



GOVERNMENT OF ST. CHRISTOPHER (ST. KITTS) & NEVIS

# 2013 BUDGET ADDRESS

**Presented by: The Right Honourable Dr. Denzil L. Douglas**

**Realising the Gains of Fiscal Responsibility -  
Real Growth and Continued Opportunities.**



**ST CHRISTOPHER AND NEVIS**

**2013**

**BUDGET ADDRESS**





1. Mr. Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation Act, 2013.

## **INTRODUCTION**

2. Our journey as a Nation over the last five years has been punctuated with heightened anxiety emanating firstly from the impact of the global economic recession and more recently from the sluggish and fragile recovery of the global economy. At home here in St. Kitts and Nevis the resumption of growth in the real sector has moved to the top priority on the development agenda of my Government. Over the last two years, fiscal consolidation and strengthening the financial sector has been at the cornerstone of our policy agenda. The decision to shift priorities was based on an examination of our macroeconomic indicators which suggest that the economy remained flat in 2012, following contractions in a number of sectors. Currently, the main drivers of growth are Tourism, Financial Services and Manufacturing. The preliminary results show an improvement in tourist stay over arrivals with prospects for the sector to achieve positive growth. Similarly, it is estimated that Manufacturing grew by 8% and Financial Services grew by 3.14%. The prospects for overall growth are promising and it is anticipated that the Federation will return to positive growth levels in 2013.

3. Mr. Speaker, in line with the thoughts of Nicholas Murray Butler the world is divided into several classes of people which include the few who make things happen and the many who watch things happen. This Government has chosen to be among the few who make things happen and we have sought to empower our people so that they not only know what is happening but they are active participants in what is happening. Over the past several years, we like many Governments around the world, have tried to manage a balance between fiscal consolidation and the need to stimulate growth. In this regard, we have taken steps to enhance the public financial management system and to strengthen technological and human capacity to ensure efficiency in

the collection and distribution of Government resources. All this has been pursued to facilitate the provision of quality services to our citizens.

4. Mr. Speaker, we have performed credibly in terms of improvements to the legislative framework especially in relation to the governance of public institutions. We have revised existing legislation and introduced new legislation such as the Public Service Act 2011 and the Procurement and Contract Administration Act 2012 to provide the required legal support for building transparency and good governance in public administration. In 2012, steps were also taken to enhance the services provided in the Social Sector. At all times, we are ever cognizant of the plight of the vulnerable in our society and we are intent on putting systems in place that will not only provide relief to these persons but create a path for improved livelihoods. We have therefore prepared a National Social Protection Strategy (NSPS) that will facilitate better coordination of all of the social safety net programmes and improve the services provided to the most vulnerable citizens within our society. In addition, given that education is key to our success in life, a comprehensive National Technical and Vocational Education and Training (TVET) Implementation Plan has been developed to ensure improvements in the delivery of skills education and training in the Federation.

5. We are living in a challenging period when serious headwinds threaten at times to derail decades of economic, social and political progress. We have been put to the test and I am proud to say that as a Nation we are poised to stay the course, to remain steadfast on the journey towards our destiny which beckons with a bright light of a new economy brimming with real opportunities for our people. There is no denying that like many countries around the world, we have suffered some setbacks, but the reality is that St. Kitts and Nevis is now in a stronger position to build a brighter future where all Kittitians and Nevisians can achieve a better standard of living.

6. Mr. Speaker, building the new economy is only possible with thoughtful, proactive and decisive leadership. An important requirement, therefore, is strong, creative and courageous leadership in the public sector and in the private sector. It also requires cooperation, coordination and above all the understanding and contribution of all citizens whatever their current status in society, whatever their enterprise, and whatever their political persuasion. Even

in these challenging times there are real and exciting opportunities if we would only take into account the best interest of our Nation. Let us for a moment consider the point of view that destiny is shaped in our moments of decision. The bold and necessary decisions taken by my Administration are now beginning to yield positive results. The debt restructuring and fiscal adjustment programme introduced by my Government has been proceeding quite smoothly and to date have achieved all of the key fiscal and debt targets established by the Government at the commencement of the programme. Indeed, in December 2012 we received notice from that the Executive Board of the International Monetary Fund (IMF) that it completed the fourth review of our economic performance under the Stand-By Arrangement. I am pleased to report that once again our performance met their standards and approval. Our success in implementing the programme has also drawn commendations from the international community and has helped to build renewed confidence by our international partners and investors. Our outstanding achievements have paved the way for accelerating growth in the economy.

7. During the 2013 fiscal year, my Government will explore all avenues and opportunities for fostering the growth potential of our country. Even with the challenges confronting us, this Budget is designed to sustain Government's role in stimulating and facilitating growth in meaningful partnership with the private sector. We will continue the work already started in respect of fiscal and debt sustainability, improving education and skills training, and investing in critical infrastructure. We will also continue to support innovation and entrepreneurship, enhance the regulatory and general business environment, strengthen tax administration and public financial systems, and improve performance in the public sector.

8. Likewise, if our achievements are to continue to take root and bring benefits to our people over the long-term, our accomplishments in fiscal adjustment and debt restructuring must be accompanied and bolstered by appropriate levels of economic growth. It has therefore become necessary for us to focus on implementing a strategy that will maintain the core values of fiscal consolidation and debt sustainability while accommodating more direct growth enhancing policies, programmes and projects. A major focus of this Budget is therefore concentrated on stimulating growth with a view to creating more jobs for our people and opening up new opportunities for entrepreneurship. With this in mind, my Government in December 2012 launched a programme designed to target the unemployed youths of this country, and to

assist them in acquiring skills that would be in demand in the new economy. I will say a little more about this initiative later.

9. In the context of the current global environment, stimulating growth at the national level will require us to work smarter and more cooperatively with each other in order to achieve success. At this stage in our development and in the face of the global challenges, it is untenable for the public sector alone to undertake the task of diversifying the economy. In this regard, greater public-private partnerships will be required to ensure the enhancement of our human capital through continuous training initiatives, enable the efficient and cost effective delivery of projects, ensure value for money through optimal risk transfer and management, and foster innovation and diversity in the provision of public services thereby resulting in greater benefits for all users of public services. This approach to development will require a new way of doing business in both the public and private sectors in St. Kitts and Nevis. It will require changes in our attitudes and a fundamental shift in the way we do business. We would seek to promote greater cooperation and direct investment in the expansion of emerging growth sectors such as health and wellness, offshore education, and renewable energy in an effort to broaden the base of the private sector beyond the traditional wholesale and retail ventures.

10. Mr. Speaker, it is important to place our current situation in context of the rest of the world. Therefore, I will now move to highlight some recent developments in the international and regional economy.



# THE EXTERNAL ENVIRONMENT

## International Economic Developments

11. Mr. Speaker, five (5) years after the onset of the global recession, the recovery in the global economy is tepid as downside risks continue to threaten the economic rebound. The last minute agreement on a US fiscal policy agenda has contributed to some improvement in the overall outlook. However, the continued weakening of the peripheral Euro zone economies is a major cause for concern. The IMF in the latest edition of the World Economic Outlook (WEO) reported that policies in the major advanced economies have not rebuilt confidence in the medium-term forecasts, while tail risks, relating to the viability of the Euro area and the implementation of the United States fiscal policy agenda, continue to preoccupy investors and business leaders.

12. Against this background a major assumption about the global economic outlook relates to the scope and pace of the policy reform process in the Euro zone countries. Specifically, policymakers in the Euro area will need to take further steps to gradually ease financial conditions in the periphery economies. These steps include the implementation of the European Stability Mechanism, articulating a credible path to achieve a banking union and fiscal integration and, at the country level, the reforms that are essential for growth, jobs and competitiveness. The prevailing anxiety surrounding the political gridlock in the Euro zone economies continues to cause uncertainty in the financial markets and threatens consumer and business confidence which remain vital in order to stimulate a sustained and robust economic recovery.

13. The emerging economies have been primarily responsible for the growth recorded in the global economy since the onset of the great recession. Growth prospects in these economies are expected to moderate in the wake of policy tightening and a reduction in demand for their products which is due, in no small measure, to the weakening of household income in the advanced economies. These signs are evident in the outturn of the economies of China and

India, which have lost some momentum resulting in projected growth rates of 7.8% and 4.9% in 2012 compared to 9.2% and 6.8% in 2011 respectively. Closer to home, the economy in Brazil continued to slow with an estimated growth rate of 1.5% in 2012 compared to 2.7% in 2011. Although the tight policies instituted are beginning to ease, it is anticipated that output from the emerging economies as a group will be lower than they have been over the past decade when economic activity was supported by financial deepening and rapid credit growth and relatively strong demand from the advanced economies. The reality is that the global economic recovery remains weak and fraught with uncertainty. Therefore, care and attention will be required in identifying the right mix of policy responses within these markets which manifest differences in cyclical positions.

14. The decisions taken in these regions will have a profound effect on the strength of future global economic activity which is projected to expand by 3.6% in 2013. This represents a slight improvement when compared to the outturn of 3.3% in 2012. In the advanced economies as a group, output is expected to expand by 1.4% in 2013 after recording a growth rate of 1.3% in 2012, as economic output within the newly industrialized Asian economies which include Korea, Taiwan, Hong Kong and Singapore, is expected to show signs of recovery expanding by 3.2% in 2013 after recording growth of 1.8% in 2012. Demand from the major advanced economies is also showing signs of improvement and the continued rebound in economic output in China combine to improve economic prospects for that region. In 2013, the Euro area is projected to record a growth rate of -0.2% a slight improvement when compared to -0.4% in 2012. This outturn is a revision downwards from the positive growth rate of 0.2% anticipated in the latter months of 2012 as concerns remain regarding the momentum of the reform towards a full banking union and greater fiscal integration.

15. Although the housing market in the United States has begun to stabilize, the outstanding challenges underpinned by the impasse at the legislative level, threaten to undermine the recovery process. Therefore, with businesses concerned about the pending tax increases and the resultant impact on the end-market, investment and spending, which is vital to spur increased economic activity and employment, has been postponed. It has been projected that the United States economy will expand by 2.0% in 2013 having recorded a growth rate of 2.3% in 2012. The United Kingdom is now in a double-dip recession as the legacies of the pre-crisis era,

including high household debt, have constrained private consumption and the negative effects of the difficulties in the Euro area, its largest trading partner, have impacted economic performance. Notwithstanding the fragility in the economy the monetary and fiscal policies that are being implemented show signs of yielding positive outcomes. As a result, it is projected that the economy will expand by 1.0% in 2013, an improvement from the performance in 2012 which recorded a contraction in economic output of 0.2%.

16. In St Kitts and Nevis, our small open economy is significantly affected by the lacklustre performance of the global economy and of the economies of our major trading partners. Hence, in this budget and in all activities, plans and programmes that emanate from this budget. We aim to intensify our efforts with a view to confronting the global challenges charting a course of social and economic progress that would take our people to the next level of development.

17. Hence, I turn to the Regional Economic Developments.

## **Regional Economic Developments**

18. Mr. Speaker, the Small Island Developing States (SIDS) in the Caribbean region have continued to take the necessary policy decisions to bolster their resilience during this protracted period of uncertainty in the global economy. Some analysts contend that the recent setbacks in the recovery process were due in part to the hesitant approach to policy decision-making in the advanced economies, continued high unemployment in the United States and the United Kingdom and uncertainty regarding the future level of oil and food prices on the international market as a result of political tensions in the Middle East and adverse weather in other parts of the world. This complex mix of issues has raised new cause for concerns for the recovery and the continued development in our island states. However, we remain optimistic as the prospects for deepening collaboration and cooperation within our region also hold potential for stimulating and

sustaining growth of our small open economies. This is particularly true for the OECS group which has achieved remarkable progress in creating a single economic space with opportunities for expanding economies of scale to support growth in industry and commerce. In this regard, my Government will continue to support the regional integration movement while seeking out emerging opportunities which have potential for advancing growth in the national economy. In order to capitalize on the opportunities that may arise, it is imperative that we continue to broaden our production base, enhance service delivery and improve and expand basic infrastructure. We must also undertake continuous training of our people to become engaged in areas where the potential for growth exists locally, regionally and globally.

19. The economies within the ECCU region have shown evidence of some easing in their economic situations with a lower contraction rate of 0.5% in 2011 when compared to the decline of 2.6% in 2010. Albeit slow, this recovery can be attributed in part to improved performances in the Tourism and Manufacturing Sectors. The rate of decline in value added also slowed in Construction, Wholesale and Retail and the Transport, Storage and Communications Sectors which had been growth sectors in the years prior to the financial crisis. Preliminary data for 2012 indicates that economic output within the OECS region continues to improve, recording a decline of 0.1% due to sluggish recovery in the Agriculture, Manufacturing, Education, Public Administration, Real Estate, Transport, Storage and Communications, and Tourism Sectors. During this period, St. Kitts and Nevis recorded a decline in real economic output of 0.9%. Positive growth was recorded by the Manufacturing, Tourism and Financial Services Sectors while the rate of decline slowed in the Construction and Wholesale and Retail Sectors.

20. Mr. Speaker, in 2011 the larger Caribbean Community continued to struggle to achieve pre-crisis growth levels, showing some progress when compared to 2010. The rate of growth in Barbados increased slightly by 0.8% when compared to the positive growth of 0.3% recorded in 2010. This positive trajectory can be attributed to expansions in Tourism, Construction and, Transport and Communications Sectors. However, economic performance was impacted by a lack of significant expansion in the International Business and Services Sector and exports, and reduced investment in public sector projects as a result of the need for fiscal consolidation. The economy of Trinidad and Tobago continued to contract, recording a real growth rate of -2.6% in 2011. This downturn was due to declines in the Energy, Construction, Manufacturing and

Distribution Sectors. However, preliminary data indicates a rebound by 1.5% due primarily to improved output in the Distribution, Financial Services, Construction, Manufacturing and Energy Sectors. The economy in Jamaica recorded an increase in output of 1.5% after recording three consecutive years of contraction. Mining and Quarrying, Tourism and, Agriculture, Forestry and Fishing Sectors were the main drivers of growth in the Jamaican economy in 2012. Although the recovery in the Caribbean is projected to continue on a positive trajectory into 2013 the growth rate will remain lower than the levels required to create full employment.

21. The continued development of the Caribbean, particularly the members of the Eastern Caribbean Currency Union (ECCU), remains dependent on our ability to transform our institutions and enhance our human capacity to capitalize on the opportunities that become available in a global economy that is continually evolving. Most critical in this process is the modernization of both our national and regional institutions to ensure greater efficiency in the execution of policies and the development of the private sector to expand its operations across the ECCU ultimately transforming itself into a sector that can be competitive and be a major foreign exchange earner. Our regional institutions remain a valuable asset in this transformation process. To this end, the OECS Secretariat has formulated the OECS Development Strategy which aims to interface the regional strategy with those formulated at the national level. The aim of the strategy is to facilitate greater consensus in areas where there is potential for growth and where greater benefits can be derived from collective action. It is in furtherance of a unified approach to our development challenges that the OECS Assembly was convened on August 10, 2012. The inauguration of this important Organ of the OECS Economic Union will provide for a platform for improved dialogue and transparency which will strengthen the decision-making process to facilitate increased action to enable our continued development.

22. Mr. Speaker, I now turn to the Domestic Economy.

# THE DOMESTIC ECONOMY

## Output, Prices and Balance of Payments

23. Mr. Speaker, the continued volatility in the global economy had a profound impact on our economic recovery during 2011 resulting in a contraction in real GDP of 1.9%. This can be attributed to a decline in output in the Construction and Manufacturing Sectors of 4.4% and 15.2% respectively, and the slowing of activity in the Tourism Sector resulting in a positive growth rate of 0.3% when compared to 5.4% in 2010. In January 2013, preliminary estimates provided by the Eastern Caribbean Central Bank (ECCB) and the Department of Statistics indicated that the economy contracted by 0.9% in 2012 and will return to positive growth in 2013 with output levels expanding by 1.9%. This projected early return to growth is particularly heartening in view of the ravages of the financial and economic crisis that still litter the global economy and suppress growth in advanced economies as well as emerging markets.

24. On a period to period basis, the rate of inflation decreased from 7.1% to 1.4% when 2011 was compared to 2012. This can be attributed to the stabilisation of prices following the implementation of the Value Added Tax (VAT). This was projected in 2011 in this Honourable House when we sought to elicit a concerted effort by the business community to transfer the savings of cheaper imports under the VAT regime to its customers. I use this opportunity to thank them for their partnership. We will continue to be vigilant, as in the past months severe weather conditions have destroyed crops in several regions of the world, including the United States. This has resulted in low yield in crops such as corn which is an important dietary staple and source of animal feed thereby increasing the probability of an escalation in food prices. The heavy rains in the latter part of 2012 and the drought now being experienced in our Federation have also negatively impacted some of our farmers and as a result have limited the availability of fresh local produce at the market place.

## **The External Account**

25. Mr. Speaker, I will now summarize the Balance of Payments Account which records all receipts and payments between the Federation and the rest of the world. In 2012, the Current Account deficit declined by 24.2% to \$180.6 million or 8.7% of GDP (\$2,082.3 million) at market prices. This improvement is mainly attributed to the decline in net import of goods and services by 21.3% to \$224.4 million or 10.8% of GDP. The downturn in net goods and services can be attributed to a decline in outflows in respect of the importation of consumer and capital goods, and the moderate increase in the exportation of electronic components. The Services Account increased marginally by 1.5% to \$180.1 million or 8.7% of GDP as a result of a contraction in net travel receipts. The Capital and Financial Account recorded a reduction of 67.1% in the surplus to \$161.3 million or 7.8% of GDP. Net Foreign Direct Investment contracted by 8.3% to \$271.4 million or by 13.0% of GDP when compared to 2011 due mainly to the significant decline in equity investment. Notwithstanding the decline in investment, the surplus on the Capital and Financial Account and Other Financing proved sufficient to offset the deficit on the Current Account, resulting in an overall surplus of \$66.5 million or 3.2% of GDP.

## **The Tourism Sector**

26. Mr. Speaker, since the closure of the Sugar Industry in 2005, my Government has worked diligently to ensure that the benefits of travel and tourism result in the improvement of the lives of our people and sustained growth in the economy. While our overall Sustainable Tourism Development Strategy remains intact, our recent focus has been to respond to the realities of the uncertainties of the challenging global economic environment and resulting changes in consumer behaviour in our main source markets. In a competitive global market where travellers have numerous options, transportation costs, air accessibility and interline connectivity often define

our own competitiveness. Although we have little or no control over these factors, our decision to shift our focus to the higher end of the market, to invest in the development of a world-class airlift infrastructure and direct scheduled airlift arrangements, particularly from key cities in North America and Europe, are now showing positive returns.

27. Our partnership with American Airlines has seen the addition of two non-stop flights between the R. L. Bradshaw and Miami International Airports beginning November 16, 2012, arriving from Miami on Friday and Sunday nights and returning the following mornings. These two additional non-stop week-end flights are strategically timed to impact the peak winter travel season and allow for more connections from North American and International feeder markets as they provide options for later departures and earlier returns in and out of Miami, one of the largest airline hubs in the world. The days of the week identified have been found to be most ideal for our key niche markets, the destination weddings and honeymoon travellers as well as meeting and incentive groups. In addition, the seasonal Air Canada service introduced in 2011 resumed non-stop flights to St. Kitts from Toronto as of December 21, 2012. This flight makes the Federation a more viable winter destination choice for travellers from Canada while also providing easier access for our nationals both at home and in the Diaspora in the Toronto metropolitan region. Our twice weekly British Airways service from London continues to significantly improve our international connections to and from the United Kingdom (UK) and beyond.

28. Notwithstanding our budgetary constraints, I am pleased to report that our relatively low-cost online and public relations driven marketing strategy continues to bring good results. Most recently, our Federation was recognized by U.S.A. Today, the second largest newspaper in the United States, which named our own Brimstone Hill Fortress National Park as one of the world's best kept secrets and one of the ten great places to explore. In addition, U.S. News and World has ranked us third amongst the best islands in the world. These are only two of the numerous accolades that we have received from travellers and publications in recent months.

29. We are fortunate that notwithstanding the unfavourable global economic environment, our tourism sector continues to attract significant investment in tourism related facilities and infrastructure. These infrastructure developments are a critical component in our efforts to



expand our market share in attracting a more upscale clientele. In this regard we are now in the process of facilitating plans for the modernization and expansion of two of our local hotels. The construction of our world-class private jet terminal at the R. L. Bradshaw International Airport which commenced in February 2012 is expected to be opened in June 2013. This unique facility will include an arrivals and departure building which will accommodate customer service, immigration and customs, as well as an administration building which will provide top quality facilities for flight crew and staff. This private jet terminal will be the only one of its type in the region and will facilitate the increasing numbers of high-end clients who will frequent developments such as Christophe Harbour, Kittitian Hill, Park Hyatt and other similar developments in our Federation.

30. Mr. Speaker, I am pleased to report that work has continued at the Kittitian Hill Development with the construction of an eighty-five (85) room boutique cottage hotel and an 18-hole golf course. Currently, a number of one bedroom cottages and villas are in various stages of completion as well as the Kittitian Hill's Terrace Complex which includes a lobby, lounge, bar, all day dining and fitness centre, and main swimming pool. Therefore, it is expected that Phase One of the project, under the management of Sedona Resorts, will open for the 2013 – 2014 tourist season. Similarly, the Christophe Harbour Development also continues to make progress on the construction of the mega-yacht marina, the 'Harbour Side' homes and 'Windswept' villas. To further diversify the type of accommodations provided within this Development, my Government recently negotiated an agreement for the construction of a Park Hyatt branded Hotel which will have 200 hotel rooms and 50 residential condominiums. Phase One of this hotel will include the completion of 125 hotel rooms, 2 food and beverage outlets, a fitness center, a 12-room treatment spa and more than 7,000 square feet of meeting and banquet space. The second phase will include the completion of the 75 remaining guest rooms and a third food and beverage outlet. This hotel is scheduled to be opened in the winter of 2014. At the Silver Reef Resort Development, Phases One and Two, which feature seventy-two (72) apartments, have been completed and Phase Three commenced earlier this year. In addition, the St. Christopher Club Group of Companies will be investing almost US\$40 million in three condominium and commercial complex projects in Frigate Bay. The quality of these accommodations will not only aid in attracting the more discerning traveller but provide additional employment opportunities for our people.

31. Meanwhile, the performance of the Cruise Sub-Sector has remained robust due to our vigorous sales calls on cruise lines as a means of extending the traditional tourist season to year round activity. As a result, cruise passenger arrivals expanded by 17.2% in 2011 and remained steady in 2012. Currently, we are projecting to pass the 650,000 passenger arrivals mark for 2013/2014 season and then go beyond 700,000 passengers in 2014/2015.

32. Mr. Speaker, during the first quarter of 2013, we undertook a formal review of our Tourism Strategy which has guided developments in the sector since 2006. Much has happened in the world since 2006 – including dramatic technological changes which have ushered in the rise of social media. The unprecedented global economic recession, that is only now showing a sluggish recovery, has also forced the travel and tourism industry to wake up to the global competitiveness of our industry and the need for added value to the customer. The recent corporate consolidations and operational shifts in both the airlift and cruise industries have also impacted potential consumers' travel decisions since we conducted our last major strategic planning in 2006. Therefore, with such rapidly shifting market demands, it was a necessary and timely decision for us to update our tourism strategy.

33. An example of our own changing tourism landscape has been the rapid development of Education tourism and the related influx of international students, faculty and family members who now live, study, do business, and enjoy the leisure activities available in St. Kitts and Nevis, thereby adding significantly to the economy of our Federation. The strategic evaluation will also incorporate the most viable findings of the recently concluded Small Hotel Sector Assessment undertaken with assistance provided by the European Union in order to formulate a holistic approach to the development of the small hotel sector going forward.

34. Mr. Speaker, the centre of our new tourism strategy will continue to be the improvement of the well-being of our people, and the sustainability of our natural and man-made assets for future generations. To this end, you can be assured that my Government will continue to pursue the development of a Tourism Industry that is of the highest quality, one that will bring sustained growth and development to our Federation, and that will result in better living standards for all of our citizens.

# Construction

35. The Construction Sector has been a major growth area in the economy and the decline in output over the past four (4) years continues to impact the economic and social development of the Federation. In this regard, my Government implemented the Building Materials Incentives Programme in June 2011 which provided for a reduction in taxes applicable to building materials for first time homeowners' construction projects valued up to \$400,000. As of December 2012, over 350 applications were approved and we anticipate that additional applications will be submitted for approval before the end of the year. Some of the benefits of this Programme can be seen in the Eastern Caribbean Central Bank (ECCB) Commercial Banking Statistics Report which indicates that as of December 2011 personal credit issued in St. Kitts and Nevis increased by 3.6% to \$915.5 million when compared to December 2010. Of this amount, over fifty percent (50%), or roughly \$499.3 million, was attributed to home construction and renovation, and house and land purchases. As of December 2012, there were preliminary indications that credit issued to the personal sector had expanded by 0.2% to \$917.7 million when compared to December 2011. Following the trend observed in 2011, over fifty percent (50%) roughly \$492.0 million was attributed to home construction and renovation, and house and land purchases.

36. Mr. Speaker, empowering our people through land and home ownership remains a priority for my Government as it is considered a vehicle for upward mobility. Recognizing this benefit and the need to further strengthen the recovery process, particularly in the Construction Sector, my Government has provided the facilitating environment and negotiated with the Sugar Industry Diversification Foundation (SIDF) to provide financing for two initiatives in partnership with our own indigenous financial institutions; the Fund for the Realization of Economic Empowerment through Subsidized Housing (FREESH) and the Equity Assistance Fund (EAF). FREESH provides access to loan resources up to \$500,000 at a fixed interest rate of 5% for residential construction while the EAF provides access to resources to facilitate the removal of barriers to obtaining a residential mortgage such as legal fees and the required down payment. I applaud the SIDF, the Development Bank of St. Kitts and Nevis and the St. Kitts and Nevis Finance Company Limited (FINCO) for their partnership during this period of economic

recovery and I encourage our citizens to seize the opportunities that have been provided through these Funds.

## **Agriculture**

37. Mr. Speaker, food security and the nutritional intake of our people remain a priority as we confront the threat of an escalation in global food prices and increases in chronic non-communicable diseases such as diabetes and hypertension. Commercial farms have been identified as critical to increasing food production and security in the Agriculture Sector. In support of these efforts, work intensified at the Capisterre Farm in 2012 in an attempt to increase production of fresh vegetables. The objective is to increase the supply of selective crops to a point where consumers can benefit from reduced prices of vegetables on the local market. Capisterre Farm is on the right path to achieving this objective as a number of milestones have been achieved to date, including the establishment of an orchard and Shade House, the cultivation of twenty-two (22) acres for both tree and vegetable crops and the sale of approximately 7,000 kg of vegetables and root crops.

38. In addition to the obvious capacity to create employment, this farm has potential to provide an avenue to improve our approach to training in agriculture science, farming techniques and farm management. It has already provided exposure to fourteen (14) former sugar workers to the business of non-sugar agriculture and it is anticipated that more employment and training opportunities will become available as output expands. The technical staff at the Department of Agriculture has been working with farmers to find solutions to protect certain crops from severe weather and pests. In this regard, funding through the Agriculture Resource Management Project was used to procure seven (7) screen houses which provide environmental modification and protection from severe weather and pests during the cultivation process. Once these methods are successfully applied such action can help to increase crop production among our small farmers, reduce losses and increase profit margins for farmers. Individual farmers and farmer groups in Mansion, Con Phipps and Tabernacle have benefited from this initiative. We will continue to explore how best to expand the programme to other communities as well as the

feasibility of introducing other methods that are suitable to our conditions and that can enhance food security here in the Federation.

39. To further diversify the food products available to our people my Government has facilitated the establishment of a new agro-processors group – the St. Kitts Agro Processor Cooperative. This Cooperative is expected to assist with the introduction of new products into the market while at the same time secure new markets for existing products. I am pleased to report that, with the establishment of this group, we now have a total of ten (10) registered farmer groups. Agro-processing remains a viable niche market which can assist in poverty reduction through employment generation. To further develop this promising industry the Agro Processing Facility and the Demonstration Farm in Needsmost will be handed over to the Ministry of Agriculture later this month. Entrepreneurs operating in this industry will therefore be able to further capitalise on the resources provided via this facility. In addition, to further enhance the marketability of the locally produced goods available to the public, the Basic Needs Trust Fund (BNTF) has provided equipment which will allow processors to generate and affix labels and barcodes to their products. The equipment is compatible with the systems used by shops and supermarkets in the Federation and will improve the stock management process. It will also allow agro-processors to meet the expectations of consumers in regard to packaging and presentation of products. It is our hope that this will lead to a greater penetration of agro-processed products in the local market and increase the potential for export to markets regionally and internationally.

40. Mr. Speaker, in 2011 and 2012 we continued to enhance the development of the Agriculture Sector in collaboration with various organizations. In partnership with the Food and Agriculture Organization (FAO) we have improved gardens at six (6) primary schools around St. Kitts. The objective of this undertaking is to enhance the exposure of our young people to agriculture and to enable them to develop the connection between the sector, food security and nutrition. We have also commenced work on a four (4) year regional initiative in collaboration with McGill University and the West Indies Crops Programme to promote sustainable agricultural technologies to increase food availability and diversity in food choices. During 2012, a number of crop related activities were undertaken including the establishment of a carrot varietal trial at the La Guerite Station, procurement of three (3) pumpkin seed cultivators and the

signing of a Memorandum of Understanding (MOU) between McGill University and farmers located in Stapleton and Mansion. The MOU commits the University to providing technical assistance to the farmers in order to improve the quality of produce which will be used to enrich the school meals provided to our students. The project is now in its second year and I am pleased to report that the partnership has proven successful with the School Meals Programme having benefited from the output of the farmers.

41. In 2012 output from the Livestock Sub-Sector contracted by 26.0% as disease, poor husbandry practices and the high cost of feed remained a challenge for livestock farmers. Despite these difficulties, we have stayed committed to the expansion of output evidenced by the use of genetic engineering as a means of reducing the mortality rate of animals, particularly cattle which have been hard hit by the resurgence of the Tropical Bont Tick and the associated Dermatophilosis disease. To provide assistance to farmers in the control of Dermtophilosis, Bayticol was made available to farmers at a subsidized price in 2012. Further, to facilitate the artificial insemination programme, three (3) cattle chutes were installed on farms in Newton Ground, Con Phipps and Lamberts. To date, this procedure has been performed on a number of animals and one (1) calf was born during 2012 as a result of this process. We will continue to monitor the programme to ascertain its success as four (4) additional calves are expected in 2013.

42. Mr. Speaker, the Fishing Sub-Sector recorded a slight decline in performance during 2012. Fish landings declined by 3% totalling 692,780 pounds when compared to 2011 with a total value of \$6.8 million. We will continue to explore opportunities to expand the use of Fishing Aggregate Devices (FADs) and to provide continuous training to our fishers in various fishing techniques and use of equipment donated by the Japanese International Cooperation Agency (JICA) and the French Research Institute for Exploration of the Sea (IFEMER). As a result of these efforts, new large pelagic species such as sword and bill fish, and blue marlin have now been introduced into the market and the increase in landings has allowed the fishers to share their success through donations to Government institutions such as the Joseph N. France General Hospital. I would like to thank the fishers for their generosity to the community.

43. As a Small Island Developing State (SIDS), the effects of climate change can have a devastating effect on the continued development of the Fishing Sub-Sector. At this time, we are

concerned about potential changes in the distribution and structure of species, their habitats and the impact of extreme weather associated with abnormally high sea surface temperatures which can damage coastal ecosystems and related infrastructure. In order to address this challenge it has become necessary for us to explore adaptive measures that will build resilience within the sub-sector, as well as protect the biodiversity of our marine species in our surrounding waters from over-fishing. Therefore, through the Department of Marine Resources, we have taken steps to explore the viability of aquaculture on a wider scale as success has been shown through the development of the St. Kitts and Nevis Aquaculture Pilot Project (SNAPPER). Recognizing that consistent long term development would be required, assistance was sought through the African, Caribbean and Pacific (ACP) FISH II Project, financed by the European Union, to provide technical assistance to conduct an inventory and analysis of the current strengths and weaknesses that could facilitate or hinder the development of aquaculture and formulate an Aquaculture Development Strategy. I am pleased to report that the study has been completed and the Strategy is being reviewed bringing us another step closer to achieving another milestone in the development of the Fishing Sub-Sector.

44. My Government has acknowledged that the protection of our marine biodiversity requires a holistic approach particularly as we consider the existing and emerging threats caused by nature and by man. In order to conserve, manage and facilitate the sustained development of our marine life we signed a Memorandum of Understanding endorsing the partnership between the Caribbean Regional Fisheries Mechanism (CRFM) and the Organization for Fisheries and Aquaculture of the Central American Isthmus (OSPESCA). This collaboration will enhance our access to additional information and expertise shared between both organizations from research findings, resource management and policy coordination which will redound to improved management of our marine resources. Equally important is the need to curtail Illegal Unreported and Unregulated (IUU) Fishing which has become a major challenge for our Federation. In this regard, my Government has sought assistance from the Commonwealth Secretariat to provide legal and technical advice to enable us to commence negotiations with neighbouring islands to establish an agreement on our maritime boundaries. Through the Department of Marine Resources, in collaboration with other stakeholders, we expect to commence negotiations later this year with our Dutch neighbours to delimit our marine boundaries. This will provide the legal parameters not only for the management of marine resources but for law enforcement

activities such as drug trafficking. My Government remains committed to the utilization of all means available to ensure the continued development of the Fishing Sub-Sector and to provide a facilitating environment for the advancement of the work being undertaken in related sectors.

## **Manufacturing, Industrial and Enterprise Development**

45. Mr. Speaker, the Manufacturing Sector continues to be impacted by the slow economic recovery in its major trading markets but shows resilience in its Enclave Sector which involves the assembly of electronic components. As a result, earnings from the export of electronic components to the United States increased by 9.4% recording a total value of \$91.7 million in 2011 when compared to 2010. Further, two major manufacturers in this sector expanded their operations thereby improving their capacity to meet the increasing demand. This was evidenced by the increase in value of exports which was recorded at \$108.2 million in 2012.

46. As a major employer in the Federation, the Manufacturing Sector continues to make every effort to maintain its cadre of highly skilled employees and forego as much as possible the reduction of the work force even as the global recession continues to impact its markets and create some level of uncertainty. A long standing strategy deployed within the sector is simply to consistently produce high quality products, at reasonable prices, on time. This Administration applauds these efforts and will continue to provide the support necessary to ensure that the sector continues to be an important contributor to the health of the economy.

47. In order to ensure the continued expansion of the sector it is vital that we capitalize on the opportunities that present themselves in other burgeoning economies, as well as to improve the manner in which business is conducted on a daily basis. In this regard, I am pleased to advise that in May 2012, my Government successfully completed negotiations for the Federation to accede to a Partial Scope Agreement (PSA) with Brazil. Notwithstanding reports of a slowdown in the economic growth rate in that economy, there remains potential for further expansion thereby providing a viable market for consumption of our manufactured products. Efforts to bring this Agreement into fruition have continued and we expect that it will not be much longer before local manufacturers will benefit from improved access to the Brazilian market. The



expected increase in exports as a result of this Agreement will translate into growth in employment in the sector and industries that provide complementary services.

48. Mr. Speaker, we have also acknowledged that the cost of energy has a profound impact on the capacity of our manufacturers to operate efficiently and expand their operations. As a result, my Government, through the Ministry of International Trade, Industry, Commerce and Consumer Affairs and the St. Kitts Investment Promotion Agency (SKIPPA), with the assistance of the Caribbean Development Fund (CDF), has taken the initiative to conduct a comprehensive energy audit of the sector under the Manufacturers Competitiveness for Energy Efficiency (MACEE) Project. This exercise will aid in identifying areas where the sector can improve energy efficiency through the reduction of leakages and wastage, and most importantly the incorporation of conservation, and renewable and energy efficient technologies.

49. As the economy becomes increasingly service-based it is imperative that we explore opportunities to ensure the viability of the Services Sector in a regional and international context. It is therefore necessary for us to develop a structured approach to exploring market opportunities and therefore my Government has secured technical assistance, through the Commonwealth Secretariat, to develop a Services Sector Strategy. The Strategy will identify options for enhancing competitiveness within the area of professional services. This undertaking is critical in capitalizing on the opportunities that can be derived through the CARIFORUM-EU EPA Agreement, the CSME and CARICOM-Canada Trade and Development Agreement when brought into force as we venture to not only export goods to other markets but the skills and knowledge of our people as well.

50. Mr. Speaker, I am pleased to report that in July 2012 my Government established the Economic Partnership Agreement (EPA) Unit within the Ministry of International Trade, Industry, Commerce and Consumer Affairs. The purpose of the Unit is to actualize the objectives and provisions of the EPA through public sector coordination and private sector development initiatives. The EPA Unit has already commenced a public awareness campaign and has accessed technical assistance through the Centre for Development Enterprise (CDE) to assess the challenges that may hinder the ability of manufacturers to benefit fully from the EPA and provide guidance on utilizing the provisions of the Agreement to maximize their benefits.

During 2013, the Unit will formulate a number of projects to assist the private sector such as the establishment of a microfinance facility for small businesses, and will seek technical assistance to aid in the development of local agro-processing capabilities and trade missions. The fostering of greater collaboration between the public and private sector by the EPA Unit is expected to redound to greater economic gains for the Manufacturing, Services and other key sectors of the economy.

## **Information Technology and Telecommunications**

51. Mr. Speaker, I am pleased to report that my Government, through the Department of Information Technology, has successfully completed the One-2-One Laptop Project which provided 7,000 students, and by extension their families, with the means to learn, communicate and contribute utilizing virtual classrooms, literature and markets. This Project was developed as a vehicle to aid the increased integration of our people in the global market through access to additional academic and/or vocational certification programmes through accredited institutions. The project is also intended to promote the export of knowledge-based services, the development of innovative solutions, increased information literacy-awareness and the production of local content for the benefit of the ever expanding Information Society. My Government is committed to undertaking initiatives that will form synergies with this Project. These synergies will facilitate the upgrade of information management and processing capabilities to enable improved sharing and learning within the education system. In this regard, we have embarked on the development of an Education Network (EduNET) with the assistance of the Eastern Caribbean Telecommunications Authority (ECTEL). The system will enhance peer learning and collaboration, master teacher tutoring and streamline communications among our schools at a reduced cost. During 2012, the required equipment to effect the operationalization of the network was installed in our eight (8) public high schools. Additional configurations will be undertaken to enhance the security and functionality of the system to facilitate the handover and official

launch of the network by the National Telecommunications Regulatory Commission (NTRC) later this year.

52. This Government has remained at the forefront in the utilization of information technology as a means of achieving cost savings and greater efficacy in the delivery of public services. In order to ensure good governance it is vital that there is a means of effective communication between Government Ministries and Departments, and the citizenry that allows for universal access. With assistance from the International Telecommunications Union (ITU) we have advanced our efforts to facilitate the establishment of the Government Wide Area Network (GWAN) through the development of a business case which outlines the benefits and rewards to be derived from the system. With the GWAN providing the infrastructural foundation for a converged communications platform, the type of information and communications services deployed over this medium will determine the level of efficiency and savings to be realized from implementing this initiative.

53. Mr. Speaker, the technological advances being pursued by this Government are in line with the regional approach to improve governance, modernize the public sector and enhance integration through the use of information technology to facilitate greater returns to stimulate economic growth. To this end, we have deemed it beneficial to participate in two regional initiatives namely the Enhancing Competitiveness in the Caribbean through the Harmonization of ICT Policies, Legislation and Regulatory Procedures (HIPCAR) Project and the OECS E-Government for Regional Integration Programme (EGRIP). The increased utilization of the internet to enhance the competitiveness of and collaboration between the public and private sectors nationally and regionally requires that government information and transactions be facilitated electronically thus making it critical that our legislative frameworks be more robust to address issues such as the legitimacy of electronic documents and signatures, and to provide protection of electronic forms of payment.

54. In January 2012, we signed a Grant Agreement with the Caribbean Development Bank (CDB) making it possible for St. Kitts and Nevis to benefit from valuable technical assistance which facilitated the assessment of departmental activities and the development of a framework for an E-government desk. When the project concludes in June 2013, St. Kitts and Nevis will

gain access to an OECS E-procurement system for pharmaceuticals which will improve the services provided by the OECS Pharmaceutical Procurement Service (PPS). My Government will continue to provide the facilitating environment, while enhancing its own services, to ensure that in this new technological environment business can be conducted within a safe virtual environment.

## **Energy Sector**

55. As we undertake efforts to return the economy to positive growth we recognize the importance of an affordable, reliable energy supply. The increasing cost of energy is a real concern and has occupied the thoughts of many in our society. High energy costs have implications for the operation of both public and private ventures. Equally important is the fact that, as a Small Island Developing State (SIDS), which has no control over oil prices and has a traditional reliance on imports of petroleum-based energy products, we are left vulnerable to the effects of geopolitical forces and internal strife in the Middle-East.

56. The goal of our National Energy Policy therefore is to transform St. Kitts and Nevis into a country where sustainable, clean, reliable and more affordable energy sources are developed and used. In an effort to advance this goal, we have continued to explore opportunities where alternative energy and energy saving technologies can be integrated into the daily operations of businesses, households and community life. To further this transformation, my Government instituted a waiver on import duties and customs service charges on a number of alternative energy generating and efficiency equipment which include solar photovoltaic panels, hydrogen fuel cells, wind turbines, energy-saving bulbs, solar water heaters, tanks and high efficiency air-condition units.

57. Always one to lead by example, my Government, with the assistance of the Republic of China (Taiwan), installed a grid-powered lighting system which utilizes Induction Lighting along the Kim Collins Highway and the Frigate Bay Road up to the Sugars business complex. This

lighting solution has advantages over other energy-saving bulbs such as Light-emitting Diode (LED) and Florescent lighting as it gives a brighter light output while using less energy, particularly at a high wattage. The second phase of this initiative was successfully completed with the installation of 120 solar-powered street lights along the main road starting in the proximity of the Sir Gilles Agro-Tourism Demonstration Farm to St. Pauls. These initiatives will not only aid in the reduction of our carbon emissions but will help to provide a tangible foundation for the integration of renewable energy as a viable option for reducing our dependence on fossil fuels and the advancement of our development agenda.

58. Mr. Speaker, our development has brought with it an increase in the amount of solid waste produced by households and commercial entities while there is limited scope for waste disposal using traditional means. Therefore, I am pleased to inform you that my Government has included Waste-to-Energy as a viable option to fossil fuel energy generation. We are currently encouraged by the formation of a new joint venture initiative between Nanovo Energy Incorporated and a local company, NICOL International Services. It is anticipated that the plant will be built over a two (2) year period in the vicinity of the Conaree landfill and would utilize 180 tons of waste per day to generate up to 14 megawatts of power which will be sold to the St. Kitts Electricity Company Limited (SKELEC) for distribution to consumers. We have also held discussions with a potential investor to establish a factory that will produce solar panels right here in our Federation. Both of these initiatives will provide employment options for our citizens as the economy continues to expand and evolve.

59. I turn now to the Financial Sector.

# The Financial Sector

## *Commercial Banks*

60. Mr. Speaker, although the global financial markets remain uncertain, our commercial banks remain well capitalized and poised to make a significant contribution to our future development. As of December 2012, the assets held by the commercial banks totalled \$5.5 billion, representing a 3.2% increase over the \$5.3 billion recorded at the end of 2011. During the year under review, deposits grew by 9.0% to \$3.7 billion while loans and advances contracted by 1.6% to \$2.5 billion. The approval of loans and advances remained subdued as a result of the very cautious stance of banks and the slow rate of recovery in the Construction Sector during 2012.

61. Mr. Speaker, since the start of the fiscal adjustment programme, the IMF has consistently reported that the domestic Banking Sector has remained healthy, adequately capitalized, resilient to a range of shocks and capable of withstanding the impact of the public sector debt restructuring. Liquidity levels have been growing and coverage of total deposits remains well above 40% and the regulatory requirement. This is partly explained by the slow pace of recovery of private investment in particular and the reduction of credit to the public sector. Indeed, one of the important challenges of the economic programme in the coming months will be to facilitate the movement of some of this excess liquidity into productive investment activity. The level of exposure to the public sector has been trending downward over the last year and is expected to contract sharply with the completion of the debt-land swap.

## *Development Bank*

62. Mr. Speaker, the Development Bank continues to partner with the Government of St. Kitts and Nevis showing its commitment to advancing the development of this Federation through the provision of financing for the benefit of our people. In 2012, the Bank approved 952

loans with a total value of \$70.2 million. Of this amount, \$13.6 million was allocated to higher learning, \$23.1 million to business lending and \$3.3 million to mortgage financing. This institution continues to execute its mission to promote economic growth and development by providing financial and advisory services to viable ventures and programmes.

63. In furtherance of this goal, the Development Bank deepened its partnerships with the St. Kitts and Nevis Social Security Board (SSB) and the Sugar Industry Diversification Foundation (SIDF) to provide support during this period of economic recovery. The key areas targeted for stimulating economic activity are Construction, Agriculture, Manufacturing, and the expansion of private sector ventures. As a result, collaboration with the SIDF has assisted in the delivery of additional financing for mortgage, student, and business loans, while the partnership with the Social Security Board has contributed to financing for business development and expansion. A vital component in the delivery of the services of the Bank has been the provision of training to micro and small business operators, particularly in the Tourism and Agriculture Sectors. In this regard, a number of workshops were undertaken in 2012 to address issues such as E-business integration and sound financial management targeting taxi and tour operators, farmers and fishers. With the assistance of the Centre for the Development of Enterprise (CDE), the Development Bank reached an important milestone through the delivery of technical support valued in the region of \$100,000 to assist four (4) persons to develop viable business plans and marketing strategies for their respective investment ideas. I use this opportunity to thank the Development Bank for its continued efforts to support the people of St. Kitts and Nevis.

### ***Developments in ECCU Money and Capital Markets***

64. Mr. Speaker, during the period January to December 2012, there was a further decline in the region's debt and equities markets as the recovery from the global crisis remained weak and continued to impact investor confidence. At the end of 2012, a total of eighty-five (85) securities were listed on the Eastern Caribbean Securities Exchange (ECSE) which comprised of fourteen (14) equities, eight (8) corporate bonds and sixty-three (63) government instruments. There are

currently thirteen (13) listed companies on the Exchange, of which eleven (11) are domestic to the ECCU and five (5) reside in our Federation. Domestic equity market capitalization was valued at EC\$11.8 billion for the year 2012, a slight increase from the EC\$10.9 billion which was recorded one year earlier. The ECSE Share Index which stood at 139.16 in December 2011 stood at 156.07 at December 2012 reflecting an increase in return for investors. The importance of the equity market should not be underestimated as it provides our citizens, both in the Federation and across the globe, with the opportunity to own a fraction of domestic companies thereby encouraging participation in the investments and expansion of those institutions in which they hold shares. In addition, the market has and continues to provide an avenue for companies to raise capital for further expansion, which would translate into employment for our people, either directly or indirectly, thus stimulating further economic growth and development.

### ***St Kitts Investment Promotion Agency (SKIPA)***

65. Mr. Speaker, notwithstanding the challenges within the global economy, the St. Kitts Investment Promotion Agency (SKIPA) recorded increased interest from both foreign and local investors in undertaking business ventures in St. Kitts. It is expected that this interest will remain strong into 2013 as a number of very large investment projects are being negotiated or have received approval which will redound to improved growth prospects over the short to medium term. During 2012, SKIPA facilitated the approval for the construction of a \$25 million condominium hotel and a \$300 million luxury resort and residence project, which will both be located in the Frigate Bay area. Local investors have also capitalized on the opportunity to establish businesses that will meet the needs of our people and visitors while also diversifying the services and products provided by our private sector. This is evidenced by the approval of our first Bowling Alley and Adventure Park in St. Kitts. These two developments will not only provide entertainment value to the Federation as a tourism destination but another opportunity for direct employment and increased earnings to those who will provide support services.

66. In line with our agenda to make St. Kitts and Nevis the smallest and greenest country in the western hemisphere, SKIPA has continued to promote St. Kitts as a market for investment in



renewable energy and energy efficient technologies which has resulted in an upsurge in proposals for the establishment of related businesses. In this regard, the Agency has and will continue to work closely with the Energy Unit, the St. Kitts Electricity Company (SKELEC) and other stakeholders in the public and private sectors to review and facilitate the approval of renewable energy solutions that best meet our requirements in the Federation. In order to maintain the level of interest that has been received from foreign and local investors my Government, through SKIPA, is refining a draft Investment Code that will clearly articulate the privileges and benefits to investors and the parameters that guide foreign investment in restricted areas, that is areas reserved for domestic investors, such as within the Tourism Sector, Agriculture and Fisheries, and Industry. During 2013, we will endeavour to lay this important piece of legislation before this Honourable House to strengthen how we do business here in the Federation.

67. I turn now to the Cross-cutting issues.

# Cross-cutting Issues

## *Social Development*

68. Mr. Speaker, although my Government has had to contend with fiscal constraints, we have remained committed to our mandate to ensure the delivery and improvement of our social safety net programmes, particularly during this period of economic downturn. In pursuit of our efforts to achieve further poverty reduction and sustained human development in St. Kitts and Nevis, my Government, through the Ministry of Social and Community Development, Culture and Gender Affairs, in partnership with the United Nations Children's Fund (UNICEF) and the United Nations Development Fund for Women (UNIFEM), undertook and completed the development of the National Social Protection Strategy and Action Plan 2012-2017. This Strategy is vital to ensuring the efficacy of the system as there are several programmes that extend across various Ministries and Departments. As a result, it was determined that there is need for streamlining of these initiatives to reduce duplication of effort by both Government personnel and clients seeking assistance thereby reducing wastage in the system. This document establishes the main priorities for social protection reform and the creation of a sustained, comprehensive and integrated social protection system. I am proud to report that this document is the first of its kind in the English speaking Caribbean and St. Kitts and Nevis is being considered a model from which others can take pattern.

69. The first phase of implementation will focus on the costing of the Plan of Action, consolidation of existing programmes, the development of an effective proxy means test and, the development of a Management Information System (MIS). It will also include capacity building in the areas of monitoring and evaluation in order to maximize improvements in the living standards of clients in an efficient and sustainable manner. It is our vision that these newly established mechanisms will contribute extensively towards improving the social and economic mobility of the most vulnerable in our communities and serve as a best practice model. I therefore take this opportunity to express thanks to the Ministry of Social and Community Development, Culture and Gender Affairs and other stakeholders in Government, civil society,

the private sector and the international community for their invaluable contribution thus far and solicit their continued partnership as we move now to make the necessary changes.

70. Mr. Speaker, critical to the success of our social protection reform is the integration of co-responsibility mechanisms within the social safety net programmes to engender the need for personal responsibility in the achievement of sustained human development. It is within this context that my Government has developed our own national tailored initiative; the Mould, Empower, Nurture and Direct Families (MEND) Programme utilizing the best practice model, the Chile Puente Programme. This strategic intervention will be targeted at vulnerable families to provide support that will systematically address the complex issues that are attributed to generational poverty.

71. My Government considers the protection of our children to be paramount in order to ensure that we have future generations of well adjusted productive citizens. In this regard, we have continued to improve our strategy in addressing the issue of child abuse and neglect which is increasingly being brought to the forefront in our society. As the basis for establishing a more coordinated approach towards addressing the challenges regarding prevention, reporting and investigation of these matters, the Ministry of Social and Community Development, Culture and Gender Affairs completed the formulation of the National Child Protocol and Action Plan during 2012. This document is intended to provide assistance to a network of child protection service providers in identifying child abuse, acknowledging their responsibilities and ensuring children are protected and supported in order to safeguard their wellbeing. Cognizant of the need to have a mechanism in place that will monitor and evaluate services provided by Government agencies, residential institutions and other entities that serve children and help in their development, my Government supported the re-establishment of the Probation and Child Welfare Board in March of this year. This Board has drawn its membership from among educators, social workers, early childhood specialists, medical professionals, the security forces, the legal fraternity and the clergy. I would like to thank our generous and dedicated citizens for sharing their skills with the community and assisting to advance our objective of ensuring the rights and welfare of our young people are safeguarded.

72. Mr. Speaker, we are aware that our efforts towards achieving sustainable human development would be in vain without attention being given to our young people who are at risk. Therefore, my Government has overseen the construction of the New Horizons Rehabilitation Centre which was completed in September 2012 as part of a comprehensive exercise to provide rehabilitative care to youths who have committed offences. The Centre which was officially opened last month will provide quality treatment and child development services to male and female residents. These services include counselling, legal services, academic, technical and vocational training and career development. Training courses in anger management and decision-making will also become vital components of the programmes offered to aid residents in developing good social skills and becoming productive citizens. The strength and influence of the family remains critical in ensuring lifestyle changes. Therefore, provisions are made for outreach to family members and other persons in the community who exercise influence in the lives of these young people. Family counselling will also be provided to enhance parenting and communication skills. As the young residents at this facility find their way and chart new paths for themselves, they will need the love, care and support of the extended family, their communities and their country. Let us commit today to be more caring, more understanding, more loving and more supportive to all the young people of our beloved country, St. Kitts and Nevis.

73. Although the Government plays a vital role in ensuring that our young people who are at risk and marginalized are provided with opportunities to reduce the probability of them being found on the wrong side of the law through engagement in productive activities, we cannot undertake this huge task alone and welcome partnership from community organizations. The Skills Training and Entrepreneurial Programme (STEP) is one such partnership which was designed to deliver agriculture and entrepreneurial skills to our young people who feel as though they have been overlooked by society. This Programme is jointly coordinated by the Ministry of Social and Community Development, the Ministry of Education and Information, and the STEP Foundation which is comprised of a number of leaders in the public and private sectors. Through this initiative, approximately thirty-six (36) young men have benefitted from training in hydroponic agriculture and have shown great skill in the use of this technology. As a result of this initiative, the McKnight Community Farms have been able to supply produce such as tomatoes, lettuce and sweet peppers to supermarket shelves at Best Buy and the tables of local

restaurants such as Carambola, Marshalls and Excelsior. This cultivation technique helps residents living in high density areas to become actively involved in the expansion of the Agriculture Sector and provides a means of employment for themselves. I would like to thank the STEP Foundation and the public sector entities for their involvement in this programme. I am also compelled to recognise the young persons who have taken an interest in and capitalized on this programme to chart a new course for their lives. I congratulate them on their accomplishments to date. I encourage them to remain positive and to seize the opportunities that are being created through this and other initiatives.

### ***Law and Order***

74. Mr. Speaker, my Government is fully committed to and takes the responsibility for maintaining law and order very seriously. Our goal is to ensure that our Federation is a safe place where there is confidence in the security forces and residents can live with a sense of security. I again emphasize that security is an essential element of promoting an environment where development activity can flourish. The results of the past twelve (12) months have been encouraging as our security agencies have worked assiduously to implement a myriad of programmes as part of our crime fighting plan. These programmes have positively impacted our efforts to maintain investor confidence and improve the quality of life for our people. The High Command of the Royal St. Christopher and Nevis Police Force has reported a 60% reduction in crime during 2012 as the Police Force and the St. Kitts and Nevis Defence Force have jointly undertaken more strategic operations in response to the crime situation. I use this opportunity to extend to the rank and file of these two organizations the gratitude of our people for their diligence in the execution of their duties. With their commitment and coordinated action we will continue to make bold projections for safety and security as we are convinced that our vision for socio-economic growth must not be darkened by the anti-social behaviour of a minority. My Government will continue to pursue every avenue for crime reduction in support of our law enforcement agencies, and to ensure that the necessary resources are provided for the effective discharge of their crime fighting functions.

75. We are mindful that threats to our security exist on several fronts and require deeper collaborative efforts with our national, regional and international partners in order to boost our capabilities and resources. In this regard, we continue to work with the Coalition of Support for St. Kitts and Nevis Security Initiatives (CSSKNSI) and other key partners such as the TDC Group of Companies Limited which provided essential equipment such as vehicles and bullet proof vests, as well as additions to our K-9 Unit to enhance the capabilities of our officers. The reduction in reported criminal activity is a positive outcome of this deeper partnership between the security forces, corporate citizens and the wider community. Therefore, I extend the appreciation of my Government and the people of the Federation to the Coalition, TDC, Ross University and our other private sector partners as this exemplifies what can be accomplished when we consolidate resources, both human and financial.

76. Mr. Speaker, it would be remiss of me not to highlight the strong support that has been received from our international partners. The United States (U.S.) Government has allocated over US\$200 million under the Caribbean Basin Security Initiative (CBSI) with the goal of substantially reducing the illicit trafficking of drugs, guns and people, and to enhance public safety and promote social justice for all. The security forces of the north and south corridors in the Western Hemisphere have been actively undertaking joint operations to reduce the illicit trade in drugs and firearms. An area of focus is the strengthening of the capabilities of our Coast Guard to effectively deter illegal activities in our waters. The United States Government has provided two (2) interceptor vessels which have been named the 'Hermitage Bay' and the 'Oualie Bay'. This security cooperation initiative with the United States goes beyond security and law enforcement by embracing a proactive approach to crime, strengthening and reforming institutions of the judiciary, prosecution and prisons, as well as addressing the social factors associated with the root causes of crime. With the assistance of the European Union (EU), we continue to implement activities under the Safety and Security Improvement Programme (SSIP). During 2012, this initiative facilitated the training of two (2) staff members from the Ministry of Justice and Legal Affairs to undertake training in legislative drafting which is a highly coveted skill among persons within the legal profession. It also facilitates the participation of a public officer at the Second Annual Conference of the Cooperation Programme on Drug Policies between the European Union and Latin America and the hosting of the Third Meeting of the Caribbean Basin Security Initiative (CBSI) Commission in October of last year.

77. Mr. Speaker, during 2013 my Government will buttress our crime reduction plan with several new initiatives including the creation of an Anti-Robbery Team with officers from the Police Force, Defence Force, and the Customs and Excise Department. Other initiatives will include a Firearms Tracking Investigations Unit, the first of its kind in the Eastern Caribbean, which will work with the United States Bureau of Alcohol, Tobacco and Firearms (ATF), and an Arson Investigation Unit which will be comprised of officers from the Police Force and Fire Services Department. The Arson Investigation Unit will also receive assistance from the ATF to enhance capacity in this specialised area to investigate fire offences and deter crimes which target our expanding residential, public and business infrastructure.

78. My Government will continue to shape legislation to effectively respond to the changing nature of criminal activity and to support the judiciary in the execution of its duties. During 2012, this Honourable House passed the Jury Act to modernize and enhance the performance of the jury system, the Bail Act to govern the granting and restriction of bail and the Justice Protection Act which made provision for the protection of witnesses and judges when it is determined that their safety is threatened. We have also passed amendments to several pieces of legislation including the Proceeds of Crime Act (2000) to improve our ability to work with other governments in the investigation of money laundering, the Anti-Terrorism Act (2002) to increase the penalties for acts of terrorism, the Immigration Act (2002) to address the illegal smuggling of persons across the borders of our Federation and the Offences Against the Person Act (1873) to ensure that all categories of indecent assault against the person perpetrated within our jurisdiction are addressed in a comprehensive manner.

79. Mr. Speaker, this Government will continue to invest in the enhancement of skills, equipment and infrastructure to improve the output of the security forces and utilize new approaches and legislation in order to ensure a holistic approach in maintaining law and order. I encourage our citizens to continue to support our men and women in uniform and in the halls of justice as they endeavour to maintain a society buttressed by laws.

80. Mr. Speaker, I turn now to Public Finance.

# PUBLIC FINANCE

## Fiscal Review

81. Mr. Speaker, the world has been battling an economic crisis for the past five years – five long years - and to this day in many aspects the global outlook is still bleak. Recognizing the prolonged effects of the crisis, the level of uncertainty that it was creating and our vulnerability during recessionary times, we took the bold step in 2010 to devise our own home-grown economic recovery programme in order to stem the effects of the global economic crisis on our economy. The programme entailed measures such as the introduction of the Value-Added Tax, the restructuring of the Housing and Social Development Levy, the elimination of exemptions from Customs Service Charge and the adjustment of the electricity tariff. On the expenditure side, we introduced a wage and hiring freeze, corporatized the Electricity Department, executed a comprehensive debt restructuring programme and prioritized capital expenditure to focus on those projects that would stimulate growth in the economy.

82. Together, these measures had a positive impact on our 2011 fiscal position as we realized a Recurrent Account Surplus of \$46.6 million as well as Overall and Primary Surpluses of \$70.6 million and \$171.7 million respectively. Mr. Speaker, we do indeed expect this trend to continue and are in fact expecting to confirm a Recurrent Account Surplus in the region of \$100.2 million at the end of December 2012 as well as an Overall Surplus of \$102.7 million and a Primary Surplus of \$199.1 million. The 2011 and 2012 results are a significant improvement over the outturn for 2010 when deficits were recorded for the Recurrent Account, the Overall Balance and the Primary Balance. The attainment of surpluses in all categories of our fiscal accounts in 2011 and 2012 is a most noteworthy achievement that I expect will draw commendation from all members of this Honourable House, since the issue of fiscal deficits has occupied much of the attention of Honourable Members of this House in previous debates. Indeed, it symbolizes the tremendous resolve and sacrifice of our people as we strive to break free from the limitations of fiscal imbalances and debt accumulation.



83. The improvement in the Government's finances in 2011 was seen in Recurrent Revenue which amounted to \$530.5 million, 26.4% over what was collected in 2010 and 22.5% in excess of the 2011 budget. This outturn was mainly due to the strong performance of Non-Tax Revenue which surpassed the amount collected in 2010 by 48.0%. VAT yielded \$115.0 million during its first full year of implementation representing an increase of approximately 58% over the various taxes that it replaced. The success of the VAT contributed to an expansion of 95.5% in Taxes on Domestic Goods and Consumption and a 4.0% increase in Taxes on International Trade and Transactions over the previous year. Taxes on Income, however, declined by 9.5% when compared to the amount collected in 2010. In this category, the gains realized from an improvement in Withholding Tax and the restructuring of the Housing and Social Development Levy were insufficient to cover the continued decline in Corporate Income Tax.

84. In addition to the positive impact of the implementation of the various measures, the fiscal position for 2011 was also aided by the receipt of budgetary grants totalling \$61.3 million primarily from the European Union (EU) and the Sugar Industry Diversification Foundation (SIDF). I take this opportunity to sincerely thank all of our donor institutions for the generous support that they have given us during these turbulent economic times. I am quite aware that there are many other governments and organizations that compete for the same resources yet we have been successful in securing the financial support of our donors over the years and for that we are very appreciative.

85. Mr. Speaker, our focus during 2011 was not only on improving our revenue collection, but also on containing expenditure. To this end, we were able to curtail Recurrent Expenditure to \$483.9 million, 4.6% below what was incurred in 2010. In addition to being attentive to the use of our scarce resources, the reduction in Recurrent Expenditure was also associated with the removal of the cost of running the Electricity Department from Government's books. You may recall, Mr. Speaker, that the Electricity Department was corporatized in August 2011. This materialized a few months after we had envisioned and for that reason Recurrent Expenditure for 2011 exceeded the budget by 20.6%.

86. Mr. Speaker, funds expended for Capital Expenditure amounted to \$45.9 million or 2.3% of GDP. During 2011, the concentration of Capital Expenditure was on Economic Infrastructure

which accounted for 43.4% of public investment and General Administration which represented 37.8% of the capital projects. The Social Services Sector consumed 15.6% of Capital Expenditure while 3.2% of the capital resources was spent on Economic Services. Some of the major undertakings in 2011 for Economic Infrastructure related to the West Basseterre By-Pass Road and the Hurricane Lenny Rehabilitation Project. The latter entailed the construction of a rock armoured sea defence wall at Half Way Tree and Bourkes in Sandy Point, a guard rail at Half Way Tree as well as other works to address the issue of soil slippage.

87. Significant projects that were executed under the General Administration Sector were the Information and Communication Technology for Improving Education, Diversification and Competitiveness (ICT4EDC) Project, the E-Passport Project and the Border Management System. The ICT4EDC is a project that seeks to enhance the ICT Sector; a sector that is critical to the modernization of our business practices. The successful conclusion of this project along with the E-Passport and Border Management System projects will strengthen our investment infrastructure and provide further opportunities that would spur economic activity in the Federation.

88. The capital projects that were executed in 2011 were primarily financed from revenue and, to a lesser extent loans and development aid. For the most part, loan disbursements for capital projects did not involve the contraction of new loans but rather were previously arranged for projects that were already in the pipeline. We were aware of our level of indebtedness and the difficulties that it was posing especially at a time when fiscal space was needed for us to be able to better respond at a national level to the economic crisis. We realized that we needed to have a sound fiscal base and a manageable debt level which would then create avenues for sustainable growth.

89. A comprehensive debt restructuring exercise was therefore undertaken with the invaluable assistance of a dedicated team of international debt and legal advisors. The debt restructuring was quite successful and I would wish at this point to publicly thank our debt advisors, our legal advisors and the staff of the Ministry of Finance, for their commitment and hard work during the entire process. I must also express our gratitude to the Caribbean

Development Bank which aided the process by providing a partial guarantee of the new discount bond.

90. Mr. Speaker, allow me to summarize the outcome of the debt restructuring exercise to date. The debt exchange offer was launched on 27 February 2012 and provided two options. The first option was Discount Bonds with a 50% discount on the face value of original claims, 20-year maturity with monthly mortgage-style repayments and no grace period, step-down coupon rate of 6% for the first four years and 3% thereafter and a partial guarantee of up to US\$12 million from the CDB. The second option was Par Bonds with a 45-year maturity, a 15-year grace period on principal payments and a fixed coupon rate of 1.5%. Unsecured bonds and syndicated loans amounting to US\$137 million (EC\$370 million) were Eligible Claims. Tenders were received from 97% of the holders of Eligible Claims with two-thirds of the tenders electing for the discount option. The activation of Collective Action Clauses increased the percentage of Eligible Claims to be restructured to 100. The exchange offer was closed on 18 April 2012 and the new bond instruments were issued on that date. A month later we began servicing the new instruments and expressed our appreciation to our creditors for their support by way of a goodwill payment.

91. Also on 18 April 2012, we signed a Shareholders' Agreement with our domestic creditors that allow our domestic creditors to monetize encumbered lands through participation in a Special Purpose Vehicle (SPV). The SPV will be professionally managed and will be the appointed agent for land sales. Proceeds from the land sales will be channelled by the SPV to creditors in the form of dividends. Land sale proceeds in excess of the face value of the debt will be passed on to the Government. Under this arrangement, the interest rate will be reduced from an average of 8.6% per annum to 3.5% per annum. Mr. Speaker, it is very important that I reiterate that Government will remain instrumental in determining our policy in respect of the SPV. Priority will be given to nationals before one square foot of land is offered to any foreigner. Our national enterprises and individual citizens will be given the opportunity to purchase any of the designated lands they choose.

92. As it relates to our debt to Paris Club creditor countries, we met with the Paris Club on 24 May 2012 and were able to come to an agreement where the debt to these creditors would be

rescheduled over 20 years with a 7-year grace period. This essentially reduced our debt service due to our Paris Club creditors by 90% during the current IMF Stand-By Arrangement (SBA). Since that meeting, the UK Department for International Development (DFID), one of our Paris Club creditors, advised us that it had cancelled our debt in full. At the time of the cancellation, the debt outstanding was approximately EC\$9.7 million.

93. Mr. Speaker, when we approached our creditors at the beginning of June 2011 and asked for their support in the restructuring of our debt stock, the Total Public Sector Debt was \$2.8 billion or 140.8% of the rebased GDP. At the end of December 2011 the stock increased marginally by 0.4% to stand at \$2.9 billion (141.4% of GDP). The growth in the debt stock was mainly on account of a loan disbursement from the IMF Stand-By Arrangement. Primarily as a result of the debt restructuring exercise, the Total Public Sector Debt has been reduced from \$2.9 billion at the end of 2011 to \$2.7 billion (129.3% of GDP) at the end of December 2012.

94. The debt of the Central Government at the end of December 2012 stood at \$1.8 billion (87.2% of GDP). This represented a contraction of \$122.9 million (6.3%) when compared to the stock at the end of 2011. Our ability to move the debt of the Central Government down to 87.2% of GDP in such a short time is nothing short of miraculous. We have successfully removed a huge burden from the shoulders of our young people and of the future generation. We have positioned the economy to grasp the opportunity for enhanced growth and economic development. This outstanding achievement has impressed the international community and is worth celebrating throughout the length and breadth of this country. Mr. Speaker, the debt restructuring programme is a comprehensive exercise and is not only for the benefit of the Central Government but also for the Nevis Island Administration (NIA) and the Public Corporations in the Federation. Consequently, the NIA's debt at the end of 2012 declined by \$22.4 million (6.0%) in comparison to its position at the end of 2011 while the debt of the Public Corporations decreased by \$31.4 million (5.7%). The total public sector debt will decline even further when the debt-for-land swap is completed later this year.

95. In terms of the way forward with respect to the debt, we have developed a Medium-Term Debt Management Strategy that will be used as a guide in the management of the debt stock. The strategy will assist us in formulating the optimum structure of the debt portfolio that would

minimize cost and risks as well as ensure that public borrowing is within the parameters of our debt servicing capacity. The strategy is an integral part of the budget process and has been laid before this Honourable House along with the 2013 Estimates.

## **Fiscal Prospects**

96. Mr. Speaker, from all indications we will continue to see the positive impact of our consolidation programme and debt restructuring exercise in both our revenue and expenditure. Consequently, we expect that there will be an ease in the pressure on the fiscal account from 2013 onwards. However, this is not a signal for us to go on a spending spree. Conversely, this positive development is being approached with due care and diligence to ensure that we make the best choices and obtain the best value for public funds. As a consequence, there are no major increases in Recurrent Expenditure but there is a moderate increase in Capital Expenditure over the 2012 level. We have ensured that the Recurrent Expenditure provisions to support critical services such as Education, Healthcare, Safety and Security and Social Assistance have been adequately resourced so that the quality and scope of these services could be maintained. The moderate expansion in Capital Expenditure is in line with our strategy to use the Public Sector Investment Programme to make a direct contribution towards stimulating the economy. The Government's 2013 Capital Programme will twin with projects planned by other public entities and private sector investments to boost growth in the National economy. As the fiscal situation improves, we will dedicate more and more resources to the Capital programme which will target the development of critical infrastructure.

97. Mr. Speaker, our ability to execute our plans as envisioned is of course constrained by our revenue collections. Therefore, before I outline our proposed expenditure allocations for 2013, I will highlight our revenue expectations for the upcoming fiscal year. Recurrent Revenue for 2013 has been projected at \$464,370,444 which is \$63,057,778 or 15.7% above the 2012 Estimates. The increase is attributed to projected increases in the Housing and Social Development Levy, Income Tax, Value Added Tax (VAT) and proceeds from the Citizenship by

Investment Programme. Revenue from taxes is expected to account for 73% of Recurrent Revenue, almost half of which will be derived from Taxes on International Trade and Transactions. Non-Tax Revenue, on the other hand, will contribute 27% to Recurrent Revenue with the major contributor being fees from the Citizenship by Investment Programme.

98. Within this context, Recurrent Expenditure for 2013 (excluding loan principal repayments) has been estimated at \$409,283,516 representing an increase of \$8,363,207 or 2.1% when compared to the 2012 Estimates. The Recurrent Account surplus for 2013 has therefore been estimated at \$55,086,928.

99. Mr. Speaker, details of the programmes and activities of all Ministries are outlined in the Draft Estimates for 2013. Therefore, allow me now the opportunity to highlight only the major initiatives that will be undertaken during 2013.

100. The Ministry of Justice and Legal Affairs has been allocated \$6,316,336 for its Recurrent Expenditure for 2013. This represents an increase of \$1,022,362 or 19.3% over the 2012 Estimate.

101. Mr. Speaker, the rule of law is fundamental to the economic and social development of our Federation. During 2013, this Ministry will therefore continue to steadfastly build on its achievements in upholding the rule of law in our beloved Federation. Work will continue on the Law Revision Project resulting in the publication in 2013 of the revised laws from 2003 to 2009 along with the revised ordinances for Nevis from independence up to the present. Following this, the Ministry of Justice and Legal Affairs will be in a position to update the laws on an annual basis. This will be facilitated by the establishment of a Law Revision Commission in 2013. The Commission will be responsible for law reform and ongoing law revision.

102. The Ministry will also continue its efforts to reform the Criminal Justice System with the formulation of a comprehensive Penal Code. This will enable crime and violence to be addressed more effectively and decisively. Further, the recent appointment of an Assistant Registrar based in Nevis will go a long way in ensuring that court matters on Nevis are handled expeditiously.

103. The Office of the Prime Minister has been allocated \$51,989,115 for 2013 Recurrent Expenditure. This amount represents an increase of \$10,626,398 or 25.7% over the 2012 allocation. Mr. Speaker, Public Service Reform remains a top priority as my Government continues its drive to modernize the public service and make it more responsive, efficient and accountable. In this regard, the Human Resource Management Department of this Ministry will continue to spearhead the Public Sector Reform Program of the Government, building on its achievements in fiscal year 2012. The new Public Service Act 2011 has already been passed before this Honourable House and the accompanying regulations are in the process of being finalized. In this fiscal year the Human Resource Management Department will complete the Government Auxiliary Employees (GAE) plan, and circulate and implement the following Public Services Regulations: (a) Codes of Discipline; (b) Codes of Conduct and Ethics; (c) Recruitment and Employment Codes and (d) the Public Service Standing Orders. The Department will also continue to provide assistance to public service employees on health, financial and work performance matters and, of course, continue the delivery of a comprehensive training programme.

104. Mr. Speaker, our Citizenship by Investment Programme continues to perform beyond expectations and has now gained international recognition as one of the best Citizenship by Investment Programmes in the world. This Programme has already attracted over US\$100 million to the economy for the 2012 fiscal year and continues to play a vital role in bolstering our economy especially during this period of global economic slowdown. In going forward, the thrust of the programme will be on attracting the type of investors who could invest in businesses that support our development pillars and will advance our objectives in respect of alternative energy and job creation. The resources of the Citizenship by Investment Unit have therefore been increased to allow it to discharge its expanding role. This includes resources for due diligence investigations which must be conducted on every applicant to the program.

105. The St. Kitts Investment Promotion Agency (SKIPA) will continue to discharge its role as a one stop window for investors by streamlining the investment process. During 2013, SKIPA will finalize a National Investment Code and Charter and establish an export development programme. SKIPA will also develop a Business Linkages Programme with a view of matching domestic companies with foreign investors. In addition, the Agency will continue building its

capacity in investment promotion, facilitation and aftercare in order to increase domestic investment and job creation.

106. Mr. Speaker, in fiscal year 2013, the Anti-Crime Unit, which falls under the Office of the Prime Minister, will continue to build on its achievements during 2012 which have resulted in the containment in the escalation of crime. It will continue to pursue the core components of its strategic plan namely:

- Maintaining stability to facilitate economic, social and political development
- Containing the escalation of crime
- Cooperation with international and regional entities
- Capacity building through training and technological advancement

107. The Anti-Crime Unit will focus on the implementation of this strategy to address incidents of crime perpetrated in selected communities paying particular attention to recovering firearms from our streets. The visibility of the Security Forces will be stepped up by the employment of additional manpower and by augmenting the fleet of vehicles to assist them in discharging their duties. Other initiatives to be carried out include:

- Increased surveillance at Ports of entry and joint operations by the K-9 units of the Police and Defence Forces, Customs and Port Security which have already proven to be beneficial.
- Increased consultation between the Security Forces and the Private Sector as well as Civil Society on areas of collaboration on crime prevention.
- Town hall meetings to sensitize the public on the function of law enforcement agencies and to build partnerships with communities in addressing issues of crime.
- Restructuring the Intelligence Unit and establishing a repository for information and intelligence. This Unit will be renamed the “Strategic Intelligence Unit” and will be responsible for providing intelligence to support crime fighting operations such as the Delta Unit, Special Branch Division and the INTERPOL Bureau.



108. Mr. Speaker, 2013 will also see the implementation of a number of initiatives aimed at upgrading the security infrastructure in order to keep pace with community expansion and the decentralization of commercial activities away from the urban areas. The National Indicative Programme under the 10<sup>th</sup> European Development Fund (EDF) has identified safety and security as the focal sector for action in St. Kitts and Nevis. The Safety and Security Improvement Programme will involve three main outputs:

- The enhancement of institutional capacity to prevent, detect and solve crimes,
- The enhancement of effectiveness of the operations with modern infrastructure and equipment, and
- The development of the National Security as the driving force for safety and security collaboration.

109. In the past, substantial resources have been invested in the human resource development of our security agencies. Fiscal year 2013 will be no different. Training and capacity building will be increased during this year so as to improve the productivity, efficiency and effectiveness of our security agencies.

110. Mr. Speaker, the Ministry of Homeland Security and Labour has been allocated \$11,097,220 to carry out its recurrent programmes and activities for fiscal year 2013. This Ministry will continue its role in improving homeland security and transforming labour relations in the context of a diversified economy. During 2013 the Ministry will seek to achieve greater efficiency in its Departments by instituting a number of reforms including reorganizing the Labour Department and improving border security. The Ministry will continue to advance the plans to erect a new prison facility in the near future. This facility will have the capacity to house 400 inmates and will go a long way to ease the present overcrowding situation at the main prison.

111. The Ministry of International Trade, Industry, Commerce and Consumer Affairs has been allocated \$2,776,518 for 2013 representing a 6.7% decrease below the 2012 allocation as a result of the closure of the Supply Office. This Ministry will continue to play a critical role in the implementation of bilateral and multilateral trade agreements including the CSME, the OECS

Economic Union, the CARIFORUM-EU Economic Partnership Agreement (EPA) and the Brazil/Guyana Partial Scope Agreement.

112. The Ministry will also continue to play an ever increasing role in supporting Small and Medium-size Enterprises (SMEs) by improving the technical capacity of the National Entrepreneurship Development Division (NEDD). During this year, NEDD will provide SMEs with an increased level of technical assistance and training in business management and skills development.

113. The Department of Consumer Affairs will continue to play an active role in protecting consumers through the monitoring of prices of essential products in the basket of goods sold to the public. In 2013 this Department will be provided with additional staff to increase its capacity to discharge its monitoring functions with island wide coverage.

114. Mr. Speaker, the Ministry of Finance's allocation for 2013 is \$161,538,531 for Recurrent Expenditure, a decrease of \$3,279,592 or 2% when compared to the estimate for 2012. This notable decrease is due primarily to lower debt servicing costs which is the direct result of my Government's success in restructuring our public debt, one of the benchmarks in our home grown Economic Recovery Programme which is being supported by the IMF.

115. Going forward, the Ministry of Finance will continue to implement pro-growth policies and policies that promote fiscal and debt sustainability through strong fiscal discipline, more efficient tax administration and prudent management of scarce financial resources.

116. During 2013, the Ministry will also undertake a number of initiatives to achieve the following:

- Implementation of new Finance Administration Regulations;
- Completion of a draft new Corporate Income Tax Act;
- Implementation of the Medium Term Debt Management Strategy;
- Strengthening of Government Public Financial Management Procedures;
- Increased on site support to Line Ministries and Departments;
- Preparation for the migration to the ASYCUDA World System; and

- Improvement in procurement management systems and operations within the framework of the recently passed legislation.

117. I am pleased to report that the Inland Revenue Department is already in the process of upgrading its IT infrastructure to allow businesses to file their VAT Returns online. This service was launched in December 2012 with a small segment of taxpayers and plans are progressing for the service to be extended to all relevant businesses.

118. Mr. Speaker, the Ministry of Social and Community Development, Culture and Gender Affairs has been allocated \$7,463,096 for Recurrent Expenditure and \$3,906,325 for Capital Expenditure for 2013. This Ministry continues to play a critical role in protecting the most vulnerable persons in our community. During 2013 the Ministry will further advance the implementation of the National Social Protection Strategy. The objective will be to better target social safety net services to the most vulnerable groups. This will include the piloting of the MEND programme. Initiatives will be implemented to facilitate greater community participation by groups such as the elderly and persons living with disabilities and strengthen the capacity of Community Based Organizations (CBOs) and Non-Governmental Organizations (NGO's). Later this year, we will also see the adoption of the National Aging Policy and the Development of a National Parents' Training program.

119. Major capital projects that will be undertaken by the Ministry in 2013 include:

- The renovation of the Charles E. Mills Secondary High School
- The replacement of the roof at Cayon Primary School
- The renovation of the Basseterre High School Biology Lab and restroom facilities
- The construction of road in Parson's Village
- The construction of a health centre in Tabernacle Village.

120. Mr. Speaker, the Ministry of Agriculture, Marine Resources, and Cooperatives has been provided with \$6,531,415 for Recurrent Expenditure for 2013. This represents an increase of \$1,379,437 over its allocation for 2012. This Ministry has an important role to play in implementing initiatives that increase food, livestock, and fish production as well as the creation

of stronger linkages between the Agricultural and Tourism Sectors. In 2013, special focus will be given to water harvesting, protected agriculture, establishing a storage and packing house facility, addressing the lethal Yellowing and Bud Rot diseases in coconut trees and palms and the marketing of agricultural products. Work will also continue to control the Dermatophilosis disease in the livestock population, improve the services delivered by the abattoir and animal healthcare delivery.

121. The Ministry of Tourism and International Transport has been allocated \$17,764,969 to carry out its programs and activities for fiscal year 2013. Tourism continues to be the dominant sector of the economy of St. Kitts and Nevis even though this sector has been experiencing some challenges on account of the global economic downturn. During this fiscal year, this Ministry will continue its drive to grow visitor arrivals and expenditure, to actively promote St. Kitts and Nevis in international markets and facilitate new capital investment initiatives from local and foreign investors.

122. Mr. Speaker, I now turn to the Ministry of Housing, Public Works, Energy and Public Utilities. This Ministry's recurrent allocation for 2013 is \$15,087,437 which represents a decrease of \$10,865,399. The reduction was due to the transfer of resources that were previously allocated to this Ministry for the payment of Government's electricity bills to the Accountant General's Department.

123. In 2013 the Ministry will undertake a major project to resurface the Southeast Peninsula Road. The resurfacing of this road will facilitate the further development of the Southeast Peninsula which is the gateway to tourism related developments. The Ministry will also continue its thrust to diversify the Energy Sector and will continue its home ownership programmes executed by the National Housing Corporation.

124. Mr. Speaker, the Ministry of Education and Information has been allocated \$56,662,112 for Recurrent Expenditure for 2013. This represents an increase of \$2,334,773 or 4.3% over the 2012 allocation. This increase is notable in these challenging economic times and demonstrates my Government's commitment to the education of our citizens at every level.

125. During 2013 the Ministry of Education will continue with the implementation of its White Paper on Education Development and Policy 2009-2019. In particular, at the secondary level, the Ministry will continue to ensure the achievements of the White Paper's vision that 85% or higher of every cohort of students will have the opportunity to write CXC/CSEC examinations while maintaining a pass rate of at least 80% in each subject area. The teaching of Reading will be given special attention both at the primary and secondary levels. To facilitate this, secondary teachers will be given special training to assist students who are struggling with reading.

126. The Ministry will carry out a number of research projects to further evaluate the impact of the single sex classroom initiative and subject groups for instruction at grade 3 and beyond. Surveys will also be carried out on school climate, students' risk behaviour assessments and school needs assessments to guide in the development of programmes to promote peace in schools.

127. The Ministry will also continue to focus on early childhood education to ensure that the maximum number of children benefit from such education. Initiatives will be undertaken to upgrade and expand early childhood facilities, recruit workers for the new facilities, train new workers, and upgrade some categories of early childhood workers.

128. Increased focus will continue to be placed on technical and vocational education. A Road Map for Technical Vocational Education and Training (TVET) with targets and performance indicators has already been developed and is now ready for implementation. The following activities will be undertaken to facilitate the implementation of the TVET Road Map which includes the delivery of the Caribbean Vocational Education (CVQ) in secondary schools and AVEC:

- The upgrading of facilities;
- The training of more assessors, and internal and external verifiers;
- The strengthening of links with industry; and
- The provision of improved physical facilities for the National Skills Training Programme.

129. During 2013, the Ministry of Education will enhance the school maintenance program with increased emphasis on preventative maintenance and will undertake work to upgrade a number of school facilities across the island. In this regard, additional resources in the amount of \$500,000 have been provided in the 2013 Capital Budget exclusively for the upgrading of school facilities. These resources are supplementary to the funds already committed for school maintenance on an ongoing basis under the Ministry's recurrent budget.

130. A new administrative structure has been established for the Clarence Fitzroy Bryant College. The Board of Governors for the College has already been appointed and functioning in accordance with the mandate of the institution. The Ministry of Education will continue to work with the Board to transition the CFBC into an autonomous institution. Meanwhile, a number of activities are being undertaken to improve the quality of instruction and to upgrade infrastructure and equipment to position the CFBC to deliver relevant, high quality programmes.

131. During 2013, efforts to modernize the Government Information System will continue by the acquisition of additional equipment and software required to deliver more efficient and high quality services. This will be complemented by the training of staff for increased productivity and effectiveness.

132. Efforts will also continue with regard to the upgrade and modernization of the Government Printery. These will include improving its digital archiving capacity for long-term storage, retrieval and management of documents.

133. Mr. Speaker, I now turn to the Ministry of Health. This Ministry has been provided with \$34,680,562 for Recurrent Expenditure for 2013, a small increase over the allocation for 2012. My Government has ensured that all of the programmes and activities of this Ministry have been allocated the necessary resources to ensure that health services remain accessible, affordable and of high quality. My Government believes that access to healthcare services is a sacred right of every citizen. We also believe that access to good healthcare should not be dependent on the socioeconomic status of an individual. Therefore this Ministry's actions will continue to be geared towards enhancing family centred care, equity, effectiveness, efficiency, timeliness as well as the well being, safety and security of healthcare recipients and healthcare providers. Further, several pieces of legislation will be enacted to strengthen the legal framework. These

will include a new Public Health Bill which will take into consideration national and international health regulations that address health risks such as tobacco and obesity caused by the consumption of unhealthy foods and provisions to strengthen public health reporting. A new Pharmacy Bill and a new Medical Bill will also be tabled.

134. In 2013, the Ministry of Health will aggressively pursue plans for the introduction of Universal Health Coverage as it seeks to protect our people from the devastating and impoverishing effects of catastrophic medical bills and to put the provisions of healthcare services on a more sustainable path. To this end, resources have been allocated in the Ministry of Health's budget for capitalisation of the Universal Health Insurance Scheme. "Health for All" will continue to be the focus of this Ministry.

135. During this year, the Ministry intends to continue investing in the physical plant of the main JNF General Hospital to ensure patient safety and to improve satisfaction with the services provided. The Ministry also intends to repair and upgrade the kitchen facilities at the JNF General Hospital.

136. Mr. Speaker, the Ministry of Youth Empowerment, Sports, Information Technology, Telecommunications and Posts has been provided with \$8,049,532 for Recurrent Expenditure and \$3,220,105 for Capital Expenditure. Youth empowerment remains at the centre of the work of this Ministry. Therefore, in 2013 it will continue to pursue policies and programmes to develop our young people to become productive citizens who can provide for themselves and their families as well as contribute positively to the economic and social development of our beloved Federation. In 2013, this Ministry will establish a Youth Business Trust in order to develop entrepreneurship among our youth. The Ministry will also collaborate with local, regional and international agencies to deliver character and peace building and conflict resolution workshops in various communities to address issues related to youth on youth violence.

137. With regard to Sports, a National Sports Development Policy focusing on governance, sport development, facility management amongst other things, will be ratified and implemented. A number of sporting facilities and playfields will also be upgraded, namely, Trinity/Boyds Playfield, St. Pauls Sporting Complex, the grounds at Half Way Tree, Silver Jubilee Athletic Track and lighting of the Warner Park Cricket Stadium.

138. In this fiscal year, the Information Technology arm of this Ministry will implement a number of initiatives to transform the operation of the Public Sector by the application of ICT - enhanced, cost optimizing processes for the provision of customer focused information services and products. This will be facilitated by the installation and commissioning of a Government Wide Area Network (GWAN) which will provide integrated and interactive e-government services. When the GWAN is completely installed the Government will be in a better position to provide services that are not only more efficient but also more accessible by all stakeholders.

139. With regard to Posts, the Dieppe Bay Post Office will be constructed and postal services upgraded to provide cost efficient, high quality physical and electronic postal and related services. These services will be administered by an integrated, interactive business information system.

140. The Ministry of Sustainable Development has been provided with \$4,660,785 for Recurrent Expenditure and \$9,316,715 for Capital Expenditure to carry out its programmes and activities for 2013. The Ministry will continue to focus on economic growth and development initiatives with a view to achieving the objectives outlined in the National Adaptation Strategy and the National Poverty Reduction Strategy. The Ministry will also continue its efforts to build capacity in the area of Monitoring and Evaluation which is critical to the assessment of the effectiveness of public sector programmes and projects.

141. The 2013 allocation for the Ministry of Foreign Affairs is \$14,347,255 for Recurrent Expenditure. These resources will enable the Ministry to continue to pursue a wide range of objectives including the formulation and promotion of foreign policy, safeguard the welfare of our citizens abroad, negotiation of cooperation agreements, participation in multilateral fora, facilitation of visits and meetings and collaboration with the Diaspora in attracting investments to the Federation. Greater effort will also be exercised through our membership in international institutions to leverage benefits for the Federation.



## **Fiscal and Other Strategic Measures**

142. Mr. Speaker, I am pleased to indicate that in 2012 my Government was successful in several areas of our multipronged reform agenda. As I mentioned earlier, we have exerted considerable effort over the last several months to tackle the National debt head on. We are now at a stage where we have reduced the burden of our debt overhang and in so doing have effectively relieved the Government from much of the inherent fiscal vulnerabilities associated with unsustainably high debt. As announced in my last Budget Address to this Honourable House, effective January 2012 we allowed Sol to operate and manage the fuel station that supplies Government vehicles with fuel. Undoubtedly, this change in the way we conduct Government's business has proven successful and we intend to maintain these arrangements to the benefit of all concerned. Further, the Supply Office has been closed as planned and I am advised that the transition arrangements for the privatization of this function have been working quite smoothly.

143. I also indicated in my last Budget Address the Government's commitment to the rationalization of the subsidy on liquefied petroleum gas (LPG), a subsidy which costs Government in excess of \$4 million annually. Pursuant to this commitment, in March 2012, Cabinet approved a strategy for bringing the fiscal impact of the subsidy system within sustainable levels while ensuring that the needs of the most vulnerable sections of the population are protected. The first step in this strategy involved a comprehensive review of the functioning of the market for petroleum supplies in the Federation. The findings of this study will inform the design and implementation of policies to improve the functioning of the petroleum market with attendant benefits in the areas of consumer savings, a more transparent pricing regime and the efficiency of public expenditure.

144. The study was undertaken by an Energy Sector consulting firm which was contracted in October 2012. The consultants have completed their field work and recently submitted their final report to the Ministry of Finance. This report will be considered by the Cabinet in the coming weeks and a comprehensive statement on the way forward will be made at a later date.

145. Mr. Speaker, as part of the Government's efforts to strengthen tax administration and compliance, the Inland Revenue Department launched a major taxpayer public education and awareness campaign in May 2012 with a focus on property taxes. Prior to the launch of this initiative, revenue derived from Property Taxes had traditionally underperformed relative to its target, exhibiting anemic growth and large fluctuations, particularly over the period 2003 to 2011. As a result of the persistent underperformance of the Property Tax portfolio, the Department sought to remedy this trend through improved tax administrative reform.

146. In 2010, property tax receipts rose to \$7.6 million, before declining to \$6.6m in 2011. However, following the implementation of relevant components of our Tax Administrative Reform Strategy, we witnessed a notable turn around in the level of tax collected. In fact, data from the Inland Revenue Department shows that Property Tax collection for 2012 is in the region of \$10.8 million. It is important for all to note that these results were underpinned by a comprehensive public education campaign that was implemented in 2012 and geared towards increasing the general public's awareness and understanding of their civic responsibility as citizens to make their fair contribution in taxes and contribution to Nation building. The Department will continue in 2013 to strengthen its public relations strategy to drive the process of enhancing taxpayer education and awareness in St. Kitts and Nevis. During the forthcoming months, the Department will also work with the Water Services Department to enhance the administrative efficiency of both the Property Tax and water billing system.

147. Mr. Speaker, again as noted in my last Budget Address, we outlined our intent to replace the current Income Tax Act enacted in 1966 with a modernized version in 2012. This is to ensure that we are creating the strongest and most efficient environment in which businesses can thrive, thereby generating jobs and allowing our people to improve their standard of well-being. However, due to capacity constraints we were unable to present the updated draft Income Tax Bill to this Honourable House for debate during the fiscal year 2012. I wish to assure you that we have not been idle neither are we treating this matter lightly. We will continue to fine tune the existing draft and ensure that it is delivered to this National Assembly in the quickest time possible. In the interim Mr. Speaker, we undertook a targeted strategy of tax reform to the Income Tax regime. The aim of this strategy was twofold; (1) to incorporate some

recommendations from stakeholders during the National Consultation on the Economy; and (2) to correct obvious tax loopholes in the existing legislation.

148. I should state here Mr. Speaker, that from this year onwards, the Government will require all businesses, including those that are the beneficiaries of tax holiday, to file annual tax returns. This will help us to determine the effectiveness of our tax policy regime and inform our decision-making process as we endeavour to ensure that the right sectors are the beneficiaries of our stimulus and growth programmes.

149. Mr. Speaker, my Government has always welcomed sound recommendations that carry the potential to induce investment and stimulate economic output. In this regard, in March 2012, we brought legislation to this Honourable House that increased the amount deductible for management compensation from \$60,000 to \$75,000. This amendment provides a much larger deduction in the form of executive compensation for businesses from their taxable incomes.

150. The second prong of our strategy focused on closing clear tax loopholes and modernizing selected sections of the current Income Tax Act. Mr. Speaker, I am now pleased to note that the closure of these tax loopholes has created some degree of fiscal space. Mr. Speaker, the question is, what should we do with this fiscal space that this strategy has created? Should we focus on providing more tax deductions or should we re-examine our tax rate for corporations which is said to be the highest in the OECS? As a caring Government that listens well, that seeks out opportunities to build partnerships with the private sector where and when possible, I am very pleased to announce to this Honourable House and to the people of St. Kitts and Nevis that it is the intention of my Government to adjust the rate of Corporate Income tax from 35% to 33%. The new rate will be applied to taxes filed in respect of business activities occurring in 2013. Full information on this new measure will be given in further communication.

151. Mr. Speaker, we have deliberated long and hard about the actions Government can take in order to help to stimulate growth in the economy. This is a serious issue confronting most, if not all, countries around the world and the truth is there are no easy answers. We have determined, however, that some of the key elements of our strategy going forward will include support for the Construction Sector, entrepreneurship, and education and skills training. In this regard, I am pleased to announce an extension of the Building Materials Incentive (BMI)

programme which was introduced in June 2011 and was scheduled to come to an end in December 2012. The extension is being pursued at this time because there is evidence which indicates that there is still a great need in the country for this programme. Such action will not only support the Construction Sector but help to alleviate the pent-up demand for housing. It is also our intention to discuss and explore with the SIDF possible ways to modify the Fund for the Realization of Economic Empowerment through Subsidized Housing (FREESH) in order to improve access to the resources provided under this scheme.

152. My Government has provided hundreds of acres of land to help first time land owners to change their status from being landless to proud and empowered land owners. It was not our goal to facilitate land ownership for ownership sake but a step towards empowerment and for these individuals to take up the opportunity to move to the next step and build homes. We recognise, however that the lack of adequate infrastructure at the various housing sites can be a deterrent for some individuals who are in a position to build now. In light of this, we will make a concerted effort to accelerate the infrastructure development component in the Special Land Distribution Initiative.

153. Mr. Speaker, we cannot discuss or make plans for improving growth prospects in the Federation without including some measure that involves education and training. Following on my announcement at our National Consultation on the Economy, I am pleased to update you, this Honourable House and the citizens of this country that we have not only developed the specifics of the programme which is called “Preparing People for Employment Project” (PPEP) but have successfully enrolled 2,795 young persons and placed 1,412. The majority of these persons have been placed in the private sector. Under this Project, focus will be placed on building vocational skills, social and life skills and entrepreneurship. PPEP is designed to target unemployed youths by providing training and internship opportunities to build skills necessary for the new economy. The core areas of training includes: building trades, beauty services, hotel and tourism, environment, renewable energy, agriculture and ICTs. The Project is being implemented by the National Skills Training Programme (NSTP) in collaboration with partners in training and business. I therefore take the opportunity to appeal to private sector entities to continue to participate in this vital project that will provide real opportunities for our young people to learn,

to grow and to acquire the necessary skills that will enable them to make their individual and collective contribution to the growth and development of our Nation.

# SUMMARY AND CONCLUSION

154. Mr. Speaker, it is clear that we are not out of the woods in terms of the dangers that still loom in the global and National economies. It is still quite possible that our economy can suffer repercussions if economic and financial turbulence resurfaces, particularly, events that may affect our major international trade and donor partners. Even as we contemplate such possibilities we must press forward with the job of building our Nation for the benefit of all citizens and residents. Today, I have given you an account of the state of affairs in the economy, summarized the fiscal and debt dynamics as well as provided a preview of the major policy issues, programmes and projects to be pursued by my Government for the rest of the year. There are some early signs that our fiscal discipline has created a little headroom for us to continue to support the main functions of the Government service and to promote important policies planned for implementation in 2013.

155. Our strategic actions are being crafted in line with our budgetary limitations and commitments to our reform agenda. As our systems evolve, we must take time for assessing our actions so that we can have continuous improvements. In this regard, we are working on several fronts with bilateral and international partners to accomplish a number of reforms in tax administration, public financial management and the civil service. We have recently worked with the Fiscal Affairs Department at the IMF to evaluate the performance of the VAT since its launch in 2010. With assistance from the European Union, we have developed a robust Public Financial Management Action Plan to guide reforms over the medium term. In addition, in 2012, we signed a Grant Agreement with the World Bank to implement a project for the enhancement of public sector governance and efficiency. We will continue to implement this important project in 2013.

156. Mr. Speaker, our tax regime is growing from strength to strength in terms of its overall admin capability, customer service orientation and technical expertise. It is our expectation that continuous improvements will serve to boost business confidence and enhance competitiveness of businesses operating in the Federation. With elevated business confidence and the real

opportunity to create financial space for increased investment, our policies and actions can ultimately lead to job creation, lifting of real income, economic growth and increased revenues.

157. The negative effect of the contraction in the Construction Sector must now be treated with renewed energy as we formulate policies and put in motion direct actions that will get it moving again. This will be critical to the achievement of the positive growth levels which we seek. The Government cannot do the transformative work that is required all by itself neither is there any intention to try to go it alone. In fact, we expect that much of the growth in the economy will be generated by the private sector. We also expect that the private sector will take hold of the opportunities that have been created as a result of the resounding success of the Government in crafting a more sustainable outlook for the country.

158. Mr. Speaker, in an effort to foster sustained growth we have approved six (6) investment projects that will be executed in the Federation over the next five (5) to seven (7) years. Taking a combination of these projects, we expect that in excess of \$300 million will be injected into the economy. They have the potential to stimulate growth within and between various sectors such as Construction, Tourism, Wholesale and Retail, and Information and Communication Technology. These projects will also provide well-needed long-term job opportunities for persons in various fields of expertise such as landscape architects, web developers, graphic designers and mechanics. I again emphasise to our people that this Government will continue to do its part but each of you should prepare yourselves to capitalize on the opportunities when they become available.

159. Mr. Speaker, we expect acceleration in the ongoing recovery in the Tourism Sector as indicated by recent data on advanced bookings and tourist arrivals. We expect more positive outcome in construction activity and imports combining to produce stronger growth in 2013. In addition to generating economic activity, the Government's Capital Programme, particularly the infrastructure component of the Special Land Distribution Initiative, will increase the value of the lands. This will translate to greater equity enabling the beneficiary households to negotiate mortgage financing, education facilities and arrange financing for business purposes. As far as possible, all capital projects will be designed to create jobs.

160. In closing, it is important to put the policies and programmes that I have presented in the context of the challenge of maintaining high investment levels. Mr. Speaker, investment levels are a significant driver of economic activity and growth in the small economies of the OECS. Indeed, in the case of our Federation, the evidence over the last decade is that investment levels have played an even more important role in GDP than in the rest of the OECS region. As a percentage of GDP, our investment levels have consistently exceeded those recorded in the rest of the region. Moreover, although there is still great uncertainty about the acceleration of the global recovery, one thing that we can be sure about is that the recovery will usher in a much more competitive environment as countries and firms struggle to recover lost ground. It is therefore important that we focus on positioning our economy to compete in this environment. In order to meet this challenge, infrastructure investments by the public sector and product development investments by the private sector will need to complement each other.

161. The initiatives planned for this fiscal year will target the three (3) main actors in our investment environment – the public sector, the domestic private sector and the foreign investors. In the public sector, as I have outlined, the emphasis will be on using available fiscal space to re-energize infrastructure investment. Alongside these investments, we will intensify efforts to strengthen our public investment management systems within the framework of the ongoing public finance management action plan and the recently enacted public procurement legislation. Business climate enhancement issues will be the focus of interventions in the private sector and these will include the planned migration to the ASYCUDA system at the Customs Department and Exercise Department, the introduction of online filing systems at the Inland Revenue Department and, of course, the adjustment in corporate tax levels. In addition, we plan to use the information gleaned from the annual World Bank Doing Business Indicators publication as part of the framework for identifying and prioritizing actions designed to improve the competitiveness of our business climate. In 2013, work should be completed on the design of a new investment code and this will be followed by a comprehensive review of our tax incentive policies. This review will inform the re-engineering of policies in this area as we seek to align them with the requirements of the restructured tax system, the country's accession to the World Trade Organization (WTO) and the European Partnership Agreement (EPA) and the continuing growth in the relative importance of tourism and other service industries.



162. At this time we can find value in the words of William Jennings Bryan who said “Destiny is not a matter of chance; it is a matter of choice. It is not a thing to be waited for, it is a thing to be achieved”. It is important for our people to understand that this Government is proactive and we cannot wait for anyone else to determine our destiny. We must study the facts, identify our resources and opportunities, choose our path and follow the Leader with full confidence.

163. In the end, our journey as a Nation must be rooted in our bond of love for our fellowmen and our bond of love for our country.

164. Mr. Speaker, I so move.

