tax Revenue</b>	<b>319.5</b>	<b>321.3</b>
<b>Non-Tax Revenue</b>	<b>32.2</b>	<b>37.0</b>
<b>Capital Revenue</b>	<b>12.1</b>	<b>1.7</b>
<b>Grants</b>	<b>91.9</b>	<b>119.9</b>
<b>Total Expenditure</b>	<b>461.0</b>	<b>508.6</b>
<b>Current Expenditure</b>	<b>320.4</b>	<b>308.4</b>
<b>Capital Expenditure</b>	<b>140.6</b>	<b>200.2</b>
<b>Overall Balance</b>	<b>(97.2)</b>	<b>(148.6)</b>
<b>Overall Balance + Grants</b>	<b>(5.3)</b>	<b>(28.7)</b>
<b>Primary Balance</b>	<b>15.0</b>	<b>(8.6)</b>

Taxes on incomes and profits performed above expectations as collections exceeded projections by 10 percent. Original estimates targeted \$53.1 million; however, collections totaled \$58.7 million.

Collections of VAT were in line with original budget estimates but, other taxes on domestic goods and services fell short of projections. The original estimate of 185.6 million was not met, with collections amounting to \$183.5 million. Areas of underperformance included the collection of excise tax on petroleum and other items.

Taxes on international trade and transactions amounted to \$71.6 million, slightly above the budget estimate of \$70.9 million. This was driven mainly by collections of import duties which have exceeded projections by almost \$4.0 million.

Government continues to exercise tight control of expenditure in an environment where there are numerous demands for increased services from the Government. The total outlay for 2010/11 is estimated at \$508.6 million of which \$308.4 million is for current expenditure and \$200.2 million for capital investment.

Current expenditure was kept below budgeted amounts mainly on account of less than expected outlay for personal emoluments. Additionally, other operating expenses such as goods and services, and transfers and subsidies were also well within budgetary limits.

Government's effort to accelerate the implementation of the capital programme continued with the total capital budget estimated to reach \$200.2 million for the year. This consisted of \$30.7 million from government sources, \$49.6 million from loans, and \$119.9 million from grants funds.

Madam Speaker, it is important that I pause at this point to reflect upon the foregoing.



Of the \$200 million spent on the capital programme, \$30 million was from government sources. \$30 million is 15 per cent of \$200 million. This is all that the Dominica taxpayer was called on to contribute to financing the country's large capital programme.

This is not a complaint or a lament, because I consider this a significant achievement on the part of the Dominica Labour Party administration. The point I wish to make is that, we have sought to implement a very ambitious capital programme while trying to protect the population from additional taxation.

Many countries have in recent years been forced to significantly increase taxes, notwithstanding the economic recession, in order to keep vital programmes going and public officers employed. Many have had to exceed debt ceilings and compromise prudential targets in order to keep the wheels of development turning and maintain levels of employment. Here in Dominica, the progressive policies and initiatives of this Labour administration have seen us having to lean on central government for less than 15 percent of total requirements.

Similarly, just under \$50 million of that \$200 million was sourced through loans. But even before we acknowledge those future debts, we must examine the very affordable rates at which they were successfully negotiated. As a government, we did not go borrowing money wildly. I have heard of instances where loans fetched on the global market by some countries and state enterprises were secured at phenomenal, indeed, scandalous interest rates.

Here in Dominica we secured loans for as low as 2.0 per cent interest, which, technically and functionally, are considered gifts in some quarters. Our highest fetched loan was 4.5 percent and again, this was well in keeping with the regional average.

So while projects and development have kept apace, neither current nor future generations of taxpayers have been saddled with huge debt burdens. The bulk of the

development capital used in the past year to finance this country's capital programme was skillfully negotiated and secured in the form of grants. Madam Speaker, to have secured \$119 million in grants out of \$200 million dollars spent, is a phenomenal achievement, worthy of due acknowledgement and congratulatory applause.

In the last general election campaign, the Dominica Labour Party challenged others to state how and from where financing for intended expenditure would have been sourced. It is easy for parties in opposition to outline outlandish plans for development. It is much more difficult for them to respond to specifics in relation to how such projects or pledges would be funded.

This Labour government is still keen to hear from others how and from where they would source funds to carry out the promises that were made or even to sustain the current rapid rate of development.

This achievement, Madam Speaker, speaks to the proactive foreign policy efforts and approaches of this Labour administration. It speaks to its deliberate alliances as well as to the high esteem with which it is held by foreign governments and multinational agencies. By securing grants of this nature, we have been able to spare the taxpayers of Dominica increases in both direct and indirect taxation, as well as contain the level of foreign borrowings to manageable levels.

This, Madam Speaker, has been the hallmark of Dominica's resistance to the harsh and harmful effects of the global economic recession. A fact that this Government has highlighted over the years.

Overall, the fiscal operations for the year have resulted in a current account surplus of \$49.9 million. However, the overall balance is in deficit of \$28.7 million. This figure includes grants. The primary balance which is the main fiscal indicator is also in deficit,

at \$8.6 million. This result on the primary balance is largely as a result of accelerated drawdown of loan resources.

During the fiscal year 2010/11, Government contracted one new loan in the amount of \$5.9 million. I repeat that Madam Speaker, during the fiscal year 2010/11, Government contracted one new loan in the amount of \$5.9 million. This amount represents the second additional loan from the Caribbean Development Bank (CDB) in respect to the Road Improvement and Maintenance Project (RIMP), for works being undertaken on the Roseau Valley roads.

Total Central Government Disbursed Outstanding Debt (DOD) at the end of May 2011 stood at \$720.5 million. This consists of external debt of \$515.2 million or 72% of the total Central Government's debt, and domestic debt accounts for \$203.8 million or 28% of total Central Government's debt. The DOD as at end May 2011 has increased by 5.6 percent over May 2010, which stood at \$682.4 million; comprising external debt of \$469.4 or 69%, and Domestic debt of \$213.0 or 31%. The increase in DOD is largely attributed to an increase in net inflows on debt as drawdowns were made for the execution of capital projects. Central Government debt to GDP ratio as at June 2011 is 55.8 percent.

### **Strategic Priorities**

Madam Speaker, our approach to the above challenges has been and will continue to be strategic. The current environment necessitates that we constantly review our development priorities to determine the best policy response to the global challenges.

Government had already given a commitment to continually review and assess the development objectives and strategic priorities for Dominica with the review of the Growth and Social Protection Strategy (GSPS) every three to four years. The situation now makes the current review of the GSPS timely. Even as we begin this process, we recognize the need to pay special attention to certain areas. This list, is by no means

exhaustive, nor does it mean that focus on these areas, will be to the exclusion of all other sectors. What we hope, is that focus in these areas will serve as drivers for the economy in the medium term.

### ***Fiscal consolidation***

Madam Speaker, according to the IMF *“Prudent fiscal management in the years leading up to the crisis has served the authorities well, affording them room for supportive fiscal policies during the crisis.”*

Essentially, Madam Speaker, the IMF is recognizing the success of the fiscal policies of this government and confirms that a strong fiscal position allowed Government to inject a significant fiscal stimulus into the economy during fiscal periods 2007 to 2010 by increasing public investment as a means of sustaining economic activity during the global crisis.

The Government’s foreign policy which resulted in our obtaining concessionary financing and grants from our friendly international partners, has undoubtedly assisted in our fiscal success. And so Madam Speaker, we are mindful that as the global situation continues, we must continue to consolidate the fiscal position so that we will be able to respond appropriately as the need arises.

In the first instance, Government will continue to rationalize its public sector investment programme, to focus on strategic projects which will engender investment by the private sector and that will improve the living conditions of our citizens. Government will continue its social programmes and will ensure that they are targeted at the areas of greatest need and are applied with a higher degree of efficiency.

We will continue with the improvement to revenue administration, focusing on reaping the benefits associated with the implementation of the ASYCUDA World software at the

Customs and administrative reform at the Inland Revenue Division. In the case of the latter, Government is targeting 1<sup>st</sup> January 2012 as the start date for the large tax payer unit.

We have received requests for further reductions in income tax, however after considering the successful rolled out promised three-year reduction in personal income taxes to levels that are more manageable we have determined that given the continued fallout in the global economy, further reductions at this time would not be prudent. Government is however committed to continuously reviewing the tax structure and will make improvements when and where possible.

Government acknowledges that the delays in grant disbursements and the receipt of less than anticipated revenues will place pressure on the fiscal accounts. As such, Government considers that an adjustment must be made in this budget as a first step to returning to the target primary balance of 2.4 percent annually. Just a note here, Madam Speaker, that with the rebased GDP series, the 3.0 percent primary balance target on the old GDP series converts to 2.4 percent on the new series.

Several other options have been identified to rein in spending and/or secure revenues including the following:

- Possible divestment of assets ,
- Reforming the operations of statutory agencies, to set them on a sounder financial footing.
- Safeguarding the viability of the social security system.
- Further strengthening of the public finance management systems; and
- A more aggressive approach to collections of all revenues.

The point I wish to reinforce Madam Speaker, is that a strong fiscal position is a pre-condition for sustained growth. The proper management of the public finances must remain a major priority for the Government; and so there has to be some balance in



meeting the needs and requests of citizens and the prudent management of the Government's finances.

### ***Tourism***

One of the sectors most negatively affected by the global downturn is the tourism sector. No surprise there, Madam Speaker. In difficult times, families focus on basic needs and postpone vacations and other seemingly less important expenditures.

Even when persons take vacations, they are more vigilant in how much they spend. However, Madam Speaker, as the global economy recovers, we must position ourselves to benefit from the possible re-bound in visitor arrivals.

The Tourism Master Plan 2005 – 2015 states as its major objective *“obtaining sustainable benefits for the people of Dominica by generating additional economic activity through increasing tourism revenue”*. The options for increasing revenue from tourism are to increase the number of visitors to the island, increase per capita spending by visitors, encourage longer stays by visitors or a combination of the foregoing.

The strategic drivers which will persuade visitors to stay longer on island and spend more, require the implementation of the following:

- Continuous improvement in air and sea access
- Upgrading, diversifying and expanding the tourism product
- Attracting more tourism investment
- Increasing destination and product promotion
- Upgrading service skills and standards
- Rehabilitating cruise and tourism infrastructure sites
- Strengthening community involvement and linkages with other sectors such as agriculture.

Madam Speaker, retirement tourism is being pursued as an avenue for increasing stayovers and the revenues that this generates. Cabinet recently approved a package of concessions aimed at encouraging persons wishing to retire in Dominica to do so. The package of measures is similar to that which is offered to returning residents except that beneficiaries will be required to undertake some level of investment in Dominica.

Another area of focus is increasing the visitor expenditure or revenue generated from tourism activities. In order to do so, we must create an enabling environment that makes it easy for the private sector to attract and garner maximum revenues from our visitors and earn profits from providing marketable and valuable services and improved product offerings. This means that there has to be a focus on the quality of the products and services provided.

The stock of hotel rooms needs to be upgraded and the number of export ready rooms must be increased so that the average daily revenue from our hotel plant can increase. Therefore, DDA will continue to push forward with the certification process which again is the proxy for providing minimum level standard service offerings to our visitors.

Human resource development of the stakeholders through targeted training, particularly in customer service will be addressed, as well as diversification of the product offering. Training will be implemented in collaboration with the Dominica State College and the Dominica Hotel and Tourism Association.

Community involvement in tourism services will be strengthened by enhancing the management of the infrastructure created by the recently concluded Tourism Sector Development Programme SFA 2006. The Ministry of Tourism, in conjunction with the DDA, will provide technical support to community groups directly involved in the management of these facilities to enable increased benefits to the relevant communities.

Improving the infrastructure and ambience of eco tourism sites and infrastructure will also be a major focus for the Ministry, working in collaboration with the Ministry of Agriculture and Forestry to raise the standard of Dominica's ecotourism sites and increasing the visitor experience significantly.

### ***Agriculture***

Madam Speaker, Government's strategic plan for the agricultural sector is one that seeks to build a diversified sector informed by market demands and which provides a satisfactory level of food security.

We will pay close attention to the realities of Climate Change and so create a sector that is climate smart given our experiences with hurricanes and drought, both of which affected output in 2009/2010.

Additionally, managing agriculture today requires that we not only pay attention to the challenges at the production level, but also address the issues across the value chain. The investments made in the pack houses at Fond Cole, Marigot and Portsmouth and the National Centre for Testing Excellence (NCTE) are geared at achieving this objective. The pack houses in Roseau and Portsmouth will allow agricultural commodities leaving Dominica to be properly selected, graded, packed, labeled and certified prior to shipment. The National Centre for Testing Excellence will also facilitate the processing of agricultural products within the agro-processing sub-sector.

Through these two facilities we will better manage the fresh food trade as well as value added processed foods. This strategy will ensure food and nutrition security, food safety and the overall competitiveness of the agro-business sector.

Another of the challenges being faced by the world is that of high and rising food prices. I reiterate what I have said on a previous occasion; that is, the most sustainable way to address the matter of high cost of food is to increase agricultural production and productivity here in Dominica in order to make more fresh foods available at affordable prices underscoring our policy of “eating what we grow and growing what we eat”. It is on that basis, that the Government expects to focus its effort in agriculture on increasing the output of crops, livestock and fisheries.

It is proposed that under the Support to Horticulture Programme that farmers will continue to be assisted with inputs, planting materials and technical support. The crops being supported include yam, dasheen, tannia, passionfruit, hot pepper, pineapple, ginger and plantain. Madam Speaker, currently this Support to Horticulture programme targets well over 1200 farmers throughout Dominica and we have seen tremendous benefits in terms of larger quantities of dasheen and yam being produced.

Through this programme Dominica has overcome seasonality in yams. In addition, most of these crops have shown stronger resilience to weather variability resulting from Climate Change.

Additional resources will be provided by European Union (EU) to assist the banana industry. These discussions are ongoing, and the result will inform the level of additional resources that the Government of Dominica will make to the industry.

The recent commissioning of the Portsmouth Fisheries complex is a clear and unequivocal signal of Government’s commitment to developing the fishing industry. Government at this point has addressed three important components for developing the fishing subsector:

1. Fisherfolk have been provided with equipment and financial support;
2. Training has been provided to fisherfolk;

3. Improvements to facilities which will ensure the good quality of the fish sold on the market.

Attention is now being focused on increasing the value added of fish by introducing a level of processing. This is being piloted with assistance from the Japanese Government. We thank the Government of Japan for its assistance in that regard and for their continued support to this important sector of our economy.

The livestock sub-sector has realized continued investment support from this government. The development of the Central Livestock Farm (CLF) has increased the capacity for feed and nutrition research, breed selection and improvement, establishment of improved forage species, and continued development of farm infrastructure.

The work of the Central Livestock Farm is complemented by that of the Agricultural Investment Unit (AIU) which has facilitated the financing of farmers in the sector. The planned construction of an Abattoir later this year will address issues of quality of production, marketing and storage. The aim is to produce high quality meats that will not only have a positive impact on the health of residents and visitors, but will serve to reduce our food import bill, leading to a greater degree of self sufficiency.

### ***Geothermal***

High and volatile petroleum prices are a major concern for all countries. Unfortunately, the price of petroleum products affects the cost of almost every product and service. It affects the cost of travel, electricity, water and the production and supply of basic food items.



Dominica is fortunate to have a resource which can replace petroleum as a major source of energy. Importantly, geothermal energy is consistent with the world's efforts at finding energy sources which can reduce carbon emissions and reduce the negative impact of petro fuels on the environment.

In that regard, Government is moving ahead with the drilling for geothermal energy. The plan is to focus on two wells during the fiscal year 2011/12. The results of these drilling exercises will determine the next step in regard to the three other sites. The value of this exploration work contract is approximately \$15.0 million.

The plan is to have our people benefit early from the geothermal energy by installing a small generation plant with an output of 5 mega watts, within the next 3 years to allow for the provision of electricity to the local grid while all the related studies are carried out for the construction and operation of the large scale plant. The intention of the Government is to have a 120MW facility constructed along with a submarine interconnection between Dominica and the islands of Guadeloupe and Martinique. These interconnections will allow the export of electricity to the French islands. The studies for this work are earmarked to begin in the second half of 2011.

Madam Speaker, this process takes time, but Government remains very committed to ensuring that this resource is developed to its fullest potential for the benefit of our people. It is our view that success in this project will signal a drastic turning point in attracting investments and in stimulating development activity.

### ***Water***

Madam Speaker, water remains an important resource to Dominica. The advent of Climate Change is expected to affect water resources throughout the world. How then can we maximize the use of this resource to the benefit of our people in a manner which is sustainable?

The Government of Dominica is committed to sustainable national development and recognizes the contribution of effective management of Dominica's water resources to its continued social and economic growth programmes. The government has provided support for the Development of a National Water Resources Management Policy for Dominica, spearheaded by DOWASCO. Integrated Water Resources Management (IWRM) plays a significant role in the promotion of more sustainable approaches to water resources management and will provide a framework within which the following problems and inefficiencies may be overcome:

- growing demand for water
- inadequate institutional structure
- ineffective land-use management
- inadequate data and information to support decisions
- climate variability
- legislation that needs updating
- lack of adequate human and financial resources

Almost all surface water sources that feed DOWASCO's water systems suffer from high levels of turbidity during adverse weather conditions ranging from torrential rains to hurricanes. Additionally, the small water sources in particular, are unable to meet the water demand in the areas during the dry season. There are two major issues which need to be addressed; one is that of quality and the other is that of availability.

Madam Speaker, Government has partnered with DOWASCO and donors, such as the European Union, the Caribbean Development Bank (CDB) and the Government of the Bolivarian Republic of Venezuela, to improve many of the existing water systems as well as to construct new ones. Among the measures taken are the installation of a Filtration Plant at Antrim to improve water quality and the construction of a 500,000 gallon reinforced concrete storage tank at Morne Bruce to enhance storage capacity for the city of Roseau.

The implementation of water supply projects to upgrade and improve water quality, and to extend existing water supply systems to meet growing demands of all communities is ongoing. This will result in better integration and lowering of cost of operations.

The improvement to the water systems will ensure greater access to potable water by citizens. It also allows DOWASCO to be in a better position to enter into commercial agreements for the sale of water.

Madam Speaker, both surface and groundwater represent a tremendous resource whose contribution to our development is yet to be realized. A considerable amount of work has been done on the commercialization of the resource.

In the course of the new fiscal year, Government will seek technical assistance, to prepare a full blown prospectus for the export of bulk and bottled water. This will also serve as the basis for the engagement of the private sector on this matter.

### ***Information and Communications Technology***

Madam Speaker, the success we envisage in the various economic sectors is premised in part on the modernization of processes, training and the introduction of new technologies. The introduction of broadband services has made internet access faster and cheaper. Government has contributed to making computers accessible to all citizens through the construction and equipping of a number of resource centres.

The implementation of the Education Enhancement Project is in support of Government's objective to increase the use of ICT in teaching as well as create a workforce that is highly computer literate. In addition, in collaboration with ECTEL, Government will continue to improve the regulatory and legislative framework for this sector.

Suffice it to say Madam Speaker, we have done enough to provide a platform for the greater use of ICT. Clear Harbour expanded its services providing over 200 new jobs in 2010. A second company, Wikibuli is due to commence operations in July with 150 employees on a three shift basis. Most of the employees at these establishments are young people.

During the fiscal year, we hope to continue emphasis on attracting other types of ICT services such as software development.

### ***Crime and Security***

Madam Speaker, Dominica like other sister islands of the region continues to tackle the issue of crime and violence. The Caribbean has the reputation for being a peaceful and tranquil destination. We intend to maintain that image. It is left to us therefore, to take every action, not just to stop the perpetrators, but importantly, to adopt measures which will prevent crime. Our actions will be a combination of moral suasion and discipline.

A strong and clear message must, and will be sent to those who indulge in certain antisocial behaviors. The police and other law enforcement agencies will continue to be given the fullest support and assistance necessary, to undertake their work in the detection of crimes and apprehension of suspected perpetrators.

A number of existing Government programmes complements these efforts. Counselors have been appointed to a number of schools; this serves to provide support to troubled youths and assist in redressing deviant behavior. Skills training programmes for both youth and adults are being conducted. These are intended to make the beneficiaries more qualified to take advantage of the employment and business opportunities available. Scholarships and financial support are provided to many young people, giving them a sound start in life, and the opportunity to study at various universities

throughout the world. The Small Business Support Unit, provides loans and small grants to individuals operating or wanting to start a small business.

CHANCES, the place of safety catering to vulnerable and disadvantaged children and young persons who are in need of care and protection, was established. In addition, community life is enhanced by building and equipping a number of resource centres and sporting facilities around the island.

While we do all of this, Madam Speaker, a number of measures have been adopted, to equip the security services, to deal effectively and efficiently with crime. The new Firearms legislation was approved and provides for increased penalties and fines for gun related incidents. The new law also outlaws the use of imitation firearms. Police presence has been heightened in some of the sensitive areas. The Police Force has been increased to 500 and the placement of the police prosecutors under the auspices of the Director of Public Prosecution, will strengthen the legal process.

Madam Speaker, we appeal to each and every citizen to join the State in fighting crime and violence. Government can make resources available to the extent that it is able, but in large measure, the effective and sustainable management of crime in our society, will only occur, *and I emphasise only occur*, when families and communities take up their responsibility in nurturing, training and extending discipline to the young.

We support the call for increased public relations and community activities geared at generating public support for the work of the Police as well as other initiatives designed to build trust between the Police and the public.

I take this opportunity to commend the religious denominations and churches which have agreed to collaborate with the State in the fight against crime and violence, and to work in building a culture of peace and harmony.

## ***Social programmes***

The Government of Dominica, through the Growth and Social Protection Strategy, has adopted a wide and varied programme of social protection and social assistance. Over the years, our social protection policy has brought relief to the poor and vulnerable, on a scale never seen before. This policy has included not only providing cash transfers and other direct financial assistance, but has allocated land to the landless, homes for the homeless and new opportunities for the youth, the aged and other vulnerable groups.

Madam Speaker, The Yes We Care and many of these programmes have become household names. The recently opened facility for children in need of care and protection named CHANCES, the Schools Transfer Grant, School Bus programme, Dominica Youth Business Trust, the Employment and Small Business Unit.

We now have, in the recent Country Poverty Assessment, empirical evidence that our efforts are successful. This success, has been credited to Government's implementation of measures to stabilize the economy, contain debt, expand the social and physical infrastructure, and prioritize programmes through targeted public expenditure.

A review of our status in attainment of the Millennium Development Goals (MDGs) reveals that we are progressing steadily towards the achievement of these 8 goals. We have already achieved 4 of these goals:

- 1) Universal Secondary Education,
- 2) Reduction of child mortality,
- 3) improvement in maternal health and
- 4) reduction in extreme poverty.

We are on our way to achieving two more goals, namely, gender equity and environmental sustainability.

In spite of the global economic situation, and the imperative of fiscal prudence, Government will not abandon its policy of caring for, and supporting those of our citizens, who are most in need. We will however seek to improve targeting.

The approved National Beneficiary Identification System (NBIS) and Central Beneficiary Registry (CBR), will be tested during the fiscal year, with a view to determining their usefulness to Dominica.

## **Private Sector Development**

### ***Doing business indicators***

Madam Speaker, the sustained growth and success of any economy, relies on the partnership between the Government and the private sector. The Government's role is to provide the enabling environment for the private sector to do business.

This Government is on record as having made every effort to address this issue. We have sought to stabilize Government finances which we see as a necessary condition for sustained growth. We have invested in major infrastructure such as roads. We have invested in some critical aspects of service delivery such as at the Customs, Courts, Land Registry and Tax Administration. We have facilitated the drawdown of new and cheaper financing from institutions such as the AID Bank. We focused on these areas because we felt these are needed to encourage productive investment.

Madam Speaker, the ease of doing business is measured through a set of indicators which are compiled by the World Bank. Dominica ranks 88 of the 183 countries surveyed. The World Bank, in its most recent report, admits that there are some weaknesses in the methodology that is used. That notwithstanding, we have noted the areas in which improvements are necessary. Madam Speaker, I will highlight three areas which will be given added attention in the fiscal year 2011/12.

### ***Land Tenure Arrangements***

The land tenure arrangements have been cited as a major constraint to the development of the private sector. The ongoing Land Tenure Administration Reform Programme (LTARP), has delivered the improved Unified Land Information System which now allows for the computerization of the entire process for private land transactions.

The LTARP, at a cost of approximately \$2.7 million, will improve the clarity, transparency and efficiency of operation of the land market; and facilitate ownership and tenancy of land, transfer of property rights and increased private sector investment.

A White Paper seeking comments on the proposal to address land tenancy arrangements in Dominica has been circulated. Drafting instructions which could allow for relevant amendments/changes to the Agricultural Small Tenancies Act, the Title by Registration Act (1886) and the Land Survey Act (1988) have been completed.

I will announce later in this budget some further actions that Government will take on this matter.

### ***Business Registration***

The Government of the Commonwealth of Dominica in collaboration with the International Finance Corporation (IFC) and the Canadian International Development Agency (CIDA) have partnered to implement regulatory, institutional and administrative reforms aimed at improving the interface between the business sector and the public administration.



The project aims at reducing the time, the number of procedures, the cost and the risks inherent in doing business in Dominica. The ongoing stage of the project is streamlining two important business processes. These are the registration process and the process to trade goods across borders.

The Doing Business Report 2011 stated that the administrative steps associated with starting a business in Dominica required 5 procedures, 14 days, and costs equivalent to 22 percent of per capita Gross National Income. It is expected that the project will reduce the number of steps to 2 procedures and to take not more than 2 days and with a 50% cost reduction.

These improvements aim to expand the formal market by increasing the number of newly registered businesses, promoting productive investments, and facilitating job creation. The project is part of a larger initiative to promote private-sector growth by improving the business operating environment.

It is also intended to provide the legislative framework for online filing of documents and arrangements for making online payments, thus making it no longer necessary to present physical documents at the Registry. When completed, this project will enhance our country's business environment and contribute to facilitating economic growth and job creation.

### ***Financing***

Madam Speaker, the availability and cost of financing for business ventures are very often cited as major deterrents to investment in Dominica. Government has sought to respond to this need by assisting the AID Bank in obtaining funds at highly concessional rates to on-lend for specific development purposes.

I am advised that to date, that the facilities have been well received and utilised by the private sector. For example:

- The line of credit of \$21.7 million obtained by the AID Bank from the CDB in January last year was fully committed to loans at the end of December 2010; this happened in just one year while the loan agreement provided for a commitment period of three years
- Disbursements by the Bank during fiscal year 2010/11 totaled \$28.0 million, the highest level recorded in the 40 year history of the Bank and surpassing the previous year's record of disbursements of \$21.0 million an increase of 37 percent
- Other lines of credit from BANDES and the EIB are also being committed at a fast pace.
- Loan approvals estimated for the financial year ending June 30, 2011 total \$35.7 million with the following areas benefitting:
  - Forty-one loans for agriculture with a total value of \$ 2.1 million;
  - One hundred and ten loans for tertiary education with a total value of \$ 3.6 million;
  - Forty-seven mortgage Loans with a total value of \$3.2 million;
  - Ten loans to the Tourism Sector with a value of \$ 10 million;
  - Forty loans to the Industrial and manufacturing sectors with a total loan value of \$15.2 million.

It is estimated that 763 jobs will be created by these approvals, 200 of which will be in the construction phases of the projects financed, and 563 permanent jobs.

In addition, the AID Bank in the current financial year disbursed loans totaling \$1.6 million to programmes being administered on behalf of the Government. These included:

- \$504,000 to small farmers on behalf of the Agricultural Investment Unit of the Ministry of Agriculture;
- \$469,000 to banana farmers under the Banana Recovery Programme of the Ministry of Agriculture, and,

- \$886,000 under the Government's Special Student Loan Programme of the Ministry of Education.

Applications totaling \$1.3 million have been received and are being processed for the utilisation of the \$10.0 million special mortgage facility, to be placed at the AID Bank. This facility was announced in my budget presentation last year, and notwithstanding a delay in the receipt of funding, which is now scheduled for early in the fiscal year 2011/12, persons are eager to make use of the facility.

Madam Speaker, given the success of the AID Bank to date, Government is broadening the scope of financing options, and decided to accept a proposal from the National Bank of Dominica (NBD), for a line of credit to finance development projects and Micro, Small and Medium Enterprises.

The NBD, as part of its overall developmental plans for the domestic market, is looking to creatively fund the productive sectors, mainly the small and micro businesses sector, and the agro processing and tourism related sectors, through already existing partner agencies. This effort is to assist in the thrust to increase production and export.

The proposal from the NBD allows Government to utilize the resources, placed at the disposal of the Government of Dominica under the PetroCaribe Agreement, for development purposes.

These funds are currently held in a savings account at the NBD. While there is a return on the deposits, the true objective of having the funds, would not have been met, if it is not used in the furtherance of the development agenda.

Government will therefore, convert \$10.0 million of the deposits at the NBD to a loan to the NBD at an interest rate of 3.0 percent. This affords the Bank the opportunity to lend at a rate below its weighted average cost of capital. As such, the Bank will be able to extend concessionary terms to qualifying borrowers who can then further on-lend to the

small and medium sizes enterprises, at rates of interest, of not more than 6.5 percent, subject to agreed terms and conditions.

Specifically, the NBD will collaborate with agencies such as the National Development Foundation of Dominica (NDFD) and the Small Business Unit of Government. While the Bank does not have the capacity to provide technical support, it will rely on its partners, to provide the much needed support. In all cases, the normal risk management observed by the Bank, will be applied with this new venture.

The NBD has a proven track record in providing credit to the Private Sector, and it is expected that this facility will be as successful as previous facilities.

Madam Speaker, to support this initiative, the AID Bank has proposed the introduction, in the first quarter of the next fiscal year, of a programme to provide loans without any collateral, to young entrepreneurs between the ages of eighteen and thirty-five with sound and viable business proposals.

The absence of collateral, has been a major obstacle faced by young people, who are attempting to undertake business ventures. This matter has surfaced time and time again, and was most evident in the interactions with the persons who approached the Small Business Unit for assistance. This programme will be capped at \$2.0 million initially, and hopefully will solve the problem of accessing financing, and allow for the economic empowerment of this group. Government is also hopeful that many young mothers and female heads of households will find this facility useful, to their pursuit of economic independence.

Madam Speaker, this proposal has my very strong support.

BUDGET FOR 2011-2012

Madam Speaker, I now present the budget proposals for the 2011/12 financial year. This year, Government is projecting recurrent revenue at \$364.9 million and providing for recurrent expenditure of \$322.9 million, (exclusive of debt amortization of \$34.5 million), thus projecting a current account surplus of \$42.0 million for 2011/2012.

The primary surplus, Government's main fiscal indicator, is projected to be 0.6 percent of estimated GDP for 2011/12.

Table 2 below shows the overall summary for the fiscal year 2011/2012 with comparative figures for the two preceding years.

	Estimate 2011/2012	Estimate 2010/2011	Projected 2010/2011	Actual 2009/2010
<b>Revenue</b>				
Recurrent Revenue	364.9	351.7	358.3	369.5
From Grants	69.2	97.5	119.3	114.1
From Loans	32.1	22.2	49.6	40.8
Capital Revenue	6.5	12.1	1.7	1.1
<b>Total Revenue</b>	<b>472.7</b>	<b>483.5</b>	<b>528.9</b>	<b>525.5</b>
<b>Expenditure</b>				
Salaries and Allowances	144.9	142.1	138.9	126.5
Other Current Operating Expenditure	159.3	158.1	148.8	149.7
Debt Service	18.7	20.3	20.2	17.9
PSIP (Capital Expenditure)	128.3	140.6	200.2	184.7
<b>Total Expenditure</b>	<b>451.2</b>	<b>461.0</b>	<b>508.1</b>	<b>478.8</b>
Debt Amortization	34.5	25.9	25.2	29.5
<b>Primary Surplus</b>	<b>8.2</b>	<b>20.6</b>	<b>-8.6</b>	<b>23.8</b>
<b>Current Account Surplus</b>	<b>42.0</b>	<b>31.4</b>	<b>50.4</b>	<b>75.4</b>
<b>Overall Surplus/(Deficit)</b>	<b>(12.9)</b>	<b>(3.3)</b>	<b>(4.4)</b>	<b>17.3</b>
<b>Total Expenditure plus Debt Amortization</b>	<b>485.7</b>	<b>486.8</b>	<b>533.3</b>	<b>508.2</b>
Memo item: GDP (Current Prices)	1,341.90	1,309.9	1,309.9	

## **Recurrent Revenue**

Madam Speaker, total recurrent revenue for 2011/2012 is estimated at \$364.9 million. This surpasses the 2010/2011 projections by \$6.6 million. Of note is the fact that revenue collections for 2010/2011 have been generally in line with projections, in spite of the global economic situation.

Table 3 below shows a summary of the estimates of revenue for 2011/2012. The major categories are:

- Value Added Tax - \$131.7 million or 36.1percent;
- International Trade Taxes - \$72.7 million or 19.9percent;
- Other Domestic Taxes - \$69.1 million or 18.9 percent;
- Personal Income Tax at \$30.3 million or 8.3 percent;
- Corporate Income Tax - \$26.2 million or 7.2 percent; and
- Non-Tax Revenue - \$34.8 million or 9.5 percent.

**Table 3. Breakdown of Current Revenue Projections**

Item	Estimates 2011/2012	%	Projected 2010/2011	%	Estimates 2010/2011	%
Personal Income Tax	30,353,000	8.3%	32,723,629	9.1%	29,419,941	8.4%
Corporate Income Tax	26,243,000	7.2%	25,960,000	7.2%	23,743,245	6.8%
VAT	131,670,300	36.1%	125,000,000	34.9%	125,000,000	35.5%
Other Domestic Taxes	69,103,000	18.9%	65,968,015	18.4%	70,359,851	20.0%
Int'l trade taxes	72,741,700	19.9%	71,567,014	20.0%	70,958,730	20.2%

Non-tax Revenue	34,846,000	9.5%	37,037,769	10.3%	32,208,620	9.2%
<b>Total</b>	<b>364,957,000</b>	<b>100%</b>	<b>358,256,427</b>	<b>100%</b>	<b>351,690,387</b>	<b>100%</b>

### **Recurrent Expenditure**

The total recurrent expenditure budget of \$357.4 million compares with projected amount for 2010/2011 of \$333.1 million. *Table 4* shows the distribution of expenditure by Ministries and Departments.

Table 4

<b>Ministry/ Department</b>	<b>Amount (000)</b>	<b>%</b>
President's Office	0.9	0.2%
Integrity in Public Office Commission	0.7	0.2%
Legislature	1.1	0.3%
Audit Department	1.1	0.3%
Ministry of National Security, Labour and Immigration	38.0	10.6%
Elections	0.7	0.2%
Ministry of Employment Trade, Industry and Diaspora Affairs	4.6	1.3%
Prime Minister's Office	5.1	1.4%
Ministry of Finance	93.1	26.0%
Ministry of Agriculture and Forestry	9.1	2.5%
Ministry of Education and Human Resource Development	60.5	16.9%
Ministry of Lands, Housing, Settlements and Water Resource Management	3.6	1.0%
Ministry of Social Services, Community Development and Gender Affairs	16.7	4.7%
Ministry of Health	49.4	13.8%
Ministry of Environment, Natural Resources, Physical Planning and Fisheries	2.7	0.8%
Ministry of Tourism and Legal Affairs	10.9	3.1%
Ministry of Information, Telecommunications and Constituency Empowerment	2.0	0.6%
Ministry of Carib Affairs	0.4	0.1%
Ministry of Culture, Youth and Sports	5.2	1.5%
Establishment, Personnel and Training Department	10.8	3.0%
Ministry of Public Works, Energy and Ports	29.7	8.3%
Ministry of Foreign Affairs	11.3	3.2%
<b>Total</b>	<b>357.4</b>	<b>100%</b>

Madam Speaker, 35.4 percent of the budget is being allocated towards the social sector. This relates to the allocation in respect of the Ministry of Education and Human Resource Development with 16.9 percent; the Ministry of Health with 13.8 percent; and the Ministry of Social Services with 4.7 percent.

Twenty-six percent of the budget will be provided to the Ministry of Finance where provision is being made for debt service of \$52.7 million (interest and amortization) and retiring benefits \$21.2million for a total of \$73.9 million.

The other major provisions are in respect of the Ministry of National Security with 10.6 percent and the Ministry of Public works, Energy and Ports with 8.3 percent.

Madam Speaker, the sum of \$145.0 million is projected for personal emoluments. This includes salaries, wages and all allowances. The wage bill amounts to \$135.3 million. The increase in personal emoluments is as a result of recent salary negotiations as well as increases in the number of personnel in the health sector and in national security. Personal emoluments account for 41.0 percent of the expenditure budget and constitute the largest share of the recurrent expenditure.

The allocation for goods and services of \$90.3 million represents a 9.0 percent increase over the estimated amount for the last fiscal year of \$82.2 million. This includes items such as road maintenance, professional and consultancy services, utilities, fuel, telecommunication services, maintenance of buildings and medical supplies. Goods and services account for 25.0 percent of the expenditure budget.

The sum estimated for transfers and subsidies is \$66.5 million. This is \$0.8 million more than the amount budgeted for the previous year. This allocation includes government's contribution of \$19.2 million to educational institutions; retiring benefits of \$21.2 million; contributions towards social protection of the elderly and the less fortunate, \$11.1 million and contributions to local, regional and international institutions \$6.4 million.

Madam Speaker, an amount of \$18.7 million has been provided to meet interest payments. This accounts for 5.0 percent of the recurrent budget.

*Table 5* provides a summary of recurrent expenditure inclusive of debt amortization, by economic classifications.



**Table 5. Recurrent Expenditure by Economic Classification (\$m)**

Classification	Estimate 2011/2012	%	Projected 2010/2011	%	Actual 2009/2010	%
Salaries	122.9	34%	119.2	36%	110.3	35%
Wages	5.7	2%	4.5	1%	3.9	2%
Salaried Allowances	6.7	2%	4.9	1%	4.8	2%
Non-salaried allowances	9.7	3%	7.9	2%	7.6	3%
Interest	18.7	5%	20.5	6%	17.9	6%
Retiring Benefits	21.2	6%	22.6	7%	23.3	7%
Grants & Contributions	38.7	11%	37.7	11%	36.9	11%
Subsidies (Public Assistance)	6.6	2%	5.9	2%	6.5	2%
Refunds	2.5	1%	2.5	1%	2.5	1%
Goods & Services	90.3	25%	82.2	25%	83.1	24%
Loan Repayments	34.5	10%	25.2	8%	29.5	8%
Total	357.4	100%	333.1	100%	326.3	100%

***Capital Revenue***

Local capital revenue is estimated at \$6.55 million. This income is expected to be generated mostly from the sale of houses and land.

**Public Sector Investment Programme**

Madam Speaker, the public sector investment programme has served as a major contributor to economic activity in Dominica. Again I refer to the IMF article IV discussions, which referred to the accelerated implementation of the capital programme

as 'Government's fiscal stimulus package'. Indeed, this was the intention of Government – to sustain economic activity in the local economy despite the global financial challenges.

The continuing uncertainty in the global economy however, forces us to continue to be vigilant in our efforts so as not to over-commit ourselves. To do so would be counter productive and would require us to take stronger corrective fiscal actions to get back in line with prudent fiscal imperatives. In that regard, we are proposing a reduced capital programme for fiscal year 2011/12 but with the caveat that as new resources become available, additional projects will be implemented. One would also note that Government is committing a higher level of local resources to the capital programme.

The capital programme presented ensures that Government's effort to sustain poverty reduction, generate economic growth, and improve the business climate, will be maintained. The focus will be on the completion of ongoing projects except where financing is available for new projects.

The Public Sector Investment Programme for the FY2011/2012 is estimated at \$128.3 million and is to be financed as follows:

	Amount	Percentage of Funding
Local Funding	33,021,458	26%
Loan	32,050,276	25%
Grants	63,220,824	49%
Total	128,292,559	100%

*Table 6* outlines how the capital budget is allocated by Ministry and Department.

	Total	GOCD	Loan	Grant	% of allocation
Office of the President	5,000,000		5,000,000		3.90

Ministry of National Security, Labour, and Immigration	6,782,275	842,038		5,940,237	5.29
Ministry of Employment, Trade, Industry, and Diaspora Affairs	4,357,396	2,902,357		1,455,039	3.40
Office of the Prime Minister	1,817,200	567,200	-	1,250,000	1.42
Ministry of Carib Affairs	6,597,337	825,637	4,500,000	1,271,700	5.14
Ministry of Finance	3,224,114	2,638,945	-	585,169	2.51
Ministry of Agriculture and Forestry	12,706,470	4,067,921	350,276	8,288,273	9.90
Ministry of Education and Human Resource Development	4,544,913	958,913	3,000,000	586,000	3.54
Ministry of Lands, Housing, Settlements, and Water Resource Management	5,482,905	2,789,875	-	2,693,030	4.27
Ministry of Information, Telecommunications, and Constituency Empowerment	1,000,000	-	-	1,000,000	0.78
Ministry of Social Services, Community Development, and Gender Affairs	6,065,824	1,615,000	-	4,450,824	4.73
Ministry of Health	4,781,718	3,022,566	-	1,759,152	3.73
Ministry of Environment, Natural Resources, Physical Planning, and Fisheries	1,487,974	187,974	-	1,300,000	1.16
Ministry of Tourism and		5,249,500	-	1,116,000	4.96

Legal Affairs	6,365,500				
Ministry of Culture, Youth, and Sports	331,000	331,000	-	-	0.26
Establishment, Personnel & Training Department	3,825,400	600,000	1,200,000	2,025,400	2.98
Ministry of Public Works, Energy, and Ports	53,922,532	6,422,532	18,000,000	29,500,000	42.03
Ministry of Foreign Affairs	-	-	-	-	
TOTAL	128,292,559	33,021,458	32,050,276	63,220,824	

The Ministry of Public Works, Energy, and Ports will receive \$53.9m or 42% of the total capital allocation for the implementation of infrastructure works. Work will continue on all the major road projects including the West Coast Road, the Melville Hall to Pond Casse Road, as well as the Pointe Michel Sea Defence project.

Madam Speaker, discussions are ongoing with the Agence Francaise de Developpement to obtain additional financing for addressing the portions of road at Wet Area and Pagua/Hatton Garden, which have seen increased erosion from the nearby river. Assistance is also being sought, for a more sustainable solution, for the portion of road at Antrim, and for other adjustments to the scope of works, that had to be undertaken to improve the quality of the final product.

In regard to the West Coast Road Madam Speaker, works are well advanced. Already we can see improvements in the quality of the drive, the improved surfaces and the extended carriage way. I have no doubt, that this project will bring major benefits to the users of this road. Our thanks to the Government and people of People's Republic of China.

Work has started on the Pointe Michel Sea Defence. However, delays of up to two months have been recorded primarily for the procurement of steel reinforcement and the concreting of the main seawalls. The contractor has been requested to increase his resources in order to meet the project deadline.

Madam Speaker, the Government of Dominica signed contracts with Iceland Drilling Co. to carry out drilling and Iceland GeoSurvey for well testing activities. The project is funded by the EU and AFD at a cost of \$15.0 million and the site preparation for drilling activities and the road access are being undertaken by the Government of Dominica. The contract for the construction of the drill pad has been awarded and site preparation works have begun and will continue in the new financial year. We anticipate that the drilling of at least two wells will be completed in the new fiscal year.

Government has started discussion with the French as well as with the International Finance Corporation (IFC) of the World Bank to begin identifying firms which have the capacity to convert this resource into a commercial venture. The European Investment Bank has already expressed interest in participating in financing the commercialization of the resource.

Madam Speaker, there continue to be calls for increased opportunities for employment. I must report that the Employment Agency and Small Business Unit has assisted close to 400 persons in the fiscal year 2010/11 and close to 1000 for the programme to date. This year, \$2.0 million will go towards that programme. Specifically, some of these resources will be to provide some support to the small businesses such as the vendors, hair braiders and taxi operators whose income is being affected by the pull out of the Carnival Cruise Lines in the off-season, and who wish to get involved in other small business initiatives, to improve their income earning capacity.

The modality of this specific assistance programme is being finalized and will be articulated by the relevant agencies in due course. Suffice it to say, that we have

anticipated the economic fallout from the depressed cruise tourism period and are putting systems in place to cushion the impact on the most vulnerable.

One of the options I personally support is the utilization of this period for enhanced training, whereby, though not plying their trade in the traditional way, vendors, hair braiders and the like can be the beneficiaries of enhanced training in new technologies and approaches and at the same time be assured of satisfactory earnings during the down period. I cannot promise that we will match their total earnings, but at least we will do as much as is possible to ensure they remain current with known and obvious commitments.

Madam Speaker, the Government of Dominica alone cannot provide a job for every Dominican. Our task is to facilitate and provide an environment that will help others create jobs for themselves and for others. We trust that all citizens, especially the young people, will recognize the opportunities that have been created by the Government and take advantage of them.

As part of its mandate for the development of the private sector, the Ministry of Employment, Trade, Industry and Diaspora Affairs has, with the assistance of CARICOM, facilitated the establishment of the Dominica Coalition of Service Industries (DCSI) in January of 2009. The main objective of the DCSI is to increase Dominica's export of services within CARICOM and between CARICOM and third countries.

This will be funded by a grant of \$938,700 from the Caribbean Aid For Trade and Regional Integration Trust Fund (CARTFUND) administered by the Caribbean Development Bank (CDB) to commence operations of the DCSI.

Dominica's competitiveness in the global economy, is critically dependent on a support infrastructure for exports, that positions the country to respond to changes in the

international economic environment, that are influenced by trade liberalization, and the dismantling of barriers to trade. The National Export Strategy Secretariat is now operational and will take the lead in creating a diversified and competitive export sector, driven by innovation and a strong spirit of entrepreneurship. The Secretariat has been set up to drive the export of both *goods* and *services* and will deliver services that will :

1. Ensure market led planning;
2. Ensure international competitiveness; and
3. Indicate the scope for diversification of the export base.

Funding for the implementation of the National Export Strategy will also be through a grant from the CARTFUND of \$1.5 million for the first two years.

The provision of adequate security to the population is always a major challenge. Government's response to this is multifaceted. I referred earlier to some of the initiatives. A critical component is providing adequate facilities to the security forces. In that regard, repairs are being undertaken to a number of police stations. New police stations are being considered but during the year focus will be on the completion of the Grand Bay Police Station. Work is 65% completed and the project will be completed in fiscal year 2011/12.

Security at the prison also needs to be enhanced. Security systems that are more in sync with today's technology will be introduced.

In order to maintain security at both the entry and exit points of the country, the installation of customized border management software is critical. The total cost of this software, which is to be provided by Canadian Bank Note (CBN) is \$4.6 million. It will include the development of software that is specific to Dominica, training of users and a maintenance programme. This border management programme will address the issue of fraudulent travel documents and will enable the immigration officers "real time

linkage” to the international security agencies thus allowing for immediate feedback on suspicious documents or individuals.

I need to add, that on the issue of validity of important documents such as birth certificates, Government is investing another \$4.9 million in a new system. The new system will be implemented in the new fiscal year.

Construction of the Melville Hall Fire Station is 54 percent completed. The project involves the construction of the main building which is intended to house the fire officers and another building to house the equipment. This will be a significant addition to the air access project.

Implementation of the Renovation and Expansion of the State House Project will continue. In this financial year, construction works will begin and will include the following components:

1. Renovation of the Existing State House Building
2. Construction of a new residence for the President
3. Construction of a building to provide offices for the Public and Police Service Commissions, and the Integrity Commission.
4. Utility Building
5. Beautification and landscaping of the grounds, parking and construction of a new road
6. Conference room with a capacity of 200 persons

Regrettably, Madam Speaker, a misguided few have unsuccessfully attempted to misrepresent the scope of the project. Such irresponsible labeling, reflects a poor recognition of, and appreciation for the need of Dominica, to step forward and up to the plate, in respect of its capacity to host events of an international nature, improved housing and roads in the city of Roseau and advanced tertiary education.



A famous Caribbean leader once said *'a man is a man, even if he has only one pants'*. Simply put, even if one is poor, one does not have to think or behave poor. The proposed State House initiative, as just outlined, will create and provide a new image for Dominica, by Dominicans, as well as for the convenience of visitors who increasingly find Dominica as an ideal conference and retreat destination, but which, unfortunately has lagged behind over the years in regard to basic amenities.

Madam Speaker, modern State Houses cannot be seen in the year 2011/2012 as a luxury. They are an absolute necessity and this government has absolutely no apology for moving with speed to bring Dominica into the 21<sup>st</sup> century in this regard. Those with limited or blurred vision will eventually come around to appreciate the importance and necessity of this project. In the meantime, however, work must continue. We cannot wait on them to finally see the light.

The Ministry of Agriculture will receive \$12.7m or 10% of the PSIP allocation to continue implementing programmes that would increase the output of agricultural commodities. Special mention is made of the Support to Horticulture programme, which is responsible for the increase that is being recorded in the non-banana crop sub-sector. It is hoped that significant increases in local production can result in some of these products being exported and the income of farmers increased as a result.

A critical area for improvement is the strengthening of the Plant and Quarantine Services to enable improved, safer and more effective pest control options, which will result in safer food and reduced risk to human and environmental health. These programmes will ensure also, that the investments being made in the crop sector, particularly bananas, plantains and citrus, are protected.

A project intended to increase livestock production is the Pork and Poultry Project. Funded with resources from the Government of Venezuela, this project will see the

construction of a modern abattoir. These facilities, we expect, will encourage increased production of local meats.

Madam Speaker, DEXIA has been given the responsibility for the operations of the Packing Houses. No doubt, the Packing Houses will boost the quality of the produce that is placed on the market, will serve to regulate supplies and will be an avenue for measuring more accurately agricultural output.

The Dominica State College records significant increases in the student population each year. The proposed expansion of the College will include the construction of a library, multifunctional hall, auditorium, agricultural training centre, additional classrooms, laboratories, parking area, school of liberal arts and applied science and technology. All this is geared towards increasing the educational opportunities for Dominica youths.

Students and single mothers have also been faced with the problem of accommodation in the Roseau area and hence, an area of 10,400m<sup>2</sup> has been earmarked for the construction of housing under this Chinese loan funded project.

Teaching of technical vocational subjects will form part of the activities under the Education Enhancement Project. Contracts have already been approved for these projects. Training for teachers and the purchase of equipment will be done under the CDB funded component of that project.

The Basic Needs Trust Fund Phase VI will continue. This programme is intended to reduce poverty, through the implementation of skills training projects, and construction of social projects such as roads, water projects and resource centres. An allocation of \$7.1 million is available for fiscal year 2011/12. Some of the specific projects are the following:

- A Respite Centre will be constructed in Chance, Portsmouth at a cost of \$1.33 million. This will be a centre for children with disabilities;
- Improvement of water supply will be undertaken in Grand Fond and Upper Shawford;
- Rehabilitation of Old Hospital Road in Grand Bay;
- Rehabilitation of South East Produce Market in La Plaine;
- Construction of the Penville Resource Centre;
- Layout Public Convenience Repairs; and
- Wesley Resource Centre.

The Carib Community Capacity Building project will continue, with the construction of resource centres and roads. Of importance is the road to Kalinago Barana Aute which has the potential of being a major income earner for the Kalinago people.

The Kalinago community will also benefit from the special loan facility established for housing in the Territory. These funds are being made available to public officers, who are from the Territory, with one of the conditions being, that the houses must be constructed in the Territory.

The Ministry of Health continues with the refurbishment and upgrading of health facilities, and purchasing and upgrading of equipment. Focus will also be on reducing the vulnerability of health facilities to events such as hurricanes, earthquakes and improving security arrangements at all facilities.

The Ministry of Health will also be highlighting the need for and the importance of an active and healthy lifestyle to prevent or reduce obesity, the occurrence of CNCDs, heart disease, HIV and AIDS.

Under the urban renewal programme, there will be improvement to urban centres, roads, parks, increased attraction for youths and other persons and encouraging engagement and participation in sporting activities and exercise.

Details of the concept for the Roseau River Promenade are now being considered. Activities to be undertaken are the hydrology study of the river, preparation of architectural designs, construction of river wall and platform, and vending kiosks.

The Discover Dominica Authority will continue with the implementation of the Promotion and Marketing Programme. The main focus of the programme will be to more effectively allow greater visibility and penetration by the destination within the main source markets in the USA, UK, European and Caribbean markets. This will be done through advertising, public relations, trade shows, e-marketing and other promotional methods that will target areas of opportunity

The content of the marketing programme is significantly boosted with the inclusion of the Waitukubuli National Trail on the calendar. The project is in its final stages of construction and already the response has been very promising. Madam Speaker, the impact of this project is in the hands of the people of Dominica. We must take responsibility for the maintenance, the security, the provision of ancillary services. I therefore encourage all the communities along the trail, to make it yours. See that you benefit from it. Ensure that it succeeds. All remaining segments, kiosks, signage and other facilities are expected to be completed by December 2011.

The census was recently undertaken. The coding and compilations will however be completed in the 2011/12 fiscal year. We look forward to the results.

Madam Speaker, the Cabinet considered a request from the Electoral Commission, received through His Excellency the President, for a budget of \$5.2 million for the introduction of Voter ID cards. I must make it clear, that the Cabinet is fully supportive

of the Commission and is committed to facilitating its work. The Cabinet has given its support to the introduction of national ID cards that can also be used for the purposes of voting. We are aware that the use of national ID cards for voting purposes is not new and exists in Barbados, Guyana and St. Lucia.

Madam Speaker, we are aware of the sensitive nature of this initiative, but at the same time, we need to ensure that it is done efficiently and without error. We intend to consult all stakeholders, in arriving at a generally preferred formula for its implementation. It is our hope, that when the time comes, all stakeholders who would have spoken for, or against the introduction of National Identification Cards, will cooperate fully, so as to expedite the process.

Madam Speaker, I have not made reference to the smaller projects. Suffice it to say, these are equally important to the economy and to employment. Also, I did not highlight those projects which are under active consideration but, for which new or additional resources may be required.

But I must inform the House, Madam Speaker, that as we were in the final stages of preparation of this Budget Address, we were advised of the receipt of funds, from the Government of the Bolivarian Republic of Venezuela for the following projects:

- Removal of metallic waste including the wrecks at Portsmouth
- The Petite Soufriere Rosalie Link Road
- Petro Casa Housing Programme. These houses are being built in Portsmouth, Grand Bay, Trafalgar, Lily Valley and Stock Farm.

These funds are for the time being, placed in the PetroCaribe account at the National Bank of Dominica and implementation of the mentioned projects will continue immediately.

The important thing for us is that we do all that is possible to ensure that the capital programme is implemented efficiently and to the benefit of the people of Dominica.

## **Fiscal Measures**

Madam Speaker, it is of course extremely desirable for the Budget to include measures that can be considered to be growth-inducing. Such measures would generally fall into three broad categories: tax reductions; incentives; and other investment climate / ease of doing business issues.

We have received requests for further reductions in income tax, increases in tax free allowances, reductions in taxes applied at the customs. However, Madam Speaker, we cannot ignore the fiscal imperatives and Government has opted not to interfere with the current revenue base at this time.

In fact, Madam Speaker, the information available to me, suggests that Dominica's tax structure is very similar to that of the other regional countries and some of the tax rates are identical. For example, information obtained from the ECCB indicates that the following VAT rates are applied in the region:

- Antigua and Barbuda – 15% General, 10% on hotels
- Dominica – 15% General, 10% on hotels
- Grenada – 15% General, 10% on hotels
- St. Kitts and Nevis – 17% General, 10% on hotels
- St. Vincent and the Grenadines – 15% General, 10% on hotels
- Trinidad and Tobago – 15%, no special rate for hotels
- Barbados – 17.5%, 8.75% on hotel accommodation
- Jamaica – 17.5%, no special rate for hotels

## ***Land Transfer Tax***

In regard to improvements in the investment climate, I also referred to some of the work that we are already engaged in. I however, wish to announce one new measure, which we hope will enhance the investment climate in our country.

One issue that has been identified for some years now as meriting review is the set of charges that are payable on transfer of land from one owner to the next. Currently land transfers attract an additional 10 per cent of the value of the land or property being transferred, in addition to legal fees.

It has been argued, that the real estate market may need some stimulus, which would also positively impact the business environment in the country. One option could be to reduce the fees applied for the transfer of land. However, the loss of revenue would be significant.

Alternatively, the application of lower fees could be in regard to a specific type of transfer. Government has decided on a downward adjustment to the fees applicable, to gifts of real property between parent and child. These will be adjusted as follows:

- ✓ The Stamp Duty will be reduced from 4 per cent to 2 per cent; and
- ✓ The Transferor's Fee will be removed.

These adjustments will have the effect of reducing fees payable on transfer of land between parent and child by 69.23 per cent, i.e. from a total of 6.5 per cent to 2 per cent.

This measure will be most welcomed by those many persons who have wanted to make a deed of gift to a child but have not done so because of the burdensome cost of transferring the property.

Measures will be introduced to eliminate the possibility of abusing these new provisions and to penalise those who seek to abuse the system.

Madam Speaker, just as we have opted not to tinker with the revenue base and offer concessions which, realistically, the country cannot afford, so too will we not increase or impose any new taxes, levies or other impositions on the people of this country.

I have always said that I will not ask more of the taxpaying public than that which I know they are able to bare. I believe at this point that we can continue implementation of our development programme without leaning further on the workers of Dominica.

Accordingly, I am pleased to reiterate that, once again, there are no new taxes in this package of proposals. Madam Speaker, we offer this generous concession in the hope, and with the confidence, that citizens will continue to display the prudence and responsibility required, to sustain the standard of living and quality of life to which they have gotten accustomed, and to which they are entitled. My plea to Dominicans in the year ahead, is to continue to save. Set aside a little something for a rainy day. Prepare for the unforeseen. Cut out wastage and extravagance, and, most of all, live within your means.

### **Conclusion**

As I conclude this budget address, Madam Speaker, I reiterate the intention of Government to keep a keen eye on the global economic environment, continually assess its local impact and where necessary, respond in ways that do not compromise our fiscal policy and our social programmes.

Dominica has in many respects become the envy of many for its relatively smooth ride through the maze of economic doubt and uncertainty.

At a time when hopelessness and despair of citizens abound, in many a developing nation, great things are happening here in Dominica.

One week from today, we shall see the opening ball of the first test cricket match in our country's history. This is something that a decade ago, we never thought could happen. This is a day that many cricketing legends in Dominica have long fantasized about, but probably never expected to see in their life time. Dominica will gain much from this exercise. The publicity and goodwill we shall receive, cannot be valued in dollars and cents. This is but one example, of the great things that are happening in Dominica.



For many years, Madam Speaker, visitors have complimented Dominica on its pristine environment and naturally beautiful landscapes. Unfortunately, they have lamented our poor road surfaces. On their visit to Dominica next week, no matter which route they take from Melville Hall they will encounter major road works in progress. They will appreciate the efforts of this beautiful island to address the age old problem of poor road surfaces. But even before they leave the terminal at Melville Hall, they will glimpse and appreciate, the vast improvements that have taken place at that facility, and the giant strides that Dominica has made with infrastructure, in recent years.

Several things are happening in Dominica, Madam Speaker, and I urge this Honourable House to endorse the efforts of this Dominica Labour Party administration, to move Dominica forward and upward to the next level.

Finally, Madam Speaker, I reach out with gratitude and thanks to all ranks of the public service, who have given of their best in preserving the professional image of the service; many go beyond the call of duty, to ensure that work gets done and targets are met. No praise is too much for them.

I also want to thank the private sector, with whom we have had constructive dialogue throughout the year.

We are grateful to all our friends and development partners in the international and regional community who have been consistent and generous supporters of Dominica.

We say a heartfelt thank you to the EU, the Governments of the Bolivarian Republic of Venezuela, the People's Republic of China, Morocco, France, Cuba, the United States of America, Japan and Britain. To the CDB, ECCB, IMF and the World Bank, I say thank you and reassure you of the great value, that all of Dominica attaches to your support, for our development efforts.

Madam Speaker I commend this package of measures to this Honourable House for consideration and endorsement.

May God continue to guide, protect and strengthen this beautiful country.

Madam Speaker, I so move.