

## Excerpts from the 2002

### St Kitts & Nevis Budget Address

Mr Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation (2002) Act, 2001.

#### **INTRODUCTION**

My budget presentation today is the culmination of a very lengthy and arduous process characterised by extensive consultations and numerous revisions in response to a rapidly changing global economic climate, which constantly throws up monumental problems and challenges that severely test the mettle of policymakers in all countries on the face of the globe, but especially in small vulnerable states such as our Federation. This year, the most serious of these challenges was the World Trade Centre crisis of September 11th, which, for over a week, brought international air travel to a virtual halt, and even now, some three months afterwards, is continuing to exert a strong negative impact on the flow of visitors to our shores.

The economic impact of the World Trade Centre crisis is perhaps even more severe than any of the many natural disasters that we have encountered over the past decade. A hurricane tends to be finite so that once it has passed our shores, we can immediately pick up the pieces and pursue a programme of reconstruction with almost absolute certainty that the particular hurricane is behind us. On the other hand, the uncertainty and fear that the World Trade Centre crisis has generated, will continue to exert a negative impact on tourist arrivals for an indefinite period.

Hence, in formulating this year's budget, my Government has had to devote some attention to short-term stabilisation issues relating to the World Trade Centre Crisis, even as we simultaneously continue to unfold our long-term programme of social and economic development aimed at continuous and systematic improvement in the quality of life of the people of our Federation. Of

course, the fiscal stance that I will be enunciating in response to the challenges that we face, is also shaped, to some degree, by the constraints imposed by our recent history.

In particular, for five consecutive years, we have had to pursue an expansionary fiscal policy to prevent our economy from going into recession under the influence of a spate of hurricanes that devastated much of our infrastructure and seriously disrupted our productive sectors for prolonged periods. This policy enabled us to move steadily along the path of progress and carry out our mandate to alleviate the conditions of lower income families who were at greatest risk of deprivation and marginalisation in the face of these mammoth natural disasters.

Notwithstanding the hurricanes, we initiated the short-term work experience programme that took some 1200 of our young people from the depths of despair and offered them the opportunity to constructively deploy their talents, earn an income, and prepare themselves for permanent employment. Over this difficult period, we also placed over 1000 low-income families in their own homes. Some of these families had been striving unsuccessfully for many years to escape the grip of merciless landlords while others had been thrown into a state of homelessness and despair by the hurricanes. My Government reached out and offered a helping hand by building the homes, providing financial assistance to these families and granting generous concessions and subsidies where this was deemed necessary. These beneficiaries can now stand on their own feet and pursue various productive endeavours to the benefit of themselves, their families and the nation as a whole.

Despite the hurricanes, we also succeeded in substantially upgrading and revising Social Security Benefits especially as it relates to the poor and indigents who have no other means of support. We also introduced a comprehensive programme of assistance to our elderly and set up a mechanism in the Ministry of Social Development to provide school uniforms and other necessities to

children of lower income families who could not find the resources necessary to attend school.

Moreover, during these difficult years, we exerted every effort to honour our commitment to Government employees by consistently improving their compensation package. In 1995, we paid a double salary. In 1996, we again paid a double salary. In 1997, we awarded a general salary increase to all Government employees, and although Hurricane Georges prevented the payment of the double salary in 1998, we promptly resumed the payment of this important bonus in 1999. This was followed in 2000 by another general salary increase. The quality of public servants determines the efficiency of the delivery of public goods and the nature of the environment in which the society's productivity can be optimised. Personal emoluments and agreeable working conditions are a sine qua non for attracting high calibre workers to the public sector. St. Kitts and Nevis has been successful in this regard and our nation must express its gratitude for that achievement.

Mr Speaker, by our resolute efforts, the Federal Government refused to be derailed from its objectives of national long-term competitiveness through human resource development and poverty reduction. Moreover, this government confronted the choice of building infrastructure only when locally generated funds were available or borrowing externally for such purposes. We boldly took the decision not to jeopardise our long-term competitiveness in tourism, manufacturing and other key sectors in favour of the short term improvement of our fiscal accounts, as some myopic bean counters had advocated. Such a strategy would have forced us to lag behind other tourist destinations at a time when our very survival as a nation depended on our ability to develop competitive economic sectors capable of holding their own in an increasingly liberalised and integrated global economy. Hence, each time we were struck by a hurricane we went out and raised the necessary funds to rebuild our infrastructure and to keep the productive capacity of our nation intact.

Our efforts have borne great fruit. In terms of real economic growth, our economy continues to be one of the leading performers in the entire Caribbean. In addition, our infrastructure is among the most modern and well kept in the region. Indeed, the scars of the numerous hurricanes that have visited our shores are now only barely noticeable.

What is even more remarkable is that such impressive performance was achieved without imposing any undue taxation burden on our people. Unlike many countries in the OECS, our people still do not pay personal income tax. Notwithstanding the recent increases in water and electricity rates that were forced upon us by increased fuel cost and the need for capital investment, our utility rates are still among the lowest in the entire Caribbean. In addition, virtually all of the services that the public sector provides to our people are heavily subsidised. Yet the import duties that our people pay is no different from the duties paid in other countries of the Caribbean and our indirect taxes such as consumption tax and customs service charge are still lower than in many countries of the region.

Mr Speaker, the liberalisation of trade is the centre-piece of globalisation. No government anywhere in the developing world has ever before faced such novel and complex economic challenges. There are no precedents or charts which afford us guidance. The protection that our products enjoyed in foreign markets under various trade agreements including Lome, CARIBCAN and the Caribbean Basin Initiative has been substantially diluted as trade liberalisation has taken root and has radically transformed the economic relations between the nations of the world. Indeed, we are being brutally pushed out of sugar production, and even in our own markets, our manufacturers are facing intense competition and facing great difficulties as we are forced to remove trade barriers under intense pressure from various sources including the World Trade Organisation and a number of regional trade agreements. At the same time, fuel prices have fluctuated erratically to the detriment of our economy, and our graduation from the use of the concessionary resources of multilateral financial institutions and

some bilateral donor agencies, have forced us to resort to commercial borrowings that have substantially increased our debt service obligations. Mr Speaker, I contend that what my Government has achieved under very adverse circumstances, and within the confines of very tight constraints, is nothing short of miraculous. I have no doubt that when historians of future generations review this period of our history they will marvel at the ability of our people to not only stay afloat in very turbulent waters, but to also stay on course to the achievement of our goal of consistent and systematic improvement in the quality of life of our people.

Of course, our programme of reconstruction and development had to be financed. It is no surprise, therefore, that our public debt increased substantially over those difficult years. Indeed, in last year's budget, we enunciated a programme of fiscal consolidation aimed at ensuring that we progressively move to a fiscal surplus over the medium-term and suppress the growth in public debt. Our initiatives in this regard have turned out to be very timely and effective in that they have helped considerably in buffering the economic shocks that we encountered this year.

Hence, despite the slowdown in the world economy that was affecting OECS economies long before September 11, our revenue collections was increasing at a much faster pace than expenditure and thereby reducing the level of fiscal deficit on the current account. This positive development was the direct result of our initiatives aimed at fiscal consolidation in last year's budget. Unfortunately, the IMF projects that the World Trade Centre Crisis and the ensuing war will reverse this trend. It is now projected that economic growth that was forecasted at 4.5% for 2001 could fall to just over 1% and that the rate of growth of revenue collections which stood at 7% up to the end of September would fall to 1.4% for the year as a whole. In addition, the projections for 2002 are even gloomier. It is forecasted that, in line with the projections for the Caribbean as a whole, stay-over tourist arrivals in 2002 could fall by as much as 20% and push our economy into a recession.

Of course, my Government will not sit idly and accept this picture of gloom and doom as our fate. We will do everything in our power to boost the productive sectors of our economy and avert economic contraction. We remain very confident in the fortitude and capabilities of our people, and the resilience of our economy. These are the attributes that have taken us through the period of natural disasters, and we believe that these same attributes will see us through the challenges and difficulties that we currently face. Nevertheless, in our planning and projections, we must cater for any possibility and prepare ourselves to cope with possible contingencies. In particular, we must do everything to ensure that the public debt is not pushed beyond limits that we consider prudent. To this end, we will continue the programme of fiscal consolidation that we started last year. In particular, we will place much emphasis on expenditure control as a means of substantially reducing our financing needs and making more money available to the private sector for the pursuit of various entrepreneurial endeavours. It is not our intention to sacrifice any vital service or project, but we aim for greater efficiency in the delivery of Government services, through the elimination of waste and abuse. In addition, the capital projects that would be given priority this year are those that are likely to generate the maximum economic impact in terms of growth and employment.

Mr Speaker, my Government is keenly aware that in a period of economic slowdown, persons in the low-income groups are quite often forced to make the greatest sacrifice. This group of persons is particularly vulnerable to increased levels of unemployment and inflation. Hence, during this year, we will closely monitor the labour market and the level of consumer prices, and if it is deemed necessary, we will intervene to protect the interest of the poor. We are determined to pay even greater attention to the needs of the poor and to ensure that our poverty reduction programmes reach the people who are truly in need of assistance.

We will also engage in extensive consultations in respect of the Poverty Assessment Report that was completed during the course of this year, and craft

new strategies aimed at releasing more of our people from the grip of poverty and enabling them to participate in the economic life of our nation with a greater sense of pride and independence. Our aim is to ensure that more of our people become self-reliant and that they grasp every available opportunity to deploy their talents, skills and creativity as a means of creating wealth.

Mr Speaker, as stated earlier, the exigencies of a succession of crises have compelled the government to combine the solution of short-term problems with a concentrated attack on long-term structural issues that affect our economy. Even before September 11th, many OECS countries were already experiencing some slippages in tourist arrivals, and the key productive sectors including agriculture and manufacturing were encountering some problems. A plan to survive in a global economy was already underway.

We are still in the process of identifying the areas capable of producing goods and services that give our country a competitive advantage and provides the requisite incentives for success. My Government believes that hard work and the application of modern technologies and management systems will advance our goals in this sector. Fair wages are critical to achieving maximum efficiency. My Government will therefore strengthen the tri-partite mechanisms for representatives of employers, employees and the Government to regularly engage in discussions on issues relating to wages, prices and productivity. These discussions will contribute to the development of a comprehensive programme, including workers' education that is aimed at enhancing productivity throughout our Federation.

Mr Speaker, I turn now to International Economic Developments.

## **THE EXTERNAL ENVIRONMENT**

### **International Economic Developments**

Mr Speaker, the entire world is in the grip of recession, including the USA which is the principal engine of world economic growth. Given the pervasiveness of the economic malaise, St. Kitts and Nevis would still be suffering a recession even if there were no hurricanes. In fact, growth projections for most regions of the world have been adjusted downwards since September 11 of this year. The increase in

world output, which was reported as 3.6% and 4.7% in 1999 and 2000 respectively, is now expected to fall to 2.4% in 2001 and to remain at that level in 2002.

In the USA, economic growth, which was reported at 4.1% in 2000, is now expected to taper off to a meagre 1.1% in 2001 and 0.7% in 2002. In fact, it is estimated that in the third quarter of this year the US economy contracted at an annual rate of 0.4%. Similarly, in Canada, economic growth is expected to decline sharply from 4.4% in 2000 to 1.4% in 2001 and 0.8% in 2002. This pattern of reduced growth is replicated in many other countries including the United Kingdom. In fact, in Japan, which recorded growth of 1.5% in 2001, it is expected output will contract by 0.9% and 1.3% in 2001 and 2002 respectively. Mr Speaker, the international economic developments are not all negative from our standpoint. In particular, the rate of inflation in most of the countries with which we trade has been quite moderate, and is therefore not expected to exert undue upward pressure on domestic prices. In addition, oil prices, which in recent times have reached unprecedented levels, have fallen somewhat, and could stay at current levels for a while, as the reduced growth in world output dampens the demand for energy. Of course, one can never predict the actions of OPEC and it would not be prudent to base economic projections on expectations of low or moderate levels of energy prices. Another favourable development is the massive reduction in interest rates that could open possibilities for the refinancing of expensive debt and help to dampen the growth in debt service obligations.

Mr Speaker, the impact of globalisation on the world economy has become very evident. In particular, the performances of the economies of many countries of the world are now highly synchronised; in that economic development in the leading economies tend to affect the economies of all of their trading partners. For us, in St. Kitts and Nevis, this is a very significant source of risk, in that our national income not only fluctuates in response to natural disaster and other domestic developments, but it is also directly influenced by developments all over

the globe. The World Trade Centre Crisis demonstrates quite clearly that when the developed nations sneeze, we catch a severe cold, and possibly pneumonia. In such a risky environment, we must exert every effort to build up the financial resources necessary to provide a buffer against unfavourable contingencies. In addition, we must collaborate with other countries of the region to pool our risk and mitigate the impact of economic shocks.

I turn now to Regional Economic Developments.

### **Regional Economic Developments**

Mr Speaker, the Caribbean is much more vulnerable to terrorist attacks such as the World Trade Centre crisis than many other regions of the world, because of our heavy reliance on tourism, and on the North American tourist market in particular. Indeed, two regional experts, Professor Anthony Bryan and Stephen Flynn noted in a recently released paper that Tourism was the largest earner of foreign exchange in 16 of the 28 countries of the wider Caribbean, generating revenue of more than US\$2 billion and employing 1 in 4 Caribbean workers. It is not surprising, therefore, that the growth projections for most Caribbean Countries have been substantially reduced after September 11. Indeed, based on data reported by Latin America Monitor, it appears that for this year, of the More Developed Countries of the Caribbean Community, only Trinidad and Tobago will achieve growth as high as 3%. It is projected that for 2001, Guyana will record growth of 1.4%, Jamaica will report zero growth, while Barbados will record a contraction in GDP of around 2%. In fact, up to the end of September of this year, tourism, which account for 15% of GDP in Barbados, had declined by 3.2%, compared with growth of 7.5% in the same period of the previous year. In the Eastern Caribbean Currency Union, the downturn in the US economy and World Trade Centre crisis seriously aggravated the problems of sluggish growth that had already become evident in the previous year. Real GDP growth in the ECCU slowed from 4.3% in 1999 to 2.6 % 2000, mainly because of the reduction of tourism activity and a slowdown in construction across most of the region. Moreover, it seems very likely that for the remainder of this year and for next

year, most of the economies of the Eastern Caribbean Currency Union will contract as tourism arrivals continue to be adversely affected by the slowdown in the U.S. economy and fear of international travel in a period of War and continuing terrorist threat. Fortunately, inflation for the Currency Union, which was estimated at 2.2% in 2000, seems likely to remain at relatively low levels over the foreseeable future.

Mr Speaker, the volatility of the international environment and its devastating impact on regional economies, give cause for the countries of the region to even more urgently pursue the development of the Single Market and Economy and adopt regional approaches to many of the problems and challenges that we face. We believe that increased regional cooperation through the Single Market and Economy would assist the countries of the region in discharging their obligations under the World Trade Organisation (WTO), in meaningfully participating in the Free Trade Area of the Americas (FTAA), and in implementing the provisions of the Contonou Agreement, which seeks to address issues relating to poverty eradication, sustainable growth and development, and the integration of the ACP countries into the international trading system and world economy.

## **THE DOMESTIC ECONOMY**

### **Output, Prices and the Balance of Payments**

Mr Speaker, economic activity in the Federation increased dramatically in 2000, following a moderation in activity after the passages of Hurricanes Georges in 1998 and Jose and Lenny in 1999. According to preliminary estimates of GDP, St. Kitts and Nevis recorded real economic growth of 7.5% in 2000, almost double the rate recorded in 1999. This significant expansion in the economy largely reflected an exceptionally strong performance by the construction sector where numerous public and private sector projects were in progress.

The 7.5% growth recorded by the Federation was the highest rate recorded by any country in the English-speaking Caribbean during 2000. It was also substantially higher than the 4.7% average growth in world output and the 4.1% average growth of output of developing countries in the Western Hemisphere.

Even more remarkably, this impressive rate of growth was nearly three times the average rate of growth of the countries in the Eastern Caribbean Currency Union. This exceptional performance, in a year immediately following a hurricane, is the direct result of the expansionary policy pursued by Government to blunt the recessionary tendency that was expected to follow the massive disruption in the our key productive sectors. It also reflects the success of our ongoing efforts to devise and implement strategies for the protection of our housing stock and physical infrastructure during hurricanes and for the mitigation of the economic impact of natural disasters. This level of growth is also a tangible demonstration of the soundness of the macroeconomic framework that my Government has put in place and the consequent resilience of our economy.

The strength of the macroeconomic framework is also reflected in the relatively low rate of inflation that has accompanied this outstanding level of economic growth. In 2000, the rate of inflation as measured by the increase in the Retail Price Index declined to 2.0% from 3.4% in the previous year. Moreover, preliminary data indicates that for the first nine months of 2001 the rate of inflation remained at the same low level as last year.

Mr Speaker, I now turn to Government's external position as reported in the Balance of Payments Account, which is a record of our receipts and payments arising from transactions with the rest of the world. This account indicates the extent to which our country is earning the foreign exchange that is needed to finance imports, service our external debt obligations and implement new development projects.

The effects of the damage caused by Hurricanes Georges, Jose and Lenny continued to impact negatively on the Balance of Payments out-turn in 2000. In 1999 we witnessed a decline in the overall surplus on the Balance of Payments Account from \$29.9 million or 3.9% of GDP in 1998 to \$7.3 million or 0.9% of GDP. In 2000, there was further deterioration in the balance of payments which gave rise to an overall deficit of \$11.8 million, the equivalent of 1.3% of GDP. This out-turn resulted primarily from a decline in the net surplus on the capital

and financial accounts from \$276.6 million in 1999 to \$212.7 million in 2000. In the current account, the deficit narrowed to \$168.3 million or 18.9% of GDP from \$223.9 million or 27.2% of GDP in 1999. The reduction in the current account deficit is particularly noteworthy especially because a significant part of this reduction is the result of an increase of 57% in the surplus generated from the services sector. This is indicative of the relatively quick recovery of the services sector from the hurricane in the previous year, and of the considerable efforts that my Government has devoted to the creation of a truly diversified service-based economy in our Federation.

### **The Tourism Sector**

Mr Speaker, the Labour Party Government from the outset envisaged a revitalised tourist sector as the central aspect of the template of our economy, with important linkages to agriculture, financial services and manufacturing. The industry is also a major source of employment opportunities. For instance, the hotel and restaurant sector provides direct employment for approximately 11.6 % of the labour force and accounts for an average of about 7.0 % of GDP. Hence, my Government devotes considerable attention to increasing tourist arrivals and enhancing average tourist expenditure.

In 1995, when this Government took office, the tourism sector was in a condition of stasis, caused by an absence of visionary thinking within a Government mired in fatigue and incompetence, stagnation was everywhere. This Government embarked upon a vigorous programme of facilitating the upgrading and expansion of hotel accommodation. Presently, the US\$200 million, 900-room Marriott Royal St. Kitts Resort and Casino at Frigate Bay is at a relatively advanced stage of construction and is expected to be completed in 2002. In addition, the upgrade of the 18-hole Frigate Bay Golf Course has commenced, and my Government is also evaluating the prospect of developing one or possibly two more golf courses in St. Kitts over the next six to nine months.

Mr Speaker, my Government continues to work assiduously with the developers of the Super Clubs project with a view to initiating the start of construction of that

US\$55 million property at Frigate Bay in the first half of next year. We are also engaged in negotiations to establish a scenic railway tour as a means of boosting our tourism product and generating new activities for our visitors. Meanwhile the reconstruction of the cruise ship pier at Port Zante is on the way, but even before the completion of this facility, we expect substantial increases in cruise ship tourist arrivals.

Meanwhile, the cruise ship calls scheduled for the remainder of 2001 and the New Year 2002 are favourable. It is anticipated that by the end of 2001, more than 256,000 Cruise Ship passengers would have visited St. Kitts and Nevis, with the projected figure for 2002 being even higher. Of course, we appreciate that the proposed developments in tourism will create a heavy demand for skilled personnel. Hence, My Government is well on the way to establishing a Hospitality Training Institute that will offer training for persons wishing to pursue careers in the hospitality industry.

We will intensify our efforts to enhance and diversify our tourism product, through the promotion of such activities as Fairs and Exhibitions, Media Relations, Tour Operator Liaison, Travel Trade Liaison, Consumer Advertising, the promotion of Twin and Multi-Centre Holidays and the promotion of Conventions and Conference Traffic.

Mr Speaker, I now turn to a report of the performance of the tourist sector.

Tourist arrivals for St. Kitts and Nevis during the year 2000 were mixed. Stay-over arrivals fell by 12.9 % to 73,149 due largely to the one year closure of the Four Seasons Resort on Nevis following the passage of Hurricane Lenny in 1999, and to corporate restructuring at the largest hotel on St. Kitts, Jack Tar Village, which entailed a change of ownership.

Yacht and cruise arrivals were very encouraging, with the year 2000 bringing 170,887 yacht and cruise visitors to the Federation, a 22.6% increase over the 1999 total. For the first nine months of 2001, the number of Yacht and Cruise Ship passengers registered a 49.2% increase over the corresponding period in 2000. Meanwhile, the number of stay-over visitors registered a 1.0% decline to

52,174, from the 52,722 stay-over arrivals up to September 2000. During the second quarter of 2001, tourist arrivals increased by 44.3 % to 20,527, partly as a result of intense promotion and marketing activities, and the hosting of more Regional Conferences in the Federation. The hosting of the 5th Annual Music Festival, a marketing strategy used to bring tourists to our shores during June was a success. Tourism statistics for the third quarter showed a 21.7% decline in tourist arrivals compared to the same quarter in 2000, largely due to a discontinuation of direct flights by a UK based airline and the September 11th crisis.

### **The Sugar Industry**

Mr Speaker, sugar output for 2001 totalled 22,486 tons, an increase of 24.6 % or 4,434 tons over the sugar output for 2000. Net earnings from sugar exports increased to \$27.8 million from \$24.3 million last year. Over the past year, the industry continued to engage the attention of Government, which is conducting a comprehensive study about the industry's future.

The Study has been occasioned by doubts about the continued viability of the sugar industry. Specifically, the following factors have contributed to losses in the industry. The unpredictability of the weather. A former Prime Minister of Barbados, the late Errol Barrow, once declared "God is the Master of Agriculture", meaning that only the Almighty can determine what the weather will be. In recent years, our sugar crops have experienced the double whammy of hurricane damage and drought.

The costs of production have risen faster than revenue earned from the sale of sugar. This reflects the historical trend of downward pressure on the price of agricultural exports from developing countries. Further erosion of revenue results from unpredictable exchange rates fluctuation. The advent of the trade liberalisation juggernaut has all but destroyed preferential access to markets, which our sugar enjoyed since the 18th century. The cumulative effect of these factors is a decline in the sugar industry's contribution to GDP and as an earner of foreign exchange which finances our country's imports.

It is for this reason, Mr Speaker, that following the receipt and subsequent review of the Report on the Way Forward for the Sugar Industry that we set about to establish the St. Kitts Sugar Manufacturing Redevelopment Committee (SRC) along with four sub- committees namely, the Joint Finance Committee, the Diversification Committee, the Land Use Committee and the SSMC Retirement Committee. The SRC was charged with evaluating the reports of the four sub- committees and submit proposals and recommendations on the way forward for the sugar industry. My Government has received the final report of this committee and is currently reviewing it. Over the next few months, we will consider all of the recommendations in this report and decide on the appropriate course of action in respect of the sugar industry.

### **Non-sugar Agriculture**

Mr Speaker, during the year 2001, non-sugar agriculture was adversely affected by a prolonged drought. This resulted in minimal crop growth and reduced production levels during the second and third quarters of the year. Despite the adverse weather conditions, however, crop production increased for carrots, tomatoes, yams and pineapples during the first nine months of the year. The Plant Propagation Unit was able to increase its production of fruit trees and hundreds of mango, avocado and exotic fruit trees including pomserrat, guava, carambola and sugar apple were available for sale to the general public.

Insect pest management has been a major focus of the crop activities during the year. In its continued efforts to prevent exotic pests and diseases from entering the Federation, the Department of Agriculture has commenced the inspection of all containers with agricultural produce that enter the country at the Basseterre port. It has also been observed that the destructive Pink Hibiscus Mealybug pest is under biological control and, once again, sorrel will be available in large quantities for Christmas.<sup>52</sup> There were significant achievements in the livestock sub-sector during 2001. The production of local beef increased by 38% during the first nine months of the year from 54,000 lbs in 2000 to 87,000 lbs in 2001. The successful launching of the new beef marketing initiative during October of

this year has resulted in a major breakthrough regarding the marketing of local beef. The aim of this initiative is to meet the local demand for beef by supplying a product that is competitive in price and quality. As a result, the Basseterre Abattoir has commenced the de-boning of beef and during the first two months of this programme, an estimated 21,000 lbs of de-boned beef valued at \$60,000.00 was produced for the domestic market from 58 local cattle. By way of comparison, before this initiative, the number of cattle slaughtered annually was about 220. This organically produced product is now available in supermarkets and other outlets.

Mr Speaker, the declaration of St. Kitts on November 1st as being provisionally free of the Tropical Bont Tick was another major achievement of the livestock sub-sector. This has resulted from the joint efforts of our livestock farmers and the dedicated staff at the Department of Agriculture along with regional support from the Caribbean Amblyomma Programme (CAP). The success of this programme, which was officially launched in 1995, has resulted in a rapid increase in the number of livestock. During the period 1996 to 2000, the estimated number of cattle on St. Kitts increased from 2,000 to 3,700 while the population of sheep increased from 4,400 to 5,500 and goats from 4,000 to 5,700.

The production of mutton continued to be low despite a strong demand in the local market. Sheep and goat production continues to be seriously affected by the high incidence of dog attacks that destroy scores of sheep annually. As a result, mutton production only meets about 15% of the annual demand and production for the first nine months of 2001 was about 33,000 lbs, showing a small decline when compared with the previous year. Over the same period, the production of pork increased by 34% from 41,000 lb in 2000 to 55,000 lb in 2001. Increased pork production is being facilitated through a farmers' group that imports livestock feed on a monthly basis.

Fish landings during the first nine months of 2001 increased by 41% from 410,000 lbs in 2000 to 578,000 lbs. It has been observed that some of the fishers

have attempted to use new fishing methods that have been introduced through workshops organised by the Fisheries Management Unit. Many of the pelagic fishers have also increased their deployment of fish aggregating devices that assist in attracting the larger fish species. Increased activity has also been observed in the conch fishery and conch fishers are exploring new grounds as the traditional areas are under considerable fishing pressure. Mr Speaker, a major highlight of the fisheries sub-sector is the commencement of construction of the Basseterre Fisheries Complex at a cost in excess of \$24 million. The Complex will comprise a slipway for the hauling out of boats, a landing pier with fuel pump as well as facilities for the preparation and sale of fish.

Support for the agricultural diversification as well as other areas of economic development is provided by the Multi-Purpose Laboratory/Bureau of Standards. During the year under review, the Multi-Purpose Laboratory continued its capacity building programme by recruiting trained and experienced staff in the area of microbiology and chemistry in order to conduct testing of locally produced and imported food and water. The Laboratory has also developed the capacity to conduct soil and plant tissue analyses for farmers. As part of its food safety initiative, the Multi-Purpose Laboratory conducted a workshop on Hazard Analysis Critical Control Point (HACCP) for local industry and water services. Mr Speaker, since the terrorists' attacks in the USA and the subsequent disruption in air and sea communication, food security has become a very important issue for us here in St. Kitts and Nevis. It is imperative that we produce more of what we eat, and rely less on imported goods. This will not only give us greater security in respect of our food supply, but it would also contribute to a strengthening of our balance of payments. Increased local production of food would also give us the means of feeding our many visitors and retaining more of the monies spent by tourists in our Federation. My Government is therefore heartened by the continuing progress of the Agricultural Department. We will continue to give high priority to the agricultural sector, to sharpen our focus on

food production, and to exert every effort to raise the productivity of our farming, fishing and livestock enterprises.

### **Industrial Development, Commerce and Consumer Affairs**

Mr Speaker, during most of this year the enclave industries in the manufacturing sector showed steady progress and some of these enterprises increased their employment levels during the earlier part of the year. However, the impact of the World Trade Centre crisis on the manufacturing sector is uncertain. Enterprises that are involved in the production of items that are supplied to the military and health sectors in the USA and Europe are optimistic about the future prospects for their businesses. Some of the other enterprises, however, adopted a very cautious approach and scaled back production in light of the economic uncertainty in the USA. A few manufacturing facilities are exploring other avenues to maintain their businesses. One such facility is St. Kitts Brush Company Ltd, which is diversifying its business and establishing a Call Centre operation for the employment of between 100 to 150 persons.

The major challenge facing local manufacturers is the intensification of the competition from regional and international enterprises that have been taking advantage of the access provided to our market under various international and regional trade agreements. I am convinced that for us to mount an effective challenge in this competition, our enterprises must boost their productivity, and become more outward-looking in their orientation. The Trade Agreements not only give foreign enterprises easier access to our markets, they also give our enterprises similarly easy access to external markets. We must organise ourselves to take advantage of the opportunities created by these Trade Agreements. My Government intends to increase its consultation and discussions with the manufacturing sector with a view to providing the help necessary to overcome the problems they face in order to position themselves to grasp opportunities available in this era of globalisation.

Mr Speaker, in my Government's continuing efforts to attract investors in the informatics and manufacturing sectors, we are in the process of developing

20.239 acres of land at Conaree into a Business Park. The topographical survey of the land has been completed and the tracing/cutting of the roads, and installation of water and electricity are expected to commence shortly. This new Park will be zoned in four sections namely the Information Technology Section which will provide space for e-commerce enterprises, Call Centres and Hi-tech Centres; the Light Industry Section which will house assembly line facilities and a Business Incubator; a section for an Administration Centre and School of Training; and a Day Care Centre and Cafeteria Section for the employees of the Business Park.

Mr Speaker, my Government is cognizant of the important role that small enterprises can play in the development of a country. Consequently, in an effort to stimulate the small business sector in our country, the Ministry of Commerce and Consumer Affairs has been mandated to prepare a comprehensive policy for assisting small enterprises. Assistance is being sought from the Economic Commission for Latin America and the Caribbean, and the Caribbean Development Bank in the preparation of this Small Business Development Policy. In the area of consumer affairs, my Government continues to pay close attention to matters relating to the protection of consumers in the Federation. During the year 2001, the Consumer Affairs Department of the Ministry of Commerce and Consumer Affairs concentrated its efforts on consultations and the collection of pertinent data for inclusion in the Consumer Affairs Bill. The drafting of this Bill is in its final stages and it is anticipated that it will be introduced into Parliament early in the new year.

The National Standards Bureau which was established in 1999, continues to raise the general awareness of the public on the role that standards play in every day life. The Bureau's main responsibilities are to protect the health and safety of consumers, to facilitate trade and compliance with treaty obligations, and to facilitate the development of local industry and commerce.

During the year 2001, draft Standards were prepared for Chicken and Chicken Parts, Labelling of Pre-packaged goods and General Labelling. Further, the

CARICOM Standard on Brewery Products is under consideration, and is expected to be adopted as a National Standard early in the new year.

Meanwhile, the Standards Council, which administers the affairs of the Standards Bureau, has held discussions on matters related to genetically modified foods; Weights and Measures Verification; imported food products that are banned in other countries, and the importation of hazardous chemicals. It is expected that standards will be introduced shortly to address these matters.

### **Information Technology and Telecommunications**

Mr Speaker, the world is in the midst of a technological revolution based primarily on computers and telecommunications. The Information Technology sector holds vast opportunities for job creation and further diversification of the economic base of our Federation. My Government intends to seek out every available opportunity to generate economic activity and create employment for our people in this rapidly growing sector. The Government is actively pursuing the development of the St. Kitts Call Centre, which, it is hoped, will commence operations in February, 2002, with approximately 400 employees. The training and experience that many of the employees will obtain in this Centre will prepare them for opportunities in the higher end of the Information technology market. Perhaps the most critical element of any programme for the development of a thriving information technology sector is the availability of affordable modern telecommunications facilities. In pursuit of this objective, St. Kitts and Nevis, together with four other OECS countries, concluded negotiations with Cable and Wireless by signing the Eastern Caribbean Telecommunications Authority (ECTEL) Agreement for the liberalisation of the sector. The agreement, which was signed on April 7, 2001, provides for the liberalisation of domestic mobile cellular services, resale of international switched minutes, VSATS for call centres/data entry business and internet services starting on April 1, 2001. It also made provisions for full liberalisation of the sector within 12 to 18 months. Mr Speaker, since the introduction of phase one of the liberalisation process, I am pleased to report that several companies, both local and foreign, have

expressed keen interest in providing telecommunications services in the Federation, and have applied for licences to do so. The increasing interest in the region's telecommunications sector prompted the OECS Secretariat to convene a telecommunications investors forum here in St. Kitts in mid November. The focus of the forum was on facilitating investment in a liberalised telecommunications environment in the OECS.

### **The Financial Sector**

Mr Speaker, activity in the commercial banking sector continued to be buoyant, reflecting the soundness of the banking system here in the Federation. This was demonstrated by the strong growth in the assets of the commercial banks operating here in St. Kitts and Nevis. During 2000, the assets of commercial banks increased by \$272.5 million or 19.3% to reach \$1.7 billion at year-end. At the same time, deposits held by commercial banks totalled \$1.2 billion at the end of 2000, an increase of 19.3%, while loans and advances by commercial banks grew by 12.6% to reach \$1.1 billion. Liquidity in the commercial banking system improved as the growth rate for deposits outpaced that for loans and advances. This resulted in a fall in the ratio of loans and advances to deposits from 91.2% at the end of 1999 to 86.1% at the end of 2000.

The available statistics up to July 2001 revealed an increase of \$97.2 million in the assets of commercial banks to \$1.8 billion. Meanwhile, deposits with commercial banks increased by \$70.9 million to reach \$1.3 billion, while loans and advances increased by \$16.2 million. Liquidity in the commercial banking system increased as the ratio of loans and advances to deposits fell further to 82.7%.

Mr Speaker, the Development Bank continued to facilitate development in the Federation by providing credit to finance Agriculture, Industry, Education and Mortgage Finance. Last year, some 535 loans were approved totalling just over \$20 million. Of this, \$11.4 million or 56.5% was approved for Housing (Mortgage Finance), \$5.6 million or 28.1% for Education, \$0.4 million or 2.0% for Industry and \$0.38 million or 1.9% for Agriculture. The Development Bank is currently

constructing a new, modern building to house its operations. This is consistent with my Government's plan to give the Development bank an even more proactive and visible role in entrepreneurial finance. We intend to critically review the structure and operations and to initiate any changes necessary to allow the Bank to play an even greater role in the development process. This is part of my Government's comprehensive strategy aimed at ensuring that our entrepreneurs are provided easy access to finance in the form and on the terms that best meet their business needs.

It is in this regard that I am delighted to report that efforts of regional Governments and the ECCB to develop and integrate the market for money and capital in the Eastern Caribbean Currency Union have started to bear fruit. At 9:00 a.m. on October 19, 2001, we witnessed the ringing of the opening bell, which signified the start of trading of securities on the Eastern Caribbean Securities Exchange. One of our local companies, the Bank of Nevis Ltd. made history that day by being one of the two companies listed on the Exchange at the start of trading activity. It is also expected that in February 2002, the region will witness the launch of the Regional Government Securities Market which will facilitate the trading of treasury bills and bonds of regional Governments. My Government will continue to work with the ECCB and other regional Governments to facilitate the establishment of the Eastern Caribbean Unit Trust. The establishment of this institution will be the next major target in the money and capital market development process. As a regional investment vehicle, the Eastern Caribbean Unit Trust will facilitate access of small investors to the region's securities markets. Another institution that will be established over the medium-term is the Eastern Caribbean Enterprise Fund, which will function as a regional venture capital fund. With the advent of these exciting financial developments Mr Speaker, it is expected that foreign investment, private sector led development, mobilisation of regional capital and overall economic development of the region will be greatly enhanced. It is our hope that as more finance is made available to our enterprises, they would upgrade their operations

through the employment of appropriate technologies that would boost their productivity, enhance the quality and competitiveness of their products and services, and contribute to the overall viability and profitability of our enterprises. Mr Speaker, in the area of international financial services, we continue to institute measures designed to improve regulation of the financial sector and preserve the integrity of our financial jurisdiction. My Government views the Financial Services Sector as an important plank of its economic diversification strategy - a plank that offers great potential for enhanced levels of economic growth, employment and foreign exchange earnings.

However, Government also assigns very high priority to a clean image and good reputation for our Federation, especially as it relates to cooperation with other responsible nations in the fight against all crimes, including money laundering and terrorism. We shall therefore exert every effort to ensure that our country acts, at all times, as a responsible participant in the global community.

It is in this context that Government has enacted various laws and regulations to counter money laundering and financial abuses of any form, and to provide greater authority to regulators and supervisors in the financial sector. It is also intended that our legislation will facilitate the sharing of information with foreign jurisdictions without infringing the rights to privacy conferred on our people by our Constitution and will require financial institutions and other relevant persons or entities to comply with regulatory standards that are consistent with international requirements.

Simultaneously Government has strengthened our institutional capacity to secure the effective enforcement of the relevant laws and regulations. In pursuit of this objective, Government established the Financial Services Commission and the Financial Intelligence Unit with the right to discharge extensive regulatory and intelligence functions in both islands of our Federation. Moreover, Government also separated financial services and marketing functions from the regulatory functions and have assigned additional technical, personnel and financial resources to the regulatory function.

Mr Speaker, the Government of St. Kitts and Nevis views the Financial Services Commission as an important means of facilitating dialogue between regulators in the islands of St. Kitts and Nevis and in ensuring that common internationally accepted regulatory standards are adhered to in both islands. In this regard, my Government is committed to the development of a comprehensive regulatory framework covering both islands, through cooperation and collaboration between the Federal Government and the Nevis Island Administration in a manner consistent with our Constitution.

## **PUBLIC FINANCE**

### **Fiscal Review**

Mr Speaker, the revenue collections for 2000 amounted to \$201.8 million, an increase of \$10.4 million or 5.4% over the collections of the previous year. At the same time, recurrent expenditure was \$258.4 million, an increase of \$21.6 million or 9.12% over the previous year. A substantial portion of this increase in expenditure is attributable to an increase in salaries and wages of public servants during the year.

Hence, expenditure grew at a faster rate than revenue and pushed the recurrent account deficit to \$56.6 million. This deficit helped to counteract the recessionary tendencies associated with the hurricane in the latter part of the previous year, and to generate considerable economic activity. However, my Government recognises that such deficits are not sustainable for an indefinite period. Hence, beginning with last year's budget and continuing with this year's budget, my Government has put in place a programme of fiscal consolidation which we expect will enable us to balance the recurrent budget over a three year period and to subsequently finance a significant portion of the capital budget from surpluses generated on the recurrent account.

The capital expenditure for the year amounted \$45.6 million. The projects to which these funds were allocated are critical to our programme of social and economic development and to the achievement of our goal of consistently and systematically improving the quality of life of our people. These projects include the ongoing hospital development project, the hosting of CARIFESTA VII, the

construction of roads in housing areas throughout the length and breadth of our Federation, the construction of Lodge Primary School, the reconstruction of a Bridge at Monkey Hill, the computerisation of Primary Schools and the OECS Telecommunications project which is expected to generate considerable economic activity and numerous job opportunities through the liberalisation of telecommunications in OECS countries, including our Federation.

### **Fiscal Prospects**

Recurrent Revenue for Fiscal year 2002 has been estimated at \$224,212,454. This represents a 3.1% decrease over the 2001 revenue estimate of \$231,417,841. On the other hand Recurrent Expenditure for 2002 has been estimated at \$277,865,671 representing a 3.4% increase over the comparative estimate of \$268,837,288 for fiscal year 2001.

As I indicated earlier, the current global economic downturn and uncertainties have played such havoc with our major revenue heads that revenue collections for 2002 are expected to fall well below what was estimated. Moreover all economic impact assessment reports from various international institutions indicate that the negative impact of the economic shock we are now experiencing could go well beyond this year. Therefore the underperformance of our major revenue heads is expected to continue during fiscal year 2002.

Mr Speaker in light of these factors my Government has decided to use a cautious approach in estimating Recurrent Revenue and Recurrent Expenditure for fiscal year 2002. Since the economy is expected to generate less revenue, it became necessary to reduce expenditure in some areas. This is also consistent with our fiscal consolidation programme aimed at progressively reducing the deficit over a three-year period. However, we have sought to ensure that the level of service offered by the Government to our people is not reduced in any significant way. Hence, the expenditure reductions indicated in the estimates are achieved through greater efficiency.

Capital Revenue for 2002 from all sources is estimated at \$70,774,685 while Capital Expenditure is estimated at \$79,677,622. Consequently there is a deficit

of \$8,902,937 on the Capital Account, which we intend to finance by issuing Government securities.

Mr Speaker, I now present a summary of the proposed changes to Government Expenditure for 2002. The full details of the programmes and activities for each Ministry are contained in the Draft Estimates. I would therefore focus my attention on those programmes and activities where there are significant changes in the level of expenditure.

The allocation under the Ministry of Justice and Legal affairs increased by \$222,797 or 6.7% over the 2001 estimate. The major portion of this increase is to allow us to meet an increase in our contribution to the Eastern Caribbean Supreme Court. In addition, the Office of the Registrar has been provided with a number of new posts including an Assistant Registrar, a Court Administrator and an additional Court Stenographer. There is also a project underway to computerise the Registrar's Office and the Court. These initiatives would allow both the Registrar's Office and the Court to provide a more efficient service to the public.

The 2002 allocation under the Office of the Prime Minister increased by \$81,920 or 1.28% over the 2001 estimate. This increase is mainly attributed to the funding of the new Public Sector Reform Unit that was recently established in the Office of the Prime Minister.

Mr Speaker the inflow of grant funds from our traditional donors has dwindled to a mere trickle. It cannot be business as usual. The times in which we live demand that we do more with less. This can only be achieved if urgent steps are taken to improve efficiency and productivity. My Government intends to transform the Public Service into a modern Public Service - one that is more results oriented and more responsive to the needs of our citizens; a Public Service where performance and productivity are core values. The vehicle for this transformation is public sector reform. The Public Sector Reform Unit has been given the mandate lead the reform process.

The work of this Unit would involve among other things taking an inventory of the human resource capacity of each Government Department and identifying relevant training to address any deficiencies that come to light. It would also be taking a critical look at the procedures and systems used in the Civil Service for decades, which might no longer be relevant, and act as impediments to efficiency. The transformation I speak about would require a cultural shift and a change in the mind-set of Public Servants. Of course we recognise that change process will not occur overnight but through persistent deliberate action we are confident that it can be achieved in the medium-term. Public Sector Reform is high on the agenda of my Government and the Unit would be given the resources necessary for it to fulfil its mandate.

We recognise that training and human resource development must be an important component of any public sector reform programme. During 2001 the Establishments Divisions mounted a training program to upgrade the skills of a number of junior officers. Many of these officers successfully completed the Civil Service Exams and are now equipped with the requisite skill to perform their duties more effectively. During next year the Establishments Division will be embarking on a comprehensive training programme to upgrade the skills of officers at all levels of the Public Service and would also be implementing a mandatory induction and staff development programme. These initiatives again demonstrate my Government's continued commitment to raising the quality of service in the Public Service through the training and empowerment of our public servants.

Mr Speaker the allocation under the Ministry of National Security has decreased by \$2,331,252 or 8.1 % over the 2001 estimate. This decrease is as a result of a restructuring exercise aimed at achieving some institutional strengthening in some areas of the Police Department. Over the years there has been a significant number of Special Constables attached to the Police Department. These officers had little or no training in policing and their positions only allowed them to perform limited functions. Meanwhile there were a number of vacant

police constable positions within the Police Department that remained unfilled. We felt that our scarce resources could be better utilised by phasing out the Special Constables positions and by giving the existing Special Constables relevant training to equip them to fill the vacant Police Constable positions. To facilitate this, 20 additional Police Constable Positions have been created. At the end of their training these Officers will be equipped to perform the full range of policing functions, which will strengthen the Police Department. In addition the top ranks of the Police Force and the support staff have been increased with the addition of the following posts:

- 1 Superintendent
- 6 Inspectors
- 15 Sergeants
- 2 Senior Clerks
- 3 Clerks

This is a prime example of how we can do more with less. Mr Speaker my Government remains resolute in its commitment to law and order. The changes I have just outlined puts the Police in a position to better respond to the challenges of modern policing.

Mr Speaker, a Financial Intelligence Unit was recently established under the Ministry of National Security. This Unit collaborates with local, regional and international agencies in combating money laundering. Funds are now being allocated for its operations in Fiscal year 2002. The Ministry of National Security has also established a National Joint Headquarters, which is part of a regional strategy to combat illicit drugs. These two initiatives complement each other and are part of my Government's comprehensive strategy to fight crime on all fronts. The allocation under the Ministry of Finance, Development and Planning for 2002 shows an increase of \$12,298,474 or 13.5% over the comparative estimate for 2001. This increase is mainly attributed to an increase in debt service payments and contributions to international financial institutions of which St. Kitts and Nevis is a member.

In spite of the challenges our country now faces, the Financial Services Sector remains a Sector with much potential. However, it exists in a very competitive environment, which requires that we pay great attention to investment promotion. A Marketing and Development Department was recently established under the Ministry of Finance for the expressed purpose of promoting our Financial Services Sector and attracting investors to our shores. The role of the Marketing and Development Department is indispensable in the development of the Financial Services Sector. Provisions have therefore been made for the continued operations of this Department in 2002.

Mr Speaker the Ministry of Social Development, Community and Gender Affairs came into existence in 2001. The Programmes under this Ministry are an amalgamation of programmes that previously fell under a number of Ministries. This has created some synergies and has resulted in cost savings of \$452,933. The role of this Ministry has become even more important in times of economic hardships. During these times, it is the poor who are most affected. My Government is committed to poverty reduction and to assisting the vulnerable groups in our communities. Therefore the activities under this Ministry would continue unabated in 2002. These include the home-care programme for the elderly, the programme to introduce workers on the Industrial Site workers to computers and the programme to equip the workers on the industrial site with life skills would also continue. Funds have also been provided to expand the Counselling Services and for the delivery of social development assistance. The 2002 allocation for the Ministry of Education shows a decrease of \$1,552,736 or 4.1% over the estimate for 2001. This reduction in no way compromises the high quality of education for which St. Kitts and Nevis is well known. My Government is confident that the increased efficiency that would be achieved by the implementation of a number of institutional changes would allow us to deliver the various programmes at reduced cost.

Notwithstanding the overall reduction in this allocation, provisions have been made in the 2002 budget estimates for the additional staff for the Violet Petty

Primary School and for the Verchilds High School. Funding has also been provided for the Rural Education Programme and the University of Technology Special Diploma in the teaching programme. My Government believes in life-long education and the Rural Education Programme seeks to deliver various educational programmes to adults in the communities where they live. No longer would persons living in the rural areas have to travel to Basseterre to acquire skills that would assist them in increasing their earning power. This Programme makes education accessible to groups that were left out of the loop. My Government is a government of inclusion and is constantly in search of ways to provide opportunities to every citizen but to the underprivileged in particular. Under the Ministry of Health and Environment the allocation for 2002 increased by \$533,724 or 2.2% over the 2001 estimate. The major portion of this increase is attributed to the additional resources allocated for the purchase of pharmaceuticals, medical supplies and rations to support the expansion of various services. My Government is committed to providing our citizens with quality health care services. In this regard a state-of-the-art Ophthalmic Unit was recently established at the J. N. France General Hospital with assistance from the Rams Group of Companies, ALCAN Canada and Dalhousie University in Canada. This facility would provide eye-care services that were hitherto only accessible in the metropolitan countries. Our Health Promotion Unit will continue its aggressive programme to address HIV/AIDS and other communicable and non-communicable diseases. This Unit is already playing an indispensable role in educating our people on preventative measures to safeguard their health. During 2002 the ambulatory services would be expanded to include more rural areas. A new set of paramedics has recently completed training in preparation for this expansion.

Mr Speaker the 2002 allocation under the Ministry of Information, Culture, Youth and Sports represents an increase of \$1,144,340 or 33.1% over the comparative estimate for 2001. This increase is attributed to the provisions made for subventions to the Craft house, the Heritage Society, and the National Museum

as well as the funding of the Project Strong. In addition, this Ministry was provided with the necessary funds to host the Music Festival, an activity that now falls under its control. The Ministry has also put in place the systems for the upkeep and maintenance of the sporting facilities in the various communities. The necessary funding has therefore been provided for the wages of the persons involved in this activity.

The Government places high priority on the development of our youth and seeks to provide avenues in which their energies and talents can be channelled into constructive activities aimed at building values, a good self-esteem and positive mindset. It is for this reason that the Ministry of Information, Youth and Sports has been provided with adequate resources to allow it to create a youth television series that would provide a forum for the expression of ideas, concerns and the aspiration of youth. During 2002, this Ministry would also be involved in developing a national youth policy and in organising an Arts Festival aimed at promoting and developing the creativity and talents of local artists.

Mr Speaker, the allocation for 2002 under the Ministry of International Trade, Labour, Social Security and CARICOM Affairs, Telecommunications and Technology has increased by \$77,350 or 4.5% over the estimate for 2001. The increase is mainly attributed to the provisions of increased funding to the Telecommunications Department, which now falls under this Ministry. The telecommunication sector is in the process of being liberalised and this Department is expected to play a critical role in ensuring that our people obtain the benefits in terms of improved technology and the competitive rates that would result in a fully liberalised sector. In this regard funding has been provided for the operation of the Board of the National Telecommunications Regulatory Authority.

### **The Capital Account**

Mr Speaker, since taking office my Government has pursued the following objectives in the design and implementation of our Public Sector Investment Programme:

- To promote sustainable development

- To create employment opportunities and improve the quality of life of all our people
- To create a conducive environment for business
- To make significant investments in our physical infrastructure as to support economic development.
- To expand the capacity of our utilities to meet the growing demands of business and households

With these guiding principles we have methodically upgraded our schools and Health Centres, expanded our electricity generating capacity and improved water storage and distribution. Our road network is second to none in the OECS. The projects have raised the standard of living of our people allowing them to enjoy the same modern conveniences enjoyed by persons living in developed countries.

The year 2002 will present us with some challenges as a result of the economic pressures brought on by the current global economic climate. Despite these trying circumstances we intend to forge ahead with projects which we consider of top priority and which would have the greatest impact on the quality of life of our people.

Mr Speaker we have been fortunate to have been spared from hurricanes this year. However we cannot allow ourselves to be lulled into a state of complacency. We must take deliberate steps now to mitigate the destruction that hurricanes can cause to critical components of our infrastructure. In full recognition of this my Government with assistance from the World Bank is continuing at full steam on a \$28.0 million Emergency Recovery and Disaster Management Project, which will continue during 2002. Under this project a new facility would be provided to house the National Emergency Management Agency. This facility would be equipped with adequate storage facilities that would accommodate the storage of various emergency supplies. This would address the difficulties we have often experienced in identifying storage space for hurricane supplies.

A major component of this project is the conduct of a study in respect of the placing of a number of electrical lines underground where they can be protected

from damage by hurricanes. This would certainly enhance our capacity to restore electricity following a hurricane. The project would also provide critical electrical components that facilitate the expeditious repair of damage to the electricity distribution system.

Mr Speaker, My Government believes that many social ills can be minimised if not eradicated if there is a greater degree of cohesion among people in our various communities. One of the ways we have sought to promote community bonding is by providing community centres where persons can meet to discuss issues of concern and where community events can be hosted. In the upcoming year we intend to upgrade the community centres in Conaree and Tabernacle. Our main Post Office in Basseterre has been upgraded. Our citizens can now conduct business at the Post Office in air-conditioned comfort and in an environment that is aesthetically pleasing. During 2002 the Ministry of Public Works, Utilities, transport and Posts will be upgrading the Post Offices in Cayon and Old Road in an effort to provide a higher level of postal services to the people of these areas.

Mr Speaker, the damage inflicted by Hurricane Lenny to the coastline on the western side of the island was substantial. It has therefore become necessary to protect that area from further erosion. We have secured funding from the Caribbean Development Bank to implement a \$9.7 million project, which will address this and other related issues.

The development of our Agricultural and Fisheries Sectors are extremely important in our move towards a diversified economy. My Government intends to exploit the natural linkages that exist between these two sectors and the Tourism Sector. Plans are underway to implement an irrigation project that would greatly boost the production of vegetables by our farmers. This would increase the earnings of farmers while at the same time reduce our food import bill.

The construction of the New Fisheries complex in Newtown would continue next year. This facility would provide fishers with modern facilities for the storage and processing and marketing of fish. We feel that this complex would go a long way

in spurring on the further development of fishing as a profitable commercial venture. There is a great demand for fresh fish, which has largely gone untapped. We therefore encourage our fishers to take full advantage of this opportunity to increase their earnings.

Mr Speaker, we are at present actively addressing the water billing problems that we have been experiences. The Ministry of Public Utilities is currently in the process of finalising arrangements for the procurement of a new computerised billing system, the installation of which would commence early in the new-year. This system has the ability to flag for follow-up action cases where billed amounts are outside the normal range. This would give the billing department the opportunity to correct errors before the bill reaches the consumer and therefore eliminate the present difficulties. With this system the meter readers would be provided with hand-held computerised meter reading devices that would allow daily readings to be automatically downloaded in a computer at the Billing Department thus avoiding the potential errors that could result from keying data. Steps would also be taken to restructure the billing department so that it might be more efficient and responsive to the needs of the consumer. Electricity and Water consumers can therefore look forward to a much-improved service in 2002.

The demand for water is increasing dramatically as a result of economic development. We have to be proactive in augmenting our current supply and storage capacity. Substantial resources will therefore be allocated to allow the Water Department to embark on a massive well-drilling programme and implement projects to improve the water supply in Cayon and Saddlers. Reservoirs will also be constructed in Old Road, Challengers and New Road in order to increase storage capacity in these areas.

Mr Speaker we have already expended significant resources increasing our electricity generation capacity to meet present and future demands. In order to increase the reliability of supply, attention will now be focused on upgrading the electricity distribution system. To achieve this, two major projects will be

undertaken next year to upgrade the island ring main and to address the low voltage problems experienced by some areas.

Mr Speaker, our country's most valuable resource is our people. As such my Government is committed to creating the facilitating environment that would every citizen to develop his or her potential to the fullest. Our vision is all encompassing, catering to all age groups from preschool education to adult and continuing education. During 2002 a number of Pre-School and Day Care Centres will be constructed and renovated with a view to providing modern convenient services to persons living outside of Basseterre. These include a new nursery and preschool in Newton Ground, a new day care centre in St. Pauls and the upgrading and the expansion of the Sandy Point Nursery. We have made substantial investments in preschools for which we have reaped great dividends in the form of improved performance of our children at the primary and secondary levels.

A well-educated workforce is one of the characteristics that make our Country attractive to investors. It is therefore our intention to capitalise on the gains we have made at the secondary level. The evidence of such gains has been clearly shown in the dramatic increase in the pass rates at the 2001 CXC exams. My Government is committed to improving access and equity in the education system. In this regard we would shortly be implementing a World Bank Project Education Project aimed at addressing these issues among others.

Mr Speaker the 21st century is frequently referred to as the technological age. Computers have become as much a part of everyday life as the motorcar. We cannot afford for our people to be left behind in an era of rapid technological change. For this reason my Government has invested significant resources in outfitting both primary and secondary schools with computers. Computers are now being used in primary schools to compliment traditional teaching methods. During the upcoming fiscal year projects would be implemented to further computerise the secondary schools and to introduce computer studies in the primary schools. The long-long term objective is to equip students with the

necessary skills to allow them to take advantage of the job opportunities that are emerging in the information technology sector.

Over the past six years we have invested a significant amount of resources in upgrading various healthcare facilities. Our health centres island-wide have been upgraded. The Hospital Development Project, which is well underway to completion, will provide our people with a state-of-the-art hospital where they can receive quality health-care services in an environment that is comfortable to both patient and health care professionals. During 2002, the Phase II of the Emergency Medical Services would be expanded to provide a more efficient service to the rural areas.

Mr Speaker, since taking office, our Government has expended substantial resources in the provision of sporting facilities for the youth in our various communities. In addition coaching programmes have been developed and expanded to ensure that the competencies in various sports are developed. This has reaped tremendous benefits evidenced by the high level of performance of teams, which represent us in many sporting events regionally and internationally. The level of performance by teams from various communities has improved tremendously and there has been a resurgence of community pride.

During 2002 the Ministry of Information, Culture, Youth and Sport would continue its programme of providing sporting facilities by constructing sporting complexes in St. Pauls and Saddlers. This Ministry would also continue its programme to upgrade our various playing fields and would put in place systems for the management and upkeep of all our sporting and recreational facilities. The preservation and propagation of our culture is also top on our agenda. In this regard the Ministry of Information, Culture, Youth and Sport is collaborating with the Heritage Society and the National Museum Committee in a project to convert the Old Treasury Building on the Bay Road into a National Museum that both local and visitors alike can enjoy. Plans are also underway for the construction of a multipurpose cultural center in which our artists would be able to display their various talents.

Mr Speaker I have just outlined a number of the capital projects that would be implemented in the New Year. The focus of many of these projects is on the development and empowerment of people. We believe strongly that the ultimate end of all that we are striving to do as economic policy-makers is the advancement of our people. Hence the projects that we are proposing to implement seek to ensure that economic growth does not only result in good statistics but also touches the lives of as many of our people as possible in a positive way.

### **Fiscal Measures**

Mr Speaker, in the context of the international economic climate that we face, the projection for decline in our revenues, and the impact of revenue reductions on the projected deficit, it would not be unreasonable to expect a significant adjustment in most of our tax rates. Indeed, although we have seriously curtailed the rate of growth of expenditure, the level of service that Government continues to provide to the society at large suggests that our people should be called upon to make a bigger contribution to the development process.

Of course my Government has always worked assiduously to ensure that the contribution demanded of our citizens is kept to the absolute minimum. We are totally opposed to the imposition of excessively high tax burdens on our people. We believe that the more of their incomes that our people and enterprises are allowed to retain, the greater is the scope for investment in various productive endeavours that would contribute to growth and development, higher levels of foreign exchange earnings, the creation of job opportunities for more of our people.

The Government of St. Kitts and Nevis is aware of the urgency to strengthen local business enterprises. With the institutionalisation of regional, hemispheric and international trade regimes through entities such as the WTO and CARICOM, along with the pending creation of FTAA, external competition will mount an unprecedented challenge to local businesses. My Government has therefore established a technical committee to monitor the productive sectors of

our economy, to evaluate the impact of international agreements on these sectors and to advise Cabinet on the appropriate measures to secure the survival and progress of our enterprises within the framework of global competition. This Committee will provide a conduit for the public sector to channel any issues, concerns and recommendations to the Cabinet.

Mr Speaker, our public sector reform programme is also an important element of our strategy of increasing efficiency in the public sector and reducing the need to raise funds from taxpayers. The aim of our public sector reform programme is to achieve more with less. Already I have indicated that some expenditure heads have been reduced while the level of service has increased. As the public sector reform programme gathers momentum, we will see more of this type of restructuring in future budgets. Of course there is also potential for significant savings in our public corporations. Hence, we are now instituting a programme for much closer monitoring of the public corporations, with a view to ensuring that they comply with pre-defined operational standards and financial targets.

Moreover, we will seek to commercialise a number of Government enterprises including electricity and water with a view to achieving greater efficiency and ultimately giving our people a stake in these enterprises through privatisation. Even in areas where privatisation is not deemed appropriate, we will introduce cost recovery measures, while at the same time give relief to the poor and underprivileged that cannot afford the services. For instance, the Health Department has found it necessary to revise hospital rates to help in meeting the cost associated with our huge investment in modern hospital facilities, but we will continue to provide free service to our children, chronically persons, the elderly and those person referred by their health centres. We are firmly committed to the view that every citizen of St. Kitts and Nevis must have easy access to good health care and other Government services critical to their ability to enjoy a reasonable standard of living. Hence, in these critical services, we will ensure that no citizen is denied access because of poverty or other social impediments.

In this regard, we plan to carefully examine our water rates in particular, with a view to assessing its impact on the poor. If it is determined that any of our people are denied adequate supplies of water and the ability to maintain appropriate sanitary standards because they genuinely cannot afford the rates, we will provide specific relief to those persons. Moreover, we are aware of the administrative problems in relation to the billing for water supplies, and as I indicated earlier, we are actively addressing these problems in a comprehensive manner. We also undertake that Water Department will correct any errors that have affected our people and provide recompense where this is deemed appropriate.

Mr Speaker, in order to reduce the tax burden that our people must bear, we will also try to identify new sources of revenue that do not directly impact on our people. In this regard, the Ministry of Transport is in the process of setting up a ship registry and implementing the provisions of the Merchant Shipping Act, especially as it relates to the imposition of fees. We expect that these measures will over time yield significant returns.

Hence, Mr Speaker, it is quite clear that my Government is doing everything possible to return to fiscal balance without creating undue hardships for our people. Consistent with my Government's strong record of sparing our people any undue tax burden, we do not propose to impose any new taxes this year. I am pleased to announce, therefore, that this year's budget is a tax-free budget.

### **Conclusion**

Mr Speaker, the presentation of this budget afforded me the opportunity to tour the financial and economic landscape of our country, situated as it is in the midst of turbulent changes within the world.

We stand here as the Government of a microstate in a situation where no government has ever stood before. The changes that are taking place are climacteric and are accompanied by unexpected and unforeseen political and economic twists and turns. We stand in this world without any compass or guideposts to follow. The Government and the people of St. Kitts and Nevis are

left entirely to our resources to solve these novel problems, which bedevil us and the rest of the world.

So far the genius of the people of St. Kitts and Nevis has enabled us to weather the storm and navigate through stormy seas. It is that genius that this government is counting on to help us achieve our goals of stability, prosperity, dignity and equality in a New World Order that is now being born.

The dictates of the new economic order, which we have no power to change, pit us against countries with more resources at their disposal. Countries who share size, give them a decided advantage in their relations with us. We will not quake with fear. We will not run away from the problems and we are as confident as we ever were that Kittitians and Nevisians would continue to master their environment and to look after the interest of their people.

But let me issue a caveat here! Lester Thurow has stated that in the New World Economic Order, called Globalisation, countries will operate as teams.

Individualism and selfishness must have no place, as a country strives to obtain its fair share of the world's wealth. Just as a chain is as strong as its weakest link and a single member of a team may cause it to win or lose a game, so within the fierceness of global competition, individuals acting out of step with the other members of their society can cause great harm to their country as well as to their fellow countrymen.

The analogy of a team and a country in the era of globalisation is more apt and timely for St. Kitts and Nevis, where we have had a surfeit of political tribalism that has enervated the industriousness of many of our people.

I call upon all groups, at all levels to become fully sensitised to the pre-requisites of success in a globalised world and to eschew fissiparous tendencies which can weaken the thrust led by this government to achieve prosperity for our people in this new and dangerous world that we inhabit.

I am not advocating that all Kittitians and Nevisians should walk in lockstep and blindly acquiesce in everything that is proposed. The absence of criticism and a robust expression of ideas are indispensable to a healthy democratic society and

such social pathologies must not be encouraged. But vigorous debate must be conducted in a responsible manner. There is a difference between a constructive interchange of ideas in which honest men disagree and a programme of fabrication and misrepresentation designed to achieve a narrow and sectarian purpose.

St. Kitts and Nevis has had too much of this and we can ill-afford the practice of destructive criticism at all cost.

Mr Speaker, your fellow countrymen, of whatever party, are not your competitors or your enemies in a globalised world. We are members of the same team and ought to have the same objectives, namely the betterment of our beloved country, St. Kitts and Nevis.

Let us therefore resolve from this moment to go forward as a unified country, to compete with those outside our borders. When we do this Kittitians and Nevisians will rise to the occasion and will compete as well as any other nationality in the world.

Let every man, woman and child in this nation stand shoulder to shoulder and win the battle for St. Kitts and Nevis or, paraphrasing the imperishable exhortation of the late Marcus Mosiah Garvey, "Up you Mighty People, You can accomplish what you will".

May God Bless and Guide this nation.

Mr Speaker, I so move.