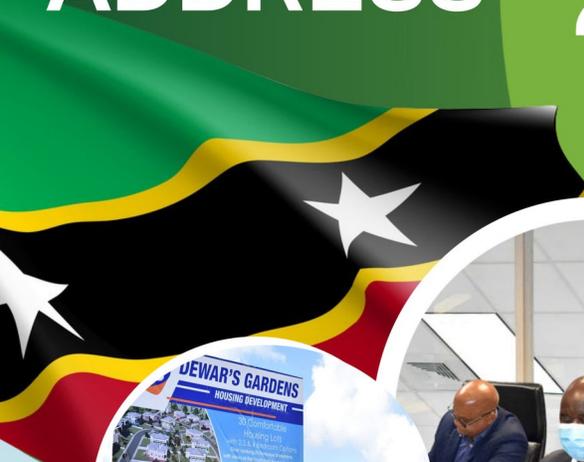




Government of
St. Kitts and Nevis

BUDGET ADDRESS 2022



INVESTING IN OUR PEOPLE- PUTTING ST.KITTS AND NEVIS BACK ON TRACK

Presented by Prime Minister and Minister of
Finance, Dr. the Honourable Timothy Harris
- Tuesday December 14th, 2021.

ST. CHRISTOPHER AND NEVIS

2022

BUDGET ADDRESS

1. Mr. Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation Act (2022), 2021.

INTRODUCTION

2. Mr. Speaker, we have been grappling with the most devastating health and economic crises in our lifetime for the last 21 months. These crises have toppled economies and health systems around the world. Nevertheless, we have managed to survive and we have done a remarkable job as a Small Island Developing State to withstand the pressures of this COVID-19 pandemic. My Team Unity Government has always put the people of this Federation first in all that we do. This has been clearly demonstrated even during this period of challenge. My Team Unity Government swiftly responded to the pandemic by implementing the necessary measures to save lives, preserve livelihoods and protect our fragile economy. By the end of 2020, we had the best scorecard on the management of COVID-19 in the Western Hemisphere.
3. By any standard, our COVID-19 Response Teams have done a tremendous service on behalf of our Country and they deserve our full commendation for their great service. With the support of many citizens and residents who volunteered to take the vaccine, our Country has met and surpassed the World Health Organisation's (WHO's) target of 40 percent of the population being vaccinated by the end of 2021. As at 12th December 2021, 80.8 percent of the adult population in St. Kitts and Nevis had received their first shot and 74.5 percent were fully vaccinated. Our efforts here in the Federation have not gone unnoticed. St. Kitts and Nevis has been recognized and celebrated for its good performance in terms of the implementation of our vaccination programme which started in February of this year. I say a hearty thank you to those citizens and residents who have volunteered to be vaccinated, helping us to save lives, protect livelihoods and ensure that our Country has the best chance of recovering from the impact of the pandemic. Additionally, we have administered a first dose of the vaccine to 15.0 percent of our children 12 to 17 years old and 12.7 percent of them have been fully vaccinated.

4. It is with our future prospects and aspirations in mind that we have decided to adopt the theme for this budget, “**Investing in Our People – Putting St. Kitts and Nevis Back on Track**”. This theme represents the unwavering commitment of this Team Unity Government to continue to invest in the lives of all our citizens and residents, their future and their children’s future. It also signals my Government’s desire to get our Country back on track to achieving our developmental priorities.
5. My Administration has made substantial investments in our people by securing the necessary vaccines and putting in place a response regime that has not only kept our people safe but has also averted the collapse of our economy. To God be the Glory. Clearly now our citizens and residents can look forward to the promised stronger and safer future. The International Monetary Fund (IMF) projections indicated that St. Kitts and Nevis will realize a 10.0 percent economic growth in 2022. This budget is yet another tool to ensure that St. Kitts and Nevis can realize this optimistic growth forecast.
6. Mr. Speaker, this Budget makes provisions for the continuation of the excellent work that this Team Unity Government has been doing. Only a few months ago, this Team Unity Administration provided a second stimulus package bringing relief and support to our people. This stimulus package, like the first we delivered in the earlier stages of the pandemic, was targeted and comprehensive. This stimulus package was another major investment in the quality of life of our people.
7. Mr. Speaker, the two stimulus packages are underpinned by the compassion and care that my Government has for our people. My Team Unity Government, recognising the impact the Coronavirus would have on the socio-economic environment within the Federation, took immediate action to assist the most vulnerable within our society, as well as those persons that saw their livelihoods eroded or seriously hampered. As you would recall from the 2021 Budget, the resources for the Poverty Alleviation Programme were scaled up to address the needs of those individuals whose household income had fallen below the monthly \$3,000 threshold as a result of the COVID-19 pandemic. An additional 1,056 persons were added to the PAP since the start of the pandemic in 2020 of which approximately 65 percent were women. Our actions not only reflect our

commitment to investing in our people, but reaffirm our commitment to supporting the most vulnerable, and our commitment to ensuring that everyone enjoys the stronger, safer future, regardless of age, gender and socio-economic standing. As at November 2021, the Government had expended \$86.2 million on the PAP since its inception in December 2018. A sum of \$6.1 million has been spent in direct support of households that were affected by COVID-19.

8. In addition, over 3,050 applications were approved under the new round of the Income Support Programme and approximately \$8 million was paid to the beneficiaries. In terms of the Disability Support Programme, 157 families have benefited from a payout of \$390,500. Another people-centered element of our stimulus package was the Fuel Subsidy Programme that was designed to provide support to the owners of passenger buses who have been negatively impacted as a result of the COVID-19 pandemic and were not receiving any other form of income. Under this initiative a total of 109 bus owners have benefited from a payout of \$129,800. These three programmes have provided an essential lifeline for many individuals who were finding it difficult to provide for themselves and their families.
9. The strategy that the Government deployed over the last several months resulted in a significant investment in our people at a time when they most needed help to withstand the challenges and dislocations brought on by the pandemic. It is clear that our investments have helped to set the stage for our Country to get back on track thereby creating a stronger, safer future for all our people. By the second half of 2021, we saw the signs of a rebound in the domestic economy. We are hopeful that the positive signs observed in the major growth sectors of the economy would be sustained beyond 2021 and over the medium term. This would be critical for our Country to realize the double digit growth rate predicted by the IMF and our Statistics Department for 2022. We intend to continue our enhanced surveillance of activities on the ground to ensure that the Public Sector remains responsive to the needs of our people.
10. Mr. Speaker, while we have focused our attention primarily on overcoming the challenges posed by the COVID-19 pandemic, we must now also increase our focus on

some of the long-term issues confronting us as a Small Island Developing State. We must address the issue of slowing productivity growth, climate change, and the ever-changing global financial architecture. It is therefore our intention to use this 2022 Budget to strategically direct investment in our people, into infrastructure development and institutional strengthening, thereby putting our Country back on track to achieve our development goals. We encourage and solicit the full participation of the Private Sector in order to deliver an even stronger economic growth scorecard for our people.

11. I now take a quick look at the most recent international and regional macro-economic developments.

INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

12. Mr. Speaker, the global economic output is expected to increase by 4.9 percent in 2022. Global downside risks include supply chain disruptions, the ongoing social unrest, geopolitical tensions, cyberattacks on critical infrastructure and the impact of severe natural disasters.

13. Mr. Speaker, the economies in the Eastern Caribbean Currency Union (ECCU) recorded a decline in real GDP of 14.0 percent in 2020. This decline in economic activity was attributed to significant contractions in key sectors such as Tourism (63.2 percent); Transport, Storage and Communications (25.7 percent); Construction (17.1 percent); and Wholesale and Retail (12.4 percent). The contraction in the ECCU economies in 2020 ranged from a decline of 2.7 percent to 23.8 percent. The 2022 growth prospects within the Currency Union is projected at 6.9 percent and would be contingent on a number of critical variables including the rate of uptake of available vaccines, the occurrence of natural disasters, and the emergence of new variants and waves of the virus across the Currency Union and in the tourism and investment source markets.

14. I will now turn attention to the Domestic Economy.

THE DOMESTIC ECONOMY

Fiscal and Economic Landscape

15. Mr. Speaker, as the COVID-19 pandemic continues to test the fortitude and resilience of the citizens and residents of our Federation and our economy at large, I am honoured to report that the Team Unity Administration maintained its record of being a good steward of the Government's finances. That fortitude and resilience were demonstrated in the outturn of the Government's fiscal operations for the 2020 fiscal year when a Recurrent Account Surplus of \$40.8 million was achieved. Needless to say, the main priority of my Government was and still is the protection of lives and livelihoods of the citizens and residents of this Federation. This has been the focus of my Government over the past 21 months. The Team Unity Government is very much aware of the hardships faced by individuals and businesses alike as a direct result of the pandemic. Consequently, being the caring and compassionate Government that we are, as I mentioned earlier, we rolled out a very substantial stimulus package to ease the burden on our people. At the same time, my Government continued to execute capital programmes that would boost economic activity in the Country. Whilst the funds expended for capital projects in 2020 contributed to an Overall Deficit of \$63.4 million, my Government deemed it important to continue programmes that would result in job creation and spur economic activity in key sectors. Ordinarily, our fiscal policy does not support the running of deficits on any of the major accounts, however, it is our firm view that our decision to incur the above-mentioned deficit positions was a sensible one. Indeed, this was a direct result of our commitment to investing in our people, even in the face of the worst health and economic crises which resulted in diminished revenues and required a much larger outlay of expenditure in certain areas especially Health and National Security. Moreover, we took a calculated decision to ease the pressure on consumers and businesses by waiving, deferring, and reducing taxes.

16. As expected, the pandemic adversely impacted the profitability of several businesses, especially those in the Tourism Sector. This, coupled with the revenue foregone from some of the stimulus relief measures and an overall reduction in the level of imports, caused the Government's Total Revenue and Grants of \$707.5 million for 2020 to be 17.4 percent below the target. Total Expenditure, on the other hand, amounted to \$770.9 million by the end of the 2020 fiscal year. This Expenditure outturn was 4.7 percent lower than the budget which is testament to our ability to prudently manage the public finances and satisfactorily provide essential services such as Health Care, Education and National Security. Approximately \$39.5 million was expended in 2020 on COVID-19 related matters as my Government swiftly responded to the needs of our people. The sum of \$14.0 million was spent on the Health Sector and for National Security to secure, inter alia, medical practitioners, equipment, vaccines and quarantine sites. Another \$9.6 million was injected into the Agriculture Sector to boost the food supply in the Federation and a further \$15.7 million to capitalize the Severance Payment Fund as claims for severance payments reached unprecedented levels in 2020. Financial support of \$7.0 million was also provided in 2020 to the St. Christopher Air and Sea Ports Authority (SCASPA) as a consequence of the severe impact of the pandemic on its finances.
17. Fortunately, Mr. Speaker, despite the unforeseen expenditure, there was little impact on the Public Sector Debt. The Debt-to-GDP ratio, however, increased from 54.3 percent at the end of 2019 to 67.9 percent at the end of 2020. The 13.6 percentage point decline in economic activity in 2020 was the primary reason for the increase in the ratio. However, as a result of our comprehensive stimulus packages, we are already seeing a rebound in economic activity and this will bring a further positive realignment of our Debt-to-GDP ratio.
18. Mr. Speaker, my Administration fully agrees with the United Nations Secretary General, Antonio Guterres, when he stated that, "The recovery from the COVID-19 crisis must lead to a different economy". Therefore, in June of this year, we commenced the consultative process within the Private and Public Sectors and civil society to facilitate the development of our post-COVID-19 Economic Recovery Strategy. This document will

focus on key growth sectors with the aim of building resilience through the enhancement of established economic drivers such as tourism, agriculture and manufacturing. Attention would also be focused on exploring avenues to diversify into the green, blue and knowledge economies, creatives and innovation. Additionally, my Administration will continue to play its part to advance our micro, small and medium enterprises, human resource development, the building of a digital society, resilient infrastructure and a robust health system. This Strategy will be the foundation of a long-term National Development Plan which will guide the Federation's advancement to becoming a sustainable island State.

SUSTAINING INVESTMENTS AND PUTTING OUR ECONOMY BACK ON TRACK

ECONOMIC EXPANSION

Construction

19. Mr. Speaker, the Construction Sector has recorded cyclical changes during various periods over the history of our development. However, the speed and severity of the disruptions in investment in the Sector as a result of the COVID-19 pandemic have been unprecedented. The lockdown of economies and closure of borders, and the outbreak and surges of the virus across the globe hampered the buoyancy of the Construction Sector. We remain hopeful that there would be improvements in the performance of the Sector by the end of 2021. We expect that the investments made by my Government in projects such as the Upgrade of the Island Main Road, Rehabilitation of Old Road Bay and the Road Improvement Project combined with an upturn in residential construction would positively impact the outturn for the Sector.

20. Compared to the previous year, there have been notable signs of a rebound in residential and commercial construction. The ECCB Credit by Economic Sector statistics revealed that mortgage lending increased by 5.1 percent to \$512.1 million in the first half of 2021 when compared to the same period in 2020. The increase in lending was attributed to the construction of residential single-family homes (7.0 percent) and commercial property (16.0 percent) which resulted in a total investment of \$334.2 million during the period. Further, the Development Bank of St. Kitts and Nevis approved 50 loans with a total value of \$7.4 million for home construction, renovations and land purchases.
21. Mr. Speaker, the National Housing Corporation (NHC) remains a vital partner in bringing my Government's housing revolution into reality. Despite the challenges posed by the pandemic, the Corporation facilitated the construction of eighty-four (84) homes under the UNITY Housing Programme. Cognizant of the demand for housing, my Administration facilitated the construction of twenty-five (25) homes under the National Programme for the Realization of Individual Dreams and Empowerment (PRIDE). As at September 2021, twelve (12) of these homes had been completed and the remaining thirteen (13) are slated to be finished by the end of the year. The provision of homes by the NHC requires that road infrastructure be included to facilitate ease of access by homeowners and service vehicles. To this end, the NHC undertook the construction of road networks within a number of communities including, Pine Gardens Housing Development, Cunningham Heights, Spooners Gap, Conaree and Parry Village. This represents an investment of \$8.3 million. My Government has remained committed to providing access to well established and new residential developments which fall beyond the mandate of the NHC in order to ensure safety and facilitate further development. My Government will continue to invest in initiatives that deliver safety to our people. The Road Improvement Project has facilitated this process recording a total investment of approximately \$54.4 million during the period 2015 to 2020. As at June 2021, my Administration completed the resurfacing of roads in the communities of Conaree, Half Moon Bay and St. Peter's and constructed new carriageways in the Garvey's West Land Development, Crab Hill Heights Development and Godwin Ghaut with an investment total of \$10.0 million. This critical work will

remain on my Government's agenda in 2022. Any investment in the safety and security of our people is an investment we will always be willing to pursue.

22. In September of this year, my Government was successful in providing the opportunity for home ownership to twenty-four (24) deserving individuals with the distribution of condominiums at Wellington Road. This first phase of the rejuvenation of that urban area was made possible through the partnership of my Government and the Bolivarian Republic of Venezuela. This was a crowning achievement for the Corporation which celebrated twenty-five (25) years of nation building during that same month. I use this opportunity to congratulate NHC on reaching its silver anniversary and commend its leadership that has already articulated plans to undertake Phase II of the Wellington Road redevelopment initiative and additional developments in the hope of further addressing the housing needs of our people. I encourage persons who have resumed work to commence payments to the Corporation to ensure the financial viability of the entity that aims to serve you and others.

23. Mr. Speaker, despite the negative impact of the pandemic on the global economy which has shown the potential to dampen investment, the number of proposals for foreign and local investment projects received by the St. Kitts Investment Promotion Agency has increased in 2021. This can be attributed to the Agency's proactive approach to continue engagement with existing and potential investors through the implementation of a robust online marketing and promotion campaign, utilizing webinars and online conferences. As a result, the value of the portfolio of projects has increased significantly. Foreign Direct Investment remains a critical element in the economic recovery process. Overall, the good news is that the medium term outlook for the Construction Sector is positive with an expected growth rate in the region of 11.7 percent in 2022. We are working to ensure that the Construction Sector is put back on track and we invite the Private Sector to come on board to ensure that this is achieved not only in 2022 but is sustained over the medium term.

Agriculture

24. Mr. Speaker, the American lawyer and statesman, Daniel Webster, said “Let us not forget that the cultivation of the earth is the most important labor of man. When tillage begins, other arts will follow. The farmers, therefore, are the founders of civilization.” At no time has this statement proven more accurate than during this period of socio-economic fallout caused by the COVID-19 pandemic. The Team Unity Administration is cognizant that food safety, and food security and nutrition are two important elements in ensuring the building of resilience in the health and wellbeing of our people. In 2020, as the pandemic expanded globally and started disrupting supply chains, my Government intensified efforts in order to ensure our local supply of nutritious food remained stable. Our goal, to produce more of what we consume, continues to align with our commitment to making strides in achieving Sustainable Development Goals #2 – Zero Hunger and #12 – Responsible Consumption and Production. The injection of approximately \$10 million to boost production in the Agriculture Sector and ensure greater food security for the Federation has helped in this regard. Many farmers and fishers received well needed assistance to sustain them during a most difficult period. Building on the support provided in 2020 through the COVID-19 Economic Stimulus Package, my Government again took the unprecedented decision to provide further support to the Agriculture Sector through the provision of an additional \$10.0 million dedicated boosting production and improving food security. Of this amount, \$3.0 million was provided in the 2021 Estimates while an amount of \$4.0 million is being proposed for the 2022 Estimates. As at June 2021, over 220 farmers had received support under Phase II of this important initiative. These efforts combined with the revitalization of the Fahies Outreach Center and the re-establishment of farms at the Fahies settlement district have resulted in positive outturns in the Sector during 2021.

25. The Public Sector investments in the Agriculture Sector have enabled the crops sub-sector to record an increase in yield of 27.2 percent as at August of this year with positive outturn in cabbage, cantaloupe, carrot, onion, pineapple, sweet potato, watermelon and yam cultivation. I use this opportunity to thank the Republic of China (Taiwan) for its

support in facilitating the distribution of 15,000 pineapple suckers to crop farmers as we focus on the revival of the pineapple industry in the Federation. As we endeavour to transform and improve output from the Agriculture Sector, the integration of technology has become vital to facilitate timely and accurate collection and dissemination of data. In this regard, the Ministry of Agriculture has implemented the use of the Kobo Toolbox which is an open source application adapted to enable Extension Officers to collect data in the field and enable the generation of summary reports and maps. This access to real time data will increase the reliability of crop forecasting and improve coordination of the importation of specific crops when required.

26. Mr. Speaker, a critical component in crop production is the access to water which continues to be limited in some farming areas. As climate change is manifested in the form of severe dry periods or extensive wet periods which result in soil erosion and over saturation, the Ministry of Agriculture is seeking solutions to assist farmers. In this regard, we have initiated action on a new project financed by the Food and Agriculture Organisation (FAO). This initiative would continue into 2022 where we hope to achieve a number of important objectives including introducing technological innovations such as solar powered irrigation systems.

27. Mr. Speaker, the livestock sub-sector has had its share of challenges which included the prevalence of the Tropical Bont Tick and Dermatophilosis followed by the onset of the COVID-19 pandemic. The implementation of the Tropical Bont Tick and Dermatophilosis Control Programme has resulted in the Department of Agriculture and farmers working together to arrest the spread of the disease. The achievements to date are quite encouraging with livestock production expanding by 10.0 percent as at August of this year when compared to the same period in 2020. Positive out turns were recorded in pork, mutton and beef production. It is anticipated that the sub-sector will continue to yield positive returns in 2022. My Government will continue to foster meaningful partnerships to advance research and development in this sub-sector to ensure a sustainable livestock sub-sector which contributes to the good health of our people. My

Team Unity Administration will continue to provide financial and technical assistance to the farmers as part of our plans to invest in our people.

28. My Government, recognising the importance of the Fisheries sub-sector as a valuable source of nutrition and livelihoods, made notable investments to help counter some of the Sector specific negative impacts of the pandemic. As a result, 230 fishers received assistance with fishing gear and other relevant supplies. The increased investment in the Sector has resulted in overall fish landings totalling 618,890 lbs during the period January to October 2021 with a landed value of \$6.9 million. The investment made to date has shown significant positive returns. My Government will therefore pursue a number of initiatives in 2022 focused on value chain development to increase production efficiency at every stage. The Department of Marine Resources will continue its robust ocean literacy and training mandate which provides training in several areas including safety at sea and responsible interaction with marine species. In addition, the Department will also continue its collaboration with the Bureau of Standards to enhance the food and safety surveillance. This will include enforcing important standards in the fish processing and service facilities as well as improve the technical guidance and resources necessary to assist our marine users.

29. My Government will seek to further transform and develop the Agriculture Sector through the required enhancements of human capacity in both the Public and Private Sectors. The Ministry of Agriculture in collaboration with the Ministry of Education has created opportunities for the students of the Clarence Fitzroy Bryant College (CFBC) to become exposed to all aspects of Agriculture. The objectives of these efforts are to rebrand the Sector and attract young and innovative persons by facilitating an understanding that agriculture requires expertise in fields such as climatology, science, technology, research and development, business and nutrition. Through this partnership between CFBC and the Ministry of Agriculture, internships for students enrolled in the Agricultural Studies Programme have been provided to enhance their exposure to agro-processing and laboratory techniques. These efforts are already yielding results such as improved food security here in the Federation. My Government will continue to make the necessary

investment in our people engaged in the Agriculture Sector, and we will vigorously pursue our related Developmental Goals through this avenue.

Tourism

30. The Tourism Sector, a key contributor to economic activity in the Federation, has borne the full brunt of the economic fallout from the COVID-19 pandemic. Experts in the travel industry are, however, hopeful for a return to pre-pandemic global travel levels by 2023. Notwithstanding the challenges, my Government has initiated a strategy for putting the Tourism Sector back on track. Our strategy is designed to allow the Sector to continue to act as a catalyst for substantial socio-economic growth and development through the creation of employment, spurring entrepreneurship, and infrastructure development. At this juncture, my Government remains cautiously optimistic as we endeavour to maintain a careful balance between protecting lives and livelihoods to ensure a sustained recovery in the Sector. We are optimistic that our high vaccination rate, clearly articulated prevention and control measures and reduced quarantine restrictions will positively impact our marketing strategy to attract visitors searching for an authentic Caribbean vacation. The St. Kitts Tourism Authority has deployed various marketing strategies including public relations engagements, social media blitzes, digital marketing and contests with prize-trips to St. Kitts. These actions were designed to maintain brand awareness and influence prospective travelers to choose St. Kitts as a safe destination which guarantees a great vacation experience at one of our 'Travel Approved' hotels.
31. Mr. Speaker, our actions to put the Tourism Sector back on track started several months ago with negotiations and the roll out of a targeted marketing strategy with activities in our source markets including the United States, Canada and the United Kingdom. To support these efforts, the St. Kitts Tourism Authority, the Nevis Tourism Authority, the Ministry of Health, the National COVID-19 Task Force, and other committed partners developed *The St. Kitts & Nevis COVID-19 Health and Safety Protocols* to provide guidance to all tourism-related businesses to control the spread of the virus in the

Federation. Subsequently, the *Travel Approved Training and Certification Programme* was initiated to train industry workers in sector-specific health and safety measures. I am pleased to report that, as at November 2021, this Programme has trained and certified a total of 5,641 persons. This is good evidence that many of our people are committed to the preservation of health and safety in the Sector and to the revival of the Sector. The situation remains fluid and therefore my Government remains committed to working with industry partners to ensure that all relevant information and training are provided as we work our way out of this unprecedented and difficult period.

32. Mr. Speaker, our ports of entry are gateways to the Federation. My Government has made significant investments to ensure the safety and security of our ports of entry and to preserve traveler health and safety without compromising user comfort and experience. The health and safety protocols would go a long way in helping the recovery process particularly as it relates to revitalizing the stay-over tourist arrivals. As a result of our longstanding arrangements with airlines such as American Airlines, Delta, Seaborne and LIAT, we have been able to restart regular airlift to the RLB International Airport. I am pleased to report that Air Canada will re-introduced its non-stop service from Toronto to Basseterre on 19th December 2021. Additionally, restrictions were lifted on 1st September 2021 for travelers from the United Kingdom enabling British Airways to resume its twice weekly service from Gatwick from 3rd October 2021. Likewise, American Airlines resumed flights from 2nd November 2021 inclusive of daily and weekly rotations from Miami, Charlotte, North Carolina, and New York. We are hopeful that the trends will be strengthened to surpass our pre-COVID passenger arrival numbers over the medium term.

33. With respect to the cruise industry, St. Kitts and Nevis made phenomenal strides in the recent past having recorded the fastest growth in cruise tourism in the OECS, recording over one million passengers visiting our destination during 2018 and 2019 respectively and the attainment of the marquis status. This solid performance provides the foundation on which my Government will implement our post-COVID-19 recovery process for the cruise industry. We have continued to dialogue with all cruise lines with which we have established positive relationships over the years. In collaboration Caribbean Public Health

Agency (CARPHA), my Government facilitated the development of protocols for port calls and excursions.

34. Mr. Speaker, My Government remains committed to supporting the recovery and expansion of the Tourism Sector and as such we are working in conjunction with the various stakeholders to address the emerging issues related to operating in the industry while living with the Coronavirus and staying within the boundaries of the new normal standards. We will work together to find solutions so that the industry can be effectively brought back on track to provide more jobs and generate income for all persons who depend on tourism for a livelihood. We are optimistic that, in 2022, the Sector would grow by 109.6 percent and contribute 4.7 percent to GDP. We are therefore proposing that a total of \$32.7 million be provided in the 2022 Estimates to support the work of the Ministry of Tourism and the St. Kitts Tourism Authority. We also take this opportunity to thank all our partners in the industry who continue to work tirelessly to ensure the industry is returned to pre-pandemic vitality in the quickest time possible. Barring adverse developments resulting from variants like Delta and Omicron, a stronger and safer future is assured for all stakeholders in the industry. The Sector will also benefit from significant renovation work at the St. Kitts Marriott Resort, Kittitian Hill/ Belmont Resort, and the recently opened Ramada Inn.

Micro Small and Medium Enterprises

35. Mr. Speaker, COVID-19 exposed vulnerabilities in supply chains regionally and internationally. Businesses have been forced to assess the implications of possible disruptions to their operations, to identify alternative source markets, and to take advantage of opportunities that would make their businesses more resilient. My Government recognises the opportunities that exist even during this challenging period. We aim to strengthen existing and forge new trading partnerships and support the efforts of the Private Sector, particularly our MSMEs, to re-skill and re-tool to face a business environment forever changed by this pandemic. In fulfilling this commitment, the

Ministry of International Trade, Industry, Commerce and Consumer Affairs has remained vigilant in its goal to ensure that our national interests are at the centre of our negotiations of economic and trading partnerships.

36. My Government has taken a visionary approach to the development of entrepreneurs across the different sectors providing support that will advance the talent and innovative spirit of our people. This endeavour commenced in August 2016 with the creation of the Small Business Development Centre (SBDC) within the Ministry of International Trade, Industry, Commerce and Consumer Affairs to provide proficient and ongoing technical assistance to support our MSMEs in the areas of business plan development and training, assistance with import duty concession applications and general business counseling. Further, my visionary Government recognised that there was a need to become more strategic about fostering the development of an industry that allows Creatives and Innovators to establish and grow their businesses. As a result, in June 2020, the Ministry of Entrepreneurship, and Communications was created with the mandate to transform the Entertainment, Creative and Innovative industries in St. Kitts and Nevis. It is intended that both Ministries will advance the respective mandates while fostering a collaborative approach. This will enable our MSMEs to not only survive the pandemic but become engines of development and creators of employment going forward.

37. Earlier this year, the Small Business Development Centre and the Ministry of Entrepreneurship and Communications collaborated on an important regional project aptly named, *‘Strengthening the Innovation and Entrepreneurship Ecosystem in the Organisation of Eastern Caribbean States’*. This undertaking is being supported by the Compete Caribbean Partnership Facility in collaboration with the OECS Commission. The goal of this initiative is to strengthen the ecosystems such as norms and practices that create the conditions for productive entrepreneurship and innovation in a manner that creates measurable impact. To this end, focus is being placed on the development and implementation of business incubator and accelerator programmes which will cover four (4) thematic areas:

- promoting and supporting digitization of services within the OECS;

- supporting economic rejuvenation in the OECS, especially through the exploitation of new and innovative growth opportunities that have emerged during the pandemic;
- providing technical assistance to MSMEs to support their recovery and growth; and
- fostering an evidence-based approach for growth and resilience building.

38. The incubator and accelerator programmes will focus on firms across the various sectors that are technology-based or technology enabled. The areas to be targeted include agriculture, agribusiness, aquaculture, the green and blue economy, culture and creative industries. The Ministry will implement initiatives and provide the vital foundation that will buttress our MSMEs to continue to modernize and improve their opportunities to become key players in a global market.

39. Mr. Speaker, the development of our national quality regime is critical to the expansion of the Private Sector. Bearing this in mind, the Bureau of Standards has advanced the plans to develop what would be the first metrology mass laboratory in the Leeward Islands. Upon completion, the Bureau would have the capacity to calibrate its standard weights and thereby provide an extended range of services to the various businesses here in the Federation and to neighboring islands. This service would help to reduce the cost of doing business for many entities that currently have to send the standard weights overseas for processing. In addition, the Multi-purpose Laboratory is on track to meet its commitment as an established trade laboratory for the Federation of St. Kitts and Nevis under the World Trade Organisation - Trade Facilitation Agreement by the end of 2021. This would be a major achievement which would increase the ability of our businesses to engage in cross border trade while ensuring compliance with national, regional and international standards as we aim to pivot to a transformational and resilient recovery.

Information and Communications Technology (ICT)

40. Mr. Speaker, my Government remains fully committed to the development of a digital economy here in our Federation. To date, we have made some important steps to improve connectivity within the Public Service, provide digital education for Public

Servants and develop a cybersecurity framework. The experiences emanating from operating in a COVID-19 environment have, however, accentuated some gaps which limit the opportunity for the Country to benefit fully from digital transformation. In the coming years, we will work to build out the infrastructure necessary to support a digital Government. We would also pursue a comprehensive digital system that would significantly reduce the heavy reliance on paper-based processes and documentation in the Civil Service. It would also be necessary for attention to be given to building technical skills and knowledge in the use of digital technology to improve efficiency in the Public Sector and the wider community.

41. Over the past year, the Ministry of Health and the Ministry of National Security have led the way in the rollout of digital Government services. The efforts by these two Government entities have served to improve efficiency in the management of some of the essential COVID-19 related services. The Ministry of Health took proactive steps to develop needed databases to strengthen the decision-making process in our fight against COVID-19. By the end of the first quarter this year, the SKN COVID-19 Vaccine Information System was launched. This new digitally based system has proven invaluable in the roll out and management of our successful COVID-19 Vaccination Programme. This allows for electronic tracking and verification of the vaccination status of citizens and residents. Work is also very advanced and nearing completion of a Contact Tracing application to facilitate the case management of individuals affected by COVID-19. This application will enable the identification and documentation of travelers and positive COVID-19 cases along with their known contacts utilising a Global Positioning System. This case management application will allow for monitoring of adherence to quarantine protocols and provide direct communication with the health authorities including the ability to request assistance when needed. In addition, the Ministry of National Security developed and launched the KNATravel Form which can be accessed on an online portal at www.knatravelform.kn. This has helped to facilitate the smooth implementation of the new entry procedures for all persons travelling to the Federation via air.
42. The Ministry of National Security has also moved to expand e-Government services by administering the Drivers' License Written Examinations, inclusive of the

issuance of the candidates' tests results, online. St. Kitts and Nevis will, in 2022, launch its e-Passport with a new concept design. In addition to moving from a 32 to 48-page passport, this new passport will incorporate advanced security features using illustrations of relevant and iconic visuals of both St. Kitts and Nevis on its pages, thereby greatly reducing the likelihood of forgery. The new e-Passport will contain a microchip and will adhere to the highest international standards. The application process also will include an enhanced and more secure e-Passport processing system with biometric features to validate applicants and help combat identity fraud. The e-Passport will continue to ensure that St. Kitts and Nevis is at the forefront of technology. It will enhance the travel experience for citizens and residents and will be a source of national pride now and in the future.

43. Mr. Speaker, while addressing the challenges of today, we remain focused on creating the necessary environment to boost the economy during the period of recovery that lies ahead. We therefore propose that the 2022 Budget gives priority to the implementation of initiatives that are targeted at developing the three (3) pillars identified to enable digital transformation in the Public Sector which are: the People, the Processes, and the Technology. We will continue to invest in the development of our Public Servants to enhance efficiency and effectiveness in the delivery of services to our citizens and residents. We will also ensure synergies between our goal to achieve digital transformation and the development and expansion of entrepreneurs particularly our Creatives and Innovators, through continued partnerships across agencies and sectors such as the Small Business Development Centre, the Department of Culture, the Ministry of Education and other thriving business operators. We will also continue the important partnership with The CABLE which has strategically positioned itself to fully support the Digital Transformation in St. Kitts and Nevis.

44. Mr. Speaker, my Government welcomes the progressive involvement of the Private Sector in the development of a digital economy here in our Federation. The CABLE continues to demonstrate its corporate responsibility by providing a Small, Medium Business package of 100 Megabytes, providing three times the speed for a minimal increase in fee. Additionally, nine (9) free Wi-Fi hotspots were installed in

downtown Basseterre, providing connectivity to approximately 20,000 residents and visitors each month. Also, The CABLE continues to provide free internet access to 17 Community Centers. It is uniquely poised to maintain productivity and advance connectivity throughout the entire island using its fibre optic cables. The CABLE will begin to connect homes in communities to its new underground fibre broadband network in the new year. This is an important element in facilitating the very important objective of the Government to develop a digital society where affordable and accessible high speed internet is available to all.

Citizenship By Investment Programme

45. Mr. Speaker, the ability of our Federation to weather the economic storm caused by the pandemic was significantly influenced by the continued success of our Citizenship by Investment (CBI) Programme. Undoubtedly, our CBI Programme has maintained its ranking as one of the best in the industry. In fact, the latest grading by the Financial Times' Professional Wealth Management magazine rated St. Kitts and Nevis as being Number 1 with perfect rankings in Ease of Processing, Due Diligence, Citizenship Timeline, Family, and Mandatory Travel or Residence. Moreover, the Programme once again received the highest score in the Citizenship Timeline pillar as a result of its Accelerated Application Process.

46. The robust procedures that are imbedded into the Programme have enabled us to maintain our Platinum Brand and have ensured that we retain a significant share in the major markets around the world. This is not something that we take for granted. We are very much aware of competing forces and as such we have had to be innovative to be able to maintain our status without compromising the integrity of the Programme. It was in this context that, in 2021, we created a new investment type under the CBI Programme – the Alternative Investment Option. This option provides investors with another means by which to gain economic citizenship while contributing to the overall development of the Country. It would involve projects that would spur economic activity in the Federation,

create jobs, and facilitate the transformation of the Country in line with the Government's Development Agenda. The success of this initiative would redound to the benefit of the people of this Country and would certainly go a long way in putting St. Kitts and Nevis back on track.

Medicinal Cannabis Industry

47. Mr. Speaker, the Medicinal Cannabis Industry has attracted significant interest around the world. St. Kitts and Nevis is working assiduously to seize all opportunities within the industry. The Federation will seek to collaborate with neighbouring islands in the sub region and wider Caribbean, as well as to establish relationships with global cannabis professionals and entities to build a thriving medicinal Cannabis Industry. St. Kitts and Nevis passed the Cannabis Bill in the National Assembly on 12th February 2020. This provided the legislative framework for the operationalization of the Medicinal Cannabis Industry and the establishment of the St. Kitts and Nevis Medicinal Cannabis Authority which was instituted on 30th April 2021. This Industry is expected to create new opportunities for local businesses which will generate new jobs and become a new source of revenue for the Government. It also presents an excellent opportunity for investors.

48. The Government of St. Kitts and Nevis will guarantee that the industry benefits all our citizens. My Government will work to ensure that the Medicinal Cannabis Authority is provided with the necessary resources to achieve its goals and objectives in 2022. While local and foreign investment will facilitate the commercialization of the Cannabis Sector in St. Kitts and Nevis, the Government will ensure that the regulatory measures will help to support the small-scale cultivators. This is another medium through which we are working to put St. Kitts and Nevis back on track and advance our efforts to achieve our developmental goals.

INVESTING IN OUR PEOPLE FOR A BETTER FUTURE

Skills Development and Human Capital Expansion

49. Mr. Speaker, due to the pandemic, the 2020-2021 academic year was ushered in with notable challenges in the education system. The first priority of the Government was therefore to secure the health and wellbeing of our students and teachers. The Ministry of Education navigated the ebb and flow of the community spread with the guidance of the National COVID-19 Task Force and the Education COVID-19 Response Plan. The Education officials moved quickly to respond to the challenge of community spread of the Coronavirus by adapting to a hybrid learning system. This learning modality comprised of in person and virtual class time. It was implemented to accommodate the continuation of instructions and to ensure that students had optimal contact hours with their teachers notwithstanding the periodical lockdowns and need to adhere to physical distancing protocols.

50. Considerable investment has been made in the procurement of digital devices and improving access to internet service for both students and teachers that required the support. In this regard, The CABLE partnered with the Ministry of Education to provide valuable input through the provision of free internet upgrades from existing packages to the highest level, the X-Treme package. The offer was accessible by all 15 Early Childhood Centres, all primary and secondary schools, and all teachers. Standardized Management Teams are being utilized to ensure uniformity of instruction via the Microsoft Teams Platform while additional support was sought to assist teachers in enhancing their capacity to effectively operate in the virtual setting. These efforts have resulted in increased engagement with students and allowed for easy transition from virtual classes to the resumption of face-to-face classes. I take this opportunity to thank The CABLE for its sterling support to the Education Sector. The CABLE's partnership with the Ministry of Education is commendable and should be looked at as a model for forging new partnerships with the Private Sector.

51. In 2022, we will continue to implement initiatives that would bring further enhancements in terms of achieving our goal to integrate technology into the education system. We extend thanks to the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB) for the support being provided under the OECS COVID-19 Response Initiative. Utilising resources from this project, the Government will focus on:

- Investing in the expansion of the digital assets and infrastructure needed to support hybrid approaches to learning.
- Upgrading the pedagogical competence of teachers to effectively engage and support learners in the virtual educational space; and
- Enhancing cyber-security awareness to improve safety during online engagement and to protect the investment in devices and applications.

52. We are therefore committed to provide continued support for the development of the Education Sector. In 2022, we are proposing that the Ministry of Education be provided with a total of \$104.5 million to assist with carrying out its mandate. These resources would help the Ministry to continue with the digitalization of the Education Sector and put the Ministry back on track to achieving our strategic focus of building a more inclusive and responsive education system.

Health Care

53. Mr. Speaker, the Ministry of Health has been at the forefront of the Government's response to the impacts of the pandemic. I use this opportunity to applaud our health professionals and medical personnel for their dedication during this challenging period. Mr. Speaker, the onset of the COVID-19 pandemic presented a serious threat to our small Nation and has tested the ability of the Health Sector over the last several months. In recognition of this threat, my Government mounted a response that has yielded commendable results.

54. To date, my Government has invested in excess of \$19 million to cope with the Health Sector response to the pandemic. This investment has allowed for the recruitment of additional personnel, sanitation processes, testing, and procurement of medical supplies and equipment, and vaccines. The fight against COVID-19 took a transformational shift with the roll out of our National Vaccine Distribution Programme in February 2021. Arrival of the vaccine via the Government of India and the COVAX Facility resulted in a total of 48,600 doses being received as at 2nd July 2021. On 11th August 2021, access to an alternative vaccine was made possible with the arrival of 11,700 doses of the Pfizer BioNTech vaccine donated by the Government of the United States of America. The arrival of the Pfizer vaccine has allowed not only for the administration to the adult population but is also facilitating the vaccination of children from age 12 to 17 years and the commencement of booster shots. Notwithstanding the demands of the pandemic, the Ministry of Health has kept its sight on the need to address the holistic well-being of the health of the Nation which becomes critical during this time. Non-Communicable Diseases (NCDs) remain an area of concern. During 2021, several activities were implemented to improve the management of NCDs in the Federation. The Ministry of Health stepped up its outreach to patients with NCDs via the community-based Diabetes Self-Management Programme and the Chronic Metabolic Disease Project.

55. My Government continues to prioritise the upgrade of our health infrastructure as an important element in our mandate to provide high quality services and ensure resilience in the provision of services to the community. In 2022, we intend to improve on the services offered at our various health institutions, at the J. N. France General Hospital. In the 2022 Estimates, we propose that \$73.7 million would be allocated to the Ministry of Health. This would represent an increase of 11.8 percent. This increase in funding would provide the necessary resources to fund additional medical professionals including a General Surgeon, Urologist, Oncologist, Orthopaedic surgeon, Pathologist and Ear, Nose and Throat Specialist. We will also provide new diagnostic services with the introduction of a new MRI machine to be installed at the J. N. France General Hospital. The necessary technical personnel for the efficient and effective operation of the MRI machine are also proposed for funding in 2022. We are making significant investments in our people's health because our Nation needs a healthy productive workforce. My Government is

investing in our Health Sector to put our Country back on track and expand on the gains made so far.

56. Having opened the Sylvia Garnette Primary Health Care Facility in Tabernacle in June 2020, work commenced apace on the construction of the St. Peter's Health Centre in September of that year with an anticipated completion in September 2021. The Government remains committed to moving the project forward to ensure the expansion of health services to the St. Peter's community and its environs. The Basseterre Health Centre has played a vital role in the provision of health services for many years with the demands on the facility and personnel continuing to expand. As a result, it has been determined that there is a need to expand the physical infrastructure to meet the demands while ensuring health and safety in the new normal work environment. In 2021, we commenced the design phase of the Basseterre Health Centre Expansion and Refurbishment Project. It is anticipated that an open competitive tendering process will be undertaken in 2022 when we hope to start the actual construction works. The Ministry of Health is also moving forward with the Joseph N. France General Hospital Phase III Project. This will advance plans for the modernisation of our main hospital.

Public Safety and Security

57. Mr. Speaker, public safety and security have continued to be at the forefront of my Government's policy agenda. We appreciate the critical role of this Ministry, in particular the tremendous support provided by the National Emergency Management Agency (NEMA) in leading the national response to the pandemic. I am sure that the people would join me in extending a heartfelt thank you to the leadership of the National Emergency Operations Centre (NEOC) for keeping our Country safe over the past several months. To the Co-Chairs of the National Disaster Mitigation Council, the Honourable Attorney General and the Honourable Minister of International Trade et al and the National COVID-19 Task Force Chairman, we say thank you for your many months of hard work in making our Country one of the safest places to live and work.

58. The financial resources we propose for inclusion in the 2022 Estimates would support the Ministry of National Security to continue to address the various security needs of the Federation. These resources will enable the Ministry of National Security to address current and prevent emerging security threats. Moreover, these resources will allow our security system to operate at an optimal level while the Federation continues to confront the challenges posed by the pandemic. This investment in public safety and security will also provide the necessary tools to address the fallout from natural disasters. The preservation of safety and security would continue to be an essential condition as we work together to put our economic and social development agenda back on track. We are poised to achieve our security goals in 2022, after the successful launch of the new National Security Strategy in January of this year. The Strategy is specifically designed to address threats to our Country and improve the social justice system while maintaining a progressive socio-economic development agenda.

59. We continue to prioritise the improvement of the security infrastructure within the various communities across St. Kitts and Nevis. The upgraded police stations and barracks are important to provide a safe work environment for our security officers and to support the strategic thrust towards strengthening community policing and social intervention in dealing with crime. In 2020, my Administration gave support to the construction of a new police station which now serves the people of Newcastle and the neighbouring communities on the island of Nevis. In August of this year, we completed the construction of the Sandy Point National Security and Judicial Complex which will provide an enhanced base of operations for the Police, Fire and Rescue Services, the Magistrate's Court and Customs and Excise Department.

60. Having made these two (2) major investments in our National Security infrastructure, work will continue in 2022 to facilitate much needed upgrades to the Charlestown and Gingerland Police Stations which will contribute to improved operational and administrative capabilities and community outreach. In order to further advance our flagship investment in our youth social intervention initiative, we will continue with the further build-out of the Explorers Headquarters at Phillips Village. In 2022, an annex to the library will be constructed with provision for Information

Technology which will support the Explorers After School Programme and other educational initiatives. Additionally, we will rigorously pursue our strategic goal to modernize the facilities for the incarceration of individuals in the care of the State and provide proper rehabilitation, reorientation and reintegration opportunities. In this regard, I am pleased to report that arrangements are now in place for the financing of the construction of the new Correctional Facility at Estridge Estate. This important project will be financed through the Alternative Investment Option under the CBI Programme. This will help to ensure adequate space for improved operations and remove the current threats to the health and safety of inmates and service personnel.

61. Mr. Speaker, the need to improve the investigative, detection and forensic capabilities of the security forces remains a priority for my Administration. We have significantly reduced the number of homicides and gang-related violent crimes. If this success is to continue, the Police Force must always be equipped to confront any form of criminality with a higher degree of sophistication, technology, and creativity. During 2020 and continuing into 2021, there has been a marked improvement in crime detection as a result of the continuous upgrading of the forensic and ballistic capabilities and further build-out in digital forensics. Supply chain disruptions have hindered the procurement of the specialised Forensic Vehicle to enhance the capabilities of the Forensics Unit. Efforts will continue to ensure that this vital input to retrieving and securing of evidence will become part of our arsenal during 2022.
62. The Royal St. Christopher and Nevis Police Force remains committed to the deployment of intelligence-led, predictive approaches and technologies. The Ministry of National Security will therefore continue to invest in the expansion and use of Closed Circuit Television (CCTV) surveillance to improve crime detection and deterrence. In September, we witnessed the commissioning of a state-of-the-art CCTV monitoring facility in Nevis with equipment valued at \$4.9 million provided with the support of the Republic of China (Taiwan). In 2022, the Police Force will further enhance its specialist capabilities, introducing a localized cybercrime laboratory. Greater emphasis will be placed on training and integrating advanced technology through the acquisition of new equipment. Similar upgrades in technological support will be provided to the St. Kitts and

Nevis Defence Force through the purchase of a coastal radar and drones. The objective here is to enhance surveillance of our territorial waters and coastline. To complement the investment in technological devices, we will continue to support training at all levels including areas such as forensic services, investigations, anti-money laundering and techniques in anti-terrorism and proliferation of terrorist financing.

63. The relationship between law enforcement and the community will continue to be fundamental to strengthening community policing and outreach. The build-out of the Explorers Youth Police Club continues to be the main medium-to-long term initiative of the Ministry of National Security to ensure our young people do not find themselves in breach of the law and/or engaged in anti-social behaviour. This has led to the formation of 13 branches of the Club which now includes a branch in Sandy Point. The Club now has an enrollment of 1,400 children and teenagers, ranging in ages from five (5) to 18 years. During 2022, the Programme will be expanded to at least three (3) additional communities namely, Saddlers, Conaree/Taylors and The Village/McKnight in St. Kitts and assessments are ongoing on Nevis to identify the communities in which the first Clubs will be launched. We again use this opportunity to thank the Private Sector partners who continue to support the Programme, as well as the OECS Commission and the staff at the Northeastern University in Boston and Georgetown University in Washington, D.C. for their financial and technical support. The Federation has also achieved positive outcomes from the Alternative Lifestyle Pathway Programme. The Programme has been successful in helping some of our troubled youth to choose a more positive and productive path in their lives. These young people are finding value in life and most definitely have a role to play in our recovery process by helping to put our Country back on track to a stronger, safer future.

64. Mr. Speaker, since the onset of the pandemic we have seen an increase in the number of our vulnerable citizens requiring legal assistance. The Legal Aid and Advice Centre has continued to host Legal Aid Clinics in several communities. We encourage persons who need legal support to access the legal advisory services that we have made available. Throughout 2021, the Magistrate's Department continued to uphold its mandate to provide an accessible system of justice. To cope with the challenges posed by

COVID-19, hearings via the Zoom virtual platform were introduced in the Magistrate's Court in January 2021. This has aided tremendously in reducing the backlog of cases, particularly those which accumulated during the COVID-19 lockdowns. Night Court sessions have also provided additional flexibility reducing the need for litigants to be away from work to access the judicial system.

65. I am pleased to inform this Honourable House and the general public that the Law Commission has completed the preparation of files for the publication of the 2020 Revised Edition of the Laws of the Federation. This latest revision will include all amendments made to the Laws of the Federation during the period January 2018 to December 2020. The Law Revision Centre in Anguilla has been contracted to undertake the final production and it is expected that the publication would be available by the latest May 2022. The 2020 Edition of the Laws of the Federation will be available in both hard and soft copy. Further, the Law Revision website has been maintained throughout 2021, with all new laws uploaded within three (3) days of publication in the Official Gazette. This has provided ease of access to the Federation's Laws including the Statutory Rules and Orders related to COVID-19.

66. Mr. Speaker, I am also pleased to report that the infrastructure available to support judicial and legal services has been significantly expanded with the completion of the first phase of the Legal Services Complex in October of this year. This improved working environment now provides accommodation for the Land Registry, Intellectual Property Office, and Law Commission. Prior to this, the Judicial Services Annex was completed in December 2020 to facilitate the Law Library, Family Court and Mediation Centre. Having facilitated two cycles of training for interested persons, the Ministry of Legal Affairs now has a total of fifty-one (51) persons who can be placed in rotation allowing for a more flexible, efficient and cost-effective dispute resolution method.

CROSS-CUTTING ISSUES FOR PUTTING ST. KITTS AND NEVIS BACK ON TRACK

67. Mr. Speaker, my Government recognises that there are a number of cross-cutting themes that must be considered if we are to achieve success in putting St. Kitts and Nevis back on track to fulfil our Development Agenda. The socio-economic fallout caused by the pandemic make it even more clear that we cannot ignore the existing climate emergency which is now more than ever an existential threat. We also cannot ignore the need to navigate the threats and opportunities of the changing international finance architecture, and the opportunities and risks associated with the digital revolution.

68. Mr. Speaker, the COVID-19 induced economic crisis does not change the current climate challenge, or the need to develop a proper response to it. Decisions taken now by the global community will shape the climate for decades. As my Administration undertakes the development of a post-COVID-19 Economic Recovery Strategy, it has become obvious that the path forward must be focused on climate resilient growth across all sectors. An essential challenge, therefore, is dispelling the ‘business as usual models’ which will not enable us to make strides in becoming a sustainable twin island State. A major pillar in our development agenda to support this paradigm shift has been our pursuit of the development and integration of renewable energy as we aim to not only demonstrate our commitment to the 2030 Agenda for Sustainable Development, the Paris Agreement and the fulfilment of our National Determined Contributions but also to achieve the vision of our National Energy Policy to provide reliable, renewable, clean and affordable energy to our citizens.

69. Mr. Speaker, water remains a resource that has been greatly affected by the impact of climate change evidenced by a noticeable reduction in the amount of rainfall which has severely impacted the supply of potable water. Several communities have experienced water rationing in recent years with the community of Cayon being the hardest hit. I am pleased to report that drilling is set to begin in this area in the first

quarter of 2022. Once this undertaking is successful, it is anticipated that the well will yield approximately 500,000 gallons per day. We will continue to advance work to address the needs of other communities as the technical experts within the Water Services Department have advised that approximately four hundred (400) new customers are brought online every year. Consequently, my Government has decided to diversify its water development strategy beyond well drilling to include the introduction of desalination. In this regard, our collaboration with the United Arab Emirates is being used to facilitate the construction of a twelve (12) cubic metre per hour desalination plant in the Canada Estate area. This will be a first step to advance our plans for the introduction of desalinization to help achieve our goal of providing an adequate supply of potable water to all communities.

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

MEDIUM TERM ECONOMIC MANAGEMENT STRATEGY

Medium Term Fiscal and Debt Outlook and Growth Targets

71. Mr. Speaker, as I shift your attention to what lies ahead, I am pleased to inform you that we are forecasting a very favourable performance for the 2021 fiscal year. We are cautiously optimistic about the increased potential for revenue collections over the medium term with an improvement in the administration of and compliance with our tax laws. Additionally, my Government will continue to make every effort to contain Recurrent Expenditure while prioritizing Capital Expenditure with construction related projects such as infrastructure developments that would have the greatest impact on job creation and help to drive economic growth. Mr. Speaker, over the period 2022 to 2024, it is projected that the fiscal operations of the Government would result, on average, in an Overall Surplus of \$0.9 million. Recurrent Revenue is projected to be approximately \$853.1 million per annum while the average annual amount for Recurrent Expenditure would likely reach about \$733.5 million. Our medium-term Capital Expenditure projections, which are expected to average about \$129.5 million, are consistent with the

objectives of our fiscal strategy of ensuring that the Public Sector Investments that would be implemented would effectively support the recovery of the economy. We anticipate, therefore, that the medium-term fiscal outlook would be contingent on the expected rebound of the economy.

72. Mr. Speaker, without a doubt, the Government and people of this Federation have been through a lot as a result of the pandemic. During this time, my Government was able to successfully keep the Public Sector debt at a sustainable level. In fact, we were able to achieve this feat while providing two (2) major stimulus packages. This was to aid our citizens and residents who were affected by the pandemic in order to alleviate the tremendous hardships they have had to endure in these trying times.

73. Mr. Speaker, when the Team Unity Administration assumed office in 2015, our mandate was, and continues to be, to reduce the stock of debt to sustainable levels. At December 2014, the Debt-to-GDP ratio was 72.2 percent and in the years that followed, as a result of the steady and effective leadership of my Government, we were able to lower this ratio to as low as 54.3 percent in 2019. This gave us the distinction of being the first independent country in the ECCU to lower its Debt-to-GDP ratio to below the Benchmark of 60 percent; an accomplishment that we achieved in 2016. Despite these accomplishments, our efforts were swiftly put into peril by the pandemic-related economic recession of 2020. Notwithstanding the challenges that lay before us, my Government has remained steadfast in its commitment to put St. Kitts and Nevis back on track to economic prosperity and debt sustainability. To this end, we project that the Total Public Sector Debt will continue to fall. The Debt-to-GDP ratio would move in concert with the reduction in the debt stock and by the end of 2024, the Debt-to-GDP ratio is expected to decline to 56.1 percent. The projected downward trajectory of the Total Public Sector Debt and the forecasted economic recovery over the medium term is further validation of my Government's commitment to our investment in the ingenuity and resilience of our people. Mr. Speaker, my Government believes that these investments will prove fruitful and will position our Country to take advantage of the opportunities that will present themselves in a post-COVID-19 world.

74. The Government's fiscal strategy that would guide the 2022 Estimates would therefore focus on containing the effects of the pandemic by investing in our people and supporting a sustained recovery of the economy thereby putting St. Kitts and Nevis back on track. The most recent data indicate that the economy of St. Kitts and Nevis is expected to expand by 0.5 percent by the end of 2021 and rebound in 2022 recording growth of 11.3 percent and an average growth rate of 7.8 percent over the period 2022 to 2024. The achievement of the economy's growth potential would be mainly attributed to the recovery of the Tourism Sector and increased activity in the Construction, Agriculture, Manufacturing and Wholesale and Retail Trade Sectors.
75. Mr. Speaker, the Tourism Sector is projected to impact the full recovery of the economy with a growth rate of 109.6 percent in 2022 compared to a contraction of 18.1 percent in 2021. The easing of COVID-19 restrictions and protocols both locally and within our source markets are expected to influence the recovery of the Sector. The resumption of cruise ship arrivals, including five inaugural calls from top cruise lines and an increase in direct flights from major US airports are also expected to contribute to the projected growth of the Sector.
76. Construction activity, the largest contributor to economic growth, is forecasted to grow moderately by 11.7 percent in 2022 and an average growth of 4.9 per cent over the medium term. The growth of the Sector would be attributed to the implementation of a strong Public Sector Capital Programme. This would include the construction of public institutions such as a correctional facility and the new Basseterre High School as well as the management of water resources and drilling of wells. The year 2022 will be one in which more work opportunities will emerge. We hope our young people will seize all opportunities to secure jobs and earn incomes. The performance of the Construction Sector would also be positively impacted by developments in the Private Sector including the construction and the completion of work on some condominium development and residential construction projects.

77. With regard to the Agriculture Sector, activity in 2022 and over the medium term is expected to accelerate to an average growth rate of 7.5 percent as the Government's investment in the Sector continues to yield good results. The transformation of the Sector is critical in achieving a sustained increase in crop and livestock production as well as an improvement in fish landings and processing. Moreover, the improved performance in agriculture, fisheries and agro-processing is likely to increase the Sector's contribution to GDP over the medium term.

78. The Wholesale and Retail Trade and Transport, Storage and Communications Sectors are also anticipated to record improved economic returns as activity increases within the Tourism and Construction Sectors. Economic activity in the Manufacturing Sector is expected to expand as consumer demand continues to increase. The growth in our economic drivers will translate into more jobs and more incomes for our people.

Fiscal Prospects 2022

79. Mr. Speaker, at this juncture, the Coronavirus has not been suppressed. Governments across the world are therefore faced with the difficult task of balancing the need to continue responding to the impact of the pandemic while at the same time exercising fiscal prudence. In this context, we have approached the 2022 budget preparation with great care to facilitate continuation of our support to vulnerable households and viable businesses. Fortunately for us here in the Federation, we are not overly burdened by the threat of debt distress and therefore the Government still has some fiscal space to successfully implement a Budget that would enable it to honour its financial obligations, protect the most vulnerable citizens and help to stimulate economic activity thereby putting St. Kitts and Nevis back on track to achieving sustainable and inclusive growth and development.

80. Mr. Speaker, having taken stock of the macroeconomic impact of the pandemic on our Country, we are projecting that we would realize \$913.6 million for Total Revenue and Grants, of which Recurrent Revenue would be \$898.1 million. Total Revenue and Grants would be comprised of \$430.5 million from Tax Revenue, \$467.6 million from Non-Tax Revenue and \$15.5 million from Development Aid. The general assumption underlying these revenue projections is the expectation that economic activity will rebound coupled with a boost in consumer supply and demand which would have a positive impact on some tax categories such as the Value Added Tax.

81. On the expenditure side, Total Expenditure is forecasted to reach \$909.6 million by the end of 2022. Of this amount, \$728.6 million would be for Recurrent Expenditure and \$180.9 million would be expended as Capital Expenditure and Net Lending. Based on the projections for Revenue and Expenditure, it is anticipated that we would realize an Overall Surplus of \$4.0 million and a Primary Surplus of \$21.8 million for the 2022 fiscal year. The Government will continue to benefit from its past fiscal prudence by utilizing resources saved to meet the financing gap that would be generated when principal payments on our debt obligations are made. This would eliminate the need to borrow and allow for the Government to attain the goal of a 60.0 percent Debt-to-GDP ratio by 2023, far in advance of the ECCB's target date of 2035. Our approach would be consistent with the overall objectives of the current Medium Term Debt Management Strategy – ensuring that the Government's financing needs are met at the lowest possible cost while managing the exposure of the debt portfolio to risks.

Fiscal Measures and Other Strategic Interventions

82. Mr. Speaker, my Government is encouraged by the favourable fiscal performance projected for 2021. I use this opportunity to offer a hearty thank you to the many Civil Servants who have worked very hard in spite of the difficulties encountered during the past 21 months. In this regard, my Government has determined that all Civil Servants on both islands will be rewarded with a double salary payment in time for Christmas. Mr.

Speaker, we recognise that as a result of the pandemic, some of our Civil Servants are the only providers in their household. Many are forced to now singularly carry the financial burden of providing for their families. We are a compassionate and caring Government that is highly focused on investing in our people. Our decision is therefore consistent with our people-centered policy framework and our twin objectives of investing in our people and putting our economy back on track. Our action would serve to reward our Civil Servants who have been diligent in their service and help those who are finding it difficult to cope with their financial obligations. Equally important is our focus on stimulating the economy at this time. The investment in our Civil Servants would most definitely have a strong multiplier effect within the economy where the micro, small, medium and large businesses would benefit.

83. Mr. Speaker, in addition, my Government will also make this payment available to the STEP workers. We encourage the Boards and Management of the Statutory Bodies to evaluate the possibility of making some form of bonus payment, in line with their individual financial capacities to do so. We will also make good on our promise to the Government Auxiliary Employees with the payment of the honorarium that becomes due in December. Once we are successful in fueling a robust economic recovery in 2022, and the fiscal performance continues to be strong, we will give due consideration to a possible wage increase for Civil Servants.

84. Mr. Speaker, in light of the prevailing and lingering uncertainty caused by the COVID-19 pandemic, we have designed a budget that can assist the Government to continue to appropriately respond to the challenges that may arise. Our central focus for the 2022 Budget is to save lives and advance efforts to propel the Country along the path to recovery. It is our hope that we would be in a position to start reclaiming the ground lost on our journey to social and economic prosperity. We have been careful to use the policy tools available to the Government to avert the deleterious effects of permanent scarring of the economy. The fiscal policy priorities would therefore continue to focus on supporting a sustainable recovery of the economy while containing the negative effects of the pandemic on the Federation.

85. To this end, my Team Unity Government will extend several of the stimulus measures that are slated to expire on 31st December 2021. The main initiatives that would be extended until June 2022 include the following:

- Removal of VAT and Import Duty on additional hygiene items such as hand sanitizers, disinfectant sprays, rubbing alcohol and latex gloves. This is critical support as we continue to take preventative measures against COVID-19.
- Removal of Import Duty and Customs Service Charge on selected items including vegetables, fruits, fruit juices, cough and cold preparations and vitamin supplements. This is both to help our citizens and residents boost their immune system by accessing critical supplies and to reduce the cost of living for everyone - especially the less fortunate.
- Waiver of payments for consumption of water for individuals who have been laid off or experience a reduction in earnings due to COVID-19.
- Waiver of payments for the consumption of water by farmers.
- Reduction of the Corporate Income Tax Rate from 33 percent to 25 percent for businesses that retain at least 75 percent of their employees.
- Reduction of the Unincorporated Tax Rate to 2 percent down from 4 percent.

86. We are also proposing that the 2022 Estimates provide the necessary resources to support the Poverty Alleviation Programme and further capitalize the Severance Payment Fund to facilitate the payment of any additional severance claims. In this regard, the amounts of \$32.3 million and \$5.0 million would be provided for the Poverty Alleviation Programme and the Severance Payment Fund respectively. Similar to our approach taken in the 2021 Estimates, we are proposing large investments in capital projects in 2022. A substantial portion of these resources would be channelled towards the Construction Sector as the Government focuses attention on the implementation of programmes and projects that can help to drive job creation and economic recovery. Once the economy is back on track, we would shift focus to rebuilding fiscal buffers and calibrating other

policy measures to safely transition from the COVID-19 policy measures. We will focus on activities to improve the effectiveness of public spending, including cost recovery and cost cutting measures.

87. Mr. Speaker, the crisis caused by the pandemic has given us many reasons to pause and reflect not only on the immediate responses but also to consider some of the changes that we must make as a Country to create a sustainable twin-island State. The implementation of the stimulus programmes has provided some insights into the operations of the labour market. While we are encouraged by the fact that many of our citizens and residents are resuming employment, there are others who are still without jobs. My Government is continuously assessing the conditions on the ground and has been pursuing a phased approach to the full reopening of the economy. Notwithstanding the fact that the situation remains very fluid, the Team Unity Government will continue to make the right policy choices to save lives and expand the opportunities for people to get back to work. In the interim, your Government is prepared to extend the last Income Support Programme to assist those who are still unemployed as a result of the pandemic. The Fuel Subsidy paid to passenger bus owners will also be extended for another three (3) months and provisions will be made to offer a similar Subsidy to owners of certified taxis. Additionally, in the spirit of compassion, your Government will also undertake a new initiative to expand the subsidies provided to persons who access hemodialysis and oncology services at the J. N. France General Hospital. Your Government will absorb half of the cost of hemodialysis and oncology services for nationals who do not have health insurance and are accessing these services locally. We take this opportunity to encourage all citizens to pay serious attention to their health. This will not only be important for increasing longevity but also to help to improve the quality of our lives.

88. The experiences of the past several months have also made it clear that there is a need for reform of our labour laws as well as the need for improving compliance with the requirements of the Social Security legislation. An important insight emanating from the implementation of the Income Support Programme is that there is a growing informal sector operating in the Federation. The information suggests that there are persons operating businesses who are not fulfilling the requirements to pay Social Security on

behalf of their employees and on their own behalf. This situation raises concerns as there are far reaching consequences for not paying the necessary contributions to the Social Security Board and for the Housing and Social Development Levy. Non-payment of the statutory payroll deductions could be consequential for both insured and uninsured workers. The Government therefore encourages employers, including self-employed persons, to do the right thing by honouring the statutory obligations to the Social Security Board. I also encourage workers to make occasional checks with your employers and the Social Security Board to ensure that the necessary payments are made on your behalf.

89. In 2022, we will complete the work started to review issues related to compliance with the Social Security legislation and the Protection of Employment Act. We will also explore possible ways to move more persons from the informal sector into the formal sector where they can access the benefits of being insured and their contribution to the economy can be recorded. The comprehensive review of the Protection of Employment Act will specifically focus on 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. We also intend to conclude the work necessary to provide the legal framework for the introduction of an Unemployment Benefit Scheme. This would help to bring added social protection to workers and their families, particularly in times of job loss.

90. Mr. Speaker, the tax policy stance adopted by my Team Unity Administration to date has not resulted in the introduction of new taxes and we do not intend to do so in the coming year. We have been focusing on orienting the tax regime and Government expenditure to accommodate increases in employment creation, improvement in service delivery and infrastructure development. We are currently operating on the fundamental principle of fostering a fiscally sustainable tax system that is adaptable and enables the Government to respond appropriately to external shocks. At this time, we continue to encourage both businesses and citizens to spend wisely and exercise prudence in the management of their financial affairs.

91. Mr. Speaker, recent changes in the global good tax governance arena have implications for us here in St. Kitts and Nevis. One such development is the major agreement reached by World leaders to overhaul the existing international tax rules and impose a new global minimum tax of 15 percent on business profits. This new international tax deal also intends to update international tax rules to reflect the realities of the digital era. As a result of these developments in international tax governance, my Government will continue to engage all stakeholders and ensure that our tax system remains competitive and fosters an environment that is conducive to growth. This would be important to effectively administer a tax system that is fair, transparent and sustainable. We will also examine the merits of replacing the existing incentives regime that focuses on income by granting Income Tax Holidays with an investment allowance for new projects. The allowance could be used to offset taxable income from the project for a specified period. Projects other than tourism-related developments that would generate economic activity and provide employment opportunities for nationals of the Federation would be encouraged. Additionally, we will complete the work started in 2020 to comprehensively examine the scope for strengthening our tax regime, leading to a tax system that is more equitable, progressive, investment and growth-oriented while at the same time maintaining compliance with the Country's international tax obligations.

92. Mr. Speaker, despite the uncertainty and volatility faced by the global community in 2020 at the height of the COVID-19 pandemic, the Government embarked on a bold initiative geared towards the regularization of well over two thousand individuals employed under the Skills Training Empowerment Programme (STEP) as Government Auxiliary Employees (GAEs). Individuals enrolled in the STEP were assigned to Public and Private Sector entities on both islands.

93. To accomplish the task of regularization of the STEP workers, my Cabinet appointed a Select Committee. The Committee has successfully completed a number of activities to bring us to the point where the first phase would be fully implemented by the end of the first quarter of 2022. The work of the Committee entailed a comprehensive Verification Exercise. This was supplemented by an Employee Performance Appraisal and Evaluation Exercise conducted by Government Ministries/Departments including a

recommendation by Permanent Secretaries as to whether or not to regularize STEP workers assigned to their Ministries. The regularization of the STEP workers will be done in a phased way and will commence early in 2022. The first phase of the regularization of these workers is estimated to cost \$16.4 million. The intention here, Mr. Speaker, is to provide better job security for a relatively large number of citizens and residents who have contributed to the work of the Government and to the development of our Country over the years as STEP workers. This is another clear example of our investing in our people as we provide better job security for a relatively large number of our citizens and residents.

94. Mr. Speaker, it is evident that the supply chain disruptions experienced in countries around the world have already started to impact us here in the Federation. The pandemic has disrupted almost every aspect of the global supply chain and has resulted in shortages and increased prices for many items. We are hopeful that the impact on our National economy would be transitory. My Government is prepared to do what is in its power to help to manage this situation. The Government intends to establish a Supply Chain Disruptions Committee to monitor and address short-term supply issues as they emerge. This Committee will convene meetings of stakeholders in industries with urgent supply chain problems to identify potential interventions and solutions. My Government remains steadfast in its commitment to promote and protect consumer interests within our twin island State as the profitability of businesses and the vibrancy of the overall economy is ultimately dependent on the support of consumers.

Conclusion

95. Mr. Speaker, I am honoured by and privileged for the opportunity provided me to serve my Country as a Member of Parliament for the last 28 years. Since 2015, I have had the awesome yet onerous task of shouldering the responsibility for the fiscal management of our Country as Minister of Finance and Prime Minister. I am humbled by what we have been able to achieve so far. This is my seventh Budget presentation as Minister of Finance in the Team Unity Administration and, for the seventh time in a row, my Team

Unity Government is presenting a tax-free Budget; that is, no new taxes have been proposed in this Budget. This means we are delivering the goods and services which our people need without imposing additional burdens on them. Indeed, with the same or reduced level of taxes, we anticipate to amply cover our expenditures and derive a surplus in 2022.

96. We have avoided burdensome taxes and removed some, like VAT on food and funeral expenses. We reduced taxes on certain pharmaceutical products. We have in this Budget maintained the reduction of Corporate Income Tax and Unincorporated Business Tax. In spite of the increasing work programme of the Government, even with the impact of COVID-19 in 2020, we continued to be prudent and fiscally responsible in managing the affairs of the State. In its latest report, the IMF commended the fiscal health of our Government going into the pandemic. According to the IMF, St. Kitts and Nevis was in the strongest fiscal position of all countries in the Western Hemisphere. We achieved this level of fiscal strength notwithstanding the huge capital projects implemented over the last 6 years.

97. We have paid off debts of the former Administration including the repayment of the final \$117 million of debt due to the IMF. We continue to make payments to reclaim the land which was swapped for debts. To date, we have paid over \$200 million to the St. Kitts-Nevis-Anguilla National Bank to settle the over \$767 million debt left behind by the former Administration in the Land for Debt Swap arrangement. In spite of these debts, we succeeded in placing our Debt-to-GDP ratio on a downward trajectory and St. Kitts and Nevis became the first to meet the ECCB's target ratio of 60 percent Debt-to-GDP. The destabilization of our economy by COVID-19 created a setback but we are putting our Country back on track.

98. This Budget is a people-centered one. This is clearly demonstrated by our significant investments in our people's safety, health, education and a range of social

safety nets such as the Poverty Alleviation Programme. We have invested in job creation in a significant way with an expansive range of capital projects many of which will create hundreds of job opportunities for our people in the build out of such projects as the Basseterre High School, our brand-new Recreational Facilities, extensive renovation work at Gingerland and Charlestown Police Stations and our housing projects.

99. We thank God for his blessings and for taking us safely through the COVID-19 pandemic so far. We look forward with confidence in our ability to advance our Country to the stronger and safer future. This Budget with its proposals of digitalization, broadband internet and fibre optic cable to homes and businesses puts St. Kitts and Nevis at the cutting edge of technology.

100. I take this opportunity to thank all those persons who have worked tirelessly to ensure that we are able to present this Budget to the Honourable House. In particular, I say special thanks to the staff of the Ministry of Finance for their hard work and sacrifices. I appreciate the support and advice provided to undergird the work of the Government over the past year and for the preparation of the 2022 Budget documents. The power lies in us – in our industry, ingenuity and resilience and our ability to unify around national goals and objectives to make our St. Kitts and Nevis the classic example of the best managed small island State. This Budget is a clear manifestation of **“Investing in Our People - Putting St. Kitts and Nevis Back on Track”**. It is a critical instrument in facilitating the journey of our Country to the stronger and safer future.

101. May it please you, Mr. Speaker. I Thank You.