



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

# 2023 BUDGET ADDRESS

**TOWARDS OUR TRANSFORMATION AS A SUSTAINABLE SMALL ISLAND STATE**

DECEMBER 14TH, 2022



**ST. CHRISTOPHER AND NEVIS**

**2023**

**BUDGET ADDRESS**

## Table of Contents

<b>INTRODUCTION .....</b>	<b>3</b>
<b>A BETTER WAY FORWARD FOR ECONOMIC DEVELOPMENT OF THE FEDERATION.....</b>	<b>5</b>
<b>Fiscal and Domestic Economic Landscape .....</b>	<b>6</b>
<b>ECONOMIC EXPANSION AND DIVERSIFICATION .....</b>	<b>8</b>
<b>Agriculture.....</b>	<b>8</b>
<b>Medicinal Cannabis Industry.....</b>	<b>10</b>
<b>Construction .....</b>	<b>11</b>
<b>Tourism .....</b>	<b>13</b>
<b>Manufacturing.....</b>	<b>16</b>
<b>Citizenship By Investment Programme .....</b>	<b>16</b>
<b>A BETTER WAY FORWARD FOR HUMAN DEVELOPMENT AND SOCIAL PROTECTION .....</b>	<b>18</b>
<b>Education and Skills Development .....</b>	<b>20</b>
<b>Health Care.....</b>	<b>22</b>
<b>CROSS-CUTTING ISSUES FOR ACHIEVING THE SUSTAINABLE ISLAND STATE AGENDA.....</b>	<b>24</b>
<b>Law and Order and Citizen Security .....</b>	<b>24</b>
<b>Energy .....</b>	<b>27</b>
<b>Water .....</b>	<b>29</b>
<b>Climate and Environmental Sustainability.....</b>	<b>31</b>
<b>MEDIUM-TERM ECONOMIC MANAGEMENT STRATEGY .....</b>	<b>33</b>
<b>Medium-Term Fiscal and Debt Outlook and Growth Targets.....</b>	<b>33</b>
<b>Fiscal Measures and Other Strategic Interventions.....</b>	<b>37</b>
<b>Conclusion .....</b>	<b>41</b>

1. Madam Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation Act (2023), 2022.

## INTRODUCTION

2. Madam Speaker, I greet you, the Members of this Honourable House, and the citizens and residents of St. Kitts and Nevis with a joyful heart and an optimistic sense of purpose. We are indeed humbled by the tremendous support of our people who said “YES” to the St. Kitts-Nevis Labour Party and chose our dynamic team to take the helm of Government after successfully contesting the elections of 5<sup>th</sup> August 2022. I am equally humbled by the overwhelming support for my candidacy as leader of this great Party which has propelled me to the elevated positions of Prime Minister and Minister of Finance. Today, as our people witness the delivery of the first Budget of their new Administration, we give thanks to almighty God for bringing us to this point in our journey in nation-building. Hearty thanks to the people of this great Federation for placing their trust in our capacity to lead the Government and deliver on the mandates they have given us. We wholeheartedly pledge to work hard on behalf of every citizen and resident of this country so that we can all achieve a better standard of living here in our Federation.
3. At this time, many citizens and residents are aware of the seven pillars that the St. Kitts-Nevis Labour Administration has given a commitment to pursue in the creation of a better St. Kitts and Nevis. With these seven pillars as our guide, we have chosen to frame our first Budget under the theme “**Towards Our Transformation as a Sustainable Small Island State**”. This theme challenges the Government, businesses, Civil Society and households to rethink our collective approaches to governance, public policy, commerce, socio-economic development and our continued existence here on these two islands we call home. In many respects, this is a clarion call to action as we are challenged to find better options for sustaining growth and development of our country. We therefore must pursue a path where we can build forward, better. To guide us along this path, our Government has adopted a clear agenda to transform St. Kitts and Nevis into a sustainable island state. Our Sustainable Island State Agenda is founded on seven (7) key pillars which include food

security, green energy transition, economic diversification, sustainable industries, the Creative Economy, COVID-19 recovery and social protection. In this context, over the next 12 months, our Government will use the 2023 Estimates as a vehicle to vigorously pursue a number of policies, programmes and projects that would allow us to achieve some of the important objectives that will help us to move forward with our agenda to make St. Kitts and Nevis a better place to live, work and visit.

4. Madame Speaker, our new Administration has only been in office for four short months but the people's A-Team has hit the ground running and has already recorded a number of important people-centred achievements. During the election campaign, we recognised many of the shortcomings of the Government system and pledged to bring better management of and results from the operations of the Public Sector. We have come to office to pursue a better pathway for the development of our country to the benefit of all citizens and residents. That is why, immediately upon taking office, our Labour Administration set the wheels in motion to ease the heavy burden of some of the most vulnerable citizens and residents. Our new Administration moved swiftly to make good on its promise to those workers who lost their jobs because they chose not to take the COVID-19 vaccine. Our Government secured the resources necessary to support the gratuitous payment which has been paid to all workers who registered their termination notice with the Labour Department. To date, the Government has disbursed \$1.3 million in payment to 64 persons who were affected by the discriminatory policies of their former employers.
5. Similarly, our Labour Administration has kept its promise to thousands of Public Sector workers who risked their lives in service to our country but were forced to suffer serious dejection for being overlooked when it was time for the previous Administration to show tangible appreciation for their service. To date, a total of \$5.4 million has been paid to 2,679 Public Servants. This investment in our people is symbolic of the care and compassion of our St. Kitts-Nevis Labour Party Administration. It also represents our appreciation of our workers; hence, our attempt to bring relief by repairing the breach in trust and restoring the morale of many Public Servants who we all rely on daily to deliver some of the most critical services of the Government. Our people can always count on this Labour

Administration to do the right thing and always work to protect the interests of all our people in St. Kitts and Nevis.

6. Madam Speaker, this Labour Administration will work assiduously over the coming years to ensure that our country thrives, regains its prominence as a leading small island developing state and moves closer to achieving its full potential. As we examine the current systems, we have come to the realization that much effort is required to rebuild our institutions into strong, well-functioning, self-sustaining and resilient public entities. Moreover, our Government has started the process to reimagine and redesign the approach to economic and social development by upending some of the existing systems to make them more equitable, inclusive, and responsive. We will therefore build on the successes of the past Labour Administrations to bring to life our new vision for good governance, economic and climate resilience, job creation, social justice and protection, food security and fostering entrepreneurship.
7. Madame Speaker, permit me now to look at the most recent national macro-economic developments.

## **A BETTER WAY FORWARD FOR ECONOMIC DEVELOPMENT OF THE FEDERATION**

8. Madam Speaker, we are all aware that the economic prospects for our small island open economy are heavily dependent on what is happening at the global level, particularly the economic situation of our major trading partners. It is important therefore to note that the global economy is expected to increase by 3.2 percent in 2022 and 2.7 percent in 2023. There is a looming threat of a global recession in 2023 accompanied by downside risks which include inflation, tightening global financial conditions, continued supply chain disruptions, the ongoing war in Ukraine and other geopolitical tensions, and the potential negative impacts of climate change. Against this backdrop, the economies in the Eastern

Caribbean Currency Union are expected to record growth in real GDP of 6.4 percent in 2022 and 5.9 percent in 2023.

## **Fiscal and Domestic Economic Landscape**

9. Madam Speaker, on the domestic front, a review of the Government's 2021 fiscal performance highlighted how heavily the former Administration relied on the proceeds from the Citizenship by Investment (CBI) Programme to fund the operations of the Government. This is not a sustainable practice. During that year, inflows from the CBI Programme accounted for 54.9 percent of Total Revenue and Grants and funded 63.5 percent of the Government's Total Expenditure. Total Revenue and Grants for the 2021 fiscal year therefore amounted to \$988.8 million, of which Recurrent Revenue was \$970.4 million and Grants were \$18.4 million. While Non-Tax Revenue exceeded the budget by 106.9 percent, mainly on account of the proceeds from the CBI Programme, Tax Revenue was 19.8 percent lower than anticipated. The low level of Tax Revenue highlights the prolonged negative effects that the pandemic and country lockdowns have had on individuals and businesses.
  
10. With respect to expenditure, the total amount that was expended for the 2021 fiscal year was \$855.0 million. Of this amount, \$701.8 million was related to Recurrent Expenditure and \$153.2 million was for Capital Expenditure and Net Lending. Outlays for Recurrent Expenditure were 10.0 percent more than the budget while Capital Expenditure and Net Lending was 20.7 percent below the Estimates. The over expenditure for Recurrent Expenditure was primarily related to financial support that was granted to a few Government Entities and Agencies as well as additional transfers to the Nevis Island Administration to assist with the extra month's salary payments in December of that year. The cost associated with the implementation of the Income Support, Disabilities Support and Fuel Subsidy Programmes as well as expenditure beyond that which was budgeted for the Poverty Alleviation Programme (PAP) and conducting due diligence on CBI applicants also contributed to the excess expenditure.

11. With respect to the debt situation, at the end of December 2021, the Total Public Sector Debt stood at \$1.6 billion or 69.2 percent of GDP. This represented a decline of 1.2 percent in absolute terms but an increase of 1.1 percentage points in the Debt-to-GDP ratio. The increase of the ratio was the result of the estimated contraction in economic activity for 2021 when compared to 2020. Forty percent of the debt stock was contracted by the Federal Government and the remaining sixty percent was owed by Public Corporations on St. Kitts and Nevis and the Nevis Island Administration.
  
12. COVID-19 and the policies enacted in response to the disease have resulted in dramatic changes in many aspects of our economy. Aside from the impact on the economic sectors, the pandemic had a dramatic effect on the labour force. In the height of the pandemic in 2020, overall job loss was recorded at 12.0 percent when compared to 2019. The sectors recording the most significant declines were the Tourism, Construction, Transport, Storage and Communication, Manufacturing, Real Estate, Renting and Business Activities and Wholesale and Retail Sectors. As of July 2022, data from the Social Security Board showed that major Sectors such as Manufacturing, Construction, Tourism, Real Estate, Renting and Business Activities, and Transport, Storage and Communication continued to record job losses above 10.0 percent when compared to pre-pandemic levels. The Manufacturing Sector has been the slowest to recover with no job gains since the pandemic. This was mainly due to the loss of four (4) major manufacturing plants and the downsizing of others operating in the Sector.
  
13. Statistics like these make it much more difficult for any rational person to fathom the former Administration's strategy for insisting on the continued imposition of draconian COVID-19 protocols well beyond the point where they were supported by science. Additionally, when the rest of the world and region had already moved to modify their COVID-19 protocols and opened their economies, the former Administration chose not to do so. The result was to stunt job creation and productivity in the economy resulting in the slow pace of employment we experienced for the better part of this year. So, what we met upon assuming responsibility for the Government was a whole lot of damage to the economy and a whole lot of hurting people. We determined that enough was enough as our Labour Administration will not ever let our people suffer especially when it is crystal clear that



there is a better way to approach this important public policy. Our Government believes that, at all times, we must ensure that our decisions are guided by data and science, particularly as it relates to matters of health, jobs and the economy. This is why one of the first actions taken by our Government was to remove all COVID-19-related travel protocols thereby fully reopening the country for business.

14. The reopening of our economy has major positive implications well beyond the economic sphere. For certain, it has had positive impacts on the physical and mental health of our people. Simply put, Madam Speaker, it was the right thing to do and this is what the data and science supported. In October of this year, we repealed the COVID-19 (Prevention and Control) Act by way of an amendment to the Public Health Act thereby discontinuing all COVID-19 legislative protocols including the requirement to wear face coverings. This gives citizens, residents, and visitors the freedom to employ any non-pharmaceutical measures they deem necessary to protect themselves from all communicable diseases, including COVID-19. We encourage the general public to continue to protect their health and take precautions where necessary.

## **ECONOMIC EXPANSION AND DIVERSIFICATION**

### **Agriculture**

15. Madam Speaker, when we look at the current state of our economy here in St. Kitts and Nevis, we immediately see the lost opportunities of the last seven (7) years and are strongly compelled to pursue an alternative path. Food security is a high priority in our Sustainable Island State Agenda and has significant links to the expansion of our Manufacturing Sector and the creation of sustainable livelihoods. Our Government is committed to modernizing the Agriculture Sector and bringing it into the 21<sup>st</sup> Century. This is a critical part of our thrust for reimagining our development to build a sustainable island state. We are therefore determined to ensure the repositioning of the Agriculture Sector to enable it to make a greater contribution to economic growth, employment, food and nutrition security, and

overall sustainability of our country. During the last four (4) months, much of the activities undertaken by this Administration were geared towards deepening climate-smart agricultural practices and promoting sustainable agriculture. Over the next five (5) years, we hope to achieve our goal to significantly increase production and manufacturing of agriculture products by introducing and/or scaling up the use of technology and innovative techniques.

16. In examining the state of the Fisheries Sector, we have recognized that there are opportunities to take better advantage of the Blue Economy. This vastly untapped area cannot only tremendously increase our potential for fish production and export, but also holds vast potential for innovation and development of marine industries here in the Federation. We have already begun the work in respect of increasing fish production and export. We are currently engaged in negotiations with a potential investor who is interested in establishing a major fisheries plant on St. Kitts. It is our hope that the construction of this new plant will spark a renewed interest in the fishing industry and create the key linkages necessary to propel the Sector forward. To further revive interest in the Sector, the Government will increase the accessibility of key fishing infrastructure in major fishing villages around the island. We will revive the plans envisioned by the former Labour Administration for the establishment of a fishing complex in Dieppe Bay to serve the fisher folks of Dieppe Bay and the surrounding communities. In the coming year, we will bring relief to the fishermen of Dieppe Bay with the introduction of modern equipment to provide ice for the various fishing enterprises. We understand the needs of the fishing community in Dieppe Bay and we will start by addressing this important need of our fisher folks.

17. Madam Speaker, agro-processing has been one of the bright spots in the Agriculture Sector as many local agro-processors have been able to penetrate the retail market. However, their growth is being challenged by irregularities in product standards. To address this, our Government, just a month after taking office, solidified an agreement with the European Union and the Caribbean Development Bank to enhance the national quality infrastructure required to improve agriculture product standards and marketability. This project provides the Saint Kitts and Nevis Bureau of Standards with new metrology equipment and training

that is needed to improve services to agro-processors, enabling them to fulfil the strict quality requirements for international export.

18. To support the development of the Agriculture Sector in 2023, it is proposed that \$17.0 million be allocated to facilitate Recurrent Expenditure, a 20.4% increase when compared to the 2022 Estimates. These resources would be used to further enhance human capacity with an increased emphasis on marketing, data collection and analysis to foster informed decision making and improved extension services. These would ensure that our farmers are equipped with knowledge to facilitate increased cultivation and yield. Capital Expenditure is proposed, totalling \$8.2 million, a 25.3% increase when compared to the resources allocated in 2022. It is important to note that the investment that would be made in 2023 would represent the start of a medium-term vision for the growth and development of the Sector both on land and sea. In the coming year, major projects such as the Agricultural Support, the Bayford's Livestock Centre of Excellence, and the Improvement and Expansion of the Basseterre Abattoir and Market will be used as a vehicle to position the Federation closer to meeting the CARICOM target of 25 percent reduction in frozen meat imports by 2025. The Upgrade of Small Farmers Machinery Pool, the Pest Control Programme, and the Improvement of Fisheries Management will also continue. The efforts under these initiatives, however, will benefit from improved direction. We will also invest in the expansion of greenhouses and agricultural produce storage facilities to support expansion of the Sector.

## **Medicinal Cannabis Industry**

19. Madam Speaker, the global medicinal cannabis market has a value of over US\$26 billion annually. Cannabis (commonly called 'marijuana', among other names) finds application in the treatment of a wide range of diseases and symptoms, including cancers, chronic pain, depression, arthritis, diabetes, glaucoma, migraines, epilepsy, multiple sclerosis, acquired immunodeficiency syndrome (AIDS), amyotrophic lateral sclerosis (ALS), Alzheimer's, post-traumatic stress disorder (PTSD), Parkinson's and Tourette's. The therapeutic benefits of cannabis have long been proven from ancient Africa and Asian cultures.

20. While it may seem to some that the amendments to the “Dangerous Drug Act” in 2020 as well as the landmark judgment in the “Sankofa Lion” case—which allowed the religious use of marijuana—the operationalization of a medicinal cannabis industry is not quite that simple. Therefore, Madame Speaker, our St. Kitts-Nevis Labour Party Administration has chosen to take a more responsible and citizen-friendly approach of first researching and then selecting a unique set of policies to govern this new industry. Understanding the policy ecosystem is critical to how we will control and conduct operations in this new niche including, but not limited to, the application of licenses, social equity models, and more. Beyond policy, it is also critical to engage with the people and assess the gap between public expectations and industry deliverables.
21. To this end, Madame Speaker, a revamped Medicinal Cannabis Authority has been installed with a mission to regulate the Medicinal Cannabis Industry in St. Kitts and Nevis. Further Madame Speaker, it is the vision of our Government, through this Authority, to have a medical, therapeutic and scientific cannabis industry that creates equal opportunities, enables people’s health and wellness with safe and diverse products, fosters investor confidence and strengthens the St. Kitts and Nevis economy through an effective regulatory framework.

## **Construction**

22. Madam Speaker, job creation cannot take place without activities to ignite the engines of growth. The Construction Sector, an important engine for growth and development here in St. Kitts and Nevis over the years, has contributed on average 5 percent to job creation and about 16 percent to our GDP. In 2022, however, all is not well in the Sector which is estimated to have declined by 1.5 percent and recorded over 20 percent in job losses in July 2022 when compared to the same period in 2021. Recognizing this, our Government has put plans in place to foster employment gains and increase growth in the Sector. Madame Speaker, the Government and the Private Sector must work together on this issue of putting people back to work and advancing with plans for the expansion of much needed

infrastructure development. In the coming year, the Government will initiate the construction of the Renaissance Housing Programme. Under this Programme our Government will, over the next five (5) years, construct 2,000 energy efficient homes around the island. The National Housing Corporation (NHC) will commence the first phase of building in the first quarter of 2023 with the construction of 100 homes. These homes will consist of a mix of two-bedroom flats and townhouses. They will be equipped with the fixtures to accommodate the latest energy-efficient appliances as well as solar panels to lessen the cost of electricity for homeowners. In an added effort to meet the high demands for housing, NHC, in the coming year, will restart the West Street Housing Project and also explore the possibility of constructing three (3) 5-unit town house buildings - two (2) in Pine Gardens and (1) in Taylor's. The construction of these buildings will provide much needed housing for 15 families. Added to this, the NHC has received 2,500 applications from landowners who are desirous of building their homes which we will facilitate through the building assistance programme in partnership with the St. Kitts-Nevis-Anguilla National Bank.

23. It is an accepted fact that previous Labour Administrations have earned recognition as the original architects of housing development in the Federation, having built over 4,000 homes for our citizens. In this same vein, this new Labour Administration will continue to innovate housing solutions to meet the demands of key demographics in the Federation. Shortly, our Government will develop housing communities for middle income earners who do not have the financial dexterity to afford to buy or build a home in the current real estate market. To support this initiative, we have already arranged for the land designated for these projects to be dispensed at a reduced market rate. This will lessen the overall construction cost and mortgage payments thus increasing accessibility for our middle-income earners. The main target groups earmarked to receive this benefit are young business owners and recent university graduates. This Government understands that it takes major developments to drive economic growth in any sector. Therefore, we will in short order push forward major Public Sector projects such as the rebuilding of the Basseterre High School at its original location. We are a government that believes in fixing what needs to be fixed. We will work towards completing critical projects that are currently captured under the Capital Estimates and complete several important projects that appeared to be beyond the capacity of the

former Administration to implement. The record shows that it was a Labour Administration that laid the groundwork for many of the infrastructure projects undertaken by the previous Administration.

24. We are well aware that roads are the arteries through which economic development, growth and social function are dispensed. As such, this Government with the assistance of the Public Works and Lands and Survey Departments will, in the coming year, commence the design and construction of roads in residential developments that have yet to benefit from adequate road infrastructure, such as those developments under the Special Land Distribution Initiative.

## **Tourism**

25. Madame Speaker, the Tourism Sector recorded one of the sharpest declines in economic output nationally, regionally and internationally as a result of the COVID-19 pandemic in 2020. Here in St. Kitts and Nevis, the Sector recorded significant declines of 63.1 percent and 17.6 percent in 2020 and 2021 respectively. It is, however, reassuring to note the vastly improved prospects for the rebound of this vitally important Sector since the Labour Administration took office. Businesses operating in the Tourism Sector can attest to the positive impact of the full removal of the restrictive COVID-19 protocols in August of this year. Further, the increased engagement by the leadership of the Ministry of Tourism and the St. Kitts Tourism Authority with key local and international stakeholders, has contributed immensely to a strong rebound.
26. Madam Speaker, it is important for us to understand that the Tourism Sector is a catalyst for growth in several other sectors in the economy. Thus, the rebound in the industry has potential to multiply throughout Sectors such as Wholesale and Retail, and Transport, Storage and Communication. In keeping with the growth in the Tourism Sector, consumer demand rose as hotels and restaurants resumed full operations resulting in the growth in the Wholesale and Retail Sector. In the Transport, Storage and Communication Sector, the increase can be attributed to the gradual return of air travel to the Federation. Air travel

rebounded by some 288.6 percent which is an indication that the Tourism Sector is well on its way to recovery. Cruise has also played a pivotal role within the overall Sector, increasing by 18.4 percent in 2022 mainly driven by the increased cruise ship and visitor arrivals in the early part of the current cruise season. The Ministry of Tourism is predicting that our destination will experience an influx of over 900,000 cruise passengers for the 2022/2023 cruise season. Our Government is standing firmly behind our Tourism team and the many stakeholders who are working together to advance all aspects of the rebound in the Sector.

27. Madam Speaker, it was clear that if we were to recover lost ground in the marketplace, there was a need to refresh our product and service offerings. Hence, the St. Kitts Tourism Authority embarked on a campaign that would not only create demand, but one that truly highlights the unique qualities of our destination. After months of hard work and creative collaboration both locally and internationally, at the end of September this year, we debuted "Venture Deeper" as our new brand campaign. The campaign builds on our island's distinctive characteristics while introducing elements of introspective self-discovery that reflect the purpose-driven goals of today's travellers. Venture Deeper is designed to evoke, within the traveller, a desire to 'peel back' our layers and discover the true essence of the destination. We believe that, in doing so, more of our stakeholders can have interactions with our visitors leading to greater economic impact. Our focus must now shift from a tunnel vision of solely looking at arrival numbers to also looking at how we can increase our visitor spend. Our objective must be to offer competitive products and services and to do so in a manner that maintains the highest standards and puts the greatest amount of money in the pockets of our people. We have put our people back to work and are focusing attention on the areas that will expand opportunities for sustained employment in the years to come.

28. Madam Speaker, we have many successes to celebrate. In September, we were awarded an incredible international accolade. St. Kitts won the title of Caribbean's Leading Dive Destination 2022 at the 29<sup>th</sup> World Travel Awards, a major milestone and honour. Being crowned best of the best in Caribbean dive destinations is not only a testament to our beautiful and diverse underwater landscapes, but also to our exceptional dive operators and

partners that make each journey memorable for visitors. This recognition solidifies our place as a competitive choice for divers of all levels.

29. Even more recent, Madam Speaker, St. Kitts added another prestigious accolade to an already extensive list of achievements. Caribbean Journal has identified our destination as the 2023 Caribbean Destination of the Year during its Caribbean Travel Awards announcement. St. Kitts has been recognized for our heavy concentration on providing rich and authentic travel experiences and our diligent focus on sustainability, community, and the natural environment. This opulent recognition is also a direct result of our recently launched brand campaign, 'Venture Deeper' which has resonated within its source markets and the Caribbean diaspora. Madame Speaker, St. Kitts continues to trailblaze and bolster its presence among other leading Caribbean destinations, as indicated by this recent award.
  
30. Madam Speaker, as we look ahead, I want to emphasize the importance of investing in our people and our infrastructure. The most urgent need is an improvement in our airlift, specifically, more routes and cheaper fares. We must continue to focus on improving our airlift if we are to be as competitive as other islands in the region. To achieve this, there are critical actions that we must take. The discussion must begin on the ground in St. Kitts. We will focus efforts on upgrading the Robert L. Bradshaw International Airport to ensure that the arrival experience is of the highest standard and features innovative functions throughout. Regarding resources, I am pleased to report that the 2023 Estimates proposes to support the Ministry of Tourism, Civil Aviation and International Transport with an amount of \$27.0 million for Recurrent Expenditure. These resources would be used to further enhance and diversify tourism products particularly as it relates to the development of increased facilitation of community destination tourism. In support of the product development and airlift efforts, a Capital Budget totalling \$17.6 million is proposed of which \$8.0 million has been allocated to enable us to attract new airlift into the Federation.



## **Manufacturing**

31. Madam Speaker, this Government has pledged its commitment to ensure that the Manufacturing Sector is developed as a central pillar of our economy serving as a greater contributor to economic growth. In our Government's view, diversification of our economy is not optional. In fact, it is an essential pillar in the Sustainable Island State Agenda where manufacturing is seen as a vehicle for transforming our economy, creating sustainable jobs and a credible source for earning critical foreign exchange. The Federation has historically had a robust and resilient Manufacturing Sector that employed close to 1,000 persons and which led the way in terms of the OECS sub-region's exports to the North American market. However, we have seen over the past year closures of some of the manufacturing operations at the C A Paul Southwell Industrial Park. It is time therefore to rethink, rebuild and re-strategize to address the challenges that the sector faces. As a first step towards reviving the Sector, the Government has recently endorsed the updated version of the National Manufacturing Strategy 2022-2027. This Strategy has renewed focus on improving the business environment and increasing the competitiveness of manufacturing operations in the Federation. Our vision is to facilitate the establishment of at least one additional manufacturing business in the Federation. We are targeting at least one factory to build solar panels that could provide easy access to low-cost energy saving options for residents. Further, the ongoing initiatives to strengthen the St. Kitts and Nevis Bureau of Standards will provide additional support to the Manufacturing Sector. The proposed 2023 Estimates will ensure that upgrades to the Bureau of Standards continue to strengthen the quality assurance mechanisms needed for our farmers and other producers to export products regionally and internationally.

## **Citizenship By Investment Programme**

32. Madam Speaker, for nearly 40 years, St. Kitts and Nevis has been the pioneer of the global investor immigration industry. The revenues from our Citizenship by Investment programme have allowed our nation to thrive. It has given us the opportunity to advance

our people without overreliance on international financial aid. After four decades of erudition and development, now is the time to ensure that the programme transcends to the modern age and the security infrastructure is enhanced and strengthened. In the same vein, we are seeking to ensure that our CBI Programme is mutually beneficial for all stakeholders, the people of St. Kitts and Nevis, investors, developers, local service providers, and international marketing agents.

33. Madam Speaker, we have forecasted that the revenues from our CBI Programme will be significant over the next few months. If such financial projections are realized, it is our Government's goal to create a Sovereign Wealth Fund which will be responsibly managed by high level professionals. This Fund will be used to safely invest in the international markets and industries over the long term. We will ensure, by legislation, that the Fund can only be tapped into for rainy days such as natural disaster response and not for addressing recurrent expenses.

34. Madam Speaker, we also intend to use CBI revenues to fuel our plans to implement a diversified economy. We can no longer put all our eggs in one basket, as we have over the past few years with our CBI inflows. This St. Kitts-Nevis Labour Party Administration will use our CBI profits to empower our people through entrepreneurship, sustainable work opportunities and homeownership. No longer will CBI be used merely as a prop to boast about surpluses by deceptive accountants with no vision. Our prudent Government will use CBI revenues to improve our healthcare, social services, energy infrastructure and water security. In 2023 and beyond, our CBI programme's profits will work for all Kittitians and Nevisians, not for one family and their close friends.

35. Madam Speaker, the payment of the CBI dividend this week is the first proof of this new day and better way with respect to our Citizenship by Investment programme. The truly diversified economy of St. Kitts and Nevis will emerge from the seeds planted today by our CBI inflows. Let it be known, Madam Speaker, that our citizenship is precious, therefore the evolved CBI Programme will invite bold and creative top-notch investors to our shores who will develop innovative industries in St. Kitts and Nevis, the construction of real estate

developments pursuant to our Government's priority infrastructure list, and in all things, bring substantial benefit to the People of Saint Christopher and Nevis.

## **A BETTER WAY FORWARD FOR HUMAN DEVELOPMENT AND SOCIAL PROTECTION**

36. Madam Speaker, at all times, our pursuit of a Sustainable Island State must be undergirded by an unwavering commitment to build social cohesion and protect the most vulnerable in our society. We are committed to chart a better course for addressing the inequality and inequity that threaten to divide our society. Indeed, our commitment to achieve the 2030 Agenda for Sustainable Development and our homegrown Sustainable Island State Agenda, is one to ensure that no one is left behind. This is our philosophy and we are prepared to translate our talk into action. In the 2023 Estimates, we are proposing for the first time, the establishment of a new Ministry of Youth, Ageing and Disabilities. The new Ministry will be mandated to support, empower and pay special attention to the issues related to some of our most vulnerable citizens and residents. We believe that the work of this Ministry would lead to significant improvements in the lives of our youth, elderly and differently abled citizens and residents.

37. Madam Speaker, as we examined the state of affairs of the social assistance and social protection systems of the Government, we recognized that there is need for significant change to better target the various social programmes to yield more acceptable results. A significant change that we have already instituted is the placement of the Poverty Alleviation Programme (PAP) where it belongs, under the purview of the Ministry of Social Development and Gender Affairs. The Programme is being reviewed to ensure that it truly serves as a social safety net to empower the most vulnerable amongst us. Part of the reform of this Programme is the implementation of proper systems for means testing and graduation of beneficiaries. Once the Programme is functioning properly, most participants should not find themselves in a perpetual state of needing cash assistance from the Government. This is neither desirable nor sustainable. We prefer an alternative situation where the

Government would work with its people to create decent jobs with decent pay so that most of our people can take pride in their ability to sustain their families. More emphasis will be placed on training and assistance with job placements so that beneficiaries can upgrade their skills and graduate from the Programme when they reach a more self-sustaining stage of their lives. Indeed, this approach is also vital to ensure the sustainability and longevity of the Programme. Similarly, the Alternative Lifestyle Pathway Programme is also operating on an unsustainable basis. In its current form, several of the participants are not being helped along a path towards self-fulfilment and job security. The Government has therefore initiated a review of the Programme with a view to implement reforms in 2023. Efforts would be made to halt any obvious abuses of the system and ensure that an alternative path is indeed created for our young men and women who seek help under this Programme.

38. Madam Speaker, our Government has a special interest in doing a better job of protecting and empowering our women and youth. Our actions to date speak to the seriousness with which we are approaching the protection of women here in the Federation. In November of this year, we successfully passed the Domestic Violence (Amendment) Act 2022 which makes much needed changes to protect victims of domestic violence and provide them with swift access to justice. In addition to the changes in the legislation, we will be providing resources, via the 2023 Estimates, for the training of Police and other Law Enforcement Officers who are assigned to work with cases related to domestic issues. Over the medium-term, we intend to honour our commitment to establish a Special Victims Centre which would serve as a safe space for transitioning victims of domestic and sexual abuse and troubled youth who are not criminal offenders. In the interim, we will provide resources in the 2023 Estimates to support stronger partnerships with established non-governmental organisations that are providing similar services.
39. Since coming to office, we have exemplified what it means to have a commitment to gender equity. The commitment is reflected in our Parliament which now has the highest ever number of female members in its history. The commitment can also be seen in our appointments to boards of Government Entities and within the Civil Service, where women have been given the due opportunity to serve at the highest advisory and technical positions. In shattering this ‘glass ceiling’, we are pleased to be aligned with Sustainable Development

Goal (SDG) 5 which speaks to Gender Equality and SDG 10 which speaks to Reducing Inequalities. Madam Speaker, our programme to address gender-related issues will be aggressive. This will include support for initiatives such as the ‘Girls Empowerment Movement and Sisterhood’ (GEMS) Programme that was launched by the Department of Gender Affairs in August this year, as well as support for the expansion of the Boys’ Mentorship Programme which had chapters launched at the first High School in Nevis and a second High School in St. Kitts this year. Further, our legislative agenda will reflect this priority.

We will ensure that gender and youth issues are mainstreamed in all major Government policies. Special consideration will also be given to young, professional women who are single parents, who although they may have achieved a certain status in life, cannot afford to finance the building of a home and meet their many parental obligations. This is especially important to us to build generational wealth and social equity among young women in our Nation knowing that more than 50 percent of the households in the Federation are headed by females.

## **Education and Skills Development**

40. Madam Speaker, education is key to developing our human capital and ensuring the livelihoods, welfare and self-actualization of our people. Much can be said about education but in consideration of our development goals, there is no escaping the fact that it is foundational to a Sustainable Island State. We believe that access to quality education is not a privilege but a fundamental human right. To this end, one of our first executive actions as a new Administration was to provide free tuition for all students at the Clarence Fitzroy Bryant College. Our society cannot afford to have valuable young minds forego tertiary education simply because they or their families cannot afford the cost of going to college. We will therefore spare no effort to equip our students to take their rightful place in the world of work, whatever the field they choose. Further, we have already begun to arrange to put the One-to-One Laptop Programme back in place, so that our students can have access to the technology they need to successfully compete against their peers internationally.

41. In order to deliver on the ‘New Deal’ that we have promised in the Education Sector, the new leadership within the Ministry of Education has begun to assess the ongoing initiatives with a view to closing gaps and improving the efficiency of delivery. For the period 2022-2023, the Ministry of Education will continue to support capacity building in the integration of technology into education delivery, and the development of courses aimed at meeting identified areas for capacity building among teachers. It is our intention, Madam Speaker, to support our teachers so that they can perform at the highest level. Financing imperatives for 2023 will focus on: (1) the procurement and issuance of compatible devices (laptops and tablets) to facilitate all teachers and students taking advantage of the Microsoft 365 (M365) environment; (2) Recommencement of training for Education Officers, teachers, and students on the effective use of the M365 environment; (3) An upgrade of the internet infrastructure in schools to accommodate multiple device connections and stable Wi-Fi service. The schools’ computer labs will also be upgraded so that computers can connect to the internet and efficiently run applications in M365.
42. Madam Speaker, the physical state of our education infrastructure leaves much to be desired. It is quite obvious that many of our school buildings have been allowed to fall into an unacceptable state of disrepair and dilapidation. This St. Kitts-Nevis Labour Party Administration knows that our children deserve better and cry shame on those former custodians who the people trusted with the affairs of their children for the past seven (7) years. We have come to shed light on a path to a better way for education in this country and that we shall do. Plans are being developed for the rehabilitation and upgrading of all schools. This would be a massive undertaking, but it is necessary after years of neglect and lack of maintenance. Our comprehensive approach involves the creation of a maintenance unit dedicated to the upkeep of school premises. This will ensure that our schools do not deteriorate to such a poor state again.
43. The rebuilding of the Basseterre High School is another important project for implementation by our Government. The travesty surrounding the construction of this school is well known to our people. Madam Speaker, our children and their parents who rely on this school for education services deserve better. Our teachers deserve better. This Administration understands what is at risk here and will do better by our people. In short

order, we will push forward with the rebuilding of the Basseterre High School at its original location. We are seeking to address the outstanding issues related to the mismanagement of the project, while at the same time, making plans for the design and other preconstruction activities for the new school. Very shortly, we will advance the plans for the demolition of the old school and the preparation of the lands for the new construction. We also intend to progress the work started this year for the design of and reconstruction of the Joshua Obadiah Williams Primary School which was destroyed by fire. This will include the addition of a new wing, the modernization of all facilities, as well as the incorporation of design features such as wheelchair access ramps to accommodate persons who are differently abled.

## Health Care

44. Madam Speaker, a healthy population is one of our nation's most important assets. This philosophy will underpin our actions as we seek to transform the Health Sector of our country in 2023 and beyond. It is fair to say that COVID-19 'kept us on our toes' as it exposed the vulnerabilities within our health care system. The truth is that the poor state of the health care system was evident before COVID-19. We are not daunted by the enormity of the task to bring the system up to an acceptable level of service delivery in the context of a modern St. Kitts and Nevis. We have therefore taken stock and have established some clear plans for delivering better quality services and bolstering the system so that it can withstand future exogenous shocks. The Ministry of Health will be guided by the National Health Strategic Plan which will be updated to achieve alignment with the reform agenda of this new Administration.

45. In keeping with the commitment of the 2030 Agenda of the Sustainable Development Goals, the Ministry of Health continues its fight against Non-Communicable Diseases (NCDs) which account for over 80 percent of all illnesses and deaths in the Federation, with cancer and complications of diabetes being the leading causes. The high incidence of NCDs poses devastating health consequences for individuals, families and communities. The socioeconomic costs associated with NCDs dictate that we place a strong focus on the

prevention and control of these diseases as a major development imperative for our country. To this end, we recognise that interventions aimed at reducing the burden of NCDs and the main modifiable risk factors will provide the most significant return on investment.

46. Madam Speaker, addressing the situation at our national health institutions will be a major focus in the upcoming fiscal year. One of my first priorities as Minister of Health was to ensure that there is a new MRI Machine installed at the Joseph N. France General Hospital. I am happy to report that a new Phillips Ingenia Ambition MRI Machine is currently being manufactured by PHILLIPS at a cost of USD 1,240,000. This machine is scheduled for delivery in 2023. When commissioned, the MRI services in St. Kitts would become available for local, regional and international clients. The ophthalmic services at the J N France General Hospital will also be upgraded with the purchase of vital ophthalmic equipment. This is another service that was allowed to deteriorate to the point of forcing citizens and residents to bear the extra cost to seek treatment overseas. We are currently pursuing the procurement of these vital pieces of equipment which will be delivered by the end of the first quarter of 2023. The interventions, that I just mentioned, represent some of the first steps in providing our people with better access to modern medical services.
47. Madam Speaker, we are pleased to already have improved the conditions at the Pogson Medical Centre which serves the people of Sandy Point and the surrounding communities. The changes made include assigning a cadre of doctors to that hospital and ensuring that the role of the District Medical Doctor is separated from the Hospital Doctor. These changes have already improved the level of service being provided to the people in the area as well as improved staff morale at the facility. In 2023, we will implement this model at the Mary Charles Hospital in Molineaux.
48. Madam Speaker, we will invest more in the health care of our people as this is an important standard that a sustainable state must meet. The 2023 Estimates, therefore proposes that provisions be made for Recurrent Expenditure totalling \$73.3 million reflecting a 28.7 percent increase when compared to the 2022 Estimates. The Ministry of Health will utilize these resources to improve the quality of services across the various programmes under its remit including immunization, non-communicable disease prevention and treatment, and



district health access. Priority will be given to the recruitment of highly qualified medical personnel including specialists trained in neurology, pulmonology and internal medicine. Resources will also be provided to ensure that essential items, tools and equipment are available and operational for the benefit of persons in need of medical care. A proposal of \$20.6 million is presented to facilitate Capital Expenditure by the Ministry for the coming year. These funds will support investment in essential infrastructural and equipment upgrades most vital being the Construction of the New Hospital; the purchase of critical equipment; and the advancement of the Health Sector Improvement, Institutional Enhancement Projects. In addition, steps will be taken to develop a practical framework to enable the operationalization of a National Health Insurance Scheme which will be supported by an extensive consultative process with our people.

## **CROSS-CUTTING ISSUES FOR ACHIEVING THE SUSTAINABLE ISLAND STATE AGENDA**

### **Law and Order and Citizen Security**

49. Madam Speaker, there can be no meaningful or sustainable national development in the absence of law and order. The maintenance of law and order and the safety and security of citizens and residents is the first and most sacred responsibility of any government. Societal peace and stability are prerequisites for true social and economic development and also for the accomplishment of our progressive Sustainable Island State Agenda. One of my first duties as Prime Minister and Minister of National Security was to meet with the rank and file of the security forces, to thank them for the work that they do and to examine any internal issues affecting operations and morale. I believe, Madam Speaker, that the treatment of our security forces, as well as the enforcement of law and order, must always be guided by the rules of natural justice.
50. Madam Speaker, in the aftermath of the COVID-19 pandemic and for most of 2022, the security forces have been able to return to their main activity of law enforcement. We are

happy that crime statistics have continued to be at an all-time low, particularly in terms of gang-related homicides. Nevertheless, the Police, supported by the Defence Force, cannot rest on their laurels. There continues to be a substantial number of non-fatal shootings which signal that we need to remain vigilant and to increase patrols to ensure that there is a visible police presence in our communities which serves as a deterrent to crime. The existing National Security Strategy outlines the objectives and guidelines to combat the 15 Threats to National Security and continues to provide broad direction for the build out of the National Security Architecture. The post-COVID era and the new and emerging National Security developments make a clear case for the review of our Strategy.

51. Going forward, the approach to policing will be informed by the timely analysis of crime statistics and intelligence gained from interagency collaboration on the security forces nationally, regionally and internationally. The analysis of the trends observed in 2022 points to the need for the security forces to continue to focus on the established pillars of policing which include community/police relationship, intelligence-led policing, and predictive policing. Therefore, the budgetary resources would support the police's strategic outlook for improved collaboration with local law enforcement entities, regional and international agencies, continued use and pursuit of science and technology, in crime prevention and solvability, and importantly, embracing and actively supporting the current social intervention programmes. Moreover, specialised training will be incorporated into the training programmes offered to the police including DNA diagnostics, cybercrime, and crypto-currency certification. In terms of community policing, specific attention will be given to the incorporation of training to target a reduction in recidivism, forging stronger community relationships, reducing gang membership recruitment, and establishing safe havens for at-risk youths. Our attention will be laser focused on the continued reduction in major crimes. The Ministry of National Security has set as a target the downward trend in homicide, from the previous 15-year-low of 10, to a single digit. A target is also set for improving the major crime detection rate by 15 percent.
52. The relationship between law enforcement and the community must continue to be the foundation for general policing. The model designed by the Community Policing Team will continue to be expanded to several other communities with various Explorers Youth Clubs

being formed and the close relationship strengthened between the Police and parents and other interest groups in our communities in both St. Kitts and Nevis. Our Government is of the view that the continued build out of the Explorers Clubs, can constitute a movement of change that can pay social dividends for generations to come. Therefore, we will continue to provide the human resources and equipment that are needed for the development of the Explorers Clubs. We urge the Private Sector and other interest groups to join with the Government in providing support for this important endeavour. The continued elaboration of the community-policing model will be tailored to our society's complex and diverse needs, with the delivery of public protection being informed by community priorities and robust evidence-based programmes.

53. Madam Speaker, the 2023 Budget will provide capital expenditure for the construction and upgrade of the various police facilities. These will include the completion of the Multi-Purpose Training Centre at Lime Kiln, the relocation of the Traffic Department to the Police Training Complex at Ponds Pasture, and the renovation of the Charlestown and Gingerland police stations. In the new year, we would also explore the reopening of a police station in the parish of St. Paul. Residents of St. Paul's will recall that this important service was removed by the former Administration without proper consultation with the community. This is a large constituency which has benefited in the past from an embedded police station that provided ease of access to the police services. We will consult with all stakeholders and decide what is the best way forward in this regard.
54. Madam Speaker, in 2023, several other priorities will be pursued for the security forces. For the St. Kitts and Nevis Defence Force (SKNDF), we will collaborate with the Nevis Island Administration in the identification of lands on Nevis for the permanent home of the SKNDF on Nevis. Further, the Coast Guard is expected to benefit from the acquisition of a forty (40) foot Patrol Boat by the end of 2023, donated by the US Government. For the St. Kitts and Nevis Fire and Rescue Services, the primary focus will be on the formulation and implementation of a National Fire Code. The introduction of a National Fire Code will ensure a safer St. Kitts and Nevis in so far as Fire Safety and Fire Prevention are concerned. This will include the establishment of a set of requirements for all buildings in a particular zone, including commercial, industrial and residential.

55. To effect the various plans and programmes, some of which I just outlined, it is proposed that \$74.6 million be allocated for Recurrent Expenditure under the Ministry of National Security, Citizenship and Immigration. A large proportion of these resources will be used to recruit, retain and upgrade manpower in the Police and Defence Forces, Immigration Department, and Prison Services. Resources will also be utilized to enhance the knowledge and competencies of personnel in modern policing techniques. In addition, we would commence efforts to further enhance our border protection through improvements to our ePassport and our Border Management System. This budget will also provide resources to enable the National Council on Drug Abuse Prevention to complete the National Drug Policy which would guide policy on all drug matters related to international cooperation, drug demand reduction, supply reduction, control measures and institutional strengthening. The pandemic revealed that emotional and mental stress can result in self medicating as a coping mechanism. To this end, the National Drug Council will broaden the scope and impact of drug prevention and intervention initiatives with particular attention given to the most vulnerable. Madam Speaker, when it comes to action to improve law and order and security of our people, we will keep the momentum going.

## Energy

56. Madam Speaker, it is our Government's vision to move St. Kitts and Nevis to a position where energy and water are sustainable and in sufficient supply to meet the demands of our growing country. These are two (2) critical utilities that must be available to our people on a consistent basis and are vital to our ability to attract the types of investments that we are currently seeking. We are therefore resolute in fulfilling our mandate on renewable energy transition. Since assuming office, however, we have had to confront some pressing challenges faced by the St. Kitts Electricity Company (SKELEC). Once fully operational, the SKELEC power plant has the capacity to generate 48.9 MW. However, over the past couple of years, and more so in recent times, SKELEC has been operating at a significantly reduced capacity of 27.8 MW which is just a narrow margin above our island's peak power demand of about 26 MW. This translates to a reality that if one (1) or two (2) of the

remaining operational generators go out of service, the ability for SKELEC to meet the peak power demand would be compromised resulting in power outages.

57. Murphy's Law reminds us that "Anything that can go wrong, will go wrong, and at the worst possible time." In September of this year, a generator at the plant went out of commission resulting in an island-wide power outage. This incident brought into perspective the urgent need to strengthen the current electrical system and to find long-term solutions to our energy supply issues. As an interim solution to this potentially catastrophic situation, it has been determined that SKELEC will move ahead with the procurement of updated generators that are more fuel efficient, environmentally friendly and reliable. The procurement process is well advanced to acquire two (2), 9 MW generators to replace some of the current generators which have either fallen into disrepair, are currently out of commission or are just too old (over 35 years) to supply the demands of our developmental needs. The new generator sets will use approximately 20 percent less fossil fuel and have the possibility to operate on dual energy sources such as diesel and/or liquid natural gas. This was a key point of interest to us as, in time, we will be transitioning our fuel to a more environmentally friendly and sustainable source.

58. Madam Speaker, this is only a temporary fix to our long-term energy needs. With the cost of fossil fuels rising and the adverse impact of the use of fossil fuels on the environment, our Government, over the next five (5) years, will take definitive steps towards realizing notable green energy injection into the national grid. Upon taking office, our Government has engaged national, regional and international energy experts such as Nevis Electricity Company (NEVLEC), the Caribbean Development Bank (CDB), the Caribbean Centre for Renewable Energy and Energy Efficiency (CCREEE) and the Inter-American Development Bank (IDB) to explore the possibility of financing and to seek advice on the mix of renewable energy options needed to make St. Kitts and Nevis the renewable energy mecca of the Eastern Caribbean. I am happy to report that our discussions have borne fruit. Geothermal energy has been identified as a viable option for large scale introduction of renewable energy into the national grid. We have therefore joined forces with the Nevis Island Administration to pursue this goal in the shortest period in the interest of our people living on St. Kitts and on Nevis. In fact, a national Energy Task Force led by our Ministers

of Public Infrastructure and Climate Action has been formed. We are also pleased to discuss with NEVLEC the interconnection of the Electricity Grid in Nevis and the Grid in St. Kitts as interconnection affords the Federation the opportunity to have One Electricity Grid thereby increasing the resilience of power supply across the two islands. When this is complete, it would mark a historic moment for our Nation and a giant leap towards achieving energy security in the Federation.

59. Madam Speaker, as we set the stage for renewable energy production, we are also working towards ensuring that the legislative framework is in place to allow for the uptake of the different energy sources. As such, we will in the coming year review the Renewable Energy Rate-Setting Report to revise the draft renewable energy tariff policy. We will also craft the required regulations to govern the feed-in-tariff rating system offered to residential and commercial customers. The report explores the mix of Solar Photovoltaic and wind energy options and the revenue impact it will have on both SKELEC and the customer base. In the coming months, SKELEC and the Energy Unit will be meticulously examining the report to ascertain the correct approach that will preserve the sustainability of SKELEC while, at the same time, provide adequate compensation to individuals and businesses who have invested in renewable energy and are desirous of providing energy to the grid. Consultations with stakeholders within and outside of the Government system will be conducted to finalise the legislative process, after which, we will move to the piloting of the new tariff structure.

## Water

60. Madam Speaker, if any of our citizens are still in doubt about climate change, one only has to consider our current water situation where a once abundant resource is now growing more and more challenging to keep up with demand. Our Government understands that we cannot achieve water security without addressing the issues of climate change. St. Peter's is one of the growing number of communities that has been perpetually plagued with water shortage issues. We were able to temporarily resolve the issue by replacing the pump to the main well which became inoperative. Unfortunately, this is only a temporary fix as there

is still a greater issue of water availability in the area. Similar to the situation in other Caribbean islands, the water security issues have compounded to a point where we can no longer turn a blind eye.

61. Madam Speaker, we are determined to resolve the water issues confronting us. This is the impetus for our Government to reengage Bedrock Exploration Development Technologies (BEAD), a company that has provided well drilling services to the Federation since 2007. The initial engagement is for BEAD to conduct drilling and produce potable water in two (2) communities - Cayon and Basseterre (Shadwell) where water shortage has been severe for several years. The preparatory work for the mobilization of the drilling commenced in November 2022 and in January 2023 the actual drilling of the wells will begin in Cayon where the water shortage issue has entered a critical stage. I assure the residents of Cayon that this new Labour Administration will not make empty promises to deliver water but will work towards securing the water resources needed to address your water shortage issues. After exploration has been finalized in Cayon, BEAD will begin drilling activities in Shadwell which will address the water issues in Basseterre and St. Peter's. It is envisioned that the drilling will provide approximately 1.2 million gallons of potable water per day to the system.
62. Based on the success rate of the works done by BEAD, we will be looking at extending the drilling in the coming year to other villages around the island to build the resilience of the water system. In addition to the drilling, our Government will, in the coming year, mobilize plans to construct two (2) solar powered desalination plants sponsored by the United Arab Emirates, with one plant located in Canada Estate on St. Kitts and the other in Nevis. The contract has been signed and mobilization will begin in the first quarter of 2023. Once fully operational the plants should generate 30,000 gallons of water per day which should be enough to service approximately 2,000 persons. Our medium-term plans involve exploring the possibility of increasing our water production capacity from desalination. The Water Services Department has been tasked with the responsibility to research and advise on the best way forward for achieving greater integration of desalination into the water supply network.

63. Madam Speaker, in addition to the construction of the desalination plants our Government will also work with the Water Services Department to address the non-revenue water losses. To accomplish this, we will improve metering, upgrade the billing system as well as address leaks from the system. We believe that these interventions will provide the right mix to improve the sustainability of our Water Sector. The resolution of our water challenges remains a top priority for the Government. The implementation of the Supervisory Control and Data Acquisition during 2022 has provided a data driven approach to minimize wastage of this precious and limited resource. Moreover, to ensure added policy support in the exploration of our water resources, the Water Board has been established. It is expected that there would be a significant improvement in the availability and reliability of the water supply once the Board begins to function.

### **Climate and Environmental Sustainability**

64. Madam Speaker, addressing the existential threat of climate change is a collaborative endeavour. This is why our Government saw it fit to participate in the 27<sup>th</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 27) in Egypt in November of this year. Our attendance provided us with the opportunity to sit at the table with our international and regional counterparts to discuss an array of issues critical to tackling the climate emergency that concerns us here in the Federation. As an independent Small Island Developing State, which has been ravaged by numerous hurricanes, attending COP 27 was important as we need to be a part of the conversation that would deliver much needed financing to our Federation to build resilience and adapt to the inevitable impacts of climate change. Over the years, the climate finance gap and unequal distribution of finance between countries have been barriers to the implementation of the adaptive and mitigative measures needed to adequately address climate change issues in the Federation. In this country, we have spent hundreds of millions of dollars in repairing our physical infrastructure due to climate induced loss and damage which created significant financial strain and compromised our debt sustainability.



65. Madam Speaker, I am of the firm belief that we must know where we are to know where we are going. Thus, we have undertaken the process to prepare our first Voluntary National Review of the Implementation of the Sustainable Development Goals to be presented at the United Nations High-Level Political Forum for Sustainable Development in New York in July 2023. The Voluntary National Review highlighted our progress as it relates to several environmentally sensitive SDGs. This includes SDG6 – Clean Water and Sanitation, SDG13 – Climate Action; SDG14 – Life Below Water and SDG15- Life on Land. Some of the main themes coming out of this review bring home the reality that more effort is needed to improve the protection of the ecosystem and biodiversity. Thus, in the coming year, we will be focusing on reaffirming all watershed areas and aquifers as protected areas by strengthening the enforcement mechanisms within these protected areas. Additionally, the analysis of the status of the implementation of SDG14 – life below waters revealed a need to promote coastal protection. Therefore, we are now working towards the completion of a Coastal Protection and Blue Economy Concept Note. The Note will be submitted to the Green Climate Fund (GCF) for funding that will address the coastal issues in St. Kitts and in Nevis.

66. As we approach the 2023 UN High Level Political Forum, we will focus on the built environment and donor coordination as the SDGs under review will include the ones for: Clean Water and Sanitation and Affordable and Clean Energy. Also included will be the SDGs on Industry, Innovation and Infrastructure, Sustainable Cities and Communities, and Partnerships for the Goals. We are currently in discussions with Economic Commission for Latin America and the Caribbean (UNECLAC) to finalize the details of the review and presentation which should be completed by the end of this year.

67. Madam Speaker, I turn now to Public Finance.

## **MEDIUM-TERM ECONOMIC MANAGEMENT STRATEGY**

### **Medium-Term Fiscal and Debt Outlook and Growth Targets**

68. Madam Speaker, when the St. Kitts-Nevis Labour Party Administration took office in August 2022, the Overall and Primary Balances were in deficit. So too was the Government's Net Fiscal Position. It is expected that these deficits will be protracted to the end of the year. In fact, we are anticipating that, by the end of 2022, the Overall Deficit would be in the region of \$82.8 million, the Primary Deficit will be around \$66.9 million and the Net Fiscal Deficit will be approximately \$95.9 million. These fiscal deficits were driven, in part, by the buyback of lands that formed part of the Debt for Land Swap as well as the financial assistance that was given to SKELEC to facilitate the purchase of fuel.
69. The St. Kitts-Nevis Labour Party Administration, Madam Speaker, gives its commitment to put the Government's finances back on a sound and sustainable track. We give our commitment to eradicate the many instances of corruption that in the past resulted in the misuse and wastage of taxpayers' money. We give our commitment, Madam Speaker, to strengthen the public financial system to the highest level that would be conducive to the full development of a sustainable island state. The 2023 Estimates is a demonstration of our undertaking to implement programmes that will provide opportunities for inclusive growth and advancement of the citizenry of our Federation. The Government's resources will be used to deliver the needed programmes and services effectively and efficiently in these times of uncertainty. We are therefore putting forward Estimates that will anchor our country's recovery from the pandemic while at the same time prudently managing the Government's finances.
70. Madam Speaker, as our new Administration endeavours to implement our vision of transforming St. Kitts and Nevis into a model sustainable island state, we are acutely aware of the need to remain committed not just to the principles of prudent fiscal management but debt management as well. In moving beyond the COVID-19 pandemic, we must remain

resilient and pursue sound economic and debt management policies that would position St. Kitts and Nevis in good stead for future sustainable economic growth. In that regard, it is expected that the policies that will be implemented by this Administration would translate into a decline of 1.1 percent in the Total Public Sector Debt by the end of 2022 in comparison to 2021. We therefore project that the Total Public Sector Debt would fall to \$1.59 billion or 62.8 percent of GDP at the end of 2022. As we look further outwards, we anticipate a continued reduction in the Total Public Sector Debt and the Debt-to-GDP ratio. In fact, with the forecasted reduction in the debt level for 2023, we expect that the Debt-to-GDP ratio will fall to 58.6 percent. Once this is realized, our country would achieve the 60 percent benchmark that was set for the Eastern Caribbean Currency Union (ECCU) ahead of the target year of 2035. The projected downward trajectory of the debt coupled with the forecasted economic growth over the medium-term are expected to result in a Debt-to-GDP ratio of 49.8 percent by 2025. The effective management of the Public Sector Debt and the cost of that debt are critical components of the promise that we made to the people of this country; that we would forge a new path to build resilience and provide better opportunities for a brighter future.

71. Regarding the economy, in 2023, real GDP growth is estimated to be 4.6 percent and 3.9 percent over the medium-term. The projected GDP growth rate is attributed mainly to the recovery of various economic sectors that were impacted by the prolonged effects of the COVID-19 pandemic. As the economy rebounds, moderate increases in economic activity are projected for the Tourism, Agriculture and Construction Sectors.
72. The Tourism Sector, which was most affected by the pandemic, is forecasted to grow by 30.1 percent in 2023 and 5.8 percent, on average, over the medium-term. Prospects for growth for the Sector would be contingent on increased tourist arrivals from stay-over visitors and cruise ship calls. As mentioned earlier, for the 2022/2023 cruise season, it is expected that over 900,000 passengers would arrive at our shores. A boost in regional travel is also anticipated. We welcome the operations of the new ferry service between St. Maarten, St. Eustatius, Saba and St. Kitts and Nevis. This is indeed an opportunity to improve connectivity with our neighbouring islands and reduce the cost of travel for our citizens and residents.

73. With respect to the Agriculture Sector, growth for 2023 is projected to be 7.1 percent and 8.5 percent over the medium-term. We intend to bring about transformative change to critical sub-sectors of the Agriculture Sector. To increase food production and reduce our food import bill by 25 percent by 2025, the focus will be on producing local priority crops and products that are highly imported in St. Kitts and Nevis. Additionally, greenhouses will be constructed to improve irrigation and pest control. It is expected that these initiatives would increase the Sector's contribution to GDP over the medium-term.
74. Construction activity continues to be the largest economic sector and is forecasted to grow by 3.7 percent in 2023 and 2.1 percent over the medium-term. The Public Sector infrastructure programme will continue in 2023 with the construction and resurfacing of roads, particularly the St. Peter's main road and roads in various residential developments around the island in support of the expected increase in housing construction. We also intend to advance plans for the design and construction of public buildings including a new hospital and new Basseterre High School. It is further anticipated that the Construction Sector will be positively impacted by Private Sector activity through the execution of a number of housing projects.
75. Madam Speaker, we are aware that the rising costs of food and fuel globally are significantly impacting local consumption and business activity. The increased cost of living also has the potential to negatively impact all sectors of the economy which are key to realizing the 4.6 percent growth projected for 2023. Our estimates of inflation indicate that it is expected to remain elevated as international price increases penetrate the local economy. For 2023, inflation is projected to be 2.3 percent compared to an average of negative 0.1 percent over the period 2019 to 2021. Notwithstanding, the Government will continue to provide targeted support to households and businesses to help curb the rising inflationary pressures.
76. Madam Speaker, our Government has received a mandate to oversee the transformation of the macroeconomic and social development of St. Kitts and Nevis as we traverse the post-COVID-19 era. To this end, we have outlined our vision in our Sustainable Island State Agenda which will guide this inclusive, people-focused, resilient development trajectory. It is clear that we are in congruence with Sustainable Development Goal #16 which suggests

that for us to sustain economic growth and development, our society must maintain high levels of peacefulness and inclusivity. It also suggests that justice should be provided to all, and we should have effective, accountable and well-managed institutions at all levels. The 2023 Budget plans, Madam Speaker, place emphasis on these critical areas as we aim to work via the various Line Ministries and other Public Entities to advance our homegrown Sustainable Island State Agenda.

77. Madam Speaker, the 2023 Estimates are, to a large extent guided by the Medium-Term Fiscal Framework developed by the Ministry of Finance to help determine the most sustainable fiscal path for the Government over the period 2023-2025. Based on that Framework, our Government is expecting to raise revenue in line with the projected GDP growth rate. The Estimates presented here today are therefore forecasting that the fiscal operations of the Government would result in an Overall Surplus of \$27.6 million for the 2023 fiscal year and an average of \$30.7 million over the period 2024 to 2025. Recurrent Revenue is projected to be approximately \$993.2 million for 2023 and \$945.6 million over the medium-term. The amount for Recurrent Expenditure would likely reach \$812.1 million for 2023 with an average annual total of \$820.6 million for fiscal years 2024 and 2025. The Public Sector Investment Programme reflects the Government's intention to implement capital projects that will ultimately lead to real economic growth and pave the way for developing a sustainable island state. In this regard, we are projecting \$178.8 million for Capital Expenditure in 2023 while, over the medium-term, outlays are expected to average about \$165.5 million.

78. In our fiscal planning for 2023, we quickly recognized that good fiscal governance must come from deliberate actions on the part of Ministries and Departments. The onus is on us to be responsible and prudent in the use of the Government's limited financial resources while executing the mandate that the people of this country have given us. Further, our Government will strive to ensure that the implementation of this Budget yields better value for money through improved management of the operations of all the Line Ministries and Departments. We have appointed a number of new Accounting Officers who are expected to bring the level of leadership necessary for the Government to achieve this important objective.

## Fiscal Measures and Other Strategic Interventions

79. Madam Speaker, the significant uncertainties and challenges that confront the global economy necessitate the development of realistic policies to minimize the impact of exogenous shocks that may emerge and affect us here in St. Kitts and Nevis. One aspect of our Fiscal Strategy is to have a predictable and stable revenue base that we can rely on to fund the various Public Sector programmes. The Medium-Term Fiscal Strategy will therefore focus on the following:

- ◇ Reducing the heavy reliance on CBI inflows to finance the execution of Government's recurrent programmes.
- ◇ Preserving the tax base by limiting discretionary concessions such that the granting of tax concessions would be based on the provisions of relevant legislation governing the tax regime.
- ◇ Continuing to strengthen the administration of the tax system including the review and enforcement of the policies to support taxpayer compliance.
- ◇ Assessing and actively pursuing the collection of arrears to Government Revenue Agencies.
- ◇ Containing and reprioritizing Government Expenditure.
- ◇ Designing an appropriate framework for the introduction of Fiscal Rules to guide and strengthen Government's fiscal operations.
- ◇ Completing the work for the establishment of a Sovereign Wealth Fund.
- ◇ Reviewing the Protection of Employment Act, specifically those sections that pertain to severance payments and Long Service Gratuity, to ensure that the Severance Payment Fund is sustainable, contributions to the Fund are adequate and any loopholes in the Legislation are closed.
- ◇ Completing the work necessary to facilitate the introduction of Unemployment Benefits Legislation.

- ◇ Re-assessing and centralizing the administration of the various Social Safety Net Programmes to ensure that the Programmes are sustainable and target those persons who are in need.

80. Madam Speaker, it was alarming to the new St. Kitts-Nevis Labour Party Administration Team to discover the extent to which the financing of the Government's operations has been relying on the CBI Programme. This is not sustainable and will not provide a solid foundation for us to build out our vision for a sustainable island state. Over the medium-term, we must therefore chart a different course by reducing the current heavy reliance on CBI inflows to finance the Government's operations. Development partners such as the International Monetary Fund (IMF) have, in the past, raised this as an issue for the Government to seriously consider as part of its work to strengthen the policy framework. Our vision is for the CBI revenue to be used to finance transformational projects in the Federation. The CBI Programme would be better utilized to bring about vast improvements in our country's Health and Education Sectors. It would be better utilized to enhance our public infrastructure including our roads and electricity and water supplies. The Programme could be of great assistance in the digital transformation of our economy as well as our transitioning of the green and blue economies. The development of resilient infrastructure would undoubtedly attract further investments to our shores and allow for our people to capitalize on emerging opportunities. It would play a key role in our goals of diversifying the economy and job creation.

81. Madam Speaker, we cannot continue to turn a blind eye to the steady erosion of the tax base as this is not consistent with international best practice in Public Financial Management. We understand that there is much room for improvement in the rate of compliance with the various tax legislation. I therefore encourage all citizens and residents to be responsible and honour your tax obligations as they become due. At the same time, we understand the need for the Government to do what we can to continue to support the recovery of our economy. We are also conscious of the need for a comprehensive review of the measures put in place to support businesses and households over the past two (2) years. The reality is that as economies across the globe regained growth, many countries have already dialled back their pandemic support. This trend suggests that our Government should make similar

policy decisions as the economy is demonstrating signs of rebound in practically all sectors and this trend is expected to follow in 2023. We are, however, cautiously optimistic and have determined that some of the core elements of the pandemic support would remain in place up to June 2023 by which time we hope to have had a comprehensive stocktaking and updated information on the actual state of affairs in our economy. Towards this end, our Government will continue to support the reduction of the Corporate Income Tax Rate from 33 percent to 25 percent for businesses that retain at least 75 percent of their employees and the reduction of the Unincorporated Business Tax Rate to 2 percent, down from 4 percent, until June 30 2023. This will allow for the time necessary for consultations with key stakeholders in the Private Sector to help determine the policy direction of the Government. We look forward to engaging with the public on these and other important matters concerning good tax governance.

82. Madam Speaker, the newly developed Ministry of Small Business and Entrepreneurship will focus its resources to promote opportunities for economic development through micro, small and medium-sized enterprises. The Ministry will become the primary conduit to provide technical support to the COVID-19 Recovery Micro, Small and Medium-Sized Business Fund established at the Development Bank of St. Kitts and Nevis. In collaboration with its business arm, the Small Business Development Centre, the new Ministry will provide training to our entrepreneurs in business procedures and marketing techniques. As part of its engagement with key stakeholders in the Public and Private Sectors, the Ministry will undertake a robust monitoring and evaluation programme in relation to those businesses which benefit from Government support whether financial or technical. In support of these efforts, Capital Expenditure totalling \$250,000 is being proposed as part of the incremental rollout of the Entrepreneurship and Innovation Development Project.

83. The COVID-19 Recovery Micro, Small and Medium-Sized Business Support Fund was established at the Development Bank of St. Kitts and Nevis in November 2022. The primary objective of establishing this Fund is to provide micro, small and medium-sized enterprises with better access to capital to fund business opportunities, innovative projects for business expansion or improvements in operations. It is anticipated that this support will assist recipients to sustain or restart output, operations, employment, improve



livelihoods and contribute to the economic recovery in the Federation. Our Government has earmarked the sum of \$20 million to support the development of our Small Business Sector via this initiative. In the coming year, we will expand the programme to other Financial Institutions, particularly, qualifying credit unions that are interested in partnership with the Government in this worthy facet of Nation building.

84. Madam Speaker, in addition to the plans for building up our basic infrastructure and housing stock, our Government intends to implement specific incentive packages that will help to drive construction in the country over the next five (5) years. The expansion of the First-Time Homeowners Programme is one of these initiatives. It is important for us to remember that it was a St. Kitts-Nevis Labour Party Administration that introduced this Programme in 2011. The Programme has delivered great utility and, to date, because of the innovation of a St. Kitts-Nevis Labour Party Administration, over 1,663 homeowners have benefitted from this Programme. We know that there are many more of our people who can benefit from this helping hand. Considering the upward movements in the cost of construction, especially in the post-pandemic era, we have determined that the level of duty-free concessions on building materials would be increased from the current allowance of \$400,000 to \$500,000. This will certainly assist our people who are constructing or renovating their homes to pursue their dreams of home ownership and, at the same time, make their individual contribution to the rebound in the Construction Sector. In this way, Madam Speaker, persons who can help themselves with the construction of their own home can do so without having to wait on the NHC to do it for them.

85. During the first half of 2023, we will develop the mechanisms for the design of various programmes identified to support implementation under the umbrella of the seven (7) pillars mentioned earlier. Some of these initiatives include:

- ◇ Providing diversified housing solutions such as bundles of building materials targeted at disadvantaged and marginalized youth.
- ◇ Introducing a programme to accelerate the pace of the installation of solar panels to help power more homes across the Federation and advance our green energy transition.

- ◇ Completing the design for the introduction of universal health insurance for all citizens and residents living in the Federation.
- ◇ Establishing a framework for the introduction of a low-cost student loan facility to assist more of our young people to pursue undergraduate and graduate studies.

## Conclusion

86. Madam Speaker, good governance is an important crosscutting theme for the implementation of our Sustainable Island State Agenda. We are particularly interested in ensuring that the Public Sector apparatus is underpinned by the important principles of citizen participation, the rule of law, transparency, accountability, integrity, responsiveness, and the absence of corruption and wrongdoing. In this regard, plans are advancing for the tabling of the Integrity in Public Life (Amendment) Bill, an Anti-Corruption Bill, and the Freedom of Information Bill. Further, we also plan to continue with important reforms related to the Public Procurement regime. Madam Speaker, we expect that these legislative interventions, once enacted, would set the stage for a new paradigm in St. Kitts and Nevis - one that is premised on the determent of corruption and the upholding of the rule of law. Already we have proven that this Government intends to have an ambitious legislative agenda. In four (4) short months, we have already had two (2) sittings of the National Assembly where the following pieces of legislation were enacted: Public Health (Amendment) Act, Civil Aviation (Amendment) Act, Companies (Amendment) Act, Small Business (Amendment) Act, and the Domestic Violence (Amendment) Act.

87. Madam Speaker, coming out of the recent 2023 Estimates process, I am even more convinced that the development imperatives of our country require us to pursue different approaches to the development of our country. Our people have already taken the first step by placing their Government in the hands of a caring, trustworthy and highly capable St. Kitts-Nevis Labour Party Team. The Budget process has also caused me to reflect on the year 2022 as I look back with pride at the resilience of our people. Through many unforeseen circumstances, we have managed to maintain a sense of calm and made our individual and

collective contributions to the stability of our country. Our economy is now on the rebound which is evident in many sectors. Although we are not yet up to pre-pandemic levels, we have a real opportunity to continue to rebuild the main sectors of our economy and make a headway in new areas of economic activity. For that reason, I feel grateful and optimistic about our future as a small sustainable island state.

88. Madam Speaker, our overarching strategy is clearly oriented towards creating a more sustainable path for the development of our twin island Federation. We must overcome the hurdles of lost ground during the last seven (7) years by jumpstarting the economy and pursuing our goal of transforming St. Kitts and Nevis into a sustainable island state. It is fortuitous that, with the combined efforts of our people working across our two islands, we are well poised to be among the top choices for international travellers. This speaks well for the full rebound of the Tourism industry. Over the next five (5) years, we will work together to improve resilience and sustainability of our Federation. Dedicated focus will be placed on food and nutrition security, building climate resilience, resilience to economic shocks, economic diversification (including exploring development of the green, blue and orange economies), and think differently and creatively to aid in the achievement of economic growth beyond the pre-pandemic years.
89. Our plans will be powered by our people as we will achieve very little without the hard work and determination of the men and women that ply their trade in the various sectors of the economy. The workers in the Public Sector have also done a tremendous job of keeping the wheels of Government turning even under the additional weight of the COVID-19 response. That is why today, as Prime Minister and Minister of Finance, I salute all workers on behalf of our Government. I say thank you to all the Civil Servants who contributed to the budget process. In particular, special thanks to the staff of the Ministry of Finance who have guided the process and completed a remarkable amount of work to produce the Estimates documents on time for the consideration of our National Assembly. We are aware that we cannot do the job of nation building alone and so we are asking for your continued dedication as we work together to transform and innovate the way forward for our country.

90. Madam Speaker, we are off to a good start and more good things are to come as we have a lot to accomplish in the coming year and over the next five (5) years. We are therefore taking a no-nonsense approach to fulfilling our mandate given by our people. The 2023 Estimates will help us to achieve some of our objectives and set the foundation for the full implementation of our plans over the succeeding four (4) years.

91. I am and will remain a humble Servant of the people.

92. May it please you, Madam Speaker. Thank you very much.