



THE GOVERNMENT OF ST. CHRISTOPHER (ST. KITTS) AND NEVIS BUDGET ADDRESS 2017



Presented By:
Dr. The Honourable Timothy Harris
Prime Minister
7th December 2016

**Working Together-Accelerating Growth
and
Building Resilience**



ST. CHRISTOPHER AND NEVIS

2017

BUDGET ADDRESS

1. Mr. Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation Act (2017), 2016.

INTRODUCTION

2. Mr. Speaker, as I rise to present the Budget proposals for the coming new year, 2017, I am compelled to reflect on the captivating movement that brought my Team Unity Administration to lead the affairs of Government in this our blessed St. Kitts and Nevis. This morning, I marvel at the accomplishments that my young Administration has achieved over the last 22 months which, by any standard, are noteworthy and a fitting testament to the seriousness with which we hold the pledge that we have made to the citizens and residents of this Country. It is indeed an honour and a privilege for me to present our second budget, which we strongly believe will help our Team Unity Administration to move closer to fulfilling a number of important mandates given by the overwhelming majority of our people.
3. We will work harder to reconfigure the current structure of our economy to better advance and improve the lives of the ordinary citizens living here in the Federation. As such, we must find ways to restructure our local economy so that it can work for ordinary men and women; for the poor; for those who are disabled; and for the marginalised youth of Mc Knight, Newtown, Phillips, Sandy Point, Old Road, Tabernacle, West Farm, Cotton Ground, Gingerland, New Castle and wherever they are. We are a Government for ALL our people, and thus our commitment remains steadfast to bring meaningful change in the lives of ALL groups of persons in our society.
4. In considering the current state of world affairs, there is no denying the fact that we are living in a global village that is filled with uncertainty. Amidst the heightened uncertainty in the world of economics and finance, the team leading this Government is guided by the spirit of hope and an unwavering resolve to continue nation building so that all citizens and residents can enjoy a decent standard of living. We recognise that we must adapt to changes emanating from external and internal sources, but more importantly, we must take charge of our destiny, and our future as a proud independent Nation by taking the lead and making the right decisions. We remain undaunted by the inherent challenges of uncertainty.

Instead, we choose to remain focused on our vision for building a better St. Kitts and Nevis. Our pledge and our vision have therefore inspired the theme for this budget: **“Working Together – Accelerating Growth and Building Resilience”**. We believe that this theme can help to communicate a clear message to our people that sustainable, inclusive growth, and social cohesion can be achieved if we make concerted efforts to work together. My Government will therefore strive to develop and implement policies, strategies, programmes and projects that can help to stimulate the economy and enhance human development. Our past achievements in terms of growth are not sufficient to sustain the current and future needs of our developing Nation. We must embrace change in the way we do business, in public policy, in society, and our individual mind set. We must also be prepared to continue to push forward with a focus on accelerating growth and strengthening social cohesiveness.

5. Mr. Speaker, world events such as the pending exit of Britain from the European Union (EU), and the results of the presidential elections in the United States of America should serve to motivate us here in the Federation to go through a process of introspection on what has been achieved and what is required to build resilience. We have started this process in the Public Sector and have identified a number of areas for action, including the need to strengthen networks that build capacity in business and entrepreneurial development, education, research and development. We must also pay attention to the things that make our Country vulnerable, threaten to derail our achievements, and inhibit our growth prospects well into the foreseeable future. In this regard, it is well documented and accepted that our Country is vulnerable to exogenous shocks and the effects of climate change, which can negatively impact the pace at which we are able to sustain or even accelerate growth and build resilience. It is also well established, by the experiences of developed and developing countries across the globe, that the Private Sector is the engine of growth in any successful economy. **What is the reality here in St. Kitts and Nevis? Are we satisfied that the Private Sector is sufficiently fit and ready to drive the development of the Federation?** Our analysis to date has identified several gaps which suggest that there is scope for deepening the partnership between the Public and Private Sectors. To accelerate growth in St. Kitts and Nevis, we would require a much more vibrant and innovative Private Sector. We need a Private Sector that is more involved in producing. We need a Private Sector that can commercialise our agriculture, floriculture, and cultural industries. The high level of imports suggests that there

are production opportunities. We would need to tackle together the issues relating to low productivity and a lack of competitiveness in major sectors of the economy. Our Federation's ability to address these issues will have a profound impact on our capacity to achieve the level of economic growth that is necessary to attain and sustain full employment and to eradicate the scourge of poverty.

6. The Government has worked diligently over the years to provide reliable basic infrastructure, a robust legal and regulatory framework, and a diverse mix of policies, tax and other incentives to create a sufficiently healthy environment for businesses to develop and flourish. With these significant efforts by the Government, the Private Sector needs to do more to drive growth, lead in generating employment, in the creating and distributing wealth, and transforming the economy. My Government therefore challenges the members of the Chamber of Industry and Commerce and the business community at large to seriously consider the role of the Private Sector in accelerating growth and building a resilient St. Kitts and Nevis. For us to accelerate growth in the national economy we have to make a number of changes to the status quo. Maintaining the status quo as we know it today is not an acceptable option. No longer can we settle for an economy built on wholesale and retail trades, or replace sugar production with the narrow traditional form of tourism. The business community must rise to the challenge of mobilising the resources necessary to invest in key sectors such as non-traditional services, agriculture, manufacturing, renewable energy, and Information Communication Technology (ICT). Opportunities are knocking for people to invest in areas that hold the promise of good business returns and wider economic impacts. More specifically, the areas that are ripe for investments include medical and wellness services, organic farming and agro processing, and manufacturing of high end products to target niche markets and various technology-based services.

7. Let us, for example, stop and think for a minute about the possibilities of an established business or a group of our nationals joining together to create small or medium sized businesses (SMEs) capable of mobilising resources to provide medical services that are in high demand by residents and visitors; or to create added attractions for scaling up our tourism product; or to move our Agriculture Sector into the modern age of food production and processing. I am reminded of the very rich discussions we had at the National

Consultation on the Economy in October this year, just about two months ago. Some excellent ideas were shared and we need now to work together to ensure that the most feasible ideas move to the planning and implementation stages. This is where the rubber meets the road, and signals our best chance to contribute to the common goals of accelerating growth and building resilience for current and future citizens of the Federation. Businesses and individuals must now start to think outside the box, and start organising to take advantage of the opportunities that emerge as the economy adjusts to the new global environment. I look forward to planning and implementing the National Growth Forum with our partners in the Chamber of Industry and Commerce and the wider Private Sector.

8. Mr. Speaker, in sharing our vision for St. Kitts and Nevis, it is clear that we would like people to live balanced and gratifying lives. Therefore, it is equally important for us to focus on the social and spiritual well-being of our people. The introspection I mentioned earlier should include exploring the questions as to **‘What kind of society do we want to live in, and leave as an inheritance for future generations?’ ‘What kind of life do we want for ourselves and our children?’** As time passes, we observe some disquieting trends seeping into our society and slowly chipping away the foundation of our moral fibre. We seem to be moving away from the things that inextricably bind us together, that is, love of God, love for church, love for family, love for each other and love of Country. Those of us who observe and worry about these trends should not be silent any longer but rise up and give voice to the fact that there is a better path for us to travel. I invite every citizen and resident to reject division and strife, anarchy, hate, anger, disrespect and all things that can lead to the destruction of our civilisation. Instead, I stand today as a strong advocate for peace, love, respect and unity among brethren; indeed, unity among all the people of St. Kitts and Nevis. Psalm 133 will stand the test of time.

9. I use this opportunity to call on our spiritual and religious leaders to commit to a rebirth of the church playing a central role in the lives of our people, particularly our children and young people who may flounder due to the lack of that all-important spiritual grounding. Obviously, the church must do more to adjust to the demands of the people whom it serves. The old methods of reaching young people might not work for today’s youth. Our spiritual leaders must embrace technology, and explore new ways of spreading the Good News and

imparting the important moral lessons to our children. The church must not be silent and should not restrict its activities to the four walls of the buildings across the Nation.

10. My Team Unity Government commends the church for spearheading the season of prayer that was implemented earlier this year. This should become an annual event on the calendar of the church and the Nation. From the time we assumed office, my Government has demonstrated a willingness to partner with all religious groups serving in our communities. We continue to designate a dedicated ministerial portfolio for Ecclesiastical Affairs and offer generous duty free concessions to all registered churches and other religious organisations. The Government views the church as an important social partner in the development of our people and our Country. We believe, even as we consider the 2017 Budget, that we must be prepared to contend with the need to build resilient wholesome individuals, families and communities, as it is only through balance we can hope to achieve a sustainable Country.

11. In 2017, we intend to continue the dialogue with our spiritual leaders. I am happy to report that as recently as November 11, 2016, a subcommittee of the Cabinet met with leaders of the religious community represented by the Evangelical Association and the Christian Council. It was a productive meeting in which we cordially discussed the partnership, the challenges, the opportunities and the need for a consultative approach on all matters from family life, to parenting, to education, to marijuana, to public safety and security. We shall meet again early in the New Year.

12. I now take a brief look at international and regional economic developments.

INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

13. Mr. Speaker, the International Monetary Fund (IMF) in the latest publication of the World Economic Outlook, confirmed that a complex mix of factors operating in the global economy has resulted in subdued economic output. The unexpected vote in favour of the

United Kingdom (UK) leaving the EU, commonly referred to as Brexit, combined with weaker than expected growth in the United States' (US) economy during the first half of 2016 has presented further downside risk resulting in a projected slightly slower global economic output. On a more positive note, global output is expected to improve in 2017. This outlook is tempered by concerns regarding major political changes, the trend towards inward-looking policies in some developed countries, sluggish growth in advanced economies and ongoing adjustments towards new global standards.

14. The advanced economies are projected to record a slowdown in economic activity expanding by 1.6% in 2016, a decline of 0.5 percentage points when compared to 2015. Economic growth in the United States is projected to expand by 1.6% in 2016, a noticeable slowdown in activity of 1 percentage point when compared to 2.6% in 2015. Economic activity in the United Kingdom (UK) is also projected to slow to 1.8% in 2016 when compared to 2.2% in 2015. The latest report suggests that growth in the UK would be less than 1% in 2017.

15. The economies of the Eastern Caribbean Currency Union (ECCU) also recorded a slowdown in economic output reaching 2.6% in 2015. Growth within the OECS sub-region in 2015 ranged from a contraction of 3.7% to an expansion in economic activity of 5%. Preliminary data for the period January to June 2016 have indicated that economic output within the ECCU expanded by 2.0%.

16. Mr. Speaker, I now turn to take a look at the Domestic Economy.

THE DOMESTIC ECONOMY

Output and Prices

17. Mr. Speaker, it is pleasure to note that economic activity in St. Kitts and Nevis continues to show resilience in the face of a lacklustre global and regional economic environment. In 2015, Gross Domestic Product (GDP) grew by around 5% underpinned by expansions in the Construction and Tourism Sectors which recorded growth rates of 6.7% and

3.5% respectively, and had a multiplier effect across the other sectors in the economy. During the first half of 2016, the economy grew at a moderate pace relative to 2015. The Construction Sector was at the forefront of this expansion, recording an output of 4.9% and further solidifying its contribution to GDP at 17.8% as at June 2016. This sustained growth in the Sector is attributed to investments related to the Citizenship by Investment (CBI) Programme, specifically, the construction of a number of Private Sector hotel and condominium developments in the Federation. The performance of the Construction Sector was further bolstered by private home construction and Public Sector investments in infrastructure. The performance of this Sector has positively influenced the outturn in the Wholesale and Retail Sector which expanded by 3.8% in line with imports. The Real Estate, Renting and Business Activities, and the Financial Intermediation Sectors both recorded a growth rate of 2.4%. The Transport, Storage and Communication Sector also recorded a positive outturn of 1.3% as a result of the expansion in cruise related tour operating services.

18. A marginal growth rate of 0.1% was observed in the Tourism Sector for the first half of 2016. The Sector continues to make an important contribution to GDP in the region of 8.3%. Further, the Cruise Sector continued to grow at a significant pace with arrivals expanding by 8.9% to 546,291 passengers during that period - a direct result of a 2.7% increase in cruise calls. It is anticipated that as new airlift such as the United Airlines service is added to our already established direct air travel options, the Sector will achieve a 4.0% expansion in economic activity by the end of 2016. Overall growth in the first half of 2016 was, however, constrained by the outturn in the Manufacturing and Agriculture Sectors. Activity in the Manufacturing Sector was impacted by lower demand for electronic components produced at the industrial estates. On the other hand, the Agriculture Sector continued to be impacted by the effects of the prolonged drought conditions experienced in the Federation over the last couple of years.

19. An analysis of the Consumer Price Index revealed that inflation remained low in the first half of 2016 at negative 0.9%, subdued by the low cost of oil on the international market and the favourable tax environment resulting from the removal of Value Added Tax (VAT) from food and other essential items. This outturn is evidenced by the Food and Non-Alcoholic Beverages Index which exhibited a decline in food prices by 7.9%. The wise

policy of my Government to remove pressure from the poor who spend a high portion of their income on food, medicine and other basic items is showing positive results and is contributing to a better quality of life for our people.

The External Account

20. Mr. Speaker, the performance of the domestic economy continues to be robust, thereby making it possible to service our external purchases and placing St. Kitts and Nevis in an enviable position. We are able to cover our current requirements for the importation of goods and services for a period of eight months. This Team Unity Government has therefore delivered on the commitment made in this Honourable House in 2015 to ensure that surpluses are routinely amassed to meet our external obligations and domestic needs.

Performance Review 2015 Fiscal Operations

21. Mr. Speaker, as we reflect on the performance of the previous year, I am happy to report that the Government's fiscal operations for 2015 resulted in a Recurrent Account Surplus of \$238.0 million, an Overall Surplus of \$127.4 million and a Primary Surplus of \$161.0 million. The calculation of these surpluses is based on the Economic Classification of fiscal data which is the method that is used by the IMF and other recognized institutions and the method that the Government has consistently used over the years. The Recurrent Account Surplus surpassed the 2015 estimate by \$47.2 million (24.8%). The Overall and Primary Surpluses were below our target by \$11.1 million and \$16.5 million respectively. Recurrent Revenue totalled \$753.4 million, \$96.0 million more than the budget. This outturn reflected the performance of Non-Tax Revenue which continued to be positively influenced by the success of the Citizenship by Investment (CBI) Programme during the 2015 fiscal year. Consequently, Non-Tax Revenue in which CBI fees are captured, amounted to \$346.6 million. This was \$91.0 million above the budget. Tax Revenue of \$406.8 million also performed well, in that revenue for the 2015 fiscal year exceeded the target by \$4.9 million.

This favourable outturn was realized despite the revenue that was forgone from my Government's decision to remove the Value Added Tax (VAT) from all food and some selected items as we provided an environment that would translate into a reduction in the cost of living for our citizens. This was the main reason for Taxes on Domestic Goods and Consumption and Taxes on International Trade and Transactions falling below the estimate by \$8.4 million and \$14.0 million respectively. Nonetheless, positive variances were observed in Taxes on Income and Taxes on Property which surpassed the target by \$23.9 million and \$3.5 million respectively.

22. With respect to Expenditure, Recurrent Expenditure for 2015 amounted to \$515.4 million. This was \$48.7 million or 10.4% above the budget and \$32.9 million or 6.8% more than the amount spent in 2014. The higher than budgeted expenditure was primarily as a result of an increase in contributions to local institutions including the Nevis Island Administration (NIA) as my Government kept its promise to provide budgetary support to the NIA. The recording of transactions relating to gratuity payments to former workers of the St. Kitts Sugar Manufacturing Corporation (SSMC) also impacted the outturn of expenditure. Additionally, a larger than expected payment of a Dividend Guarantee to one of our creditors contributed to the overall increase in Recurrent Expenditure relative to the budget. The overall higher expenditure levels when compared to budget, Mr. Speaker, were moderated by lower Interest Payments which were less than the budget by \$5.4 million or 13.9% as the stock of Government's debt continued its downward trajectory. The wage bill was also 1.7% lower than the estimate.

23. Capital Expenditure and Net Lending for 2015 totalled \$141.2 million, \$8.0 million or 6.0% above the estimate. Of this amount, \$119.8m was expended on capital projects while \$21.4 million represented payments made on behalf of two Government Entities during 2015. Most of this amount was recovered in 2016. The Public Sector Investment Programme for 2015 primarily involved the development of public infrastructure including key capital projects such as the upgrade of the Dr. Kennedy Simmonds Highway, Educational Institutions, and Communities and Sporting Facilities. Other major projects that were undertaken were the Conaree Industrial Park Project, the Special Land Distribution

Initiative and the Well Drilling and Extension of Water Lines Project. The execution of these projects was facilitated through the utilization of revenue and grant resources.

24. Mr. Speaker, Total Grants for 2015 amounted to \$30.7 million. Donations, mainly from the Sugar Industry Diversification Foundation (SIDF), the Republic of China (Taiwan) and the European Union (EU), amounting to \$14.2 million were used to finance various capital projects that were undertaken in 2015. With respect to Budgetary Grants: \$16.5 million was received, of which \$16.0 million was from PDV St. Kitts Nevis Ltd to facilitate gratuity payments to former SSMC workers. This has allowed just under 2,000 former sugar workers to receive gratuity payments associated with the sugar industry. This compares quite favourably to the 968 workers who benefited when the former Administration made payments in 2005 and 2006. We have helped more persons because we care and we appreciate that the sugar industry (SSMC) was more than a corporation. It was an industry that formed the basis and provided the resources to create a modern St. Kitts and Nevis. In this context, we could not allow the injustice to former sugar workers to go unattended and without corrective action. My Government is indeed grateful to all of our donors for the assistance that they have rendered to the growth and development of our Federation.

ACCELERATING GROWTH AND BUILDING RESILIENCE

Economic Expansion

Citizenship by Investment Programme

25. Mr. Speaker, the Citizenship by Investment (CBI) Programme continues to serve as a major catalyst for stimulating growth in our economy. To date, the CBI Programme has demonstrated resilience in the face of challenges. My Team Unity Government has taken the time out for the necessary introspection in reference to the existing state of affairs and consideration of the programme's future. We have come away from our period of assessment

believing that there is still good scope for the CBI Programme to continue to yield substantial benefits to the economy and people of St. Kitts and Nevis. This is the core reason why we have, over the last 12 months, doubled our efforts and kept up the pace of reform necessary for the revitalization of the Programme. Under new leadership, the Citizenship by Investment Unit (CIU) has spearheaded a number of initiatives designed to build efficiency in the delivery of service to clients and improve overall management of the Programme. A great deal of effort was focused on strengthening relationships with developers, service providers, agents and clients, as well as other international partners. We are already observing positive results from our actions. This is clearly seen in the time it takes to process standard applications which is now consistently done within the stipulated 90 day period and, in many cases, within 60 days. A new Case Management System has been effectively rolled out to all service providers. This has greatly improved access to the CIU by service providers and response time to clients. In a continuing effort to improve efficiency in the processing of applications, appropriate technology will be used to replace the paper applications with a digital version. We hope to achieve this over the coming months in 2017.

26. Many of our stakeholders would already know that the Government has initiated a rebranding exercise that will help to distinguish the St. Kitts and Nevis CBI Programme from the many programmes that have mushroomed around the world in recent years. Our new brand, the 'Platinum Standard', will help us to communicate the core value features of our Programme. The St. Kitts and Nevis CBI Programme still remains at top of the class as one of the oldest and the best in the international market place. It is also important for the public to know that we have modified our approach to marketing and promotion of the Programme. In fact, we have stepped up the number of road shows attended by the CIU staff and forged better partnerships with developers, service providers and the St. Kitts Investment Promotion Agency (SKIPA). Our attendance at conferences in Dubai, Abu Dhabi, Shanghai, Shenzhen, Hong Kong, and London was also used to raise awareness of the Platinum Standard that is now associated with the Federation.
27. In order to ensure the Federation's competitive edge in the CBI business, a number of new initiatives were introduced and others will be rolled out in 2017. Two of the more significant initiatives that were implemented in 2016 are an accelerated application

process that was introduced in November and an International Marketing Agent strategy which makes provision for a more equitable incentive system for marketing agents. In addition, the Cabinet recently considered and approved alternative investment options that will come on stream in 2017. In the coming year, we will also focus on the review and updating of existing legislation governing the CBI Programme. The legislative changes contemplated are important to enhance accountability and raise standards to the levels consistent with our Platinum brand. Amongst other things, adopting the Platinum brand, and developing a more flexible marketing strategy and the development of a new website for the CIU will bring added value to the Federation in 2017 and beyond.

Construction

28. Mr. Speaker, the Construction Sector is a vital pillar in the economic structure of the Federation. The Sector has consistently recorded positive growth for the last three years and is expected to expand again in 2016 with a contribution of 17.9% to GDP. In the past, the Construction Sector has provided the stimulus required to propel the economy on a positive trajectory. Today, it is one of the primary sectors capable of generating high levels of economic activity to influence healthy growth rates in 2017 and over the medium term. The Government is confident that a strong partnership between the Public and Private Sector can create an environment of robust expansion of this important Sector. You will note from the budget proposals presented for 2017 that the Government is sponsoring **a very vibrant capital investment programme in the amount of \$145.3 million, the highest amount budgeted by the Federal Government in over a decade.** We have set out on a mission to push investment in critical infrastructure in order to address the gaps that emerged during the period of austerity and subdued Public Sector investment.

29. In addition to the Central Government's investment programme, several public entities will also invest significant amounts to invest in critical infrastructure required to respond to the needs of our people and to support continued private investments in the economy. One such project will be the construction of a new cruise pier spearheaded by the St. Christopher Air and Sea Ports Authority (SCASPA). In 2017, SCASPA also plans to

undertake two other major capital projects namely, the resurfacing of the R. L. Bradshaw International Airport runway and repairs to the main berth located at Bird Rock. Additionally, over the next two to three years, the National Housing Corporation will invest in excess of \$50 million to construct affordable homes for low income families across St. Kitts. This programme will start in earnest in the first half of 2017. A similar housing programme will be initiated on the sister island of Nevis.

30. Mr. Speaker, Foreign Direct Investment (FDI) and local investment remain very important to the economy of St. Kitts and Nevis and to the expansion of the Construction Sector. As a result of the activities of SKIPA, the Government has approved a number of investment projects to be pursued by both local and foreign investors, valued in the region of \$242 million. These projects include the \$80 million Clay Villa Condominium Development; the \$10 million St. Kitts Castle Project; and the \$108 million Oasis Resort and Spa in Nevis. Most of these investment projects have a heavy construction component and therefore have the potential to make a solid contribution to the outturn of the Sector in 2017. In this regard, I want to encourage other individuals and businesses to note that the time is right for investing in St. Kitts and Nevis. When we attract investments that involve construction of high end facilities, we improve the prospects for job creation with accompanying high pay and the transfer of skills in non-traditional building and finishing techniques.

Agriculture

31. Mr. Speaker, my Team Unity Government has observed how the Agriculture Sector has struggled to remain vibrant in the midst of some serious challenges that originate from climatic events and general underdevelopment of the Sector. We recognize that there is need for a different approach to be taken in order to realise the successful transformation of this vital Sector of the economy. In every grouping of our society we hear people extol the value of a vibrant Agriculture Sector. The benefits are widely known and accepted yet we face the dilemma that, as a Nation, we have not been able to develop the Sector to the point where it can deliver the real benefits of food security, increased nutritional intake for the populace, increased productive use of our land resources, import substitution and reduced

food import bill. I wish to assure the public that the Government continues to work on the identification and implementation of policies to assist with the development of the Agriculture Sector. In more recent times, the Government, through the Ministry of Agriculture, *et. al.* undertook a series of symposia during the first half of 2016 which focused on the review of key Acts such as the Agriculture Produce and Livestock (Registration of Vendors) Act and the Plant Protection Act. The proposed amendments to the Agriculture Produce and Livestock (Registration of Vendors) Act would lead to the establishment of a more efficient and effective vendor registration system. All produce retailers are required to register and display a certificate while doing business in the Federation. It is expected that this new system will help to address one of the major issues plaguing farmers, that is, praedial larceny. Work has also been initiated on the revision of the Plant Protection Bill. This is being done in collaboration with the Caribbean Community (CARICOM) as part of the regional harmonization process. The Bill aims to control the introduction and spread of plant pests, protect plant resources and facilitate trade in plants and plant products. The Ministry of Agriculture and the Attorney General's Chambers will complete the preparation of this draft Bill so that it can be placed on the legislative agenda and brought before this Honourable House during the first half of 2017.

32. To advance the modernization of the Sector, a three pronged approach was implemented in May 2016 to develop a comprehensive database with baseline information on the farming community. A special incentive land rental payment system for farmers was developed. Farmers are now the beneficiaries of a simplified and more affordable payment structure. Under the previous system, farmers leasing Government owned lands were required to pay \$100 per acre for land used for livestock and \$300 per acre for lands used for crop cultivation. The new system is designed to allow for tiered payments regardless of use for livestock or crops. It allows for the payment of \$150 per annum for use of up to five acres of land; \$300 per annum for use of land ranging from five to 20 acres; and \$500 per annum for farms utilizing in excess of 20 acres of land.
33. We continue to witness the impact of the excessively dry weather conditions on crop production which showed a reduction in output of 19.0% as at June 2016 due largely to the heavy dependence on rainfall for crop cultivation. It is important for me to indicate that

the Government has not been idle in the face of the drought conditions. In 2015, attempts were made to mitigate the negative impacts of drought and lack of access to water. The Department of Agriculture constructed ten 100,000 gallon ponds in major farming areas such as Newton Ground, Conaree, Ottleys, Phillips, Dieppe Bay, Estridge, Cayon and Molineux. In order to further improve the water supply to farmers, the Ministry of Agriculture sought assistance from the Water Services Department in identifying additional sources of water for use by farmers. As a result, two sites namely, Belmont and Buckleys, have been identified for the re-commissioning of two former SSMC surface water intakes. The re-commissioning of these two water sources will be done in 2017.

34. Mr. Speaker, the livestock sub-sector recorded an overall increase in meat output of 10.5% during the first half of 2016. This was mainly attributed to an increase in beef production of 34.1% and mutton output of 9.8%. However, output in pork and goat meat production contracted by 7.3% and 8.3%, respectively. In order to further strengthen the output in the sub-sector, steps have been taken to foster Public Private Partnerships (PPP) with local and international investors.

35. Mr. Speaker, the Fisheries, Aquaculture and Marine Resources Act (FAMRA) was passed in January of this year, providing for improved safety at sea, protection of marine resources, enhancement of the livelihoods of fisher-folk and the protection of consumers from sub-standard fish and fishery products. The Department of Marine Resources commenced the phased implementation of the new Act in February 2016 in order to allow for a smooth transition to the new requirements. This updated legislative framework has enabled the Government to officially declare the Federation's first Marine Management Area (MMA) on August 18, 2016. The declaration makes provisions for use and benefits to be derived by all users such as fishers, divers, residents and stakeholders in the tourism industry. These benefits include, but are not limited to, the maintenance of biodiversity and provision of areas of refuge for species, protection of important habitats from poor fishing practices and other harmful human activities, allowing areas for re-generation where damage occurs, and providing areas where fish can spawn and grow to full size. On June 17, 2016 a fishing vessel was donated to the Department of Marine Resources by the Government of Japan. This boat, which is valued at US\$500,000, allows the Department to conduct training at-sea

for fisher-folk, implement various fish catch experiments, resource surveys and install and monitor Fish Aggregating Devices. My Team Unity Government extends appreciation to the Government of Japan for its continued support to the development of the marine resource management sector.

Tourism

36. Mr. Speaker, over the past 12 months St. Kitts and Nevis continued to receive enviable international recognition for its tourism product, which is a clear indication that the marketing strategy deployed by the Ministry of Tourism is increasingly yielding positive returns. As a destination, we have been ranked by US News and World Report as #1 on a list of ‘Best Caribbean Honeymoons’, #2 on a list of the ‘Best Beach Honeymoon Destinations in the World’, and #5 on a list of ‘Best Family Vacations in the Caribbean’. The Federation is also ranked #9 on a list of ‘Top 10 Emerging Luxury Destinations for 2016’, the only Caribbean island on that list; and #15 among [‘The Top 21 Destinations for 2016’](#) by the Robb Report, which we shared with only one other Caribbean island. We have also been identified among the [‘Ones to Watch in 2016’](#) by Travel Weekly. These are just some of the coveted ratings bestowed on our country by international publications. There are several others. We expect this trend to continue over the medium term as we continue to focus on sustainable product development. Here again, my Team Unity Government wants to encourage the business community to seize the opportunities to fill the existing gaps in terms of providing services and new product offerings which more and more of our discerning guests, as well as our local population, are demanding. An integral part of our development agenda is to leverage the tourism industry to ensure that the direct benefits from tourism are more widely spread across communities and the population at large.

37. Both national and foreign developers have also continued to demonstrate confidence and commitment to the Federation through sustained investment in substantial projects that will expand the number of hotel rooms and amenities necessary to attract more high-end, discerning travellers. The opening of the Caribbean’s first Park Hyatt Hotel, the Park Hyatt St. Kitts, has already been cited in 2016 as one of the most anticipated new hotel

openings by internationally recognized publications such as [The New York Times](#) and [Forbes Magazine](#). The Park Hyatt St. Kitts will not only add accommodations that appeal to the upscale traveller but also will provide permanent employment opportunities for our people when its doors are open for business in 2017. In fact, the developers of the hotel have confirmed that the first group of 150 persons is nearing completion of the initial training in preparation for employment when the facilities are open. Equally important, the Park Hyatt Hotel will contribute to making St. Kitts and Nevis an even more auspicious contender in an increasingly competitive global tourist market.

38. Our hospitality offerings were further bolstered this year with the completion of the 86 room Imperial Bay Beach and Golf Residences which will provide opportunities for direct employment while facilitating indirect opportunities for small businesses. Substantial progress has also been recorded on the 324 room Koi Resort and Golf Residences at Half Moon Bay. Work is progressing on the construction of the 284 room Pirate's Nest Hotel and Condominium Project in Frigate Bay which is expected to welcome guests by the end of 2017. The longstanding Royal St. Kitts Hotel, popularly referred to as Jack Tar, also commenced a major expansion project in July of this year. This project will result in the addition of 17,000 square feet of commercial space which will be used to accommodate restaurants, gift shops and jewellery stores thereby further enhancing the visitor experience in the Frigate Bay area.

39. Mr. Speaker, our partnership with key airlines providing service from our primary source markets continue to yield credible results. In December 2015, we added weekly non-stop service by United Airlines from its New York/New Jersey hub at Newark Liberty International Airport. As a result of further negotiations, United Airlines is scheduled this year to increase the number of flights to the Federation by extending the period of operation from November 2016 to the summer of 2017. Similarly, we have improved our collaboration with Delta Airlines resulting in St. Kitts being listed in the carrier's reservation system as a destination with which it has daily service and Nevis as having connections four times weekly as a part of the code-share agreement with Seaborne Airlines. In addition, Delta Airlines has expanded its operations for the 2016/2017 tourist season moving from one flight per week which operates on Saturdays to include a midweek service which will operate during the

period December 17, 2016 to January 7, 2017. This will coincide with the increased demand for travel service to the Federation for the peak Christmas and Carnival holiday seasons.

40. The decision to offer short term promotional incentives last winter via Air Canada Vacations paid off with higher load factors resulting in the use of a larger aircraft to service the Toronto to St. Kitts route. In addition, we continue to emphasise the importance of regional travel for leisure and to facilitate business. In this regard, my Team Unity Government has officially granted Windward Islands Airways International (WINAIR) a St. Kitts and Nevis airline designation which gives the carrier fifth freedom rights. WINAIR now has authorization to have flights originate and terminate in the Federation while transporting passengers to a third country in the region. It is hoped that this will provide additional options and make it easier for Caribbean nationals and other potential visitors to access our beautiful twin island Federation.

41. Mr. Speaker, this Team Unity Government continues to be proactive in the development and expansion of the cruise sub-sector. Most major cruise lines now include St. Kitts as a port of call in their itineraries and we have year-round visits from multiple vessels with cruise lines originating from a diverse range of countries. During the 2015/2016 season the Federation welcomed a record 21 inaugural cruise calls as well as two of the world's largest cruise vessels on the same day namely, the Oasis of the Seas and the Allure of the Seas, a testament to the appeal of our tourism product and destination. In order to realise our objective of becoming a marquée cruise port and to safeguard sustainability in the sub-sector, my Government remains committed to the construction of the second cruise pier at Port Zante. In considering the preparation and implementation of this multimillion dollar project, we have given a commitment to using best practice in Public Private Partnerships (PPPs) which will help to ensure the delivery of a high quality pier that is capable of accommodating the world's largest cruise vessels. We will continue to work to finalise all the outstanding preparations so that we can move to the implementation phase in 2017.

42. The yachting sub-sector is also showing great promise to add diversity to the tourism product. In this regard, we continue to witness the interest of private developers. In January 2016 Christophe Harbour partnered with ACREW and Warsash Superyacht Academy

to bring Crew Fest to St. Kitts and Nevis. This event served as an opportunity for Captains and Crew of vessels to have two days at Christophe Harbour while undertaking professional development masterclasses and team building excursions. In January 2017, the Federation will again welcome this event with an anticipated increase from eight to 15 yachts which translates into the hosting of over 300 crew members.

43. Mr. Speaker, my Team Unity Government is cognizant that in order to stimulate growth and development within the Tourism Sector, it is vital that continuous training be undertaken to ensure that our people possess the requisite knowledge and skills to deliver service at the highest standard. Therefore, the Ministry of Tourism and the St. Kitts Tourism Authority have taken the strategic decision to implement a number of training programmes during the 2016/2017 tourism season. These programmes will include customer service training for persons employed in front line operations in both traditional and non-traditional services. To date, approximately 500 persons have been trained as part of ongoing efforts to ensure that all persons working in the Sector are exposed to the international standards in customer service. This training programme has the potential to boost the St. Kitts brand as a destination with a high standard of service. We intend to repeat this exercise in 2017 as we believe that our efforts will translate into improved performance in the Sector overall.

Financial Intermediation

44. Mr. Speaker, the Banking Sector remains a vital stakeholder in the advancement of our development agenda. As at December 2015, total assets held by the commercial banks amounted to \$7.0 billion representing a 4.4% increase when compared to the same period in 2014 when assets totalling roughly \$6.7 billion were recorded. Total Loans and Advances also increased to approximately \$1.8 billion or 2.8% when compared to 2014. However, Deposits contracted to \$4.7 billion or 1.7% when compared to the previous period. I am pleased to report to this Honourable House that the Banking System remains buoyant and liquid. In support of continued strengthening of the Banking System, the 26th Annual Conference with Commercial Banks held in 2015 focused on discussions surrounding the link between soundness in the Banking Sector and economic growth.

Information Communication Technology (ICT)

45. Mr. Speaker, the ICT Sector has been identified as an area to assist with the diversification of our economy. The most recent economic data estimate that telecommunications contributed 5.7% to GDP in 2015. The data also revealed that the Sector recorded positive growth of 0.6% in 2015 and 2.1% in the first six months of 2016. Moreover, it is interesting to note that we have achieved significant penetration in terms of access to mobile telephones and internet connectivity. In fact, Mr. Speaker, just two weeks ago our country's achievements were recognised internationally by the International Telecommunication Union (ITU). At the 14th World Telecommunication/ICT Indicators Symposium (WTIS) held in Botswana, St. Kitts and Nevis was presented with two prestigious awards recognising the significant improvements we have attained in terms of access to and use of ICTs. **Our country moved from a ranking of 54th to 34th on the ICT Development Index (IDI) among 175 countries worldwide.** These are remarkable achievements and every Kittitian and Nevisian should be proud as it is the first time any country has been presented with two awards in two different categories.

46. We are all aware of the quick pace of technological developments and the rapid rate at which the world is moving towards the digital age. My Government is indeed encouraged about the prospects for the development of the ICT Sector as a pillar of our economy. In 2017, we will commence the implementation of the long awaited Government Wide Area Network (GWAN) which is vital to improving efficacy in communications and the use of technology information in the Public Sector. In the interim, the Ministry of Communications has continued to take proactive steps to strengthen our e-government network infrastructure. As a result, work commenced in the second quarter of 2016 with selected Ministries and Departments to improve the operability of existing Local Area Networks (LANs). In 2017, focus will be placed on the Ministry of Sustainable Development, the Ministry of Health, the Public Works Department (PWD) and the Ministry of Community Development, Gender Affairs and Social Services in order to allow for

stronger connectivity across Government and the deployment of enterprise-wide applications and services such as the Voice Over Internet Protocol (VOIP) telephony.

47. Mr. Speaker, my Government holds the view that ICTs can play a pivotal role in accelerating growth and building resilience of our country. We should not underestimate the powerful potentials lying latent in our ICT Sector. The opportunities are endless for both the Government and the Private Sector to pursue an even more dynamic agenda for development of ICTs in the Federation. Our economy and society can reap tremendous benefits from the development of E-education and E-health platforms, E-government services, and the creation of tools and applications to support the security apparatus of our country, the Financial Services, Agriculture and Tourism Sectors, and aid in our natural resource and disaster management efforts. These are just a few areas where ICTs can be used to support growth and enhance resilience. My Administration will push forward the plans for the roll out of our policy initiatives and strategies for advancing the development of the Sector. We welcome the announcement of new multimillion dollar investments in the Telecommunications Sector by two of the leading Private Sector based ICT service providers, Digicel Limited and FLOW. There is much more room for others to follow, maybe not on the same scale as the two companies mentioned, but even on a much smaller scale, investments in start-up SMEs in sufficient quantities, can help drive social and economic development. Therefore, we want to invite business minded individuals to tap into this rich potential for creating new businesses, jobs, and wealth.

Micro, Small and Medium Sized Enterprise Development

48. Mr. Speaker, the people's Team Unity Government is a very strong advocate for the development of Micro, Small and Medium Sized Enterprises (MSMEs) here in the Federation. Our promotion of MSMEs is rooted in the fundamental belief that the development of small business is the key to sustainable and inclusive growth, creating employment, and critical to building resilience in our economy. To achieve our goal of lifting our people out of poverty, they must be placed in a position to get a fair share of the economic pie. As we work to make the pie bigger, we must ensure that ordinary people can

have access to financing for micro and small businesses. In this regard, we are proud of the legacy we are creating with the very tangible evidence of our commitment to building resilience through the development of MSMEs.

49. I am pleased to report that the Development Bank of St. Kitts and Nevis has fully embraced its role as a facilitator of development within the Federation particularly in the area of the development of MSMEs. As at September 2016, 833 loans with a total value of \$46.6 million were approved by the Bank's Board of Directors. A total of \$32.3 million of the approved value has already been disbursed. During this same period, \$22.4 million was allocated for business loans, \$8 million to higher education and \$16.2 million was allocated to mortgage and personal development loans. From the outset of the Team Unity Administration in 2015, the Development Bank successfully introduced the Fresh Start for MSMEs. Based on the resounding response received from the community, the Bank will raise an additional \$30 million to expand the Programme. This, Mr. Speaker, is one of the flagship programmes initiated by my Team Unity Government to advance the Prosperity Agenda and ensure a fair share for all. Access to low cost financing has long been identified as the number one hindrance to development of micro and small businesses here in the Federation. This is also evidenced by the fact that many of the successful applicants to the Fresh Start programme would, today, find it difficult to qualify for business loans at the commercial banks. When we look across the list of beneficiaries we note that it is the ordinary people who are being helped. The Programme has helped to establish micro and small businesses in a number of areas including agribusiness and agro processing. Lawyers, joiners, hairdressers, truckers, and taxi and bus drivers are also among the beneficiary group. As these businesses are nurtured and become successful, they can indeed make a valid contribution to sustainable growth, job creation and the creation of wealth for a segment of the population who may otherwise fall through the cracks and become dependent on the Government for a hand-out. The Fresh Start Programme is by far our preferred model to give a hand-up instead of a hand-out.

50. We are hopeful that during 2017 the joint World Bank and Eastern Caribbean Currency Union (ECCU) team would conclude work on the development of a Partial Credit Guarantee Scheme for the ECCU member states. This is a practical response to the

phenomenon that we face whereby the banks operating in the Federation and across the ECCU are very liquid but the rate of providing credit to the Private Sector is declining or at best remains modest. The primary objective of the scheme is to strengthen the financial system in the ECCU by providing credit risk mitigation to participating financial institutions in order to increase the ability of MSMEs to access loans and absorbing a portion of the losses incurred by financial institutions in cases of default on payments. As part of the Budget proposals for 2017, my Government has set aside \$5.4 million to support St. Kitts and Nevis' participation in the Scheme. We look forward to the unveiling of this and other innovative initiatives to support the development of MSMEs in the Federation.

MAJOR POLICIES AND PROGRAMMES

BUILDING RESILIENCE

Challenges and Opportunities

51. Mr. Speaker, all Kittitians and Nevisians will agree that we are a resilient people who have successfully arisen from many challenges and withstood many tests. As a result, our Nation has made substantial achievements in its development, however, attaining future successes dictates that we must remain vigilant in ensuring that we continue to be good stewards of our economy, natural resources and the social and moral fabric of our society. It was Jamais Cascio who said, "Resilience is all about being able to overcome the unexpected. Sustainability is about survival. The goal of resilience is to thrive." These words can help to enlighten our discourse and strategic thinking on the best path towards achieving sustainable development and building resilience in our Federation. My Government's agenda for building resilience is multifaceted and therefore requires high levels of coordination and collaboration across entities in the Public and Private Sectors and Civil Society. We will therefore continue to seek the cooperation of national, regional and international partners in the planning and implementation of appropriate interventions deemed essential to building resilience of our Nation. In 2017, we will introduce new initiatives and continue the

implementation of a number of ongoing initiatives in the areas of international taxation, financial services, climate change, and social development including education, health, safety and security and housing.

52. Mr. Speaker, permit me now to elaborate a little on some of these topics.

Tax Transparency and Exchange of Information for Tax Purposes

53. Mr. Speaker, as a member of the international community, St. Kitts and Nevis, like numerous other nations, have made certain commitments with respect to tax transparency and exchange of information which my Government intends to uphold. The most recent commitment was to the implementation of the international standard for automatic exchange of financial account information, the Common Reporting Standard (CRS), which St. Kitts and Nevis has committed to implement by September 2018. The Federation is one of 101 jurisdictions that have committed to the CRS with 54 countries committing to have the first exchanges in 2017 while the other 47 jurisdictions have committed to a 2018 timeline. In fact, for those countries that will implement the Standard in 2017, their financial institutions would have already begun to collect the required information that would be exchanged.

54. Here in St. Kitts and Nevis, the Team Unity Government has been working assiduously to ensure that the necessary framework is in place to fulfil our obligation with respect to the implementation of the new Standard. On 18 November 2016, we presented to this Honourable House a piece of legislation that would bring into force the Multilateral Convention on Mutual Administrative Assistance in Tax Matters; a Convention that we signed in August of this year which, along with the CRS legislation, would provide the legal basis that would authorize the annual international exchange of information with other jurisdictions on an automatic basis. Mr. Speaker, in May 2016, the Chairman of the Global Forum on Transparency and Exchange of Information for Tax Purposes recognized the Federation's commitment to meeting the international standards on transparency and international cooperation and commended the country in writing for the significant work that has already been undertaken. This is the path on which we would wish to continue. Already

we would have met the three criteria that the Organization for Economic Co-operation and Development (OECD) established as a means of objectively identifying non-cooperative jurisdictions with respect to tax transparency. These are (i) the achievement of a Largely Compliant rating with respect to the Exchange of Information on Request Standard; (ii) a commitment to automatically exchange CRS information by 2018 at the latest; and (iii) participation in the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. In the past round of reviews, St. Kitts and Nevis was assessed as Largely Compliant. We are committed to put the necessary legal framework in place by the end of this year to facilitate the implementation of the CRS. Failure is not an option as we cannot and will not elevate our country's risk profile. I should point out that each country that will exchange information automatically under the Standard retains the right to determine which jurisdictions it would wish to exchange information with and such a decision would take into consideration the confidentiality and information security practices of the potential exchange partner. In this regard, I am further pleased to report that our jurisdiction has already been evaluated and received a favourable rating.

55. The second round of Peer Reviews will be based on a revised and more stringent standard for assessing transparency and effectiveness of Exchange of Information on Request. The Revised Standard now requires that beneficial ownership information be available and that exchanges be assessed for their quality. The Peer Review of the Federation's compliance with the revised Standard is presently scheduled to be undertaken in the second half of 2017. We must therefore ensure that our legal and regulatory framework for exchange of information meets the revised standards and that our actual exchange of information with our treaty partners is timely and effective.

56. Mr. Speaker, we are well aware that there are groupings in the international arena that periodically publish lists of jurisdictions that are non-cooperative for tax purposes. The publication of such lists has the potential to damage the reputation of countries such as ours where the provision of financial services is one of the main contributors to economic activity. Such actions may also impede the execution of our development agenda as we strive to advance various aspects of our economy and improve the quality of life of our people. It is for this reason that we make every effort to comply with the international standards so that we

could preserve our country's reputation as a legitimate and credible financial services centre that cooperates well with the international community, in keeping with our national interest. This, we expect, will bode well for the Federation's ability to attract potential investors who could contribute to economic activity in the country and ultimately the acceleration of overall economic growth.

Anti- Money Laundering and Combating the Financing of Terrorism

57. The Federation of St. Kitts and Nevis has been scheduled for the Fourth Round of Mutual Evaluations by the Caribbean Financial Action Task Force (CFATF) in 2019. These evaluations, Mr. Speaker, require jurisdictions to identify, assess and understand the money laundering and terrorist financing risks that they face. It is important to note that this exercise is a compulsory one that must be undertaken in all 27 member jurisdictions of the CFATF. In our Federation, the National Financial Action Task Force, which is comprised of representatives from key Public and Private Sector groups, has been mandated to conduct the required National Risk Assessment. This promises to be not only a very comprehensive process but an expensive undertaking as well, as the Federation seeks to conduct a thorough internal review of all of its systems and processes, that might make it vulnerable to threats of money laundering or terrorist financing and related predicate offences. It is anticipated that a minimum of 40 individuals will be trained as local assessors equipped with the necessary tools to undertake this important assignment. These individuals will be tasked with conducting the appropriate reviews of anti-money laundering (AML) and combating the financing of terrorism (CFT) compliance programs, as well as assessing the internal risks that have been identified in the respective regulated entities in our Federation. The results of these assessments will be used to effect the changes required for improvement to our AML/CFT supervisory and regulatory regime. The support and co-operation of the Private Sector are vital as we work together to ensure that our Federation remains in good standing with all relevant international parties. If we are to accelerate growth in the Federation and build resilience to exogenous shocks, it is important that we foster an environment that is conducive to attracting foreign investments.

De-risking

58. The importance of complying with international standards has been heightened given the recent practice of some international banks to withdraw or threaten to withdraw their services as a correspondent bank with certain jurisdictions in the regions that they perceive as being high risk. This practice where banks terminate their relationship with clients whom they deem to be high risk in an effort to minimize their risk exposure is referred to as de-risking. In an era where financial institutions have had to incur extensive costs to ensure that their systems are in line with the ever changing regulatory framework and where they have been faced with the possibility of enormous fines for non-compliance with regulations, it is no surprise that some international banks have taken action so as to lower their risk to large fines and increased costs of business. The actions of these banks have, however, created a level of uncertainty in the Financial Services Sector as there are no clear guidelines on what should obtain for a jurisdiction or banks therein to maintain their correspondent banking relationships. De-risking can hurt all countries facing this challenge. It can compromise our ability to participate in international payments system, undertake international transactions, and severely restrict remittances, and our ability to pay for imported goods and external services such as education and healthcare. This in summary is an existential threat and no small state can take this threat for granted.
59. De-risking has the potential to cripple the Financial Services Sector, trade facilitation and the general conduct of business by our citizens and residents. My Government has therefore sought to ensure that the relevant legal and regulatory framework in St. Kitts and Nevis is robust enough to withstand scrutiny by any relevant international agency. Our Banking legislation has been strengthened upon the advice of the Eastern Caribbean Central Bank, our laws that pertain to AML/CFT have been amended to reflect international best practices and legislation is in place that would facilitate transparency and the exchange of information for tax purposes in accordance with international standards.
60. Mr. Speaker, we are being proactive. In this regard, the Financial Services Regulatory Commission (FSRC), as the ultimate regulatory body for anti-money laundering and combating the financing of terrorism in the Federation, has significantly increased the

number of onsite examinations of regulated entities over the last three 3 years. This process of onsite examinations is even more important as we are faced with the challenges associated with de-risking. As citizens and residents of this Federation, we must all be vigilant in ensuring that we cooperate with the licensed institutions with which we do business. These businesses will require the assistance of the public to implement the requisite standards for Customer Due Diligence and Knowing Your Customers. Regulated persons in the Private Sector are therefore encouraged to take the necessary steps to guarantee financial soundness and compliance with the relevant legislation. As the landscape of these matters change, we will assess any new developments and take any actions that are necessary to protect the Financial Services Sector, our financial institutions and the welfare of our people. We are committed to working with our regional and international partners to achieve an appropriate resolution of this matter.

Energy and Water

61. Mr. Speaker, my Government takes seriously the issue of climate change particularly the potential negative impacts that the unpredictable and detrimental changes in climate can have on our small islands. Of course, we recognise climate change as a cross cutting theme that has implications for a number of areas in our daily lives. While it is not possible to address all the issues related to this important topic today, I wish to focus attention on some of the issues related to energy and water here in St. Kitts and Nevis. We intend to use the existing Energy Policy to effectively guide transformation of the Energy Sector. Our medium term objectives are to build resilience in the Energy Sector through the provision of reliable, clean energy at an affordable price and to meet the Country's commitments given under the United Nations Framework Convention on Climate Change (UNFCCC).

62. In this regard, the development of our geothermal resources remains a vital component in the transformation of the Energy Sector. Through our partnership with Teranov Geothermal Energy, we have completed the initial geophysical assessment of the geothermal potential on St. Kitts. The reports are now complete and would be considered by the Cabinet shortly with expert input provided by relevant development partners in order to inform the

next steps. Cognizant that geothermal development can easily be hindered by factors such as high capital costs, lack of access to credit at affordable rates, inadequate regulatory and policy frameworks, limited fiscal space for governments to attract new debt and limited specialized technical expertise in structuring and negotiating PPPs, we have decided to seek additional assistance from our development partners. In this regard, we have registered our interest in joining the ‘Sustainable Energy Facility (SEF) for the Eastern Caribbean Programme’. This Programme has the potential to provide critical assistance in addressing the financial, technical and institutional barriers that may emerge in the course of developing geothermal energy in St. Kitts and Nevis. Government via the Ministry of Public Infrastructure *et. al.*, has initiated discussions with the CDB which recently undertook discussions to define the scope of the assistance that would be provided by that institution. This is a clear indication of the support we are attracting to ensure that we are able to advance the development of geothermal energy on St. Kitts and Nevis. We are moving thoughtfully. We are making progress. We are moving in the right direction.

63. In addition, my Team Unity Government commenced discussions in August 2016 with the CDB to provide support for the implementation of a street light retrofitting project which will facilitate the replacement of the High Pressure Sodium (HPS) lighting with Light Emitting Diode (LED) lights on both St. Kitts and Nevis. This initiative will be facilitated through the use of resources under the Climate Action Line of Credit (CALC) at a concessionary interest rate. This Project is expected to result in notable cost savings to the Government and is scheduled to commence implementation in 2017.

64. We have also commenced discussions with the CDB to utilize the resources made available under the Sustainable Energy for the Eastern Caribbean (SEEC) Programme to undertake energy audits in publicly owned buildings and the Water Sector on both islands. This exercise will facilitate analysis of the energy flows in selected buildings to determine the current energy usage and establish a comprehensive list of the buildings to benefit from retrofitting. A similar assessment of energy consumption will also be done in respect of the water pumps operated by the Water Services Department across the Federation. Here the technical assessments will help to identify the most appropriate renewable energy (RE) or energy efficient (EE) technology that can lead to notable reductions in operating cost. The

findings of these assessments will also inform Phase II of the initiative which will focus on the actual retrofitting of a number of buildings and pumping stations. In conjunction with these initiatives, the Government also plans to develop a comprehensive and actionable Energy Sector Strategy and enhance capacity in Energy Sector management through the operationalisation of the Energy Unit in the Ministry of Public Infrastructure.

65. Mr. Speaker, I use this opportunity to remind businesses and private individuals that the Government has provided the policy framework to allow for duty free importation of renewable energy technologies. We acknowledge the commitment of the Private Sector, most notably S. L. Horsford and Company Ltd., St. Kitts-Nevis-Anguilla Trading Development Company (TDC) Ltd., St. Kitts Masonry Products and the Immaculate Conception Catholic School (ICCS) who have made the investment in renewable energy technologies and encourage more businesses and persons in their private capacities to invest in renewable energy and energy efficient technologies.

66. Mr. Speaker, the effects of Climate Change have manifested itself most forcibly over the last two years through an extended period of drought. This experience has brought the words of Benjamin Franklin to life, “When the well is dry we will know the worth of water.” Drought conditions have caused many of our residents to develop a new appreciation for our water resources. We are aware of the difficulties with water shortage in some of our communities and want at this point to simply say thanks to our citizens and residents for their cooperation, understanding and patience as steps are taken to address this issue. We are a responsible and responsive Government and that is why a number of communities have already found relief from water shortage. During the course of this year, the Water Services Department has worked tirelessly to address the problem. To date, system improvements have been made totalling \$1 million. The initiatives implemented include the establishment of new wells, the re-commissioning of new ones, and the installation of over 10,000 feet of pipeline to increase the supply of water to the communities of Saddlers, Dieppe Bay, Lodge, Old Road, Sandy Point, Mansion and Phillips. An assessment of the works undertaken revealed that the interventions were successful in restoring water to sustainable levels resulting in the conclusion of water rationing in these communities going westward from Old

Road to Ottleys in August of this year. We are doing the right thing. We are moving our country in the right direction.

67. Looking ahead, the Government will assess the progress made in respect of the advancement of the Bedrock Exploration and Development Technologies (BEAD) and the Ocean Earth Technologies (OET) water exploration projects. These two projects are expected to significantly augment the existing water supply which will alleviate the shortages being experienced in the Basseterre area. The geophysical work has been completed under both projects and sites for drilling have been identified. BEAD has cleared four sites for drilling in the area of Shadwell to Old Road and commenced drilling in October in the Pine Gardens/Shadwell area. Ocean Earth Technology (OET) has identified six sites for drilling north of the Robert L. Bradshaw International Airport to Mattingley Heights. These initiatives have the potential to increase the water supply by 50% over the medium term. The success of these projects is critical given the expansion in demand for water as a result of the increases in hotel and residential development. We understand that water is crucial to life and to a decent standard of living. We are moving our Country in the right direction. We are building a sustainable and resilient future for all.

We urge all residents to practice water harvesting and conserve water.

Social Development

68. Mr. Speaker, underpinning my Government's vision for our people is the unwavering commitment to improve living standards and support the advancement of our Nation's most vulnerable citizens. Therefore, we continue to implement initiatives that reflect our firm belief that strengthening social cohesion, integration and empowerment are key hallmarks in a people-centred approach to development. Our focus on building resilience in our economic and social systems will help to safeguard the rights of all citizens, particularly the vulnerable groups including children, the elderly and persons living with disabilities. Considerable progress has been made in the transformation of the social protection mechanism which has resulted in several achievements during 2016. These include

the expansion of the Mold, Empower, Nurture and Direct (MEND) Families Programme; the implementation of the Proxy Means Test to accurately assess and target those persons most in need of social protection; the implementation of the Management Information System (MIS) to effectively and efficiently manage beneficiary data; the review of the operation of the New Horizons Rehabilitation Centre; and the approval of the Convention on the Rights of Persons Living with Disabilities by my Cabinet. We are a people centred government. We are delivering for our people.

69. During the upcoming year the ratification of the United Nations Convention on the Rights of Persons Living with Disabilities will be made a priority signalling our commitment to protect the fundamental human rights of our differently-abled citizens and residents. My Team Unity Government is cognizant that in order to accelerate growth and build resilience it is imperative that all groups in our society are empowered. We are taking time out to make sure that the social development policies of the Government are designed to include all groups so that no one is left behind. Our differently-abled citizens are equally valuable, capable and talented individuals who can participate in Nation building and directly benefit from our growing economy.

70. Mr. Speaker, Frederick Douglas said, “It is easier to build strong children than to repair broken men.” with this profound statement in mind, my Team Unity Government has taken steps to ensure that key Ministries such as the Ministries of Education and Youth and the Ministry of Social Development continue to focus on the formulation of policies that can help to enrich the lives of our children and young people. The Government is mindful that the effective and efficient implementation of youth-targeted and youth-sensitive interventions have increasingly become necessary to engender meaningful participation by young Kittitians and Nevisians in the social and economic advancement of our Nation. Youth development is now being approached with renewed energy and urgency as we witness the increasing incidences of crime and deviant behaviour exhibited by a growing number of misguided and under-empowered youths. It is for this reason that my Government has intensified efforts to formulate an appropriate Federal Youth Policy that would assist in the building of a more tolerant, inclusive and democratic Federation. The new Youth Policy will serve as the strategic blueprint for strengthening the capacity of our young people to take charge of their

own wellbeing. It will be used to promote the proper channelling of their energy and creative talents towards positive activities that can contribute to the building of strong resilient communities. In addition, it will be used as a planning tool to bring greater focus on the mainstreaming of youth development principles in all relevant Government policies as well as to influence the mainstreaming of youth issues in the policies of Non-State Actors.

71. Mr. Speaker, the Juvenile Justice System is another area where the status quo must be disrupted in order for us to build resilience in our societies. It is time for adult standards of detention and sentencing to give way to rehabilitation, reintegration and most importantly prevention among our at-risk youths and young offenders of the law. We use this opportunity to express our gratitude to the United States Agency for International Development (USAID) and the Organization of the Eastern Caribbean States (OECS) Commission in the show of support for the execution of the second phase of the sub-regional Juvenile Justice Reform Project that is scheduled to commence implementation in 2017. This is indeed a timely initiative that is geared towards facilitating legal reform, capacity strengthening, modernization of diversion and rehabilitative processes in the Juvenile Justice System. Additionally, the Reform Project is expected to bring about an improvement in Civil Society linkages in the delivery of our child and youth protective services. The Federation will also benefit from additional support provided through the USAID Eastern and Southern Caribbean Office funded ‘Community, Family and Youth Resilience Project’ with support from its implementing partner the United Nations Development Programme (UNDP) Office in Barbados. This initiative will deliver focused interventions to a total of 15 communities in the participating countries of St. Kitts and Nevis, Saint Lucia and Guyana. The objective of the initiative is to create opportunities away from crime, for youth aged 10 to 29 years, toward productive participation in the community and economy, utilizing a combination of new and existing programmes. Activities under this Project are expected to commence during the first half of 2017.

72. It is vital that the appropriate institutional mechanisms are put in place to support the reforms that are required within the Juvenile Justice System. To this end, a new Probation and Child Welfare Board has already been established. In 2017, we will realise the establishment of a Criminal Justice Committee to bolster our efforts at protecting our most

vulnerable children. The efficient operation of these entities will be crucial to achieving the mandate of key implementing agencies to protect the rights of children faced with difficult circumstances and provide them with equitable opportunities to become productive citizens in society. Work will also be undertaken to review the legislative framework that supports the enforcement of the Child Justice Act (2013) in a manner that is most relevant to our situation as it relates to the effective management of children who come in contact with the law.

Skills Development and Human Capital Expansion

73. Mr. Speaker, my Government recognises that education and skills development have to take centre stage in our attempts to accelerate growth and build the resilience of our twin island Federation. We must pay special attention to the implementation of the right policies and programmes to ensure that our education system becomes more targeted and responsive to the changing economic and social environment. With the support of the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Ministry of Education completed its two year-long Education Policy Review exercise in March 2016. This review process underscored the need to develop a plan that is strategically aligned with the priorities of the sub-regional education strategy and the White Paper on Education Policy and Development 2009-2019. In an effort to gather a more comprehensive view on the new strategic direction to be taken, consultations were held with key Public and Private Sector stakeholders to inform the development of a five-year National Education Sector Strategy. The Strategy will provide a holistic approach to effectively address identified deficiencies in the areas of Governance, Management and Planning, Academic Staff Policy, Curriculum Assessment, and Teaching and Learning. This reform Strategy is scheduled to be completed by the end of the first quarter of 2017. We anticipate that the implementation of the actions highlighted in the Strategy would officially commence later in the year. It is expected that immediate action will be taken to make sure that both the traditional academic and technical education and training would become more germane to the demands in the labour market and the general needs of our expanding economy.

74. Mr. Speaker, my Administration recognizes that progress has been achieved over time in the delivery of traditional education subject areas, however, the development of technical and vocational skills training has moved at a slower pace. The Technical Vocational Education and Training (TVET) system remains challenged by limited structural and institutional capacity to adequately respond to the urgent and emerging demand for skills development. Our ability to address this demand will place St. Kitts and Nevis in a more advantageous position to accelerate growth and build resilience in society and the economy. Therefore, my Government is prepared to institute reforms and make significant investments to modernize the TVET system in the Federation. For starters, we must move expeditiously to align our TVET system with the Caribbean Vocational Qualification (CVQ) standards. We must also act now to address the structural deficiencies that constrain access to high quality, relevant and gender-responsive TVET programmes, improve the quality of TVET instruction, reduce internal inefficiencies, and improve management of TVET facilities.

75. To this end, I am pleased to report that the TVET project will be implemented over a five-year period and will cost the Government in the region of \$30 million. A significant portion of the financing coming from the CDB. The project will facilitate the transformation of TVET in the Federation and will help us to strengthen the capacity of our education system to produce an increased number of skilled and employable persons. We want to revolutionise this aspect of the education system where recognised certification of our young people becomes the norm.

76. Mr. Speaker, the sustainability of the People's Employment Programme (PEP) is a key policy issue for the Team Unity Government. We have a vested interest in the genuine training of our young people and therefore have committed to mending the PEP, not ending it. PEP cannot continue as it had in the past – a vehicle to serve the political manoeuvring of the Party in power at the expense of national interest. PEP was initially conceived as a six-month orientation programme catering to about 1,000 persons. Four years later, many are still on orientation for which they will neither qualify for a degree nor diploma. PEP has led to the pauperization of many and given the political expediency that led to its inauguration, no serious efforts were made to inculcate appropriate work ethics – punctuality, fair day's work for a fair day's pay, respect for those in authority, or search for excellence. A high percentage

of “no show” workers was being paid to secure votes. For the thousands working, cutting grass and in environmental health, the attendance record was abominable and the syndrome of “late to work and depart early after a few hours” must be seen as a most regrettable form of dehumanization of our human capital.

77. The CDB, in an evaluation of the PEP, found the following anomalies, among other things:

- i. Only 130 persons of 4,000 persons in the height of the Programme were exposed to training - it counted, 16 males and 114 females;
- ii. Some trainees have been in the Programme for over 2 ½ years and have not received any formal certification;
- iii. The curriculum used by PEP authorities relied on “outdated” HEART Curriculum from Jamaica. Some instructional material is old and had been discontinued since 2007. While some of the HEART modules may still be useful, they are not current and not in line with international and regional best practices;
- iv. There was little evidence of monitoring or evaluation of programmes to ensure relevance and continuity.

78. This situation of adding to the payroll of the Public Sector of over \$6 million per month, \$72 million per year, largely in personnel costs, was never sustainable and we could well understand the urgency with which we had to act. We, in the public interest, sought to stop the haemorrhage and blatant profligacy and waste of public funds by determining the tenure of the absentee workers who drew a salary but did no work. We insisted on proper time keeping and supervision and pay only for work done. We, working with the then President of the Chamber of Industry and Commerce, and other Private Sector partners, succeeded in moving hundreds off the PEP and into full time employment in both the Public and Private Sectors where greater earnings were being had and proper work assessed and delivered.

79. In our elevated view of people empowerment, we propose to finalize the restructured Programme and at the start of the new year the PEP will graduate to STEP – a genuine Skills Training and Empowerment Programme that uplifts our people. In our Manifesto, we described this as a STEP Up Programme. STEP will, *inter alia*, embody:

- i. a reorganization and revamp of PEP in a more sustainable form;
- ii. market driven training in areas of high demand and felt need. We will contribute to training at the first level for persons desirous of working in the hotel and hospitality industry, and construction trade. This will help to provide a ready pool of persons for Park Hyatt, Koi Resort and Radisson thereby minimizing demands for immigrant labour.
- iii. a strong self-employment and entrepreneurship programme.

80. Better is being offered to our people because they deserve better. We are a people centred Government and our people matter most. I am therefore pleased, on behalf of the Team Unity Government, to indicate that the TVET Project mentioned earlier, will also provide the needed technical assistance required to assist in the restructuring of the Programme. During 2017, we will move forward with the transition process to the new and improved phase. It is expected that STEP will be designed with an emphasis on certification so that it can produce individuals who are well rounded with better skills and ready to meet the demands of the labour market. I want to commend the Permanent Secretary, Mr. Osbert DeSuza, for excellent leadership of the Programme. It is difficult to implement change, correct a culture of dependency, waste, and inefficiency. Mr. DeSuza, with a strong background in project management with the CDB through the Basic Needs Trust Fund (BNTF) Programme, gets to the heart of the matter with clinical precision. His heart is in the right place. His focus is on getting best results for the Country. The Cabinet thanks him for undertaking a difficult job and making a success of it.

Health Care

81. In the upcoming fiscal year, Mr. Speaker, the Team Unity Government will continue to deliver affordable, quality health care to the citizens and residents of St. Kitts and Nevis. My Government, in its Manifesto, presented our ideas for the future development of the Federation of St. Kitts and Nevis, in which the Nation's health was prominently featured. I would like to take this opportunity therefore to update this Honourable House and the public about some major indicators as it relates to the present health situation in our Federation - some of our progress and some of our challenges.
82. Our Nation has made important strides in health care delivery. Our Expanded Programme on Immunization (EPI) continues to be a best practice in the vaccination of children, against Measles, Mumps, Rubella, Hepatitis B, Polio and Tuberculosis, to name a few. As a matter of fact, annual immunization reports over the last years have shown 97% coverage of targeted groups. Life expectancy is a combined 76 years and our maternal mortality rate is negligible. These advances can be directly attributed to the people's Team Unity Government's steady investment in health, including training, other forms of capacity building, and service expansion.
83. The Ministry of Health, through the National AIDS Secretariat, continues to work assiduously in implementing plans for the prevention and treatment of HIV, and the care of persons living with the illness. To this end, the Federation of St. Kitts and Nevis has forged strong partnerships with several local, regional and international agencies, including PANCAP, to reduce new incidents of infections and to eliminate all forms of discrimination against persons living with HIV and AIDS. As a citizen and lead Head on Health Human Resources and HIV in the quasi CARICOM Cabinet, I am also happy to report, Mr. Speaker, that St. Kitts and Nevis is set to join other Caribbean countries in having eliminated mother to child transmission of HIV. We are, however, awaiting final confirmation from external validators including PAHO. In this regard, I am certain that very soon we would all be proud in saying whole-heartedly to the hard working team of the Ministry of Health - **Thank You for a Job well Done.**

84. It is the Ministry's intention in 2017, to unveil its National Strategic Plan for Health 2017-2020. The National Strategic Plan for Health will outline the necessary interventions and strategies in 11 priority areas such as chronic non communicable diseases (NCDs); Mental Health and Substance Abuse; Health policy/legislation; Human Resource; and Health Financing.
85. Mr. Speaker, in 2017, the spotlight on NCDs will be shone far more brightly as CARICOM Member States observe the 10th Anniversary of the signing of the Port of Spain Declaration. This landmark Declaration in 2007 signalled the acknowledgement that NCDs were posing the greatest threat to health and wellness in our region. It also belled a commitment to aggressively respond to the NCD threat with projects, programmes, legislation and investments that would bring marked improvement in our lifestyles, dietary choices, weight management, and related health indicators. The Ministry has committed to the establishment of a national NCD Commission in 2017 and also the formulation of legislation regarding tobacco use in public places. Among the major NCD response initiatives that the Ministry of Health executed in 2016 was yesterday's successful opening of the Oncology Unit at the Joseph N France (JNF) General Hospital, to provide well-needed chemotherapy services to persons diagnosed with cancer. This investment will ease the financial and emotional burdens for persons who, in the past, were forced to travel to neighbouring islands, North America or England for treatment.
86. In 2016, the Team Unity Government approved proposals for a considerable increase in expenditure on pharmaceuticals and we will sustain this level of investment in 2017. This will allow the Ministry of Health to continue to address the increased demand for NCD-related medications, especially for individuals with hypertension, diabetes, chronic kidney disease and cancer. In a number of cases, traditional orders of these pharmaceuticals have increased exponentially. Investments have also been made in the procurement of additional haemodialysis machines to address the ongoing demand for treatment and to facilitate the expansion of the Unit.
87. Mr. Speaker, it is important to bring awareness to the fact that new and re-emerging diseases, and chronic NCDs are now the leading causes of morbidity and mortality

in the Federation. Of these, diabetes, hypertension and cancers are frequently diagnosed. A 2010 survey of the adult population revealed that close to 40% of persons surveyed had elevated blood pressure, 20% had elevated glucose levels and close to 70% carried excess weight. The statistics are obviously daunting since many of these conditions pre-dispose individuals to life threatening diseases such as chronic kidney disease, cardio-vascular disease and various forms of cancers. Additionally, the financial burden of care associated with chronic NCDs can create unsustainable trends in health care financing and deter or act as a barrier to persons accessing care.

88. This is why my Team Unity Government is fully committed and working assiduously at fulfilling our promise to implement Universal Health Insurance Coverage within our first term. It is through the successful implementation of Universal Health Insurance Coverage that we will be able to adequately address the financial challenges associated with the delivery of modern health care. Let me at this point advise you, however, that implementation of Universal Health Insurance Coverage is not a cure all to our Nation's growing problem with chronic NCDs. We recognize that our continued efforts at Primary Health Care are necessary if we are to reverse present NCD trends.

89. With respect to mental health and substance abuse, just two days ago we proudly witnessed the soft opening of the first Mental Health Day Treatment Centre in the Federation and the wider OECS. This initiative was jointly funded by the Government of St. Kitts and Nevis and the Caribbean Development Bank via its BNTF programme. It is a much needed addition to our mental health response. The stark reality is that when patients are discharged from the acute psychiatric setting at JNF, they need additional help in the process of re-integrating into society. Follow up psychiatric clinics at Community Based Health Services are necessary but not enough. This Centre is therefore intended to assist in this important re-integration process by providing occupational therapy, ensuring adherence to medication, sanitization and hygiene, group and individual counselling, and skills training. For the Centre to be truly successful, partnerships with the families of patients and clients must be forged. In short, the ultimate goal of this facility is for the patients to be occupied, cared for and nurtured in a professional, friendly environment that is conducive to recovery.

90. Mr Speaker, while we acknowledge that it is important to invest in new health facilities that are critical to the provision of quality services, we also have to upgrade existing health facilities. In August of this year, the newly renovated and refurbished Mary Charles Hospital in Molineux was re-opened as a 10-bed facility, complete with Labour and Delivery suite, Accident and Emergency/Resuscitation Room, Asthma Bay, Pharmacy, and Nurse Manager's Office and station. Among the other amenities to be added would be the Dental Unit and the return of an Emergency Medical Technician (EMT) Ambulance Base. There should also be limited lab services to include Complete Blood Count (CBC), Chemistry-glucose, sodium, potassium, and cholesterol testing. More will be delivered at the Mary Charles Hospital than ever before. More for our people under Team Unity because we listen, we hear and we respond to our people.

91. The Team Unity Administration extends its appreciation to the WhiteGate Development Corporation, the Private Sector partners, contractors and all the staff at the Ministry of Health who facilitated the successful delivery of this project to the people. This is indeed a major development for the Mary Charles Hospital, as very little was done with respect to maintenance of the physical plant over the last 20 years. The facility upgrade will restore confidence in the community with respect to appropriate health care delivery. It is our expectation that utilization of this facility will increase as a result of this timely upgrade. The newly refurbished Mary Charles Hospital will also restore confidence in our beloved nursing staff who for many years worked under dreadful conditions at the Mary Charles Hospital. My Government believes that, in order for our health care workers to be productive, we have to provide them with the necessary tools and equipment and a comfortable working environment. On this, we have delivered at the Mary Charles Hospital. We pledge to do this at all of our health institutions.

92. Mr. Speaker, I wish to single out nurses among our health care workers because they are the backbone of the system. They are at work more than any other category of workers. So, having provided them with a conducive working environment, we expect from them a positive attitude and work ethic that is nothing less than excellent. This leads me to the important priority area of Human Resources for Health. There has been much talk recently of the recruitment of foreign health professionals. Truth be told, we have had a

history in St. Kitts and Nevis, and this entire region, of recruiting foreign health professionals. There is good reason for this. The region simply does not have adequate human resources for health in specialized disciplines. This is one of the reasons why we seek to strengthen diplomatic ties with Cuba. We depend heavily on that country for medical specialists in areas of Oncology, Paediatrics, OB/GYN, Pathology, Nephrology, Psychiatry, and Vascular Surgery. They have, for many years, provided us with the necessary numbers thereby strengthening our health care system. We encourage our people to pursue specialization in these areas. The health of our people cannot be suspended until a sufficient number of locals are available. We must find the best professionals wherever they are in the world and recruit them to serve our people here in St. Kitts. Only a privileged few with contacts in high places can be flown out to Baptist Miami Health Hospital when they are ill, even with diseases treatable in the region. Only a few can boast of Government's support of over \$135,000 on their health recovery in Miami. For the vast majority who are not so privileged, we must bring the health specialists here to St. Kitts.

93. Our country is on an upward trajectory insofar as health care and the provision of essential health services are concerned. We are providing new services in areas of Oncology, Expanding Haemodialysis, Improving Mental Health, and Critical Care. Health care delivery is not simple. There is no one-fix solution to guarantee appropriate health care. It entails a multiplicity of approaches to ensure resilience in this critical system. St. Kitts and Nevis is not daunted by the dynamics of this constantly changing industry. While we invest in service expansion and the provision of care, the Government will continue to encourage more Public Private Partnerships in health and continue to embrace our regional and international partners. We will also continue to strengthen our ties with Cuba and the Republic of China (Taiwan), all in an effort to advance quality health care delivery in this Federation and provide scholarships for our people to specialize in a wide range of health care areas.

Housing and Human Settlements

94. Mr. Speaker, the area of housing and shelter is another key aspect in our quest for building resilience in our society. In recognition of our goal to bring dignity to all of our

citizens, my Government, through the National Housing Corporation (NHC), has facilitated the expansion of the housing assistance programme to all eight constituencies in St. Kitts. This initiative was launched last year to assist needy persons with a grant of up to \$10,000 to make critical repairs and basic improvements to their homes. This is another area where tangible assistance is provided by my Government to lend a helping hand to the most vulnerable individuals and families. Assistance has been provided to approximately 150 individuals and families. The NHC has continued to be a strong partner in ensuring that the housing stock is of a high standard and affordable. We have also worked to ensure that the NHC is able to access additional resources to carry out its core mandate. In this regard, an additional \$15 million was sourced to facilitate the completion of 115 homes under the Habitat Independence 30 Programme. This was a crucial undertaking as these homes were at various stages of completion when the Team Unity Administration assumed office in February 2015. My Government is therefore pleased to report that this year we were able to complete these homes and in June were honoured to distribute homes in the Pine Gardens, La Guerite East, Taylors, Green Acres and Ottleys East communities. In addition, the NHC, in collaboration with the St. Kitts-Nevis-Anguilla National Bank, assisted 19 individuals under the Habitat Independence 30 Programme and 24 persons under the Fund for the Realization of Economic Empowerment through Subsidized Housing (FREESH) Programme to construct homes on their individual lots. The 158 homes delivered in 22 months and 150 homes benefitting from home repairs represent a significant delivery to ordinary people of St. Kitts and Nevis. We are moving in the right direction in creating a property owning society. Our people are progressing from rental arrangements to home ownership.

95. Mr. Speaker, an important factor is the affordability of home ownership. We believe that we have a responsibility to help to contain the cost to homeowners. Therefore, with some revisions to the mortgage system, the NHC successfully introduced a new payment system aptly named 'Pay As You Earn'. This new system eliminates the application of arbitrary interest rates on mortgages for homes accessed through the various housing schemes. It pegs the interest rate to the earning capacity of the applicant through a progressive earnings tiered system. As a result, those individuals earning income up to \$3,500 per month will only pay 2.0% for their mortgage; those persons earning from \$3,501 to \$4,500 per month will attract an interest rate of 3.0% and those earning \$4,501 and over per month will pay 5.0%

interest on their mortgage. This new system was created to address the high incidence of non-performing loans listed with the NHC. This is what we are about, making the systems in the Public Sector work for the ordinary men and women of this country. We already know that this initiative will bring relief for the most vulnerable homeowners. The NHC also has a good opportunity to reduce the number of delinquent clients and improve collections on outstanding mortgages.

96. In the first half of 2017, my Team Unity Government will unveil and commence implementation of our flagship housing initiative for this, our first term in office. Citizens can expect the roll out of an ambitious housing scheme, “Unity Housing Solutions”, which will provide housing for 300 plus families. Given the larger size of family units among the lower income earners, we have recommended significant improvements in the spatial designs of our Unity Housing Solutions. In this regard, the size of the bedrooms and bathrooms will be increased over what previously obtained in a typical NHC affordable house. The size of the homes will be increased from 780 square feet to 862 square feet without any appreciable increase in cost.

Public Safety and Security

97. Mr. Speaker, you are aware that the Team Unity Government assumed office in February 2015 at a time when this Country was facing some of the most difficult challenges with crime and criminal activity. One of the early initiatives taken by the Team Unity Government was the engagement of Bramshill Policing Advisers (BPA) as consultants to the Police Force. BPA supported the restructuring of the Police Force, wrote and published the service improvement plans and participated in interviewing all staff for promotion. They provided programmes for specialist investigative training, one-to-one mentoring of the ranks of the Violent Crime Unit, strategic planning and human resource management. They also provided programmes for policing and criminal justice reforms, leadership and management, and assisted in the review of old cases. Capacity building remains a priority for our Security Forces. Therefore, in 2017, special efforts will be made to continue to provide further

training, including the areas of leadership and management, investigation, crime scene management and preservation, and firearms and ballistics training.

98. Mr. Speaker, the Team Unity Administration has pledged to provide increased support to the Security Forces. Our partnership with the Republic of China (Taiwan) has resulted in the renewed commitment to assist the Federation in the expansion of the Closed Circuit Television (CCTV) Programme and the implementation of technological upgrades that will improve information management across our security organisations. I am pleased to report that our Motorola Digital Radio Project has been fully implemented, with radios now available for the Police Force, Defence Force, Fire and Rescue Service and Her Majesty's Prison. This initiative serves to enhance the communication capabilities of the Security Forces thereby improving coordination, response times and detection capabilities. During 2016, the Police K9 Unit was also expanded to include seven K9 officers which are trained to detect explosives, narcotics, firearms and ammunition, as well as provide general police tracking capabilities.

99. Mr. Speaker, the provision of a conducive working environment is vital to enhancing both the safety and productivity of our Security Officers. The Team Unity Government inherited Police Stations that had been in extremely poor conditions for well over 10 years. These included the St. Paul's Police and Newcastle Police Stations. The health and well-being of Police Officers are now at stake and, as a direct result, my Government has been obliged to make some major decisions concerning these two Police Stations. Meetings were held with residents of the respective communities to inform them of the challenges and plans for the continued provision of policing services. We thank the members of the community for their participation in the discussions and for understanding that the health of our citizens must come first and that the new arrangements to be implemented will in no way diminish public safety and security in the areas.

100. The Newcastle Police Station in Nevis has already been closed following a town hall meeting with the people in that community. With respect to the St. Paul's Police Station, there will be a reassignment of the manpower to the Dieppe Bay Police Station while, at the same time, enhancing patrolling and tactical operations in and around St. Paul's. According to

the Police High Command, the deployment should ensure better policing support for St. Paul's. The Commissioner has guaranteed the Cabinet that security will be enhanced in the districts now served by the Newcastle Police Station in Nevis and the St. Paul's Police Station in St. Kitts. There are other challenges being faced at other Police Stations. For example, a Police Station is needed at Sandy Point to provide proper facilities for the Police and Fire Department's personnel and vehicles. The people of Sandy Point and the surrounding communities can depend on this Team Unity Government to address this situation in the near future.

101. Since assuming office, my Government has provided resources for repairs to the Security Agencies' facilities including Police Stations in Old Road and Cayon, the St. Kitts and Nevis Defence Force (SKNDF) Coast Guard Base, the H. M.S. Prison in Basseterre and the Prison Farm in Nevis. It took this Team Unity Government to address the plight of the Officers who serve at the Coast Guard Base. My Government has arranged with SCASPA to temporarily lease a building. Some renovations were done on the identified building and the Coast Guard personnel were subsequently relocated. I am pleased to report that works on the new Coast Guard facilities have commenced. Demolition of the old structure is near completion. Construction of the new building is estimated to be completed in one year. However, it is envisaged that by June to July 2017, works on one section of the new facility will be completed to enable the Coast Guard to move out of the Port building in which they are now housed. Works on the remaining section of the new Coast Guard building will then continue and should be completed by year end.

102. At the SKNDF Coast Guard Base, the MV Stalwart, one of only three Coast Guard Cutters of its class in the OECS and Barbados, had been down for years. Many people said that it should be abandoned. After due discussion with the leadership of the Defence Force and Coast Guard, my Government acceded to their advice and provided the necessary financing to enable the MV Stalwart to be properly outfitted with a new engine and re-commissioned. Earlier this year, the MV Stalwart was put back on the seas and was well-positioned to play a major role in the operations of the RSS when they were deployed in the Federation during September and October this year. It will continue to provide essential services to complement the surveillance work of the Security Forces for some time to come.

103. My Team Unity Government is also committed to the construction of a new prison. The construction of a modern correctional facility is a major component of the reform agenda of this Administration. Therefore, in 2016 a transparent procurement process was undertaken to facilitate the selection of a service provider to prepare the designs for the new facility. We expect the designs to be completed during the first half of 2017. Meanwhile, as we await these developments, it is imperative that we improve the existing prison facilities and conditions within the prison. We must improve security. We must seek to intensify our efforts at rehabilitation and reduce recidivism, that is, repeat offenders returning to the prison.
104. Mr. Speaker, in 2017, the Security Forces, including the Police and Defence Force, in collaboration with other agencies such as H.M. Prison and the Customs and Excise Department, will combine to achieve the goals to deliver proactive, intelligence-led policing service to the Federation and effective compliance and enforcement of the relevant laws, thereby ensuring that the Police Force will continue to be an innovative, transparent, accountable and efficient organization. The Security Forces will step up their efforts at focusing on greater community engagement, research, policy coordination, risk management, performance reporting and operational excellence. Additionally, it has been found that our children, from as early as nine years old, become involved in troubled youth groups which potentially could lead them into becoming fully fledged members of gangs if they are left without proper mentoring. It is therefore essential that, in 2017, the Police promote, devise, develop and implement a viable Community Policing model that will embrace all stakeholders in soliciting joint action to address the areas that I have just identified. In an effort to reduce criminal activities and the fear of crime, the Police would be prepared to continually adopt best practices to ensure that the message, which is ‘zero tolerance for criminals and criminal activity’, resonates in the community.

MEDIUM TERM ECONOMIC MANAGEMENT STRATEGY

Medium Term Fiscal Outlook and Growth Targets

105. Mr. Speaker, a review of the fiscal performance suggests that by the end of the 2016 fiscal year, the Recurrent Account Surplus will be \$108.0 million. Recurrent Revenue is projected to be about \$635.5 million or 4.5% more than the estimate and will be comprised of \$392.7 million in Tax Revenue and \$242.8 million in Non-Tax Revenue. Non-Tax Revenue will continue to be heavily influenced by inflows from the Citizenship by Investment (CBI) Programme which are expected to exceed the target by approximately \$41.2 million or 27.4%.

106. In addition, we anticipate that Recurrent Expenditure for 2016 will amount to \$527.5 million, 7.8% above the 2016 estimates and 2.3% in excess of the amount incurred in 2015. The expected increase in expenditure reflects my Government's decision to reward all Civil Servants, auxiliary workers and pensioners with the payment of a thirteen-month salary in December. Mr. Speaker, this is indeed evidence of my Government's commitment to continue to provide avenues for all to share in the economic gains generated by the Federal Government. Additionally, our budgetary support of \$25 million to the Nevis Island Administration for the 2016 fiscal year is also another means by which we would have shared the economic gains that were realized, this time specifically with the people of Nevis. Contributions to regional entities, including just over \$1.0 million in assistance to Haiti and the Bahamas following the devastation by Hurricane Matthew, and the Government's contribution to the capitalization of the ECCU Asset Management Corporation will also cause the outturn for Recurrent Expenditure to be higher than budgeted.

107. Capital and Budgetary Grants are projected to amount to \$67.8 million. Similarly, Capital Expenditure is expected to reach \$77.2 million. While we will endeavour to accelerate the execution of our Public Sector Investment Programme in the short to medium term, we anticipate that work will be intensified on ventures such as the Frigate Bay Beach Enhancement Project, the TVET Development Project and the Well Drilling and Extension of Water Lines Project. The Federal Government successfully recovered \$20.6 million, representing the reimbursement of funds from a Government entity for payments that were

made on its behalf in 2015. With these results, we anticipate that an Overall Surplus of \$119.2 million and a Primary Surplus of \$146.9 million will be achieved by the end of the 2016 fiscal year. These surpluses are projected to be above the 2016 approved budget by 53.7% and 37.6% respectively. This is a remarkable achievement by any standard. Our Country is being competently and responsibly managed. We are moving in the right direction.

108. Mr. Speaker, the projected 2016 fiscal outturn is consistent with my Government's economic strategy aimed at accelerating growth and building resilience within the economy. In this regard, the latest estimates suggest that Real GDP growth will moderate to around 3.0 percent for 2016 and 2017. The 2017 Estimates encapsulates the objectives of our Medium Term Fiscal Framework which are to build resilience of the macroeconomic performance to exogenous shocks and reduce the risks to macro-financial stability. The Framework is also based on active management of the CBI inflows, expenditure control and robust management of the Government's debt. Therefore, during 2017, our fiscal policy priorities will continue to be the establishment of a comprehensive strategy that will preserve the gains that were achieved in the context of our prudent fiscal management.

109. I will now provide an update on the Public Sector Debt and the medium term debt outlook as we see it. At the end of December 2015, the total Public Sector Debt stood at \$1.6 billion or 68.8% of GDP. Of this, debt owed to external creditors amounted to \$0.6 billion while debt owed to domestic creditors was \$1.0 billion. The debt stock at the end of the 2015 fiscal year was significantly less than the position when the Country was placed under an IMF Programme in July 2011. At that time, the Public Sector Debt was \$2.9 billion or 140.5% of GDP. As we know all too well, such a high level of debt was unsustainable for a small economy such as ours and put severe pressure on the Government's purse. Creditors were then asked to participate in a debt restructuring exercise where they could exchange their debt instruments for a new par bond or a new discount bond. Exchanges for the discount bond resulted in a reduction in the debt stock in the region of \$0.1 billion. The more impactful event, however, was the Debt for Land Swap which resulted in an overall decrease of \$0.8 billion in the Public Sector Debt. Approximately \$0.5 billion of this amount served to reduce the debt of the Federal Government while \$0.2 billion pertained to Government Entities in St.

Kitts and \$0.03 billion was related to debt of the NIA. In addition to the Debt for Land Swap and the exchange for the discount bond, \$0.05 billion of the Federal Government's debt owed to the Social Security Board was prepaid and \$0.04 billion that was due to the Export-Import Bank of the Republic of China was repaid. In 2015, my Government made prepayments amounting to \$0.03 billion on the loan that was contracted from the IMF under the Stand-By Arrangement. As a result of these debt reduction transactions, at the end of December 2015, the Federal Government's indebtedness stood at \$1.0 billion or 41.0% of GDP while the debt of the Nevis Island Administration was \$0.3 billion or 14.8% of GDP. The debt of the Public Corporations in St. Kitts totalled \$0.3 billion while the outstanding liabilities of the Public Corporations in Nevis amounted to \$0.03 billion.

110. Mr. Speaker, one of the conditions that was agreed to under the Debt for Land Swap was for the Government to make annual payments of 3.5% of the value of all unsold lands that were swapped with the major domestic creditor. To date, a total of \$70.2 million has been paid under this arrangement where \$18.2 million was paid in 2014, \$25.2 million in 2015 and \$26.8 million in 2016. The lands have been vested in the Special Land Sales Company Ltd, a Special Purpose Vehicle (SPV), which is charged with marketing and selling the lands, the proceeds of which would reduce the value of the unsold lands held by the creditor and consequently the guaranteed 3.5% payment. It was envisioned that the lands would be sold over a three year period and not be held ad infinitum. Consequently, the agreement was for the 3.5% payment to be made to the creditor for a three year period only. This three year period ended in June of this year.

111. Mr. Speaker, the debt situation in this country has always been and continues to be a major concern for the Team Unity Administration. We consider this a bad inheritance and we are working prudently to revisit some elements of this inheritance being mindful not to undermine the stability of any of the entities involved. As we are negotiating some very complex matters, we will do this with decency and with wisdom. Equally, we will preserve the confidentiality of the process until negotiations are complete. I am, however, pleased to report that in April 2016, the loan that was contracted from the IMF under the Stand-By Arrangement was repaid in full, two years ahead of the scheduled repayment date of August 2018. By this decisive act, we ended the aberration where fiscal recklessness caused our

country to go to the IMF as a mendicant seeking a bailout of \$225 million. Never again must any government so badly manage our resources as to make us a pariah and a classic example of how not to govern. My Government is committed to continue to be extremely careful not to take actions that would worsen the debt situation but rather contribute to further reductions in the debt stock and lower debt service obligations.

112. In May 2016, we decreased the rate offered on our Treasury Bills by one percentage point and in the very near future, we will reduce the interest rates paid on the Government's National Savings Scheme and Government Savings Bank so that they would be in line with the prevailing rates offered in the local marketplace. As a result of these debt stock and cost reduction initiatives, the Debt to GDP ratio is projected to fall to 66.6% by the end of 2016 and to 62.1% by the end of 2017. Mr. Speaker, by the end of 2018, we expect that the Debt to GDP ratio would be 56.5%; 3.5 percentage points below the ECCB's 2030 target of 60%. We are leading the way. We aim to be the best managed Small Island State in the world. We are cognizant that high cost debt not only translates to debt service obligations that are prohibitive but it impedes Government's ability to effectively channel its limited financial resources to critical programmes and sectors that are in need of support. Consequently, we identified the debt instruments with a high cost and are taking steps to reduce the rates that are associated with those instruments.

113. The outlook would only come to fruition if we continuously monitor the performance of our debt portfolio and take decisive actions to rectify any deviations from the overall Debt Management Strategy. Monitoring the implementation of the Debt Management Strategy is a critical element to achieving our goal. At this point, I urge all Public Sector entities to be prudent in the execution of their fiscal affairs and in the management of their debt portfolios as we strive, as a whole, to ensure that the Public Sector Debt continues on a downward trajectory towards the ECCB's recommended target.

Fiscal Prospects

114. Mr. Speaker, Recurrent Revenue for the 2017 fiscal year is projected to be \$640.6 million. Taxes on Income are expected to generate \$119.2 million which would be in excess of the 2016 Estimates by \$16.3 million or 15.9%. Taxes on Property are expected to reach \$15.2 million. Also, we anticipate that Taxes on Domestic Goods and Consumption would be \$104.5 million while Taxes on International Trade and Transactions, the largest tax revenue contributor, would generate \$183.3 million. Non-Tax Revenue, which is expected to be driven by CBI fees, is projected to be \$218.5 million for 2017. Additionally, a total of \$48.4 million is estimated for Capital Grants. All of these categories are expected to yield Total Revenue and Grants of \$689.0 million. On the expenditure side, an amount of \$509.3 million is proposed for Recurrent Expenditure for 2017, a moderate increase of 4.1% over the 2016 Estimates. This would result in a Current Account Surplus of \$131.3 million for 2017. A total of \$146.3 million is also being proposed for Capital Expenditure and Net Lending for 2017. An Overall Surplus of \$33.4 million and a Primary Surplus of \$58.3 million is therefore anticipated for 2017. The 2017 Draft Estimates provides comprehensive details of all the programmes and activities that would be carried out by each Ministry and some details on what we expect to achieve in 2017 given the respective budget allocations. I will now highlight some of the major programmes and activities for the various Ministries.

115. The Ministry of Justice, Legal Affairs and Communications would be allocated \$11.4 million in 2017 for its recurrent activities. This represents a significant increase of 12.5% over the allocation in 2016 and is indicative of the high demand for the services of this Ministry and the progressive investments my Government is prepared to make in order to ensure our justice system is fair and efficient. We believe that an effective legal system is a key element in the quest to build a resilient St. Kitts and Nevis. That is why we are adamant that we can do better by our people by delivering timely, well balanced services as well as an enhanced legal framework to guarantee justice for all, particularly as it relates to matters of crime and violence. The Ministry's plans for 2017 include, but are not limited to, the establishment of a fourth Magistrates' Court, a second High Court, a Registry and Registrar of Land, a Court e-filing Platform, and the introduction of a Case Management Platform Toolkit. These programmes and projects would no doubt help to increase the efficiency and

effectiveness of our justice system. The Communications arm of the Ministry will continue to work towards the integration of technology into the Public Sector as well as guide the formulation of appropriate policies to govern the development of the ICT Sector. As I indicated earlier, one of the activities planned for 2017 is the design of the much talked about Government Wide Area Network (GWAN).

116. The Ministry of Justice, Legal Affairs and Communications would be provided with \$2.3 million for Capital Expenditure. Projects to be implemented include ICT Innovation Centre Development, Technology Refresh to upgrade the end-point network services, and purchase of IT equipment for operating the Innovation Unit and upgrading any peripheral devices attached to the IT network.

117. The Office of the Prime Minister would be allocated \$41.2 million for 2017's Recurrent Expenditure, representing a 1.4% increase over the 2016 budget. A significant portion of the additional resources would be used to implement the reforms related to the enhancement of the CBI Programme that I mentioned earlier.

118. With regards to the Public Service, in 2017 the Human Resource Management Department will commence the implementation of a new performance incentive system. The Department will also enhance its responsiveness to the demands of our young people who seek opportunities for scholarships to further their education. I am pleased to indicate that the 2017 Budget would continue to provide resources to support access to tertiary level training at various universities, both regionally and internationally. This investment is being made to ensure that more and more of our people in, for example, teaching, nursing, policing, and development planning are given the opportunity to access tertiary level education to enable them to make an increasing contribution to the development of St. Kitts and Nevis.

119. Mr. Speaker, 2017 will see the premises of the Printery being renovated and upgraded to allow it to provide a wider range of services to Government agencies. This upgrade should boost staff morale and increase productivity. Let me at this time thank the staff of the Government Printery who worked beyond the call of duty to deliver this Budget on time. May God bless them all!

120. Mr. Speaker, the 2017 Recurrent Budget allocation for the Ministry of National Security is \$52.7 million which is an increase of about 10% over the 2016 allocation. This significant increase is reflective of my Government's resolve to do whatever it takes to rid our beloved Federation of the scourge of crime which threatens the very foundation of our economy and the peaceful way of life to which our people are accustomed.

121. During 2017, the Ministry of National Security will continue to strengthen collaboration between the various security agencies. In addition to the programmes that I mentioned earlier, other important initiatives that would be implemented include the appointment of a National Security Advisor and the activation of the National Defence Council and a National Crimes Commission. These would provide necessary guidance and direction for the work of the Security Forces. Resources would also be provided to strengthen the witness protection programme and augment the K9 Unit.

122. Much is demanded of our Security Forces, especially given the current environment. Therefore, it is only reasonable that they are provided with the necessary support, both in terms of compensation, physical environment and equipment, that would allow them to perform their duties effectively. The process towards the civilianization of the Immigration Department will continue and, all being well, will be completed in 2017.

123. In addition to the resources that would be allocated for Recurrent Expenditure, a total of \$19.1 million is being proposed to be spent on Capital projects during the 2017 fiscal year. This would be \$3.7 million or 23.7% in excess of the 2016 allocation. Projects to be implemented include the completion of the Coast Guard and Training facilities as well as the construction and renovation of various Police Stations. The implementation of a Closed-Circuit Television (CCTV) Surveillance Project in 2017 will be a significant deliverable in our efforts to keep our Nation and people safe and secure. Last Friday, just around \$5 million was released by the Taiwanese Government to procure the necessary facilities for Phase I of the CCTV Project.

124. I now turn to the Ministry of International Trade, Industry and Commerce. This Ministry would be provided with \$3.7 million to carry out its recurrent programmes and

activities for 2017. This would represent a 2.2% increase over the 2016 allocation of \$3.6 million. During 2017, the Ministry will continue its support to MSMEs, manufacturing, export development and consumer protection, all with a view of encouraging the creation of jobs and improving the business environment.

125. This Ministry has a critical role to play in the development of entrepreneurship. My Government, in an effort to foster entrepreneurial development, will continue to provide the resources necessary for the Ministry to play its role in providing technical support to small businesses including the processing of duty free concessions and development of business plans. The Ministry intends to continue collaborating with the Private Sector to ensure that national development objectives are reflected in Trade Agreements. It will also continue to protect the rights of consumers ensuring that consumers obtain value for money in the goods and services they procure.

126. Mr. Speaker, the Ministry of Finance would be provided with \$172.7 million for Recurrent Expenditure and \$14.7 million for Capital Expenditure to carry out its programmes and activities for 2017. The provision for Recurrent Expenditure represents an increase of 3.3% over the comparative figure of \$167.3 million for 2016 while the Estimate for Capital Projects is 25.3% higher than the \$11.7 million that was provided in 2016. One of the main contributors to the expanded allocation for the Ministry is the provision of additional resources to adequately meet the Government's obligations with respect to the payment of pensions to Retired Civil Servants, the number of which has grown over the years. Resources would also be made available to facilitate the Government's contribution to the Eastern Caribbean Partial Credit Guarantee Scheme that I spoke of earlier. Once the Scheme is rolled out as envisioned, MSMEs would have access to the required financing for the operation of their businesses which we believe would contribute to the overall growth and development of our economy.

127. The draft Estimates propose an allocation of \$8.2 million for the Ministry of Community Development, Gender Affairs and Social Services. This would be an increase of 10.9% over the 2016 budget. This is a clear indication of the importance that my Team Unity Government places on the work of this Ministry which touches the lives of persons in our

various communities, especially the vulnerable. In 2017, the Ministry of Community Development, Gender Affairs and Social Services will continue to collaborate with various Private Sector and community based groups in reaching a greater number of persons in a more cost effective and efficient way. A case in point is the launching of the Boys Mentorship Pilot Programme with the involvement of private individuals who willingly stepped forward to offer support. In 2017, the Ministry will continue to develop new collaborative relationships and further strengthen existing ones. Services provided to older persons will be enhanced through the introduction of a registry of caregivers and community-based day programmes in community centres. During 2017, a new initiative will be implemented whereby registered community-based organizations would be able to access small grants to enable them to execute community driven projects and activities. This would allow the untapped resources, skills and ideas that reside in our communities to be unearthed.

128. Mr. Speaker, the Ministry of Agriculture, Human Settlement, Cooperatives and Environment would be provided with \$8.7 million to carry out its recurrent programmes and activities for 2017. This would be an increase of 2.9% over its 2016 budget. During 2017, in addition to the regular work programme, the Ministry plans to continue to focus on finding solutions to some of the challenges facing farmers, the main ones being the threat to crop production posed by monkeys and wild pigs, and access to water for farming. In this regard, the Department of Agriculture will intensify its efforts to reduce the damage caused by monkeys and wild pigs.

129. Mr. Speaker, the Ministry of Tourism would be allocated \$23.4 million for its Recurrent Expenditure and \$6.5 million for Capital Expenditure to carry out its programmes and activities for 2017. These amounts represent increases of 6.4% and 14.2%, respectively over the 2016 Budget. The Ministry intends to intensify efforts to foster community involvement in Tourism development on St. Kitts. To this end, the Ministry will work with communities to transform the railway trails in Palmetto Point to Challengers to facilitate nature and adventure walks, biking, and hiking. The Ministry will also continue its efforts to develop Tourism in the rural areas. The development of Black Rocks is one case in point. In 2017, this project will continue and would result in the complete transformation of this historic landmark, significantly enhancing the vendor and visitor experience. Another Capital

project of significance is the upgrade of the Strip at Frigate Bay. This work is already in progress and involves the paving of roads and the construction of board walks, and will result in improved parking and other amenities. Additionally, measures to address beach erosion at South Friars and Frigate Bay will continue in the upcoming year.

130. During 2017, the Ministry of Tourism will continue its initiatives to foster the development of Cruise Tourism which has shown tremendous growth over the past year. As I mentioned earlier, the past season recorded 21 inaugural port-calls and we are on track to welcome a record breaking 1.2 million passengers over the 2016/2017 season. The Ministry has also embraced the St. Kitts-Nevis Restaurant Week as an additional platform for marketing the Federation as a tourist destination. The response to the hosting of the event this year was tremendous with some 45 eating establishments participating (13 more than last year).

131. As part of our efforts to educate the younger generation to become future leaders in the Sector, in September of this year, the Ministry of Tourism launched the pilot initiative aptly named the 'Tourism Education Awareness Programme' in five educational institutions namely; the Dr. William Connor Primary School, the Sandy Point Primary School, the Basseterre High School, the Advanced Vocational Education Centre (AVEC) and Project Strong. The objective of the Programme is to sensitize and expose our young people to the career opportunities in tourism and to highlight the impact of the sector on the quality of life for themselves and the community, and the resultant impact on the economy. Going forward, this Team Unity Government, through the Ministry of Tourism, will conduct a Residents Satisfaction Survey to assess the views of our people as it pertains to the quality of the services and amenities provided under the scope of our tourism product and how it impacts their livelihoods and communities.

132. Mr. Speaker, the Ministry of Education would be provided with \$70.9 million for Recurrent Expenditure, an increase of 2.3% over the 2016 Budget. In addition, \$19.4 million has been allocated for Capital projects. I am happy to report that the new Early Childhood Pre-School facility on Victoria Road will be reopened early in the New Year. During 2017,

the following projects will be undertaken at the various Tertiary Education, Primary and Secondary level institutions:

- Construction of New Basseterre High School;
- Outfitting of AVEC with modern ICT networks, software and hardware;
- Expansion and equipping of the Hospitality Centre at CFB College;
- Repairs to roof at the Industrial Site Day Care Centre;
- Repairs to bathrooms at Tucker Clarke Primary School;
- Construction of Sandy Point Pre School;
- Implementation of the CDB financed TVET Development Project; and
- Installation of security systems in all schools.

133. Mr. Speaker, the Ministry of Health would be allocated with \$48.2 million to carry out its recurrent programmes and activities for 2017. The proposed amount would be 4.5% higher than the amount allocated in the 2016 Budget. The Ministry would also be provided with \$14.4 million for Capital Expenditure. Projects to be undertaken include the Reconstruction of the Tabernacle Health Centre and the JNF General Hospital Development - Phase III which includes the renovation of the kitchen and laundry facilities.

134. The Ministry of Youth, Sports and Culture would be allocated \$6.4 million to support Recurrent Expenditure in 2017, an increase of 1.3% over the 2016 Budget. The Ministry has an important role to play in implementing innovative programmes and activities that will foster the holistic development of our young people. The Ministry will continue to support programmes such as the 25 Most Remarkable Teens, the Creative Entrepreneurship for Business Opportunities (CEBO) Programme, the CARICOM Youth Ambassador Programme, Vybzing and the Youth Summer Camp. With respect to Culture, the Ministry will continue to pursue activities to ensure that our national culture and heritage are preserved and will provide the necessary leadership to develop culturally related businesses.

135. Mr. Speaker, I now turn to the Ministry of Sustainable Development. This Ministry would be allocated \$5.5 million for its Recurrent Expenditure, an increase of \$0.3 million

over the 2016 Budget. A further \$13.9 million has been provided for Capital Expenditure. Capital Projects to be implemented include the Caribbean SIDs project, the Retrofitting of Street Lighting Project, and the Enhanced Country Poverty Assessment (ECPA) project. In 2017, the Ministry will continue to play a pivotal role in coordinating development strategy, aid and donor activities in the Federation.

136. Mr. Speaker, the Ministry of Foreign Affairs and Aviation would be provided with resources in the amount of \$18.6 million to carry out its recurrent activities in 2017. In 2017, the Ministry will continue its efforts to forge new relationships and strengthen existing ones with regional and international Governments. In this regard, it will collaborate with key national agencies in mounting a mission to Cuba with a view of developing networks and markets to boost commercial activities and promote cultural understanding.
137. In light of Brexit, the Ministry will also seek to pursue closer cooperation with the United Kingdom and specific European countries. We are convinced that although there may be challenges as a result of Brexit, there are also opportunities which we must identify and seize. With regards to Civil Aviation, the Ministry will complete work on a Drone policy and legislation. This will provide a modern framework for the regulation of Unmanned Aerial Vehicles and help to improve aviation safety and security.
138. Mr. Speaker, the Office of the Attorney General would be provided with \$11.7 million to undertake its programme and activities for the next 12 months. During 2017, the Attorney General's Chambers will focus on training of staff within the Chambers with a view to strengthening its capacity to meet the increasing demand by the Public Sector and the Country as a whole. In addition, it will seek to recruit more senior staff to give added capacity to the Chambers.
139. Mr. Speaker, the Ministry of Nevis Affairs, Labour, Social Security and Ecclesiastical Affairs would be provided with \$1.3 million, a slight increase of 2.4% to carry out its programmes and activities for 2017. This Ministry has a critical role to play in facilitating a unified approach in governance and policy coordination in the Federation. It will continue to

facilitate the harmonization of political, economic, social, cultural, and environmental policies, programmes and practices of both the Nevis Island Administration and the Federal Government. The Labour Department will continue its role as a vanguard of harmonious Labour relations by promoting sound employment practices and resolving labour disputes. It will seek to expand the range of employment services offered in response to changes in the labour market. During 2017, it will focus on occupational health and safety management and strengthening its social partnerships through consultation with workers and employers.

Fiscal Measures and Other Strategic Interventions

140. Mr. Speaker, the 2017 Budget has been developed to ensure that the mandates of my Team Unity Administration are implemented to positively impact the lives of our citizens and residents. We will continue to pursue policies that seek to maintain a macroeconomic environment that will help us to improve on our stellar economic performance. Our objective is to continue to strengthen the fundamentals of fiscal sustainability by controlling the expansion of Government expenditure, adopting the right policies, generating budget surpluses on all major accounts and ensuring that Public Sector debt is at sustainable levels. We will ensure that all the resources that are being requested in the 2017 Estimates will be used in the most efficient ways possible. Much care and attention have been taken to ensure that the Estimates are targeted at those areas that have the greatest potential to accelerate growth and build resilience in our economy and society. These include investments in social and economic infrastructure, economic services, education, health, security and social services. The main focus of this Budget is therefore to accelerate growth, create the enabling environment for businesses to develop and thrive, generate jobs, and implement policies that would improve the lives of our people.

141. Mr. Speaker, on behalf of my Team Unity Government, I am pleased to announce, that for a second consecutive year, there will be no new taxes as part of the Budget proposals for 2017. There is a need, however, for Government to remain vigilant in its review of existing policies and the introduction of new strategies to ensure that our people never witness the

return of the dark days when the Government was hamstrung by too high a public debt. One of the real challenges that remains is maintaining the fiscal space to effectively perform the vital role of Government and implement policies to ensure that the wider economic gains are more equitably shared so that the most vulnerable citizens are not left behind. In this regard, we will continue to work with relevant international partners to refine the administration of the tax regime, particularly as it relates to the management of concessions and the formulation of contingency plans. We anticipate that the process for reforming the concessions regime will span over the next two to three years.

142. With respect to Public Financial Management (PFM) Reform, during the course of 2016, the Accountant General's Department successfully coordinated the Public Expenditure and Financial Accountability (PEFA) assessment which was implemented with technical support from the European Union. This PEFA Report will be used to develop a new PFM Action Plan which will identify the next steps and sequencing of activities to improve the financial management system. As part of the reform process, the Accountant General's Department will also develop and implement a new system for enhancing the accountability of Government's fixed assets. This will involve all Line Ministries which will be required to update and maintain Fixed Asset Registers at the Ministry level with regular reports made to the Ministry of Finance. The Accountant General's Department will also continue to work towards the full adoption of International Public Sector Accounting Standards (IPSAS) and will roll out a transition plan for moving the accounting system from the Cash Basis to the Accrual Basis.

143. Mr. Speaker, the Inland Revenue Department is currently collaborating with the Office of the Financial Secretary, the FSRC and the Social Security Board to complete the design of an online business registration system which is expected to be launched in 2017. We have also made significant progress with the establishment of the dedicated Land Registry and will complete this process by the first half of 2017. Certainly, these are activities that will help to reduce the time and effort it takes for the registration of businesses and properties. In 2016, the Customs and Excise Department operationalised all the functions of the new ASYCUDA system which is greatly assisting with the streamlining of the operations at the Department and easing the process of doing business with its clients. These are just a few of the initiatives

being implemented by this Administration to change the status quo in the way we do business and thereby assist our Country to improve its ranking in the World Bank sponsored Doing Business Report.

144. Mr. Speaker, the Team Unity Government is convinced that adopting prudent fiscal policies is one of the best ways for the Government to contribute to accelerating growth and building resilience. In May of this year, during the last IMF Article IV consultation, we discussed the idea of establishing a mechanism for managing the savings which the Government has generated as a result of the Overall Surpluses that were achieved to date. Following these discussions, and in accordance with the Government's Medium Term Fiscal Framework, the Team Unity Government has decided to create a Growth and Resilience Fund in 2017. It is important for our people to understand that their Government will do all in its power to ensure that we make the critical policy decisions, at the right time, to properly manage these funds. Indeed, the timing is right for this initiative to be pursued now as we focus on the ideas and policies that can contribute to the sustainable growth and resilience of our Nation. The medium term macroeconomic objective of this strategy is to use the accumulated savings to build policy buffers against exogenous shocks that could result from hurricanes, downturns in key tourism markets and adverse developments related to the CBI inflows. Another objective is to maintain adequate fiscal space to support the implementation of a robust Public Sector Investment Programme (PSIP) while limiting the accumulation of Public Sector debt. I am therefore pleased at this time to inform this Honourable House that we intend to consult with the Private Sector and other key stakeholders on this matter so that their views may help to shape the design and governance arrangements for the Fund.

145. Mr. Speaker, building efficiency and productivity of the Public Service are top priorities of the Team Unity Government. We are a Government that cares for the hard working men and women who have dedicated their lives to the service of the Government and people of this Country. To the extent that is fiscally possible, we are committed to increasing remuneration packages to reward all Civil Servants who work hard no matter where they are stationed. As mentioned earlier, in 2017, the Human Resource Management Department will spearhead the introduction of a new performance incentive system. The new performance incentive system is being designed to address the existing deficiencies by incentivizing good

performance. The new approach is therefore based on the simple idea that rewards must be commensurate not only with the education and skills of an officer but equally with the efforts expended by each Public Servant. It is envisioned that this would positively impact productivity and morale in the Civil Service. The Minister of Labour will work closely with the Human Resource Management Department to spearhead the new system in a manner that is consistent with best international practice. The longstanding commitment to make the Government auxillary employees (GAEs) part of the normal pensionable establishment will be addressed by this administration within the fiscal year.

146. In the interim, there are a number of compensation issues that we have determined must be rolled out in areas that may not be adequately addressed by the broader performance incentive system. More specifically, Mr. Speaker, the Team Unity Government has listened and assessed the situation regarding the compensation of nurses who go beyond the call of duty to serve our people at the various health institutions, particularly our hospitals. We recognise their contribution to the provision of quality health care for our people. In this regard, we have made provision to facilitate the payment of on call allowances to nurses who are called upon to work beyond their regular shift.

147. Equally important, is the continued attention we have given to the adequate compensation of our hardworking Security Officers. Many of them work beyond the call of duty to keep us safe. I am pleased to report that the Team Unity Government delivered on its promise made at last year's Budget presentation to provide resources to facilitate a 20% increase in risk pay for our Security Forces – the first increase in over 20 years. People matter more to Team Unity. During 2016, the Officers of the Police Force, the Prison, Defence Force, and Fire and Rescue Services benefited from this initiative. This year, we have also introduced a new scheme to compensate Police Officers and Officers serving in the Defence Force who are called out to duty on rest days for special operations. Over 200 Officers are expected to benefit. We intend to continue to provide the necessary resources to support these initiatives in 2017. As we continue to evaluate the conditions of service for our Security Officers, we have found some disparity in the treatment of Police and Soldiers who attain certification at the tertiary level. This must cease to be the case as such practices run counter to the policy of the Government. Here again, we are prepared to change the status quo. These

organizations are rank-driven and personnel in certain ranks receive fixed salaries. The Cabinet recently approved a proposal that will enable the rank-driven structure to be retained while still allowing graduates to be appropriately compensated. To this end, resources have been allocated in the 2017 Estimates to facilitate compensation of Officers with graduate qualifications in the Police and Defence Forces in the same manner as other Public Servants. We hope to retain the brightest and the best in our Security Forces.

148. Mr. Speaker, in keeping with our prosperity agenda and our fair share motto, the Team Unity Government determined that the fiscal performance this year was sufficiently healthy to support the payment of an extra month's salary to all Civil Servants, auxiliary workers and pensioners on the Government payroll. As I indicated last month when this was announced, the payment of a 13th month salary represents a bonus in excess of 8% to Government employees and pensioners. This initiative of the Federal Government includes the Civil Servants on the payroll of the Nevis Island Administration. We are determined that Public Servants in Nevis will not be left behind because they too have worked hard to deliver quality service to the people of the Federation. We encourage all entities in the Public and Private Sectors to make a special effort to deliver a gratuitous payment to their employees in December. Based on our estimates, this initiative of my Government may result in the injection of an additional \$30 million and, when considered in the context of possible Private Sector participation, it has the potential to stimulate an even greater multiplier effect in the economy. In this regard, as the principal beneficiaries of consumer expenditure, we truly hope that our Private Sector firms will do more than the normal pay for their employees. In keeping with the message for our people to strive for maintaining balanced lives, we urge those who are receiving extra, to show a little more kindness during the Yule tide Season, to share with others, to spend wisely and avoid waste.

Conclusion

149. In concluding, Mr. Speaker, allow me to share an idea from the Caribbean Development Bank which, in its 2015 Economic Review and 2016 Forecast publication, indicated that the Caribbean Region, now more than ever, needs to be 'Dynamic, Export-

oriented, Competitive, Inclusive, Diverse and Environmentally resilient (DECIDE)' in order to achieve rates of growth necessary for development of the Region. I think this is a very practical way to help us here in St. Kitts and Nevis to focus on some of the core things that are fundamental to the acceleration of economic growth and building resilience. In the context of our Federation, the point is well made that action is required now to renew the partnership between the Private and Public Sectors to work together to accelerate growth, build resilience and transform our economy and society. Our vision and strategy are anchored in the view that our survival and ability to thrive hinges on the implementation of the right mix of policies and other interventions designed to achieve sustainable economic growth and development while, at the same time, maintaining the fiscal health of the Government. Based on our plans for the medium term, the key components underpinning the transformation of our economy include: Private Sector-led growth; a well-educated and flexible workforce; enhancement of the development of the real sector (Agriculture, Financial Services, ICTs and Tourism); attaining food and energy security; and the Government acting as facilitator and an efficient regulator.

150. Mr. Speaker, as we have done on other occasions, my Team Unity Government wishes to remind all citizens of the need to play an active role in their own security and safety, especially during the upcoming Christmas and Carnival Seasons. I take this opportunity to also remind the general public of Government's offer of duty-free concessions on the purchase of safety and surveillance equipment for homes and businesses. Please be assured that our Security Forces will continue to do all in their power to ensure the safety and security of all of our citizens and residents. The Security Forces will beef up their presence on VAT Day and every effort will be made to ensure the safety of our streets as people go about their legitimate business. Your ongoing partnership with the Police and Defence Force is greatly appreciated.

151. Mr. Speaker, Members of this Honourable House, as we reflect on events of the last 12 months and look with optimism to chart a sustainable path for our Country in 2017, I invite all of us to consider this short but powerful verse from Psalm 133, verse 1 which reads "Behold, how good and how pleasant it is for brethren to dwell together in Unity". This reading from the Psalms sums up some very important principles of the people's Team Unity Government which, if we seriously consider and apply to our daily lives, will help us to

achieve our goals. As we look forward to 2017, let us always remember that we are a resilient people and no matter the situation that may confront us, let us adopt a mind-set of togetherness. Let us therefore resolve to pull together to stamp out crime, pull together to accelerate growth, pull together to build social and economic resilience, pull together to build a better St. Kitts and Nevis. In the end, **Together we can achieve more - Together we will Succeed.**

152. Mr. Speaker, I wish to take this opportunity to thank the staff of the Ministry of Finance including the Office of the Financial Secretary, the Accountant General's Department, the Inland Revenue Department, the Customs and Excise Department and the Financial Intelligence Unit, the CIU, FSRC, the Central Purchasing Unit (CPU), for their hard work and commitment over the last fiscal year. Indeed, the hard work and dedication of all individuals who serve the Government have contributed to the successes achieved up to this point and we greatly appreciate the efforts of all our dedicated Public Servants. It is with a sense of pride and pleasure that on behalf of my Team Unity Administration, I present the plans and programmes for fiscal year 2017. These plans were developed through consultation and input of a wide cross section of stakeholders in Government, the Private Sector and Civil Society. During our conversations with the people in town hall settings this year, we heard and learnt a lot from our people and we say thank you. These conversations will continue in the New Year. The relief we offer in this budget, the provision of resources of over \$35 million for MSMEs, the payment to Security Officers for use of rest days, allowances to our nurses, the delivery of improved health services, the construction of the Basseterre High School, the construction of roads, our budgetary support to Nevis, our housing programme, our investment in ICTs, in Black Rocks, the Strip, in Sports and Culture, and excellent fiscal and economic performance are not chance events. They are our calculated response to advance the quality of life of the people of St. Kitts and Nevis. A people we love so much and to whom we owe so much. A people whom, with love and God's wisdom, we are determined to take to the Promised Land not of milk and honey but the Promised Land of a Fair Share and Prosperity for All.

153. It is indeed an honour serving you from this side of the House. For our many accomplishments to date – small and large. I say to God be the Glory.

154. Mr. Speaker, I so move. Thank you.