

1. Mr. Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation (2009) Act, 2008.

INTRODUCTION

2. I have the honour of presenting this year's budget, my first such presentation as Minister of Finance, just a few months after our Silver Jubilee Celebrations that marked the attainment of 25 years of nationhood by our Federation. This very significant milestone in the life of our Nation is not only a reason for reflection on the very challenging but progressive path that we have taken as a nation but it also calls on us to look forward to the new economy that we would wish to create in the decades ahead of us. Of course, each year's budget is an important building block in the creation of that new economy, and it is therefore critical that this first budget after the 25th birthday of our Federation builds on the solid foundation that we have established as a people over the last quarter of a century, and points us in the direction of that new and prosperous economy that we are seeking to construct in our twin-island Federation.

3. Mr. Speaker, it is already clear that new and difficult challenges will emerge as we push on the wheels of social and economic progress with a view to fashioning a new society replete with opportunities for the further advancement of our people. Earlier this year we encountered the devastation of Hurricane Omar to our coastal infrastructure and residences, and to the Four Seasons Hotel in Nevis which is still closed to the detriment of Kittitian and Nevisian workers in Nevis and to the business sectors on both islands. Moreover, financial markets around the world are in a state of turmoil and the

global economy seems perched on a precipice notwithstanding the considerable resources that governments across the globe have been committing to fiscal and monetary expansion. We have witnessed huge international banks and major U.S. car manufacturers appear before various government agencies with the utmost humility to beg for the resources that they need to keep them afloat. At the same time workers in developed countries are being thrown out of their jobs as their employers fight for survival by downsizing their operations. Home owners are being forced out of their homes for failure to make their mortgage payments, and even very wealthy persons encounter great frustration and desperation as they helplessly watch their wealth dwindle as asset values plunge in international capital markets.

4. While here in St. Kitts and Nevis we have not yet felt the brunt of the financial tidal wave that seems to be moving across the globe, we must continue to be vigilant. We live in a global village and if the roof of the global financial system is blown away, we must grab hold of an umbrella for ourselves, if we are to avoid getting wet. This would require that we enhance our competitiveness as a nation and that we carve out for ourselves a bigger and bigger share of the shrinking global pie.

5. As we go beyond the first 25 years of nationhood and embrace an even more expansive vision for the future of our Federation, we must at the same time, protect the considerable social and economic gains that we have secured over the years. In particular, our creative and expansive social programmes coupled with healthy rates of real economic growth have placed our Federation firmly and consistently in the top strata of the United Nations Human Development Index.

6. The evidence of our progress as a nation is seen and felt throughout our Federation. Between 1995 and the present, the minimum wage enjoyed by low income groups has increased by over 150%, the minimum pension paid by Social Security increased by 66%. Some 2,000 low-income families have been afforded the opportunity to occupy their own homes. In addition we continue to provide free textbooks, free uniforms, free transportation for our students and examination fees. Additionally we provide easy access to high quality primary and secondary health care to low-income groups throughout St. Kitts and Nevis. Hence, our strategy for moving our Country forward is not just about presenting fancy economic and financial statistics. It is about touching the lives of ordinary people and ensuring that the lowest income groups among us are protected, and that they get their fair share of the income generated in our progressive Federation.

7. Mr. Speaker, our innovations in the real economy have helped to generate the resources required for our social programmes. Let us not forget that less than a decade ago, Port Zante was just a barren piece of land jutting out into the ocean. Indeed, no one in their right mind would invest there at that time because it was so prone to hurricanes and natural disasters. But we secured it through the implementation of an expansive revetment programme and this year, for the first time since its construction, Port Zante withstood a major storm and encountered virtually no damage or disruption in activities. Indeed, today, Port Zante is a vibrant addition to the town of Basseterre that attracts hundreds of thousands of cruise ship visitors to our shore and generates a wide range of income-earning opportunities for our people. Our enlightened leadership has reconfigured Port Zante so that it can attract the newest and the best cruise ships to our shores. We are one of the preferred Caribbean destinations for the Queen Mary and Celebrity Cruise Lines. Similarly, the Southeast Peninsula road was a

highway to nowhere. Today, a Tom Fazio Golf Course is under construction on the Peninsula, and a Marina Village, a Mandarin Hotel, a Ritz Carlton Hotel, a Dolphin Park, and a range of luxury villa and condominium projects are expected to be constructed on the Southeast Peninsula, and are at various stages of planning or implementation.

8. Our substantial investments in airport security, the resurfacing of the runway and the creation of additional parking space for jets, have contributed immeasurably to the feasibility of many of the tourism-related projects on the Southeast Peninsula and throughout our Federation. The Robert L Bradshaw International Airport now boasts scheduled international flights directly from Philadelphia, Atlanta, Miami, and New York; and we look forward to the commencement of direct flights from London through the operations of British Airways in January 2009.

9. Mr. Speaker, it is clear that our Public Sector Investment Programme has targeted projects that have contributed to growth and economic expansion. In fact, our expansive programme of infrastructural development including road construction, the expansion of water and electricity supply, telecommunications development, and port expansion has not only attracted more tourists to our shores but it also offers greater convenience to our people as they go about their business. In addition, our excellent infrastructure along with our forward-looking accreditations legislation have attracted various universities to our shores along with hundreds of students who make significant contributions to our gross national expenditure and to income, employment and business development in our Federation.

10. In view of these creative initiatives, it is not surprising that we have been transitioning out of sugar over the past three years without encountering any contraction in National Income in any of those three years. Of course, we will continue to monitor the progress of the former sugar workers and lend them a helping hand where necessary but we are proud that the majority of them have moved into other sectors of the economy and have secured new income earning opportunities for themselves. This speaks volumes about the effectiveness of the Government's assistance to former sugar workers and about the resilience and strength of our people. Indeed, the way our sugar workers and our people as a whole have coped with the mammoth challenges associated with the loss of the sugar industry must be duly recorded in our annals and serve to inspire future generations of Kittitians and Nevisians.

11. Mr. Speaker, it is clear that we have much to build on as we look to the future but in the current global environment we must pay particular attention to economic expansion in the short-term. In this regard, we are projecting a growth rate of 3.0% for 2009, which we expect will be accompanied by a relatively moderate rate of inflation of no more than 2.5%. The projected growth rate for 2009 is less than last year but in the context of reduced growth rates and recession in many of the countries with which we trade, we do not think it is realistic to project a higher level of growth. In fact, this projected level of growth is based on a very active scenario in which Government would accelerate and expedite the processing of many of the private sector and public sector capital projects under consideration and would, through internal reallocations, commit more resources to growth-enhancing projects.

12. The reallocation of resources would be necessary because our public debt is already high and we cannot at this stage of our development incur

additional debt to stimulate growth. Our challenge is to keep the economy on a growth path in this very difficult global environment, and at the same time attain sufficiently high primary balances to keep the debt to GDP ratio on a downward trajectory. Hence, we expect to reduce the public debt from the projected 169% of GDP at the end of 2008 to 165% of GDP at the end of 2009. We expect that the primary balance will be increased somewhat from a projected 7.9% of GDP to 10.2% of GDP. We would have wished to target a much more substantial reduction in debt for 2009 but this would require a substantial contraction in the Government's budget at a time when we need to promote growth and economic expansion to mitigate the likely impact of the global crisis on Foreign Direct Investment, on the tourism sector and on manufacturing in particular.

13. In respect of the Balance of Payments we are projecting that there may be some weakening of the Current Account if tourism receipts, manufacturing exports and remittances from abroad are significantly impacted by the global crisis. Similarly, Foreign Direct Investment could be adversely affected by the crisis. We are therefore projecting a reduction in the overall Balance of Payments surplus in 2009.

14. Mr. Speaker, in the current international environment of doom and gloom, it is quite easy for a government to devote all of its time, energies and resources to addressing short-term issues to the detriment of the long-term plan for the creation of a new and more prosperous society. In fact during the National Consultations on the Economy in August of this year, there was considerable focus on issues relating to the long-term and on building a future society that would be consistent with our aspirations as a people. In this the 25th year of our Independence we simply must not be diverted from realizing our

vision of a vibrant, peaceful, prosperous and modern society in which opportunities for personal progress abound and in which our people are empowered to realize their fullest potential and to attain even the most ambitious goals and aspirations they set for themselves.

15. In other words, even as we exert every effort to stimulate the economy in the short-term, we must also focus on the sustainability of growth and development. Hence, we will continue to protect our fragile eco-system and to develop alternative sources of energy that are consistent with our quest for a cleaner and greener society for the benefit of ourselves, our many visitors and future generations. We will enhance our democracy through continued improvement in transparency and accountability, greater participation of our people and of our communities in policy formulation and implementation, and the minimization of political strife and tribalism through continuous bipartisan dialogue and cooperation for the good of our beloved Country.

16. We will continue to promote peace by giving high priority to Law and Order and to addressing the economic and social issues that give rise to criminal behaviour. We will continue to facilitate continuous and progressive increases in personal income and thereby empower our people to acquire their own homes, shares in businesses and privatized enterprises and other valuable assets as they create wealth for themselves and their families and reach for progressively higher standards of living. We will continue to build a more equitable society in which the lowest income groups, the aged, the disabled, the young and all vulnerable groups in society are given special attention and are not swept to the periphery of economic decision-making.

17. We will always protect the patrimony of our people, laying the framework for its sustainable use by present and future generations. Our land is ours and it is critical to our sustainable development. We will not part with it easily. We will give pride of place and preference to our nationals desiring lands for residential, commercial and industrial purposes. We welcome Foreign Direct Investment and appreciate its valuable contribution to improved quality of life. In this regard we are prepared to facilitate access by foreign investors to our lands on the best possible terms for our Country.

18. In carrying out this expansive agenda for growth and development, we must confront and overcome the challenges that emerge from time to time in the global economy. Hence, I will now focus on International Economic Developments.

THE EXTERNAL ENVIRONMENT

International Economic Developments

19. Mr. Speaker, world output grew by 5.1% in 2006 remaining constant in 2007. On the other hand, growth in the global economy is projected to fall to 3.9% in 2008 and 3.0% in 2009. The IMF in the latest edition of the World Economic Outlook (WEO) attributed the diminishing growth rate to the turmoil experienced in the financial markets which intensified in August 2007 after the disintegration of the United States' sub-prime mortgage markets. By September 2008, the situation worsened with record market failures which have badly shaken confidence in the global financial institutions and markets. As a result escalating solvency concerns have triggered a cascading succession of bankruptcies, forced mergers and public interventions in private businesses in the United States. The impact is further evidenced by current efforts to restructure the financial sector and by the projected deceleration of economic activity in the United States from 2.0% in 2007 to 1.6% in 2008.

20. The advanced economies as a group are projected to achieve a growth rate of 1.5% in 2008. The newly industrialized Asian economies which include Korea, Taiwan, Hong Kong and Singapore again recorded the highest growth rate of 4.0% while Italy recorded the lowest growth rate of -0.1%. In 2009, the advanced economies which are close to or already experiencing a recession, are projected to recover, albeit gradually, as efforts are made to stabilize the financial markets across the globe. The Euro area growth is forecasted to slow down from 1.3% in 2008 to 0.2% in 2009, while in the United Kingdom it is estimated that the growth rate will fall from 1.0% in 2008 to -0.1% in 2009. It is

anticipated that the stabilization of oil prices coupled with the slower growth rate will result in moderately higher levels of unemployment and a reversal of the spiralling inflation rates observed early in 2008.

21. Mr. Speaker, the emerging and developing economies are projected to experience a growth rate of 6.9% in 2008. Despite some deceleration in growth, Asia continues to be the primary contributor to the favourable performance of this group averaging a growth rate of 9.0% per annum. The major contributors to this growth include China where economic output is projected to have grown at 9.7%, a decline from 11.9% in 2007 due to declining exports as a result of the United States credit crisis, and India where growth is estimated at 7.9%, a fall off of 1.4 percentage points when compared to 2007 resulting from rising oil prices, high inflation and interest rates. The continued meltdown of the housing and financial markets appears to have had minimal impact on the emerging and developing economies. Of course, the vicious terrorist attacks in Mumbai, India will have negative fallout in India. In time the magnitude of this fallout will crystallize.

22. Mr. Speaker, we are very pleased that the impact of the global downturn on the local real estate market has not been particularly severe to date. Hence, work is continuing on various private sector investment projects and the residential housing stock continues to expand as more and more private residences are constructed. At the same time, confidence in our banking sector continues to be strong and the ECCU capital markets continue to show incredible resilience. While contemplating the sombre reality that the global economic slowdown could cause a reduction in tourist arrivals we remain optimistic that the creative marketing efforts and improved air access to the Federation will continue to make us an attractive vacation spot. However, we do

expect that the tourism sector will experience some adverse effects from the global crisis. Already many of our retailers are complaining that although there is still a steady flow of tourists to our shores, per capita tourist expenditure has been relatively low.

23. It is also anticipated that the manufacturing sector, particularly those companies that export to markets in the United States and the United Kingdom, will experience some reductions in demand for their goods and in their profit margins. The adverse impact of the global crisis on the manufacturing and tourism sectors could result in some job losses and a slowdown in business activity. Moreover, it is also likely that Foreign Direct Investment in all sectors of the economy could be significantly affected by the global credit squeeze. If this happens for any protracted period, the impact of the global crisis on income, employment and business activity would be greatly exacerbated.

24. Perhaps the only good news in respect of the global economy is the substantial reduction in oil and other commodity prices in recent months. We expect that the reduction in energy prices would reduce the cost of inputs of virtually all businesses and would combine with the fall in other commodity prices to exert downward pressure on the rate of inflation. However, notwithstanding the reduction in oil prices, we will not divert our attention from the development of alternative sources of energy. We must, through our investment in alternative energy, protect ourselves from future gyrations in oil prices and at the same time protect our environment and thereby accelerate our goal of creating a green and clean community.

25. Hence, I turn now to the Regional Economic Developments.

Regional Economic Developments

26. Mr. Speaker, at this critical time in our development the unpredictability of the global economy presents significant challenges which can derail or hinder the progress that has been made in the region over the last five years. The OECS has persevered through several significant international events which include dramatic increases in the price of oil, increases in the price of food and the continuous fluctuations in the United States dollar. Our ability to continue on a path of growth in the face of seemingly insurmountable obstacles is a testimony to the resilience of our people, and the regulatory institutions which have been carefully and deliberately established at the national and regional levels.

27. The OECS recorded an estimated growth rate of 5.2% in 2007, which represents a significant decline relative to the rate of 6.3% reported in 2006. The economies benefitted from increased activity in the construction sector in preparation for the ICC Cricket World Cup (CWC). The conclusion of the CWC in April 2007 resulted in a slight decline in the construction sector as work neared completion on the various sporting facilities and hotels. This downturn was offset in part by increased activity in the wholesale and retail, transport, banking and insurance, communication, and electricity and water sectors. According to the ECCB Real Sector Analysis for January to June 2008, these sectors together contributed 64% of real GDP. Economic output increased in all ECCU member states ranging from 1.7% in Saint Lucia to 21.0% in Anguilla. Economic output in St Kitts and Nevis increased by 2.9%.

28. The performance of the economies in the larger Caribbean Community member states was not as robust. Economic growth in this group declined from 6.2% in 2006 to 3.7% in 2007. Barbados grew by a relatively healthy rate of 4.3% due to increased tourism receipts during the second quarter of 2007. In Jamaica, output expanded by 1.4%, a decline from 2.5% in 2006. This decline is attributed to hurricane damage, which lead to, among other things, a loss of critical export capacity and a reduction in tourist arrivals. Trinidad and Tobago recorded a substantial decrease in economic activity from 12.2% in 2006 to 5.5% in 2007. This reduction in output is attributed to a slowdown in the rate of growth in the energy sector compared to previous years.

29. Mr. Speaker, we expect that over time the CARICOM Single Market and Economy will contribute significantly to enhanced inter-regional trade, and growth in regional output. The OECS argued strenuously to secure the early implementation of the provisions of the Revised Treaty that seeks to protect vulnerable economies and to share the gains of regional integration in an equitable manner. In this regard, it was particularly pleasing to St. Kitts and Nevis and the other OECS countries that the Caribbean Development Fund was launched for provisional application at the 29th CARICOM Heads of Government Meeting earlier this year. This Fund is intended to provide financial and technical assistance to disadvantaged countries, regions and sectors. In order to ensure the dynamism and responsiveness of the Fund, a Regional Development Division was included in its operations.

30. The economic challenges faced by OECS countries as a result of globalization and trade liberalization have ignited efforts to establish an Economic Union by 2009. The intent of this initiative is to facilitate growth and development within the member states by attaining economies of scale and cost

savings in production and marketing of goods and services, and in the provision of Government services. During this year, the OECS Secretariat embarked on several initiatives to develop support systems for the proposed union. The Secretariat and the International Labour Organization (ILO) recently signed a Memorandum of Understanding (MOU) to cooperate on labour market issues with a view to supporting national development efforts and the integration process within the sub-region. The MOU allows the OECS Secretariat and the ILO's sub-regional office to collaborate first on the design and implementation of a Labour Market Information (LMI) strategy and system which will provide information to businesses and people on the availability of skills and employment opportunities along with provisions for free movement. Additionally, the LMI is intended to be used in social, macro-economic, labour and employment analyses and policies throughout the sub-region.

31. The CARIFORUM EU Partnership Agreement (EPA) signed in October of this year is now the main instrument which will govern trade and investment relations between CARIFORUM and the EU. This Agreement facilitates greater cooperation with the EU and provides some degree of predictability in access to European markets without the threat of WTO sanctions. The region could benefit from greater collaboration or increased market access in the areas of e-commerce, culture, entertainment, courier services, financial services and maritime transport. Moreover, dominant firms within the tourism sector will be prevented from utilizing anti-competitive practices, while small and medium-sized businesses like those operating in the region will be encouraged to participate. Provisions have also been made for greater cooperation in tourism satellite accounts, capacity building in environmental management, training and tourism exchange programmes.

32. We fully appreciate that the EPA differs significantly from the provisions of the Lomé Convention in that it replaces one-way free trade with more comprehensive trade liberalization involving the removal of trade barriers in the European Union as well as in CARIFORUM countries. In the OECS we have been able to negotiate a list of exclusions for certain agricultural products, goods manufactured in the region and goods that are revenue sensitive. Indeed over eight hundred products have been excluded from liberalization. This has given us some breathing space but we should not be lulled into complacency. Many of the exclusions and exemptions we enjoy under the EPA and the WTO will not last forever. Hence, it is essential that we significantly improve our production processes and boost efficiency while becoming more proactive in seeking out niche markets in which we may acquire a competitive advantage. Our manufacturers need to be continually on the alert for opportunities for strategic business engagements which allow them to update their technology, enhance their marketing capacity and capability and improve capital availability to their businesses. In the face of a changing global scene, our business people cannot continue to operate as if the world is not changing before our very eyes. They cannot call for “protectionism” which no longer exists and lies incapable of resuscitation.

33. I turn now to the Domestic Economy.

THE DOMESTIC ECONOMY

Output, Prices and the Balance of Payments

34. Mr. Speaker, I am pleased to report that the economy in St Kitts and Nevis continued on a path of positive economic growth and development in 2007. Despite the many challenges that our Federation faces, we have remained committed to the creation of a well-diversified, service-oriented economy. The foundation for this transformation was laid in the years prior to the closure of the sugar industry as we made considerable investment in the Non-sugar Agriculture, Tourism, Information Technology and Financial Services Sectors. These sectors have since been clearly identified in our National Adaptation Strategy as the pillars on which this new economy will be built. Indeed this is credible evidence of the foresight of this Government in recognizing quite early that in light of continued trade liberalization and threats of global economic and financial turmoil our economy would have had to undergo significant change and become more competitive.

35. The results are illustrated in our positive macro-economic position and improvement in the standard of living of the citizens of this Country. Notwithstanding the negative impacts of exogenous factors on our Country, such as rising oil prices and the threat of a slowing world economy, St. Kitts and Nevis has continued on a path of growth, recording an expansion rate in real GDP of 2.9% in 2007. This growth is attributed to increased activity in the Construction, Distributive Trade, Transportation and Communications, and Financial Services Sectors. This growth has been accompanied by significant social progress. Indeed, the United Nations Human Development Report

2007/2008 ranked St. Kitts and Nevis 54 out of 177 countries worldwide ahead of all Caribbean countries except Barbados and the Bahamas. Our performance in terms of the Human Development Index is indicative of our strong focus on human development and of the effectiveness of our programmes aimed at poverty reduction.

36. Mr. Speaker, the Construction sector has continued to be the leading sector in this economy accounting for 15.5% of Gross Domestic Product in 2007, an increase in activity of 4.4% when compared to 2006. A significant proportion of this expansion was due to ongoing work on several large and medium scale projects such as Ocean's Edge Resort, Sunrise Villas at Half Moon Bay and the Silver Jubilee Athletic Stadium. However, the robust performance of this sector was not only as a result of large scale development, but extended to other areas in the sector. Home construction continues to make a vital contribution which can be linked to the overwhelming response of citizens to Government's vision of wealth creation through land and home ownership. New residential housing starts increased by some 30.6% from 98 in 2006 to 128 in 2007; while completions increased by 182.1% from 28 in 2006 to 79 in 2007. Moreover, the ECCB's Commercial Banking Statistics Report reveals that loans and advances for construction activity increased by 38.8% to \$427.9 million in 2007, of which financing for home construction and renovations accounted for 56.8%.

37. Mr. Speaker, continued expansion in the economy was accompanied by a moderate increase in inflation. The consumer price index on a period basis rose by 4.5% in 2007, a marked decline from 8.5% in the previous year. The increase in the consumer price index in 2007 can be attributed mainly to the increase in oil prices as indicated by the OPEC basket price of crude oil which

on average increased from US\$61.08 in 2006 to US\$69.08 in 2007 to US\$104.61 in 2008. The increased oil prices affected the cost of production in all sectors as well as the cost of transportation. In July of this year the price of crude oil peaked at US\$147.27 per barrel, but plummeted dramatically over the past few months to record US\$67.81 per barrel as of October 31, 2008. This was reflected at the pump with the highest gasoline price of \$18.59 per gallon being recorded before moving erratically downwards to under \$10.00 in November. Today St Kitts and Nevis offers gasoline at one of the lowest prices in the OECS.

38. The Government, cognizant of the implications of rising prices on all of our citizens, particularly the minimum wage earners, has worked assiduously to reduce the cost of living and to preserve the purchasing power of our vulnerable citizens. In fact, between 2006 and 2007 the Government actively sought to alleviate the burden of high food prices on our people. This was effectively done by stemming the substantial increases in price on food and non-food items through the enactment of regulations such as the Price Control Order No. 41 of 2007 and the Consumption Tax Amendment Order No.11 of 2008.

39. We also granted concessions to bakers in order to keep the price of bread relatively stable. In addition, surveillance activities have been increased to ensure compliance with statutory orders and a consumer awareness program has been instituted to provide comparative pricing information so that our people can make more informed purchases. In the upcoming year surveillance activities will be expanded to the areas beyond the limits of Basseterre. In addition, the structure of the Licensing and Price Control Unit will be strengthened so that it can continue to respond to rising costs and shortages in a sustainable manner,

and a new Consumer Complaints and Competition Affairs Commission will commence operations.

40. The reduction of the inflation rate from 8.5% in 2006 to 4.5% in 2007 testifies to the success of Government initiatives to contain the rate of inflation and slow down increases in the cost of living. Indeed, St. Kitts and Nevis has been in the spotlight recently as one of the better examples of countries in the region that has had a relatively successful intervention into moderating the effects of escalating prices. The new price control initiatives are only the latest additions to Government's solid track record in the provision of safety nets for vulnerable groups in our Country. For example, we continue to provide free-of-charge school meals, uniforms, and textbooks to vulnerable groups and to pay examination fees for children from low-income families and at substantial cost to Government. In 2009 Government will undertake an assessment in order to ensure that the services provided are being felt by the targeted groups in our communities. We believe that if it is not felt then it is not happening.

41. We are very heartened that we have been able to increase the minimum wage enjoyed by our lowest paid workers by 28% from \$250 per week to \$320 per week. The process began in June this year with consultations involving members of the private and public sector spearheaded by the then Minister of National Security, Immigration and Labour, our esteemed colleague G. A. Dwyer Astaphan. A successful conclusion came under the leadership of the Deputy Prime Minister, the Honourable Sam Condor. It has always been the belief of Government that the upgrade of salaries or wages should not be based on emotions or guesstimates, but on empirical analysis. The goal of Government was to preserve the purchasing power of our most vulnerable groups in the face of escalating food and fuel prices. With assistance from ECCB, the Ministry of

Finance and the Department of Labour we were able to achieve this end. Correspondingly, the relevant legislation has been enacted to increase the ceiling of the Social Services Levy in order to ensure that no deductions are made from the new minimum wage of \$320.

42. Mr. Speaker, we fully appreciate that some of these measures outlined are only short-term solutions to our vulnerability to fluctuations in the price of oil. Hence, several long-term alternatives are presently being explored. Firstly, we are strengthening our public awareness program with the aim of inculcating in our people the habits of conservation and comparative shopping. Secondly, we are continuing to evaluate the viability of proposed alternatives to fossil fuel energy such as wind, biomass and geothermal energy.

43. Since 2007, our sister island of Nevis has embarked on a geo-thermal project which has yielded encouraging prospects. To date, the West Indies Power, Nevis Ltd has successfully drilled several wells that are capable of providing 100% of the electricity needs of both islands of our Federation. There is still much work to be done, but it is believed that the Federation can benefit from a relatively cheaper and reliable source of energy in the not too distant future. Additionally, neighbouring islands such as the U.S.V.I, Saba, Anguilla and the B.V.I have shown interest in receiving energy from Nevis. In the interim, Government continues to work towards the corporatisation of the Electricity Department in order to ensure an effective, business focused approach to the delivery of electricity service. This new company will provide the ideal environment to capitalize on the alternative sources of energy.

44. Mr. Speaker, I will now speak to the Balance of Payments statistics which records the transactions between the Federation of St. Kitts and Nevis

and the rest of the world. In 2007, the Current Account deficit increased by 31.6% to \$297.8 million or 21.6% of GDP at market prices. This increase in the deficit was mainly attributed to outflows in respect to the importation of merchandise for construction to facilitate the upsurge in activity in that sector for the period under review and activity in the Distributive Trade Sector, while the export of goods remained relatively unchanged.

45. The Capital and Financial Account recorded a surplus of 14.1% totalling \$317.1 million (22.9% of GDP) in 2007. The major contributor to this increase is net Foreign Direct Investment, which grew by 42.7% to \$425.3 million (30.8% of GDP). The increase in net Foreign Direct Investment is significant as it highlights the confidence in our socio- and macro- economic fundamentals. In the final analysis, the surplus on the Capital and Financial Accounts was enough to cover the deficit recorded on the Current Account, therefore registering a surplus on the Balance of Payments of \$19.4 million or 1.4% of GDP.

46. I will now examine the performance and prospects of the key sectors of the economy starting with the Tourism Sector.

The Tourism Sector

47. Mr. Speaker, the Tourism Sector has increasingly become vital to economic growth in St. Kitts and Nevis. Its contribution to GDP through visitor expenditure, foreign exchange earnings, foreign direct investment and employment generation is critical to the continued economic and social progress of our Federation. Although stay-over arrivals in 2007 declined by 10.9% to

reach 125,026 when compared to 140,248 in 2006, total visitor arrivals to St. Kitts registered a slight increase of 8.4% because of the continued robust growth in the cruise section of our tourist arrivals.

48. Stay-over arrivals declined by roughly the same average as was experienced across the Caribbean, impacted mostly by a decline in U.S. arrivals to our region following the implementation in January 2007 of the Western Hemisphere Travel Initiative. The United States Congress imposed the legal requirement for all air passengers re-entering the U.S. to present a passport, caused a pile up in passport applications by U.S. citizens and slowed the processing of U.S. passports for air travel abroad. U.S. passengers arriving in St. Kitts and Nevis still do not require a passport for entry to our destination, but now they must have one for return entry by air to any U.S. port. The U.S.A. is the largest supplier of visitors to St. Kitts and Nevis, accounting for some 58% of total arrivals on average.

49. Yacht and Cruise Ship passenger arrivals to our Federation increased by 21.3% to 255,086 in 2007. The robust performance of passenger arrivals by sea has continued in 2008 and can be attributed to the very first weekly cruise ship calls at Port Zante which will happen for the entire year. This has resulted in the availability of cruise business at our destination during the normally slow summer months. I am therefore pleased to report that our Government's public promise to expand the utilization of our yacht and cruise facilities at Port Zante is now bearing fruit through aggressive marketing and effective facilitation of an impressive cruise investment and enhancement programme.

50. Mr. Speaker, tourism is a dynamic industry which has become globally competitive in every respect, with travellers having more leisure options

available at better prices than ever before. The current world economic slow down and low consumer confidence pose a significant threat to the performance of our local and regional tourism sector in this, the last quarter of 2008 and, if the predicted economic recession in our main source markets materializes, our Tourism Sector can expect to feel the brunt of this from early in 2009.

51. Nevertheless Mr. Speaker, as you are aware, two years ago our Government revised and refocused our Strategic Plan for achieving Sustainable Tourism Development with a view to enhancing our competitiveness in the expanding global tourism marketplace and attracting visitors in a more targeted way. Fortunately, the timely implementation of this Strategic Plan has generated an unprecedented travel marketplace and investor momentum for our destination and, without losing sight of the current market difficulties and the imperatives for competing, we can remain optimistic about prospects for our Tourism Sector in 2009 and beyond. The ongoing design and implementation of several exciting new investment projects which will significantly enhance our tourism product, and the tremendous international exposure obtained by our hosting of Cricket World Cup in March last year and the CARIFTA Games this year, coupled with several public relations initiatives, have resulted in our destination's image receiving a significant upward bounce over the past two years which we will continue to build on in 2009.

52. Currently, several tourism investment projects have either been completed, or are under construction or nearing start-up, and are already impacting positively on our economy. These include Ocean's Edge, St. Christopher Club, Sundance Ridge Estates, Calypso Bay Villas, Half Moon Heights, Beaumont Park, Marriott Vacation Club International, Sunrise Villas and Silver Reef. The 2,500 acre Christophe Harbour project at the Southeast

Peninsula is making steady progress with over 100 new jobs already created in 2008 alone, with the recent ground breaking for the World Famous Tom Fazio Golf Course having taken centre stage just a few weeks ago.

53. Within the next six to nine months, the second phase of the Marriott Vacation Club International Project at Frigate Bay is expected to commence as well. While the difficulties of the international credit markets may have slowed the momentum on some of our projects, we have no reason to feel at this time that it has caused any of them to shut down. All of these major developments in the Tourism Sector are already giving strong propulsion to our Government's program of economic transformation, and are helping to push St. Kitts and Nevis to the forefront of the high-end luxury segment of the tourism market in the Caribbean.

54. Mr. Speaker, notwithstanding the doom and gloom projections in some quarters for the world economy at this time, and the possible negative fallout for our Tourism Sector, we are confident that there will continue to be a discernible positive buzz about St. Kitts and Nevis in the travel and tourism markets of England, Canada and the U.S.A. in particular. During these challenging times I urge all tourism stakeholders to work even more closely together than ever before. We need to be watchful but aggressive in the market place, to be cost efficient but customer focused in our operations, and to be realistic but optimistic in our outlook. We must be prudent during slow economic times, but ready for the inevitable rebound which could come more quickly than expected. As far as tourism is concerned, we clearly have much to look forward to and to feel good about. Mr. Speaker, we are confident that our God-given natural island beauty, our rich cultural heritage, our intelligent and resilient people, combined with a pertinent strategic approach to developing and marketing of

our tourism products and working together will allow us to continue to generate significant growth for the Tourism Sector in our economy.

Agriculture

55. Mr. Speaker, the Government is committed to achieving the objective outlined in the Agriculture Development Strategy which is based on the Government's aim to "ensure food security and satisfy export markets towards sustainable development in St. Kitts and Nevis." In order to achieve this goal we continue to invest in our small farmers and to encourage the involvement of former SSMC workers in the Agricultural Sector by providing required training in the utilization of agricultural inputs and a business oriented perspective to the sector. As we venture to change the existing way in which farming is undertaken we are pleased to have the support of a number of regional and international agencies.

56. The Food and Agricultural Organization (FAO) has funded a project to provide agricultural inputs to vulnerable small farmers on the islands of St. Kitts and Nevis. The Republic of China (Taiwan) has been demonstrating to our farmers the growing of new varieties of peanuts, sweet potatoes and sweet corn. The Caribbean Agricultural Development Institute has been particularly helpful to the Department of Agriculture in integrated pest management and in the control and management of the Coconut Bud Rot, Lethal Yellowing, Scale Insects and Red Palm Mites in order to protect the health of crops in the Federation. In addition, the Government of Cuba has been assisting us

in organoponic agriculture and in implementing our programme for the development of home gardening.

57. Many of our citizens have benefited from these initiatives. In particular, some 80 households have been receiving assistance from the Department of Agriculture in the development of their kitchen/urban gardens and some of our former sugar workers have been benefiting from technical training and the provision of agricultural inputs under the FAO project. In fact, this year alone some 100 former sugar workers were attached to 70 crop farms around St. Kitts.

58. The various initiatives that have been implemented by this Government have begun to reap rewards as agricultural production continues to increase. The statistics in respect of agricultural output during the first nine months of this year indicate an increase of 23.3% when compared to the same period in 2007. I am pleased to report that during that period production was so abundant that 37,800 lbs of crop products such as pumpkins, sweet potatoes, water melons, season peppers, cucumbers and peanuts were exported to St. Martin, St. Eustatius, Antigua and Anguilla.

59. Mr. Speaker, unfortunately there were some slight setbacks as dry weather patterns during the earlier months of this year affected cabbage, tomato and peanut production. This has reinforced our resolve that farmers need to be kept on the cutting edge of technology in order to prolong production periods and improve storage and packaging. In the upcoming year this Government will continue to pursue avenues to secure resources needed to improve our irrigation techniques and the development of packing facilities.

60. Livestock production recorded moderate increases for beef and mutton during the first nine months of 2008 when compared to the same period in 2007. The production of beef increased by 19.6% from 138,000 lbs in 2007 to 165,000 lbs in 2008 which can be attributed mainly to the substitution of beef as a cheaper alternative source of protein to pork which has become relatively more expensive in recent months as a result of elevated production costs. Local production of beef has also benefited from increased promotion by the Department of Agriculture through its several workshops aimed at improving beef cutting, handling and presentation.

61. The performance of the fishing sub-sector has improved significantly as the number of fishers has increased and favourable weather conditions have allowed for additional fishing expeditions. In addition, this Government's investment in the Basseterre and Old Road Fisheries Complexes as well as improvements in the handling, marketing and distribution of fish has reaped rewards over the past few years. During the first nine months of this year fish landings were estimated at 663,000 lbs which represent a very substantial increase of 28.0% over the same period in 2007.

62. Mr. Speaker, this Government views the Fishing Industry as an important means of income generation for many of our people. It is our view that commercialization is the key to advancing this industry. Therefore, we have commissioned the construction of a 40 ft multipurpose fishing vessel by our very own local boat building company, Indigo Yachts. This vessel will be the first of two boats that will be used to smooth the transition of the industry from primarily artisan fishing to commercial fishing. The first vessel will be ready in 2009 and will first be used as a training platform for persons, both males and females, who are interested in the fishing industry. Once the training is

completed the boat will be available for leasing to individuals or groups who are deemed capable of manoeuvring a vessel of that size.

Industrial & Enterprise Development

63. Mr. Speaker, the Manufacturing Sector grew by 6.5% in 2007. This favourable rate of growth is consistent with the efforts of this Government to have a diversified economy in which light manufacturing plays a significant role. The importance of the Manufacturing Sector to the livelihood of hundreds of our citizens and its contribution to the economic development of our beloved Country must not be taken for granted. In 2007 the Manufacturing Sector generated 11.3% of the Nation's entire Gross Domestic Product.

64. Growth in output of the sector in 2007 was broad-based with the main categories namely, beverages, masonry products and electronics increasing their outputs by 7.8%, 1.9% and 0.5% respectively. It is noteworthy and pleasing that much of the increase in the beverage category was due to increased exports to the neighbouring islands of St. Martin, St. Eustatius, St. Barts, Antigua and Barbuda and Anguilla. Cargo throughput statistics from the St. Christopher Air and Sea Ports Authority reveal that 5,379 tons of beverages were exported from the Federation in 2007 and we expect this trend to continue in 2008 and 2009.

65. Mr. Speaker, it is clear that a long and deep global financial crisis could be devastating to the Manufacturing Sector. This is very disheartening because there has been no convincing prediction as to when the U.S. economy and the global economy will recover. In a speech to a high-profile economics

conference at the end of August this year the Federal Reserve Chairman, Ben Bernanke, said "Although we have seen some improved functioning in some markets, the financial storm that reached gale force around this time last year has not yet subsided, and its effects on the broader economy are becoming apparent in the form of softening economic activity and rising unemployment."

66. The Manufacturing Sector here in St. Kitts and Nevis has already begun to feel the effects of a weakened United States economy. In June of this year Kajola Kristada laid off 20 employees and decreased production. However, the company advised that they will introduce a new line for cable called SBS and this will necessitate the hiring of additional staff. Reed Data Services Ltd. began 2008 with 180 employees. In August, as a result of changes in their United States and the United Kingdom businesses, the management in that company was forced to layoff 10 part-time and 20 full-time positions. However, during the period September 1st to October 15th the prospects brightened and the company was able to create employment opportunities for 14 of the 20 workers previously laid off. Moreover, the company plans to start the New Year with a head count of 170; 10 employees less than the complement at the beginning of 2008.

67. Mr. Speaker, despite the challenging environment facing manufacturers, some have been able to stand firm and others have thrived. Lutron Liamuiga which employs approximately 200 persons has instituted a 'no lay off' policy, for which we commend them. Jaro Electronics fared well in 2008 with production increasing by 50% up to September. As a result, the company was able to hire 80 new employees. Their improved performance was mainly due to the introduction of a new product line that resulted in the expansion of their Transformer Department. Harowe Servo Controls Ltd was also able to increase

production up to September with the introduction of a new line of motors. As a result the company was able to hire 12 new employees. The Bottling Company was able to increase its production for the first nine months of 2008 due mainly to increased exports. It is clear then, that even in a difficult market companies can grow, as a result of innovation and the willingness to search the market for opportunities to offer new or improved products and services. This is a challenge that every enterprise in every sector of our economy must take up, if we are to weather the stormy waters of the global economy and press on to our goal of creating a new economy in which every Kittitian and Nevisian would have the opportunity to create wealth and to prosper.

68. Mr. Speaker, this Government is moving forward with the development of the Conaree Industrial Park as a critical element of our Industrial Development Policy. To date all the land allocations have been completed and we are now anxiously awaiting the take off of the various business activities. The ground work in relation to the establishment of a Business Incubator at the Park is ongoing. In this regard we are continuing to receive technical assistance from the Mexican Government and for this assistance we are truly grateful. In particular, I am pleased that a number of our nationals have been given the opportunity to visit Mexico to observe the whole process of conceptualization of a business idea straight through to implementation. The main objective of the business incubator is to help more of our people to create their own business opportunities and to become entrepreneurs instead of employees. This project therefore addresses in a most fundamental way the vision of this Government to facilitate the socio-economic development of all citizens of St. Kitts and Nevis by empowering them to be creators and masters of their own destiny. It is expected that once the National Entrepreneurial Development Division (NEDD) becomes fully operational it will be in a position to significantly assist and add

value to this entire process. Moreover NEDD will assist our small and medium enterprises with a range of technical support to enhance capacity building.

69. Mr. Speaker, this Government shares with the Chamber of Industry and Commerce a common belief that motivating and enabling retrenched sugar industry workers, occasional hotel workers, self-employed artisans, graduates of tertiary, technical and vocational institutions, and unemployed youths to start or acquire and operate successful businesses will generate inestimable self-respect, self-confidence and financial rewards. It will lead to greater wealth creation and spread the wealth among a more diversified cross section of our country, allowing more persons to stand up and stand out. It is critical to creating a new prosperous society with each endeavouring and all achieving.

70. We are of the view that a combination of large, medium and small enterprises, functioning in an integrated manner, is the ideal economic structure for St. Kitts and Nevis. It is for this reason that we have fully supported steps towards the implementation of an enlightened Small Business Policy along with all the necessary legal and institutional requirements. I am therefore pleased to announce that come 2009 the National Entrepreneurial Development Division (NEDD) will be fully operational.

Information Technology and Telecommunications

71. Mr. Speaker, in October 2008, this Government opened a modern facility with the assistance and support of the Government and people of the Republic of China (Taiwan). Its primary purpose being to give effect to our information and technology initiatives. We established a training centre which

will cater to the needs of the Government to train its staff, and also meet the training requirements of individuals and private sector entities. This centre has in the last year done an extraordinary job of fulfilling these expectations, by providing training to over 850 persons in a variety of computer related applications.

72. Mr. Speaker, the Department of Technology has been a key corner stone to the development of the Government's agenda and a vital force in the functioning of a modern society. Just as recently as November of this year, the Department of Information and Technology hosted a successful month of activities to showcase various technologies used to support business; to introduce Information Technology as a career objective for our young people in particular and our society as a whole; and to demonstrate what technologies are being employed and deployed by the Government. The activities during that month included lectures, technology displays, talk shows, visits to the Information and Communications Technology (ICT) Centre, and other training programmes designed to emphasise the importance of ICT, and to foster a greater awareness of the immense capability of ICT as a tool for self-empowerment, and of its necessity for participation in the modern and competitive world.

73. The Department of Technology is also spearheading the implementation of the Government's strategy for modernizing the public services process through the deployment of Information Technology. In this regard, the Department has been instrumental in transforming and modernizing the Civil Registry so that from next year all entries of births, deaths and marriages will be put into a searchable database, making it much easier to keep records of the various stages of life of our citizens. These facilities will be available on both

St. Kitts and Nevis, and will be integrated into many other critical functions that need access to this database, such as the central Statistics Department, passport office, the court system and the electoral office.

74. Mr. Speaker, last year we promised to deliver a Human Resources Application, to further facilitate the transformation of the Public Sector. This has been established and we are in the process of gathering and deploying the necessary databases, which will soon lead to the day to day usage of the application. This Government has also embarked on establishing a Health Information System. The first phase of the project addresses the issues of Patient Registration and Patient Billing at the hospital, and will facilitate the management of patient information at all of the hospital facilities which include the JNF, Pogson and Mary Charles in St. Kitts, and the Alexander Hospital in Nevis. The application will be available to medical practitioners, laboratory technicians, administrative and billing staff at the various hospitals and will provide modern facilities for accessing patient records, and allow for improved management of the provision of vital medical care to all of our citizens.

75. I am pleased to relate that our efforts to take control of our Country Code Top Level Domain, has now been effective, and that this important technological resource is now being operated from the ICT Centre at the Paul Southwell Industrial Site. This means that today, requests from anywhere in the world for web sites and pages which have the registration '.KN' will be managed using technology which is located here in St. Kitts and Nevis. To this end, again I would want to encourage all of our local businesses and those that are domiciled here to establish web sites and portals which presents their business activities for the world to see and partake, and as importantly, to

register those internet sites and presences as a '.KN' entity, which signifies the association with our dynamic and progressive society.

76. Mr. Speaker, I am also pleased to report that as a result of the combined efforts of the programmers at the Technology Department and the assistance of our Republic of China (Taiwan) partners, a new government portal has been established to make available all of the information that relates to the structure of the Government in one location. This new look, new function site is the start of our e-government presence, and will in 2009 begin to provide some Government services online. This will enable the everyday person to interact with various Government services and departments and to obtain over the internet some of the same information and services which presently can only be obtained by travelling and visiting the actual department.

77. In summary, the New Year will see the introduction or improvement of many technology-driven facilities in Government. We are now on the verge of delivering some of the e-government products that have been in preparation for some time. This will help to bring to fruition Government's vision for more efficient and effective delivery of goods and services. We will continue to emphasize the importance of becoming computer literate, and adopting the technology to empower one's self in this increasingly technological age. Moreover, the appropriate legislation, including the Data Protection Act, the Privacy and Security Act and the E-commerce Act, will be introduced to facilitate and support the increased deployment and use of cutting edge information technology throughout St. Kitts and Nevis.

The Financial Sector

Commercial Banks

78. Mr. Speaker, at a time when confidence has been lost in the Commercial Banking Sector in the advanced economies, our Banking Sector continues to grow and play a major role in the development of the Country. The performance of this Sector over the past years is a clear indication of the success of the various programmes which this Government has implemented which have enabled our citizens to increase their financial status.

79. As of the end of December 2007, assets held by the Commercial Banking Sector have grown to \$3.7 billion, representing a 14.7% increase over the amount of \$3.2 billion at the end of the previous year. For the year under review, deposits as well as loans and advances have also grown. Deposits grew by \$0.26 billion to reach \$2.4 billion at year end while loans and advances also grew by \$0.26 billion to reach \$2.1 billion. The increase in loans and advances is attributed to increases in lending to the Distributive Trade, Construction and Personal Sectors. Liquidity in the banking system remained quite healthy over the period under review.

Development Bank

80. Mr. Speaker, the Development Bank continues to play a major role in the achievement of Government's development objectives. The Bank provides invaluable service in the areas of Education, Housing-Mortgage, Agriculture and Industrial Development financing. In the first ten months of this year the

Bank approved 4,696 loans; 4,017 in St. Kitts and 679 in Nevis with a total value of \$194.9 million. The majority of this lending was distributed for Student financing totalling \$65.5 million. This Bank more than any other institution is responsible for the vast majority of our people being able to access student loans. Lending for Housing-Mortgage financing followed with loan approvals valuing \$43.9 million. Commercial lending totalled \$38.9 million while loans for Industrial Development amounted to \$14.2 million. The Development Bank has acted as a key agent in the empowerment of our citizens in its continued partnership with Government, and other commercial banks in providing access to financing for the purchase of land through the Special Land Distribution Initiative Programme.

Financial Services

81. Mr. Speaker, the International Financial Services Sector continues to grow and to generate increased revenues for the Government. The number of captive insurance companies registered increased by 15% during the first 10 months of 2008. Moreover, an additional 56 foundations, 108 private exempt companies and 100 private ordinary companies were registered in the same period. In addition, the ship registry now has a listing totalling 686 ships which generated revenue of over \$0.55 million for the period January 2008 to July 2008.

82. In 2008 we have improved the Anti-Money Laundering/Counter Financing of Terrorism Legal Framework with the amendment of various pieces of legislation such as the Anti-Money Laundering Regulations, the Anti-Terrorism Act, the Proceeds of Crime Act and the Financial Services

Commission Act. The Money Services Business Act was passed so as to ensure the proper regulation and supervision of the Money Services Sector. Additionally, the Financial Services Regulatory Department was assigned the duty of regulating and supervising the Domestic Insurance Sector, in keeping with our commitment to the creation of a single regulation mechanism for the supervision of the Non-bank Financial Sector.

83. Mr. Speaker, St. Kitts and Nevis continues to reap the rewards of its efforts to maintain a clean and reputable Financial Services Sector. In November of this year St. Kitts-Nevis hosted the 28th Plenary Meeting and the 15th Ministerial Meeting of the CFATF at the Royal St. Kitts Marriott Hotel and Casino. It gives me great pleasure to inform you that our Federation assumed the lead role of Chair of this august body at the 15th Ministerial meeting.

Developments in ECCU Money and Capital Markets

84. Mr. Speaker, our regional Money and Capital Markets have demonstrated much resilience in coping with the global financial turmoil that is of such concern to investors all over the world. While more developed countries try to restore confidence in their markets, our regional markets continue to show significant growth despite their nascent stage of development. The markets continue to provide financing for both regional companies and governments and thereby enhance the region's economic growth.

85. As of September 2008, there were 32 debt securities, six corporate bonds and fourteen equities listed on the Eastern Caribbean Securities Exchange (ECSE). During the course of the year, trading in the regional equity market

improved. Activity was fairly buoyant as a total of 1.43 million securities were traded during the period, at a value of \$8.75 million. A total of four (4) companies joined the market in the last year, including Cable & Wireless St. Kitts and Nevis which listed on the Exchange in January 2008. Approximately 1.66 million shares of the company were put on offer to citizens and residents of St. Kitts and Nevis, as well as locally-incorporated entities. The public offer was a resounding success and attracted applications for over 2 million shares, including numerous small investors. This is consistent with Government's objective of fostering a share ownership culture among our people through its carefully implemented privatization strategy.

86. Mr. Speaker, this now brings the total number of listed companies on the Exchange to fourteen (14), a remarkable achievement for such a nascent market. These new listings have resulted in a steady increase in domestic equity market capitalization, which was valued at \$1.6 billion by the end of September 2008. The recent increase in the number of listed companies on the Exchange and the increased activity on the Regional Government Securities Market both augur well for the future success of the markets and could yield significant benefits to ordinary citizens who are being provided the opportunity to share in the success of our local and regional companies.

87. Mr. Speaker, in addition to regional debt and equity markets, the ECCB, with the support of member governments has made significant strides in the development phase of the Eastern Caribbean Enterprise Fund (ECEP). The ECEP is intended to be a multi-purpose institution that would provide venture capital services, equity instruments and technical assistance to our "flagship companies" in the region. Given the importance of finance in stimulating real sector growth, the ECEP will be instrumental in providing the required

financing to these enterprises. The Fund will complement the development of our regional markets, by providing some essential services to private sector entities prior to their advancement to the regional Capital Markets.

88. Likewise, the region's efforts have been further advanced towards the establishment of the regional OECS Distribution and Transportation Company (ODTC). This company would seek to facilitate trading and strengthen distributional links within the region and develop the economies of the Eastern Caribbean Currency Union (ECCU). This initiative is particularly relevant for the region in light of some of our current challenges including high transportation costs and the rise in food prices. It is expected that this company will be a private sector company that would assist in providing bulk purchasing of production inputs, sourcing of fresh produce, distribution and logistics services, thereby facilitating the development of some of our critical industries.

89. Mr. Speaker, the Government firmly believes that a critical component of our strategy for enhancing the competitiveness of our enterprises is the development of efficient capital markets that give our enterprises easy access to the loans and equity they require. Hence, the Government of St Kitts and Nevis will continue to work with the ECCB and the other member governments in implementing our shared vision for a stable and diversified financial system for the region.

Investment Promotion

90. Mr. Speaker, the St. Kitts Investment Promotion Agency, which was launched in December 2007, commenced operations officially on 12th

December 2007. During the course of 2008, the volume of inquiries at the St. Kitts Investment Promotion Agency (SKIPA) has increased exponentially. As at the end of October 2008, SKIPA had successfully facilitated four investment projects and the Agency is currently working with approximately six other applicants.

91. As part of its advocacy function for improvement of the investment climate, SKIPA also held successful consultations with the Hotel and Tourism Association and the relevant departments in the Public Sector which contributed significantly to the development of the Small Hotel Incentives Package. This package is designed to give small hotels operating in St. Kitts and Nevis a boost by providing them with concessions for refurbishment, energy-saving equipment and on the importation of food and certain beverages in exchange for those hotels committing by agreement with Government to provide consistent training to their staff, maintaining high standards of their physical plant as well as their service, using more energy-saving equipment and also providing data to the Statistics Department on a regular basis. With greater collaboration between the partners in the Tourism Sector and relevant Public Sector entities, St. Kitts and Nevis can tap into the many opportunities which could yield notable improvements in planning, marketing the destination and monitoring and evaluating the performance of the Sector.

92. Mr. Speaker, early in 2008 a similar Agency was established in Nevis, the Nevis Investment Promotion Agency (NIPA), and it is anticipated that both agencies will agree on areas of common interest and work closely together to pursue such common interest.

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

PUBLIC FINANCE

Fiscal Review

94. Mr. Speaker, as is customary, the Fiscal Review is based on financial data that is prepared by the Ministry of Finance in the economic classification format. This year, for the first time and in accordance with the new Finance Administration Act, the annual financial statements include a summary of Recurrent Revenue and Recurrent Expenditure by economic classification – the presentation that is recognized internationally. There are, however, a few differences between the two reports as the data produced by the Ministry of Finance incorporates financial transactions that arose from financing activities and direct payments to contractors for capital projects. In the interest of transparency these differences are documented in the Reconciliation of Financial Statements and Fiscal Data that is provided in Volume I of the Estimates.

95. Mr. Speaker, despite the downturn in the international economy during 2007, the fiscal performance of the Federal Government improved significantly over the previous year, 2006. For 2007, Mr. Speaker, the Federal Government collected \$412.3 million in Recurrent Revenue, 6.7% more than collections in 2006. This compares quite favourably to the growth in Recurrent Expenditure of 1.9% over the same period. The Government therefore realized a Recurrent Surplus of \$5.8 million in 2007 compared to a Recurrent Deficit of \$12.6 million in 2006. I should point out, Mr. Speaker, that although we performed creditably on the Recurrent Account in these turbulent economic times, the growth rate of 6.7% in Recurrent Revenue was considerably less than the average growth rate of 14.6% over the last 3 years.

96. The 6.7% growth in Revenue, Mr. Speaker, was mostly due to the increased collection of Taxes on Income and Taxes collected on International Trade and Transactions. For 2007, Taxes on Income exceeded the amount collected in 2006 by \$16.2 million or 18.6% to reach a total of \$102.9 million. This performance is commendable and is reflective of the success that the companies registered here in our Federation have realized in the very favourable investment climate that this Government has created through its investor-friendly policies. For 2007, Mr. Speaker, Taxes on International Trade amounted to \$156.9 million, \$13.5 million more than that collected in the previous year. The increased revenue from this category of taxes was derived primarily from the construction industry, a major contributor to the overall growth in the economy. Mr. Speaker, the Inland Revenue and Customs and Excise Departments must be commended for their efforts at collecting the Government's taxes. These two Departments have continuously undergone training that has assisted them in the areas of Tax Administration and Collection. We thank them for their commitment and we look forward to their continued success.

97. With respect to Recurrent Expenditure, Mr. Speaker, a total of \$406.5 million was expended for the 2007 fiscal year to run the day-to-day operations of the Government. Of this, 36% was spent on Personal Emoluments, Wages and Allowances, 29% on Goods and Services, 24% on Interest Payments and 11% on Transfers. Mr. Speaker, this Government continues to exert every effort to continue with the implementation of the Fiscal Stabilization Programme even in these challenging times. Our ability to achieve a Recurrent Surplus is evidence of the success of that Programme.

98. Mr. Speaker, an Overall Deficit of \$1.3 million was realized. This was a significant 97.1% improvement over 2006 when an Overall Deficit of \$45.5

million was recorded. In view of the considerable fiscal constraints that we face, the Government has continued to prioritize investments in Capital Projects and focus on those that would stimulate growth in the economy. Hence, for 2007, the Government expended \$58.9 million on Capital Projects while a total of \$13.1 million was loaned to two public corporations. Together these outlays were 17.1% less than what was spent in 2006. It is not surprising therefore that the Overall Deficit for 2007 was \$1.3 million which represents a 97.1% reduction in the Overall Deficit. Mr. Speaker, an enlightened approach to fiscal management is required. The Ministry is cognizant of this and is striving to manage the resources placed under its stewardship so that we realize not only Current Account surpluses but Overall Surpluses.

99. Over \$27 million of the total capital expenditure was invested in the Social Services sector. Of this amount, approximately \$18 million was spent on Sports-related Projects and close to \$6 million on Education as we continued to invest in the young people of our Federation. The Warner Park Stadium and the Silver Jubilee Athletic Stadium were among the sports projects funded in 2007. This Government sees sports as an avenue for our young people to excel; it is a way to keep the young people off the streets and out of gangs; it is a way to keep them healthy; and it is a means by which they can further their education through sports scholarships.

100. Mr. Speaker, in keeping with our quest to continuously and progressively upgrade and improve our physical infrastructure for the efficient functioning of our business and the convenience of our people and our visitors, a further \$11 million was invested in Transportation and Communications. This was mainly associated with the ongoing work on the West Basseterre By-pass Road and other road improvement projects. In addition, just over \$6 million was spent on energy-

related projects including the Upgrade of the Electricity Transmission and Distribution System and the supply of electricity to new areas. We also invested \$7.5 million in Public Administration and \$4.2 million in the Economic Services Sector.

101. Mr. Speaker, I now wish to turn your attention to the Primary Balance to GDP ratio, a key indicator that is used to monitor our fiscal performance. The Primary Balance is an indication of the resources that are available to us to service our debt, both principal and interest, and is calculated by subtracting the Total Expenditure in a year (excluding interest payments) from Total Revenue and Grants received in a year. I am pleased to report, Mr. Speaker, that since 2005 we have been recording Primary Surpluses and the 2007 fiscal year was no exception. For 2007, we realized a Primary Surplus of \$97.6 million or 7.1% of GDP. This compared very well to 2006 when the Primary Surplus was \$67.7 million or 5.1% of GDP. We therefore had more resources available than in previous years to meet our debt servicing costs. Consequently, the growth of the Central Government's Debt slowed, rising by a mere 0.6% compared to 30.2% in 2006. At the same time, Total Public Sector Debt of which 22% is attributable to Public Corporations, 67% to the Central Government and 11% to the Nevis Island Administration, increased by 2.0% to reach \$2.43 billion. The Debt to GDP ratio, however, declined to 177.4% of GDP. This level of indebtedness does not provide us with the fiscal policy space that we would like or the agility to manoeuvre in times of turmoil. The magnitude of the National Debt remains a serious constraining factor on our fiscal response.

102. Moving forward we intend to give debt reduction the highest sustained attention. We still must travel a long and challenging road to bring the Public Debt to acceptable levels. Hence, we are intensifying our efforts to reduce the

debt and grow the economy at a sustained high level. In particular, we have obtained the assistance of the Government of Canada to partner with our Government to procure the services of a debt advisory firm to assist us in the formulation of an even more detailed plan to address the debt situation. Indeed, one Consultant from this firm presented an incisive analysis of the debt situation at this year's National Consultations in keeping with the Government's policy of transparency and accountability. Some elements of the Debt Management Strategy that Cabinet has approved and that will be followed in the short-term are:

- a) Refocus the Fiscal Stabilization Program to also concentrate on Debt Reduction. This would involve greater participation of the Debt Unit in analysis of the debt;
- b) Improve the expertise available to the Debt Unit;
- c) A definite commitment on land sales and other strategic privatization to amount to EC\$50 million to EC\$100 million per year;
- d) Reduce expenditure through measures such as a rationalization of public sector employment to generate savings on the wage bill;
- e) Reduce short term interest rates and utilize the Regional Government Securities Market (RGSM) to issue Treasury Bills;
- f) Concerted efforts to transform the economy and maintain a growth rate of 3% to 4%;
- g) Greater prioritization of and increased vigilance in the management of Capital Projects and as far as possible make use of concessional financing for any further Capital Projects over the next five years;
- h) Commit to expenditure control, improvement in efficiency and productivity and elimination of waste in Government Ministries and Departments;

- i) Implement Tax Reform Measures including further consultation and a decision on VAT implementation;
- j) Buy-in by the Nevis Island Administration to the Federal Government's Debt Strategy;
- k) Seek further assistance in putting a policy framework in place similar to that of the CDB Policy Based Loan, to achieve the goals of the Debt Strategy under this Option.

We are confident that the implementation of the plan, when finalized, will see an even more rapid reduction in the Public Debt.

Fiscal Prospects

103. Mr. Speaker, Recurrent Revenue for fiscal year 2009 is estimated at \$453,524,598. This represents an increase of \$27,939,959 or a 6.6% increase over the 2008 Revenue Estimate of \$425,584,639. This projected increase in Revenue is based primarily on continued improvements in the efficiency of our Tax Administration and Revenue Collection Systems. On the other hand, Recurrent Expenditure for 2009 (excluding loan principal payments) is estimated at \$447,013,550 representing an increase of \$34,880,069 or 8.5% over the 2008 Recurrent Expenditure Estimate of \$412,133,481. Therefore a Recurrent Account Surplus of \$6,511,048 is being projected for fiscal year 2009.

104. Capital Revenue (including grants, loans and sale of assets) for 2009 is projected at \$142,873,684, representing an increase of \$30,779,164 over the allocation for the previous year. On the other hand, Capital Expenditure and Net

Lending for 2009 is projected at \$111,490,441 a decrease of 1.8% over the 2008 estimate of \$113,553, 000. Hence, the projected Surplus on the Capital Account is \$31,383,243 while the Overall Surplus is projected at \$37,894,291.

105. The 2009 Budget is presented in the performance budget format which focuses on outputs and consolidates the Recurrent and Capital Budgets for each Ministry giving a ready appreciation of the total resources to be utilized by a given Ministry. The Draft Estimates outline in detail what is to be delivered for the resources that have been budgeted under various programmes and projects. This is consistent with modern budget practices which seek to provide more information to the citizenry on how their tax dollars are being utilized by Government to provide various goods and services. I will now highlight those Ministries which have been allocated a significant increase in resources to execute their programmes and activities for 2009.

106. Mr. Speaker, the Ministry of Justice and Legal Affairs has been allocated \$8,076,394 for 2009. This represents a 23.1% increase over the \$6,560,557 allocated for 2008. The magnitude of this increase in the context of a scarcity of financial resources indicates that the upholding of justice and the maintenance of Law and Order remain at the top of Government's agenda.

107. During 2009, the Ministry of Justice and Legal Affairs will continue its efforts to build the capacity of the Magistracy and the Office of the Director of Public Prosecution in order to ensure that the Legal System has the capacity to cope with an ever increasing workload. The Law Revision Project, now in its final stages of implementation, will continue during 2009. As stated in last year's Budget Address, under this project all the laws of the Federation will be updated and a system put in place for them to be continuously updated. This

project has been costly but it is a small price to pay when compared to the benefits to be derived. One major benefit would be that all our laws would be in electronic form and therefore more accessible to legal professionals and the general public alike.

108. Efforts to decentralize the services of the Legal Aid Clinic will continue in 2009. This initiative is to ensure that our citizens from the various communities can easily access the services of the Legal Aid Clinic without having to come to Basseterre. Implementation of this initiative has been slowed due to staff constraints but these impediments are being addressed.

109. Mr. Speaker, the allocation for the Ministry of National Security and Immigration for 2009 is \$48,728,525, an increase of \$9,371,520 or 23.8% over the 2008 allocation of \$39,357,005. It is noteworthy that this Ministry has been allocated one of the largest dollar increases given to any Ministry. This is in full recognition of the critical role it has to play in arresting the rise in criminal activity that is currently plaguing our Federation and many of our Caribbean neighbours.

110. Mr. Speaker, the maintenance of Law and Order has been since 1995 and will continue to be a priority for this Government. In response to the challenges before us we endeavour to implement a comprehensive set of policies to address the situation from both a human resource and an infrastructural development perspective. We recognize that a society based on the adherence to laws is necessary to maintain a good quality of life for all residents and citizens. Such a society encourages local and foreign investment and achieves a high level of competitiveness. The provision of an environment which is favourable to increased economic activity will be essential in our

Nation's quest to make progress in meeting the Millennium Development Goals, particularly as it relates to the alleviation of poverty.

111. Mr. Speaker, to effectively deal with the issue of crime in the Federation we must take a holistic approach which will seek to modernize the security system. In this regard, the Government has devoted considerable resources to upgrading the infrastructure and equipment for the Security Forces. For example, the Security Forces have benefited from the contributions of the Republic of China on Taiwan (ROC) which has provided vehicles and equipment, and of the Organization of American States (OAS) which has facilitated training in the areas of Border and Tourism Security. In 2008 the Security Forces benefited from assistance received from the Caribbean-Canadian Cooperation Fund (CCCF) to provide a broad range of training courses. Likewise, local businesses and members of the general public have partnered with us to ensure that the Security Forces have equipment to effectively perform their duties. We use this opportunity to thank them for their support in curtailing the spread of this threat to our continued development.

112. The dilapidation of our police stations is of concern to the Government as the environment in which persons work have a significant effect on their morale, motivation and productivity. In an effort to address these problems the Federation has made an arrangement with the Mexican Government by which the construction of two (2) police stations is being financed. One of these Police Stations is nearing completion at Dieppe Bay and the other is to get started in Tabernacle shortly. The current prison facility has been in existence for over 150 years and is no longer conducive for extensive periods of incarceration or rehabilitative initiatives. In an effort to solve these problems we have committed to a site for the construction of a modern prison facility and are in the process of

exploring the financial options for construction. Similarly, there is a need to address the plight of juveniles and young adults. The Government has, therefore, obtained assistance from the Caribbean Development Bank for the execution of the Child Development Project which focuses not only on the construction of the Co-ed Juvenile Facility, but also on the development of an in-house curriculum to aid in the rehabilitation of juvenile offenders. Equally important, this project emphasises prevention and therefore strengthens the juvenile care system so that troubled young persons can be detected and helped before they fall prey to the lure of deviant and criminal activity.

113. An examination of the Estimates that was tabled earlier today will reveal that resources have been committed to a range of projects to significantly improve the effectiveness of the Security Forces. These include the construction of police stations, computerization of police stations, purchase of vehicles for the Fire and Rescue Services, refurbishing of the Fire Services Building, construction and refurbishment of Camps Springfield Barracks and the procurement of engines for the Stalwart. During 2009 crime detection will also be enhanced with the completion of the installation of Closed Circuit Television (CCTV) surveillance and Traffic Management Systems.

114. In respect of the Human Resources Management in the Security Forces the Government will continue to place high priority on enhancing the skills of our Security Forces in the areas of forensic analysis, crime scene analysis, crime detection and prevention, including cyber crimes, and border patrol. We do not propose to increase the numbers in the Security Forces at this time because the expert analysis suggests that there is enough manpower in the Force and that on a per capita basis we have more Security Forces than most countries in the world. Hence, the resources that have been allocated to the Security Forces will

be used to facilitate training and development, and to upgrade the conditions of service of the Security Forces.

115. Government has committed itself to upgrading the remuneration packages of all Civil Servants which includes the Security Forces. Over the past two years they too have benefited from the 12.50% increase in their salaries. In addition to basic salary upgrades, revisions were made to allowances provided in respect to responsibility, refreshment, plain clothes, officers assigned to the Canine Unit, Instructors at the Police Training School when in session, housing and displacement. We will continue to review the various allowances and make adjustments when necessary.

116. Mr. Speaker, this Government has also begun to amend our laws to reflect the present vicious crime environment in our society. In March of this year Chapter 56 of the Offences against the Person's Act was amended issuing more stringent penalties for attempted murder and shooting or attempting to shoot or wounding with intent which was increased from a sentence of ten (10) years to twenty-five (25) years; and unlawful and malicious inflicting of grievous bodily harm which was increased from two (2) years to seven (7) years. We will continue to amend current Acts and institute new laws in order to eliminate any loopholes which may hinder prosecution. While we appreciate that the punitive approach alone will not solve the problem or deter the commission of crimes, once proven guilty we intend to remove the menaces from society for a long time.

117. Moreover, to address the immediate issues in relation to crime, we have solicited the advice of an FBI Consultant and the Ministry of National Security

and Immigration will implement a multifaceted Security Plan with the following objectives:

- a) Containing the escalation of crime;
- b) Strengthening cooperation with international and regional agencies in the fight against crime;
- c) Building capacity through training and the application of technology.

118. In addition, the Anti-gun and Strike Force Units will be stepping up their activities to rid our streets of firearms and to dismantle gangs. We expect a substantial reduction in the crime rate as we proceed with the implementation of the Security Plan.

119. We appeal for greater sharing of information and cooperation between all members of society and the Police. This will redound to our mutual benefits. We appeal on behalf of our Country for our Police to do more, succeed more and become more efficacious in the results indicating their upholding of the mandate to serve and protect us.

120. Mr. Speaker, the total allocation (including Capital Expenditure) for the Office of the Prime Minister for 2009 is \$15,702,752. This amount represents a 1.7% increase over the allocation for 2008. The resources allocated will be used to continue the implementation of a number of initiatives that commenced in 2008.

121. One such initiative is the Reform Process in which the electoral office was involved for most of 2008. I am pleased to report that the reconfirmation exercise by all accounts has been a tremendous success resulting in a voters list

that is up-to-date and relatively free of errors. During 2009 the Electoral Office will continue its efforts to modernize our electoral system and thereby strengthen our democracy. In addition, we are presently pursuing plans to relocate the Electoral Office as the expansion of its existing premises next to the Sir Lee L Moore Judicial Complex appears to be constrained by certain structural deficiencies and is therefore deemed unfeasible. Construction of a new Electoral Office is to commence in 2009.

122. Another important initiative that will be undertaken by the Office of the Prime Minister is the modernization and computerization of the Human Resources Management function. In fact, efforts are already underway for the computerization of Civil Service personnel files through a data capturing process. This exercise is expected to be completed in 2009 and will greatly improve the efficiency of the Human Resource Department in the management of personnel data.

123. One of the critical functions of the Office of the Prime Minister to which resources have been committed is the dissemination of information to the citizens as the means of equipping them to engage in dialogue and consultations on issues of national significance. This is being done using various modes including the print media, the website of the Communications Unit of the Office of the Prime Minister, Cabinet briefings, regular press conferences and more recently the “Ask the PM” Programme which provides citizens the opportunity to engage the Prime Minister on various issues. This is unprecedented in our Federation but it is critical to the proper functioning of our democracy. During 2009 the Office of the Prime Minister will continue to use every possible means to engage all our citizens and to build consensus through consultation and dialogue.

124. Mr. Speaker, the preservation of important documents that would eventually form part of the historical record of our Federation is of paramount importance to this Government and it should equally be important to every conscious citizens. The present location for storing our archives is grossly inadequate. I am now happy to report that the Government of the Republic of China on Taiwan has graciously committed to funding the construction of a building to house our National Archives. Construction is to commence within the first quarter of 2009.

125. The Ministry of Foreign affairs will receive an allocation of \$12,614,724 to carry out its mandate in 2009. This ministry received an increase of \$3.09 million or 32.7% in its Recurrent Budget to facilitate the funding of our embassies and missions abroad and our effective participation in Regional and international Organizations.

126. Mr Speaker, the Ministry of Sustainable Development has been allocated \$16,177,199 for 2009. Of this amount \$3,856,786 will represent Recurrent expenditure while \$12,320,413 will be spent on Capital items. The ministry will continue its activities with respect to land distribution, capacity building for social and economic development and providing valuable statistics in 2009.

127. Mr. Speaker, the allocation to the Ministry of International Trade, Industry, Commerce and Consumer Affairs for 2009 is \$2,690,830, an increase of 15.3% or \$356,718. This increase will fund the enhanced activities of the Ministry that I outlined earlier in this presentation in relation to Price Control, Consumer Protection and Small Business Development.

128. The Ministry of Finance has been allocated \$245,849,864 to carry out its activities for 2009. This amount represents an increase of 6% over the corresponding figure for 2008. It should be noted that the increase is largely to provide for the servicing of debt. Debt servicing is a very large component of public expenditure. We have done well to meet our obligations regularly and on time but we must reduce our level of indebtedness so that we may better meet the demands for more and improved goods and services by our people.

129. During 2009 the Ministry of Finance will continue to pursue strategies aimed at instituting greater fiscal discipline and reducing debt. These are considered essential elements of the Ministry's overarching objective of fostering a strong and buoyant economy and maintaining fiscal stability all in an effort to provide a better quality of life for the citizens of our beloved Federation. In pursuing this important initiative, the Ministry plans to place considerable emphasis on organization and institutional development during the upcoming year. In particular, the Ministry is poised to implement several initiatives including the establishment of a Single Regulatory Unit, the further development of Performance Budgeting, Tax Reform, strengthen the oversight of Public Corporations and strengthen Public Finance Management. We also propose to give even greater attention to the collection of outstanding taxes. The Government is committed to the view that we should exhaust all avenues for the collection of revenue and that increases in tax rates should only be pursued as a last resort.

130. Mr. Speaker, the effective oversight of Public Corporations is a new undertaking by the Ministry of Finance following the passage of the new Finance Administration Act of 2007 which became effective in November last

year. The Ministry has since been in constant contact with the Public Corporations encouraging them to comply with the requirements of the Act. At this point I would like to congratulate the two Government Entities that have submitted up-to-date audited annual Financial Statements to the Ministry. The Entities are the Development Bank of St. Kitts and Nevis and the St. Christopher and Nevis Solid Waste Management Corporation. I implore the other Public Corporations to follow the path of these two Entities. The Boards of Directors of all Government Entities are expected to take responsibility for their institutions and ensure that the Management and Staff of these institutions meet their legal requirements.

131. Mr. Speaker, the Ministry of Social Development, Community and Gender Affairs has been allocated \$13,499,224 in Recurrent and Capital Resources to execute its programmes in 2009. This amount represents a 7% increase over the allocation for 2008. This Ministry has been playing a critical role in social development and social protection and has made a significant contribution to the performance of St. Kitts and Nevis from the standpoint of the UNDP Human Development Index. The significant sum invested by Government in the development of the Physical and Social Infrastructure and the delivery of various Social Assistance Programmes to the vulnerable groups of our communities is now paying dividends. The philosophy of this Government is to implement deliberate policies to address the needs of the poor and disadvantaged groups. This is why we can proudly state that we have one of the most comprehensive social assistance programmes in the OECS countries. I must make the point that we want to eradicate poverty. We have no vested interest in keeping people poor. We prefer to teach a person to fish than to give him/her a fish. One approach empowers, the latter impoverishes the person. However, as long as the poor are with us this Labour Administration will

always help, shelter and protect them. We do so because we care. We do so because we are enlightened. We do so because we are a party of good Samaritans.

132. Changes in the global environment such as the dramatic rise in the price of food and other basic commodities have demanded that the Ministry strengthens its social policies, programmes and activities to ensure that the necessary safety nets are in place to service the most vulnerable groups. During 2009 the Ministry will take steps to increase the protection for vulnerable groups such as the elderly and disadvantaged, women, children and teen parents. It will continue to foster community self-direction, self-help and community cohesion through the promotion of community activities. It will also aggressively pursue initiatives to promote social inclusion and to improve living standards of all our people.

133. The activities of the Ministry of Social Development, Community and Gender Affairs are particularly critical during emergencies. In this regard, we must express our appreciation to the staff of the Ministry and the staff of the National Emergency Management Agency (NEMA) who worked tirelessly in the aftermath of Hurricane Omar to distribute food, water and other essentials to persons in Old Road and other affected coastal communities in an efficient and effective manner.

134. Mr. Speaker, the Ministry of Social Development, Community and Gender Affairs will be implementing an ambitious Public Sector Investment Programme in the upcoming fiscal year. This will lead to a further improvement in living standards of our citizens from the various communities island wide. The Capital Projects to be implemented include;

- Fencing of Newton Ground Primary School
- Construction of Walkways and Alleys in Dieppe Bay
- Construction of Alley way at Stone Haven Molineux
- Construction of Fig Tree/La Vallee Community Centre
- IT Skills Training for Tabernacle and Mansion
- Construction of water storage facilities at Conaree Community Centre
- Day Care Centre for Molineux

We believe that these community-based projects will help to provide greater convenience in the relevant communities and to enhance community life, in keeping with Government's strategic goal for empowering our communities and to give them a much more important role in social and economic decision-making.

135. Mr. Speaker, the Ministry of Housing, Agriculture and Fisheries has been allocated \$9,069,715 to carry out its programmes for 2009. This represents a decrease of 3.8% relative to the allocation for 2008. The decrease is attributable to a reduction in Capital Expenditure related to the completion of a number of the specialized programmes undertaken immediately after the closure of the sugar industry to facilitate the transition process in its early stages. However, Recurrent Expenditure under this Ministry has been increased by 5.5% to enable the Ministry to institutionalize some of the functions it assumed during the transition phase and to enhance its capacity to play an enhanced role in the economic transformation programme that we are currently pursuing.

136. Mr. Speaker, the Ministry of Housing, Agriculture and Fisheries will aggressively continue the construction of affordable housing to satisfy the ever increasing demand for homes in fulfilment of Government's policy to empower

our people to reap the financial and economic benefits of home ownership. One of the Ministry's top priorities for 2009 is to continue with the construction of houses to relocate families in the coastal areas whose houses were damaged by Hurricane Omar. In addition, the National Housing Corporation (NHC) will continue its drive to empower more of our people through home ownership. In particular, the NHC is making good progress with the Venezuelan funded project to upgrade 200 starter homes and to provide 300 homes to the former SSMC workers. In addition, the NHC has commenced a new housing project that would cost some \$50 million and will provide 500 houses to the people of this Federation, including our young people and other persons who do not yet own a house. Housing has been a stellar story of this government. I am pleased, as a former Minister of Housing to have been associated with this success and to have pioneered our programme of building a home owning society during our first term 1995-2000. During the period 1997-2000 we delivered 1,207 housing solutions. An historic and outstanding best ever record that has whetted the appetite of our people for home ownership. I am happy that we are continuing this programme.

137. Mr. Speaker, the Ministry of Tourism, Sports and Culture has been provided with an overall amount of \$30,072,311. This represents a decrease of 4.9 % over the 2008 allocation due to a 25.6 % decrease in Capital Expenditure. The Recurrent Expenditure for this Ministry has been increased by \$1,660,005 or 8.7% for 2009. Much of the increased Recurrent Expenditure will be used to boost the marketing efforts of the Department in view of the difficult global economic climate that we face at this time. Considerable focus will also be placed on improving the airlift to our Federation with a view to boosting tourist arrivals and generating increased economic activity. In deciding on the allocation to this Ministry we have focused on short-term initiatives with the

greatest potential to enhance growth in the short-run and thereby help to blunt the impact of the global recessionary tendencies.

138. Mr. Speaker, the Ministry of Public Works, Utilities, Transport and Posts has been provided an allocation of \$99,843,441 including \$27,624,417 for Capital Projects. The total allocation for 2009 represents an increase of \$10,933,234 over the 2008 allocation. During 2009 this Ministry will continue its work to provide our citizens with the high quality of infrastructure that they have come to expect.

139. During 2008 the Ministry experienced major challenges with the provision of electricity including a fire at the power station that affected the ability of the power station to generate an adequate supply of electricity. Let me take this opportunity to thank consumers for their patience and understanding during the load shedding period and to assure them that the Government is exerting every effort to bring the frequent power outages to an end as expeditiously as possible. I apologise to all for the inconvenience and financial losses experienced as a result of the unreliability of the electricity supply. I appreciate your understanding of the complex problem which the Government is working overtime to resolve. We will fix the problem.

140. The Ministry is currently fast tracking a project to complete in quick time the upgrades to the electricity distribution and power protection systems to address the outage problems and create a stable and reliable source of electricity. In fact, the Cabinet has recently received a report from the Management of the Department that identifies the critical organizational, human resources, and technical problems that are contributing to the problems in relation of the reliability of electricity. Cabinet has directed that immediate

action be taken to rectify these problems with a view to promptly bringing an end to the inconveniences suffered by our people in respect of the supply of electricity. We will also accelerate the programme for the Corporatization of the Electricity Department with a view to overhauling the structure, management and operations of the Department and fostering a business culture at the new corporatized entity.

141. In respect of the other Departments within the Ministry, it is proposed that during 2009 the Post Offices will continue to diversify their services and deploy new technologies. In this regard a new modern Post Office will be opened in Tabernacle in 2009. The facility is already built and is only awaiting furniture and people to begin servicing our communities. In addition, the Water Department will continue to rehabilitate old wells and drill new ones to satisfy the ever increasing demand for water. It will also upgrade and enhance its capacity to monitor the water quality and to chlorinate the water supply.

142. The Ministry of Education, Youth and Labour's allocation for 2009 is \$73,980,276. This amount includes \$22,386,902 for Capital Projects. Recognizing the critical role that education plays in National Development this Ministry will continue during 2009 to expand and diversify the school curriculum and to give increased focus and prominence to Technical and Vocational Education and Training. Emphasis will also be placed on the development of entrepreneurial skills and the integration of information and communication technologies in the teaching of various subjects. The programmes at the Advanced Vocational Educational Centre (AVEC) will be reformed and the capacity of this institution enhanced to enable it to even more effectively deliver programmes that are relevant to the development needs of our Federation.

143. Our school children will also benefit from the expansion of existing computer laboratories and the construction of new computer laboratories. In addition, the implementation of the European Union funded IT Based Teaching and Management Project will not only give the student greater capacity with computers, but it will also allow our teachers to deploy the latest in technology to present their teaching materials.

144. The infrastructure of the School System will also be boosted tremendously by the completion of the Saddlers Secondary School. This modern state-of-the-art school will not only bring benefits to our children, but it will also provide life-long learning opportunities for the community as a whole.

145. Mr. Speaker, during 2009, efforts will continue in respect of the transitioning of the Clarence Fitzroy Bryant College (CFBC) into a semi-autonomous institution with its own Board of Directors. There will also be continued efforts to establish and strengthen alliances between the CFBC and various regional and international institutions. Our aim is to make tertiary education easily available to a greater proportion of our population, including our young people in particular.

146. Mr. Speaker, youth empowerment continues to be assigned high priority by this Government. During 2009 we intend to implement a National Skills Training and Certification program which will address the immediate employment needs of our unemployed youths between 18 and 35 years of age, especially during this difficult period of global economic turmoil when job opportunities are dwindling all over the world.

147. The objective of this program is to provide our unemployed young people with basic employable skills, behavior and attitude training to satisfy the acute shortage of skilled artisans that now exists. Young people will be trained in areas such as carpentry, welding, air conditioning and refrigeration, crop production, plumbing, data entry processing, computer graphics design and motor vehicle body repairs and hospitality services to name a few.

148. Under the National Skills Training program, training will be delivered through classroom lessons, hands-on vocational training and job attachments in local businesses. The emphasis will be on practical training built on the following four elements:

- a) Training: Work/vocational skills and behavior training;
- b) Employment: Job attachment and job experience;
- c) Careers: career exploration and decision-making;
- d) Habilitation: Independent living and life style.

149. Young people completing the program will be fully equipped both in terms of skills, attitude and behaviour to be productive workers and will be able to find gainful employment in the private sector. They may also choose to become entrepreneurs and start their own businesses. Funding for this initiative is being provided under the PetroCaribe initiative of the Government of Venezuela. I urge our young people to seize this opportunity to join the mainstream of economic development in our Federation.

150. To provide for the funding of Information and Technology and amount of \$6,720,243 has been allocated. This represents an increase of \$3.1 million or 89% over the amount allocated to these services in 2008. The major portion of

this increase will be utilized to fund Capital Projects in the area of Information and Communication Technology. These projects are partially funded by the European Union.

151. Mr. Speaker, I now direct my attention to the Ministry of Health. This Ministry's allocation for 2009 including resources for Capital Projects is \$35,797,704. The Ministry of Health will continue in 2009 to pursue programmes aimed at addressing Chronic Non-communicable Diseases such as heart disease, stroke, diabetes, hypertension, and cancer that are the main causes of mortality and morbidity. The Ministry of Health therefore intends to provide leadership in implementing measures to significantly reduce mortality and morbidity associated with these chronic diseases. This will include implementing programmes to encourage our citizens to follow healthy dietary practices and physical exercise.

152. I am particularly happy to report that the construction of the Pogson Hospital has now been completed. The rural community in the vicinity of Sandy Point and the neighbouring villages will now be able to enjoy modern Primary Health Care and Hospital services. In addition, this Hospital will become a centre of excellence in the prevention and management of HIV/AIDS. Indeed it will play a critical role in the implementation of the National Strategic Plan for the Prevention and Management HIV/AIDS. Of course, we will continue to upgrade the JNF Hospital which already boasts some of the most modern and up-to-date facilities in the OECS. During 2009 we will proceed with the implementation of Phase III of the JNF Development Programme which among other things will improve the administrative facilities at the hospital.

153. I turn now to Fiscal Measures.

Fiscal Measures

154. I know that our citizens usually wait on this section of the budget with bated breath. But I am certain that Kittitians and Nevisians in the gallery here today and beyond, are confident that based on the past record of this Government, any budget measure introduced in this address will be fair and reasonable and will be consistent with our overarching mandate to protect the poor and vulnerable.

155. Mr. Speaker, I have indicated throughout this address that the year 2009 could be a very challenging one for our Federation given the events that are unfolding in the global economy which will impact the financial as well as the real sector. This Government has been very effective in cushioning the impact of adverse global developments on our people, especially those most vulnerable to the global food crisis and energy crisis. To date we have removed Consumption Tax on a list of essential items such as chicken, cheese and vienna sausages so that the prices of these items could remain affordable to our people. We introduced legislation to curtail the margins that vendors could apply on certain items that constitute a substantial portion of the basket of goods typically consumed by lower income families. We gave our bakers a package of concessions to encourage them to keep the price of bread affordable. Moreover, in respect of travellers importing food items for their personal use, the taxes and duties on barrels of food were significantly reduced. Mr. Speaker, you will also recall that with respect to electricity bills of householders beginning in January 2008 and thereafter the fuel surcharge was capped at 50% of the primary charge for electricity, notwithstanding our inability to recover the full cost of the fuel price increases after applying the cap. We have forfeited millions of dollars

from capping the electricity surcharge. This represents significant cost savings redounding to the benefit of many consumers. Only a caring and enlightened government would do this.

156. Mr Speaker, quite recently Cabinet approved a Special Incentives Package for small hotels. These concessions are aimed at assisting these hoteliers in improving their standards mainly with respect to customer service and their physical plant. Cabinet approved the adoption of a Memorandum of Understanding between the Government and Small Hotel operators. This Memorandum provides certain conditions under which small hotel operators will be provided with duty free concessions on the refurbishment of their facilities every seven years and concessions on food and wine for their restaurant facilities where applicable. For the purposes of this new incentive package, a small hotel is defined as a hotel consisting of at least ten rooms and not exceeding ninety-nine rooms. Mr. Speaker, over 80% of the hotels operating in our tourism industry qualify as small hotels and it is very important that as we develop our tourism plant with the objective of attracting the high-end of the market that these small operators are developed in a manner that compliments this target market.

157. All of these initiatives, which were intended as short-term measures, have had a significant adverse impact on revenue collections in 2008 but we will continue to maintain them as long as we feel that they are effective in alleviating the plight of poor people and small and medium enterprises, in particular. Of course, we will keep these initiatives under review and monitor their impact on the intended beneficiaries to ensure that their impact is being felt by those persons within the society for whom they are actually intended.

158. Mr. Speaker, the Government is a major provider of services and is not immune from the impact of increasing prices. In fact the cost of delivering all Government services has increased significantly over the years. We will therefore review the fees in relation to the various services provided by the Government with a view to ensuring that the costs of providing such services are recovered. Of course, we appreciate that some services must be subsidized especially in relation to vulnerable groups, but in such circumstances we must have appropriate accounting systems to measure the cost of such subsidies. This will facilitate the more comprehensive reporting in respect of the cost of Government services and assistance to vulnerable groups. It will also facilitate more effective decision-making.

159. This Government's strategy for assisting the vulnerable is comprehensive and involves all Public Sector organizations. The Social Security Board, in particular, has played an important role in carrying forward our strategy for social protection and empowerment. In this regard, I am pleased to announce that early in the upcoming year, the minimum pension paid by Social Security will be significantly increased to a level consistent with the most recent actuarial analysis. In addition, the Social Security Board has requested its actuaries to make recommendations in relation to the introduction of a short-term unemployment benefit, which could provide meaningful relief to persons who lose their jobs during the early months of unemployment. It is hoped that this benefit would give them a continuing source of income as they search for another job.

160. The Social Security Board is also investing its resources in a manner that contributes to economic growth and development. Hence, Social Security is about to break ground in respect of the Beacon Heights Housing Project that

will not only help to stimulate the economy in these very challenging times, but will also provide some 180 houses to the people of St. Kitts and Nevis.

161. As revenue from Taxes on International Trade begins to move downwards given the global trends towards reduction or elimination of border taxes we must begin to think of ways of paying for the services that our Customs and Excise Department provides. Mr. Speaker, it is important that we understand that the role of Customs is not confined to the collection and accounting for Customs Duties, Consumption Taxes, Excise Taxes, Customs Service Charges and Licenses. One of the main purposes of the St Kitts and Nevis Customs Department is to protect our borders by exercising controls over the import and export of goods, and the entry and exit of people. The St. Kitts and Nevis Customs and Excise Department is responsible for protecting our borders against the threats to our economic and social well-being that are caused by the incorrect importation and exportation of goods and the movement of travellers across our borders.

162. The front line border protection activity takes place at all customs' ports of entry and at the Post Offices. This involves the inspection of goods, screening of mails and the processing of travellers in accordance with the relevant legislation. Supporting the front line activity is a specialist unit which undertakes investigations into specific transactions that have been identified as posing a risk to the border. This unit should operate in the areas of commercial fraud, drug investigations and the importation and exportation of prohibited and restricted goods. In addition, Customs also acts as an agent at the border for other Government organisations – including the Ministries of Health, Agriculture, Foreign Affairs and International Trade, National Security and

Sustainable Development with respect to statistics. Customs' role in respect of the agreements and conventions is to administer at the border the obligations in respect of how goods are valued, how duties are applied, the types of duties that are applied and how origin is established for duty purposes. Customs also police our international obligations and statutes concerning prohibited and restricted goods, including drugs, pornography, internationally endangered species and other illegal flora and fauna.

163. These important services must be paid for by those who utilize the facilities provided by Customs. In this connection we will introduce "billable services" in Customs. These fees will be based on the number of hours it takes to provide specific services such as onsite inspection and off loading of goods and people and would also be applicable to those entities who pay no fees whatsoever to Customs.

164. Mr. Speaker, in the 2008 Budget Address, it was stated that a review of the compensation packages of Government employees was ongoing and that this work would include a review of Job Descriptions and Job Specification as well as the development of a comprehensive manpower plan to ensure that the public service is adequately positioned to play a proactive developmental role in the dynamic environment in which it operates. Due to the time that it would have taken to complete the exercise, an interim 5% increase was given for 2007 pending completion of the report. I am pleased to report that part one of the report has since been completed and presented to Cabinet. The scope of the work included the pricing of jobs in the labour market; determining whether salaries are competitive and equitable across institutions and job types; providing research and a basis for determining when and by how much to revise pay scales; the development of market driven revised pay structures and

recommending the appropriate pay policy that the Public Sector should implement.

165. The Consultant recommended that Government adopt a gradual pay adjustment to realign with the market over a period of 3 years. He also recommended that a performance-based incentive scheme for Public Sector employees based on a model framework presented in his report be introduced, and that a more comprehensive job classification and re-grading exercise be undertaken to guide the salary adjustment. To date, a 7.5% salary increase has been paid to public servants in accordance with the recommendation of the consultant. The job classification and re-grading exercise is ongoing and should be completed early in 2009. The Cabinet will review the results and make a decision as to the new salary structures at that time.

166. Mr. Speaker, there can be no doubt that the very extensive set of projects, programmes, activities and relief measures that I have outlined here today, will go a long way in helping us achieve our goals in respect of people development, the strengthening of human and social capital, and continued social and economic progress. However, this creative programme of growth and development must be funded. But we cannot rely too heavily on loans if we wish to achieve our target for debt reduction. We must therefore find ways of generating revenue to fund the implementation of our development agenda.

167. During the upcoming year, we expect Government Departments to be even more vigilant in collecting arrears. A concerted effort will be made by all Revenue Generating Departments to collect amounts owing to government. Certain amnesty conditions will apply for a period of six months. The basic strategies for the main Revenue Departments would include the introduction of

a waiver of 50% to 100% of interest outstanding on arrears; agreeing on payment schedules with taxpayers; and using set-offs where possible. The Comptroller of Inland Revenue will be authorized to review taxes outside of the objection period and to expedite the processing of complaints and appeals. If taxpayers fail to honour their obligations within a reasonable period, the Legal Department will be requested to take legal action in a manner that is fair, transparent, and non-discriminatory. Arrears of fees to Government Departments will also be addressed in a similar manner. Entities which fail to make satisfactory arrangements to pay their due taxes and fees should be mindful that this may jeopardize their ability to benefit from concessions. The full details of these programmes will be disclosed in due course.

168. Mr Speaker, the growth and development in the Tourism Sector is obvious for all to see. This has been directly as a result of Government's investment in infrastructure and in airlift. Unfortunately, the sustainability of this growth requires continued funding. Consequently, the Ministry of Tourism with the assistance of the Ministry of Finance intends to review sources of revenue to support continued infrastructure development and financing of airlift guarantee. Therefore early in 2009 we will carry out an analysis of the Island Enhancement Fund and other means of getting the private sector to contribute to the funding of these activities.

169. The programme I have outlined will benefit the entire Nation so that any contribution made to the development agenda through taxes and fees would be well worth it and would bring substantial returns for our citizens, individually and collectively. Fortunately, notwithstanding the ups and downs of the international economy, we have continued on a path of growth and we expect some growth in the upcoming year, although at a reduced rate. We therefore

expect that through improved efficiency in revenue collections and the projected expansion of the economy we would be able to meet our revenue target. I am therefore pleased to advise that there will be no new taxes for the 2009 fiscal year.

170. Of course, we will continue to re-examine the tax systems with a view to rationalizing it over the medium-term. That is why we have been giving careful consideration to the possible introduction of a Value-Added Tax (VAT) at some time in the future. The VAT would consolidate a wide range of taxes including Consumption Tax, Traders Tax, Hotel Room Tax, Island Enhancement Fund, Travel Tax, Insurance Premium Fee, Parcel Tax, Vehicle Rental Tax, Overseas Call and Telecommunication Fee, Export Duty and Rum Duty. It would also bring them under a single legislative and administrative framework.

171. The introduction of a VAT would also enhance the coverage of our tax system and eliminate the need for excessively high taxes on the persons who currently fall within the tax net. The Fiscal Division of the IMF and the Caribbean Regional Technical Assistance Centre (CARTAC) have been assisting us in our evaluation of the VAT. Indeed the Fiscal Affairs Division of the IMF has conducted a study that has established the feasibility of VAT in St. Kitts and Nevis. Cabinet will consider the report during the course of 2009 and make a final decision in respect of VAT. In the meantime a team has been established to do the leg work including an analysis of the tax system and public consultation so that informed decisions can be made.

SUMMARY AND CONCLUSION

172. Mr. Speaker, it is quite clear that although the winds of global economic mayhem are blowing quite strongly and perhaps getting stronger, this Government is determined to keep the ship of state on course to the attainment of our goal of improving the quality of life of our people and creating a new, vibrant and flourishing economy in which our people are afforded the opportunity to create wealth as they pursue their various individual and collective endeavours.

173. This year's Budget takes full cognizance of the international challenges we face as a nation and has presented a rational and sober plan to protect our many achievements over 25 years of nationhood in the midst of a global economic storm and to continue to propel our nation to even higher heights in the years ahead. Our growth targets and fiscal targets are relatively modest but realistic in the context of the current international environment.

174. It would be quite tempting for a Government, in the fourth year of a five year term, to use the unsavoury global economic climate as an excuse to go on a spending spree. But we are a responsible Government and our vision extends far beyond the short-term. We are laying the foundation for a new period of dramatic change and economic transformation that would accelerate our march to that economy that we have been building. We believe that the attainment of sustainable levels of debt must be a critical component of that foundation. Hence, this year's budget has sought to stimulate the economy by the redirection of resources to growth enhancing initiatives rather than by dramatic increases in public expenditure and public debt. In this regard, the tourism

marketing budget and allocation to improved airlifts has been expanded to blunt the impact of the global crisis on the flow of visitors to our shores. Similarly, the Ministry of Agriculture has been given enhanced capacity to provide support to our farmers and fishers with a view to boosting output. The public sector has also committed considerable resources to the construction of houses. We expect that the expeditious implementation of these programmes will have a significant positive impact on growth and employment.

175. We also expect the private sector to play a critical role in stimulating growth. In this regard, we have committed to expediting the decision-making processes in respect of all private sector projects currently before the Government. We believe that the early implementation of even a fraction of these projects will contribute significantly to growth and employment in these challenging times. Indeed, the very expansive Christophe Harbour Project is already under implementation and we expect a number of other hotel and condominium projects to come on stream during the course of 2009. We have also activated the St. Kitts Investment Promotion Agency to provide even greater facility to local and foreign private sector investors, and we will launch the National Enterprise Development Division to focus specifically on the small and medium sized business sector and to promote growth in that sector.

176. At the same time, we have not abandoned our mandate to protect the poor and other vulnerable groups in our society. We have introduced an abundance of cost of living initiatives that have helped in slowing the rate of inflation, as we pursued a number of projects and initiatives that brought relief to the vulnerable. Our housing projects are targeted to lower and middle income groups and to first-time owners including our young people. The minimum wage has been increased and the lowest paid workers have been exempted from

the payment of Social Services Levy. The minimum pension paid by Social Security is being upgraded and a number of community focused social projects will be implemented with a view to addressing a range of social issues. The National Skills Training and Certification Programme will be introduced in 2009 further confirming our commitment to the youth of our Nation. Of course, crime is a major social issue that is of concern to all citizens and residents and we have committed the resources necessary to facilitate the expeditious implementation of a security plan that gives urgent priority to crime reduction.

177. Mr. Speaker, we expect to achieve all of this with an increase in Total Expenditure of only \$31.3 million. Moreover, we are still able to realistically project a Primary Balance of \$162.0 million and a Recurrent Surplus of \$6.5 million. This reflects our strong determination to improve efficiency in the upcoming year and to redirect resources from marginal projects and activities to growth enhancing projects and other projects critical to our long-term objective of transforming our economy and bringing an improved standard of living to our people in a sustainable manner.

178. We have travelled a far way forward on the path of progress and development over the last thirteen years. We will stay the course of progress and development. We offer our people an enlightened plan to keep the ship of state afloat. We reach out with the steady and caring hand of Labour. We envisage an improving and prosperous society, with all endeavouring and all achieving in our land of beauty where peace abounds. We are confident that based on our track record of outstanding performance and efficacious delivery, our people can be assured that it is better to repose their confidence in our enlightened leadership, progressive policies and programmes, than to gamble

with their future and that of our country. Only Labour can offer a Steady Hand, an Enlightened Plan for a New and Prosperous Society.

179. Mr. Speaker, the proposals I have presented to the National Assembly today capture the upbeat spirit of our resilient and confident people ready to meet their date with destiny and ready to take their rightful place in an increasingly globalized world by the help of Almighty God.

180. It is certainly fitting that our people should know that the policies, programmes and proposals in this Budget are one hundred percent home grown. In this regard I must thank all cross sections of the Public service, the Private sector, Labour and the NGO Community who contributed in any way to the contents herein. A special thank you is due to the staff of the Ministry of Finance led by our indefatigable Financial Secretary for the long hours of work and overtime that went into the production of this document and the two volumes of the Estimates. Cabinet carefully deliberated on the budget at the Scheduled Budget Estimates Committee Meeting and subsequently. The most recent being on Wednesday 10th December when some three Submissions from the Ministry of Finance of relevance to the Budget, including the Appropriation Act, were considered and approved. Our employees at the Government Printery acquit themselves every year in ensuring the timely production of our Budget. I wish to thank them for their dedication and support.

181. Indeed we have encountered challenging times before but the enlightened leadership of this Government and the resolve of our people have seen us through. During the months after the September 11th terrorist attacks our hotels were empty and fear and anxiety pervaded the entire atmosphere. After each of the hurricanes that we faced, many of our people could not help but

wonder if recovery was possible. When globalization and trade liberalization brought an untimely end to our sugar industry the entire international community was seriously concerned about our society falling through economic collapse and social chaos.

182. But we persevered; we sharpened our focus on our goal of prosperity for all; we established a policy framework that facilitates sustainable growth and at the same time brings help and assistance to the poor and vulnerable; and we kept the wheels of social and economic progress moving forward. Hence, even in the midst of the global financial and economic turmoil we can confidently embrace and accept the words expressed by General George Washington in a letter to one of his Majors; “We should never despair, our situation before has been unpromising and has changed for the better, so I trust, it will again. If new difficulties arise, we must only put forth new exertions and proportion our efforts to the exigency of the times.”

183. Mr. Speaker, I so move.