

St. Kitts & Nevis 2004 Budget Address

1. Mr. Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation (2004) Act, 2003.

Introduction

2. During my budget presentation last year, I reported that economic crises and fiscal imbalances had increased in frequency and magnitude in the context of globalization and the high degree of economic interdependence between the nations of the world. This year, although there are very early signs of pending global economic recovery, the scars of the world economic slowdown and the range of other exogenous shocks, including war, terrorist incidents and fluctuating oil prices, are still evident in many countries. Neither large countries nor small countries have been spared the depredation of the very adverse economic climate that has virtually covered the entire globe. For instance, the United States of America, the largest economy of the world, which now seems to be pulling the rest of the world out of recession, is facing the prospect of external debt, fiscal deficit and current account imbalances of unprecedented magnitude.

3. The impact of these adverse circumstances on the relatively fragile, open and small economies of the Eastern Caribbean has been particularly severe. All nations in the OECS have been accumulating substantial debts in recent years, and some countries have been encountering problems in meeting their current obligations in respect of wages and debt service. However, we are pleased that the financial sector in the Eastern Caribbean has remained quite solid, and that our currency, which is nearly 100% backed by foreign reserves, has remained very strong.

4. It is clear that that the world has become a much riskier place for all nations on the face of the globe. Moreover, this risk varies inversely with size so that small island states such as St. Kitts & Nevis face extremely high levels of volatility and uncertainty. Our increased debt levels emanating from the turbulent period of natural disasters have helped to magnify the risk that we face and have constrained the policy options that are available to my Government. In particular, our fiscal policy stance must be relatively conservative even as we pursue programmes aimed at enhancing competitiveness, promoting growth, generating employment and advancing the welfare of our citizens.

5. Mr. Speaker, we were very pleased that the issue of the public debt generated such public discussion immediately after the publication of the Public Information Notice by the International Monetary Fund in

respect of its Article IV Mission to St. Kitts & Nevis. Of course, each year during the budget address we provide information about the level of the public debt so that our citizens do not have to wait on IMF publications to begin to reflect on this important issue. In addition the information published by the IMF in respect of our debt balances is based on the records and statements that are meticulously kept by the Debt Unit of the Ministry of Finance. This is consistent with our strong commitment to transparency and to providing the public with the information necessary to make a constructive input in the economic consultative and decision-making processes.

6. What is very clear from the IMF Report is that the reconstruction work which became necessary in the aftermath of the natural disasters that we encountered in recent years is a major contributor to the fiscal deficits and public debt in our Federation. Hence, in any attempt to assess the merit of accumulating the public sector debt, one must determine which of the projects undertaken by the Government in the post-hurricane years should have been deferred or shelved. In particular, should the Government have devoted more attention to the preparation of fancy balance sheets at the expense of our programmes for the protection of the poor and for the expeditious reinstatement of the livelihood of our people? Should we have abandoned the project for the reconstruction of the JNF General Hospital and continue to occupy the 'dry weather' hospital facilities that had patients and health professionals scrambling for cover at the slightest hint of wind or rain?

7. Should we have left thousands of persons without homes or without the means of reconstructing their lives that had been so severely disrupted by natural disasters? Should we have compromised the future of our children and of our Nation by leaving our schools without roofs and without the facilities necessary to carry out the very challenging mandate of preparing our young people to play productive roles in our society? Should we have left Port Zante in a state of disrepair to become a most reprehensible eyesore and an environmental nightmare for decades to come? Should we have abandoned the Public Works projects to reconstruct and rehabilitate the roads and bridges and allow the free flow of traffic throughout the Federation? Should we have left the Terminal Building of the Robert L. Bradshaw in a state of disrepair and miss the opportunity of investments in hotels like the Marriott, and those in the Caribbean Star and the Caribbean Sun of the Stanford Financial Group.

8. I contend that our Federation is a much better place and the future of our young Nation is much more secure because of our decision to give priority to the restoration and rehabilitation of our Federation even at the expense of higher levels of public debt. Indeed, I further contend that the scale, magnitude and

frequency of the natural disasters we encountered were such that, without careful social and economic management, our Nation could have been irreversibly thrust into the backwater of economic development, and we could have been left struggling in the stormy seas of globalization with little or no hope of survival. I know that the people of this Country share my view because in the midst of all the disasters and difficulties that we faced they provided my Government an overwhelming mandate to carry on the good works. I am also confident that, having reviewed the outstanding social and economic strides that our Nation continues to make in these perilous times, our people will seize the earliest opportunity to renew that mandate.

9. Mr. Speaker, I am not suggesting by any means that hurricane rehabilitation was the only contributor to the increase in the public debt. When my Government assumed office in 1995, it was already apparent that global economic relations were rapidly changing and that trade liberalization and globalization would gather momentum, and force even small countries to compete or perish. Unfortunately, up to 1995 we had not developed an appropriate strategic response to the ongoing changes in global trade and economic relations. Hence, the immediate task of my Government on assuming office was the formulation and implementation of a strategic initiative aimed at transforming and restructuring our economy, and thereby preparing our Nation to compete more effectively in increasingly competitive regional, hemispheric and global markets.

10. We recognized that the empowerment of people must be a critical element of any long-term strategy aimed at achieving increased productivity and competitiveness. Hence, we set about transforming many of our disenchanted, unemployed young people into productive members of our labour force through the introduction of the very successful short-term work experience programme that has been emulated by other Caribbean countries. We introduced computer laboratories in our schools to equip our young people to use the latest technology upon entering the workforce, and to give momentum to our programme for attracting Information Technology enterprises to our Federation.

11. In addition, we combined our resources with the grant funds of the European Union to construct a modern, well-equipped Hospitality Centre at the Clarence Fitzroy Bryant College that will prepare more of our young people to take up a variety of jobs in the expanding tourism sector and give a boost to the competitiveness of our tourism product by the quality of the service that these well-trained young people would be capable of delivering.

12. Mr. Speaker, my Government also invested in the physical and economic infrastructure that supports

economic activities and enhances competitiveness. Hence, we invested heavily in our airport facilities, and we are constantly upgrading our supply and distribution of electricity and water to accommodate the opening up of new housing areas and the expansion of economic activity in the tourism, manufacturing and other sectors of the economy. Moreover, our road network is among the most extensive and well maintained in the Eastern Caribbean.

13. Mr. Speaker, it is our continuous investment in economic transformation that has brought the impressive Marriott Hotel to our shores with the potential to generate thousands of direct and indirect jobs for our people. It is our expansive investment programme that has attracted the Scenic Railway Company and that is acting as a magnet to so many of the other private sector hotel and tourism projects that Government is now considering. It is this investment that is attracting an increasing number of cruise ships to our Federation, thereby enhancing the income of taxi drivers, tour operators, entertainers, craftsmen and so many of our nationals and businesses that benefit from the demand for goods and services generated by cruise ship visitors. It is this investment that has brought our Federation to the point where investors are queuing up to take advantage of the tremendous upsurge in economic activity that is expected in St. Kitts & Nevis in the years ahead.

14. Mr. Speaker, this very propitious climate that we have created, presents an excellent opportunity for us to wage a massive attack on the public debt, which if not curtailed, could seriously compromise the future growth potential of our Federation, and put much of our outstanding social and economic achievements at risk. We believe that, having brought the economy through difficult times to the point where the private sector can invest profitably and expand their operations, the Government can now devote more of its efforts to the process of fiscal consolidation. In this regard, we have been implementing a fiscal stabilization programme that has achieved very impressive results in 2003. In particular, we have dramatically slowed down the increase in debt through a sizeable fiscal adjustment of about 8.5% of GDP, and after being spared the onslaught of hurricanes for just a few years, we expect to come very close to the attainment of a balanced current account by the end of 2003. This achievement is well beyond the targets that we had set ourselves in the 2003 budget and well beyond the targets established by the International Monetary Fund in their Article IV Mission to St. Kitts & Nevis near the middle of this year.

15. Notwithstanding this impressive achievement we must continue along the path of fiscal stabilization if we are to substantially reduce the public debt within a reasonable time frame. Hence, fiscal prudence will continue to be the overriding principle that will guide the formulation and implementation of the 2004

Budget. Of course, we will also continue to exert every effort to keep inflation at relatively low levels and to protect the poor and indigent through our very extensive social safety net programmes. We will sharpen our focus on young men and women, with a view to ensuring that they enjoy a fair share of the increased income that would be generated from the enhanced economic activity projected for 2004 and beyond. We will continue to reach out to the aged in our various communities and to ensure that their needs are ministered to and that the years of work they have put into building our progressive society are duly recognized and rewarded.

16. We recognize that increased real economic growth rates are critical to our programme of debt reduction and to our ability to carry out many of the activities that we have planned. We are therefore targeting a rate of real economic growth of 5% at least, and in this regard, we intend to give emphasis to capital projects that are likely to have maximum impact on the level of economic activity in our Federation. We expect that our creative blend of capital projects will combine with local and foreign private sector investments to propel our economy along the path of growth and development.

17. Mr. Speaker, in the global village in which we live, the external environment exerts a great influence on the performance of our economy. Hence, I will now focus on the external environment, including international and regional economic developments.

The External Environment

International Economic Developments

18. Mr. Speaker, after being in recession over the past few years, the world economy is finally showing signs of recovery. With renewed vitality, world output growth increased to 3.0% in 2002 from 2.4% in 2001. Output growth in the advanced economies increased to 1.8% in 2002 from 1% the previous year, while in developing countries output grew by 4.6%, up from 4.1% in 2001. Among the G7 advanced economies, the United States and Canada were the only countries to record higher growth rates in 2002. Economic activity in developing countries in Asia and the Middle East was strong, with GDP growing by 6.4% and 4.8% respectively compared to 5.8% and 2.0% in 2001. Meanwhile, output in the developing countries in the Western Hemisphere declined by 0.1%.

19. The latest release of the World Economic Outlook (WEO) points to expansion in world output in 2003 and 2004, as projections indicate that in those years world output would grow by 3.2% and 4.1% respectively, owing largely to reduced uncertainties and fiscal and monetary policy stimuli in a number of advanced countries, including the United States, in particular. A projected decline in oil prices in 2004 is expected to be another factor that will influence world output next year.

20. In respect of the advanced economies, the growth rate in the United States and Japan is expected to quicken somewhat to reach 2.6% and 2.0% respectively in 2003. Moreover, as economic activity including investment expands, aided by a rebound in consumer and business confidence, the growth rates for the United States is expected to increase even further to reach 3.9% in 2004. It is projected, however, that the rate of growth in Japan will decline in 2004. Growth projections for France, the United Kingdom and Canada point to a slowdown to 0.5%, 1.7% and 1.9% respectively in 2003 but it is expected that all of these countries will experience increased growth rates in 2004.

21. Output in developing countries is projected to continue expanding through 2004, largely on account of the expected recovery in growth in developing countries in the Western Hemisphere and increased growth in Africa. In addition, the 5.1% expansion in output projected for the Middle East in 2003 is expected to boost output growth in developing countries. The expansion in the Middle East region is underpinned by the projected increase in growth in the oil exporting countries, economic reforms in Iran and the early end of major combat activities in Iraq.

22. Mr. Speaker, WEO projections for 2004 indicate that the world economy is well on the path to recovery. The dampening effects on activity earlier this year, which resulted from geo-political uncertainties, the continued after-effects of the equity market losses, the war in Iraq and the impact of the outbreak of Severe Acute Respiratory Syndrome (SARS) are expected to abate and be replaced with strong increases in investment, improved consumer and business confidence and increased domestic demand in the USA in particular. Accommodating monetary policy is already exerting strong downward pressure on interest rates, and is likely to stimulate economic activity.

23. From the standpoint of our Federation, the global developments of greatest relevance to us are the prevailing low interest rates emanating from the accommodating monetary stance in a number of advanced countries, the prospect of reduced oil prices in 2004, and the projected global economic recovery which is likely to boost the flow of tourists to our shores and stimulate demand for our manufactured products. All the indicators suggest, therefore, that better times are ahead. With the crippling threats of the war in Iraq and the SARS crisis behind us, and with global conditions improving, we should expect significant improvement in local economic conditions. Nonetheless, we must proceed with cautious optimism and focus on the task at hand - that of stabilizing and transforming the economy. By so doing, not only will we be strengthening the economic fundamentals to provide the flexibility that is needed to respond to adverse macroeconomic shocks, but, most importantly we will be setting the stage

for the resumption of strong growth in this our beloved Federation.

24. I now turn to Regional Economic Developments.

Regional Economic Developments

25. Mr. Speaker, regional economic developments in 2002 were influenced by global events. As such, the safety and security concerns in the aftermath of 9/11 coupled with the effects of corporate scandals on stock prices, served to dampen demand for tourist travel, thus severely affecting tourism performance in the region. Furthermore, the pressure exerted on the region's financial services sector by OECD countries resulted in reduced company formations in jurisdictions throughout the region, thereby reducing collections of company registration fees.

26. Notwithstanding these problems, preliminary estimates indicate that in 2002, there was some improvement over the weak performance recorded in 2001. Performance, however, varied between countries in the region. In Bahamas and Barbados real GDP is estimated to have contracted, largely on account of poor performance in the tourism sector, while growth in Trinidad and Tobago and Guyana, although positive, is estimated to have slowed.

27. Mr. Speaker, in the Eastern Caribbean Currency Union, indications are that economic performance for 2002 improved slightly relative to 2001, and a number of countries recorded positive rates of economic growth. Real output increased in Antigua and Barbuda by 1.5%, in St. Kitts & Nevis by 0.8%, in St. Vincent and the Grenadines 0.7%, in St. Lucia by 0.5% and in Grenada by some fraction of 1%. Meanwhile, in the economies of Anguilla, Montserrat and Dominica output contracted. Following the 3.1% contraction in output in Dominica, the government entered into a stand-by arrangement with the IMF to correct the fiscal imbalances.

28. It is very clear that the countries of the region were all adversely affected by global developments. Our Federation is not immune to these developments, and we know that these exogenous shocks have created some difficulties for a number of our enterprises, workers and consumers here in St. Kitts & Nevis, but we are thankful that throughout this difficult period, we have been able to maintain a fiscal policy stance that has kept the rate of economic growth positive and has provided some protection for our people from the worst effects of a most inhospitable global economic climate.

29. This is particularly noteworthy when one considers the tales of woe that have come from so many countries across the globe, including countries of the region. Fortunately, with activity in the global economy showing signs of recovery, the prospects for recovery of economic activity in the region are

expected to improve. There is need however to accelerate the regional integration process through the creation of the Single Market and Economy so that the region can be better positioned to compete effectively in the global economy.

THE DOMESTIC ECONOMY

Output, Prices and the Balance of Payments

30. Mr. Speaker, preliminary estimates of Gross Domestic product (GDP) indicate that St. Kitts & Nevis recorded economic growth of 0.8% in 2002. This performance is commendable in the context of the economic malady that has plagued the entire world, and plunged our region into state of worry and uncertainty. It must also be noted that the year 2002 was the first calendar year immediately following the September 11 terrorist attack that virtually closed down our tourism plant in months immediately following the crisis and exerted a dampening effect on stay-over tourist arrivals throughout 2002. Indeed, during the budget address that I delivered at the end of 2001, I indicated that it was quite likely that economy would go into recession in 2002 as a result of the World Trade Centre Crisis. Moreover, all the technical advice we received from institutions such as the World Bank, the IMF and Eastern Caribbean Central Bank suggested that our economy would contract and record a negative growth rate in 2002.

31. However, we are pleased that our economy has demonstrated great resilience and robustness, and has achieved a positive growth rate that far exceeds any of the projections made at the beginning of that year. In fact our growth rate of 0.8% for 2002 is four times the average growth rate of 0.3% for the member countries of the Eastern Caribbean Central Bank. I contend that our ability to achieve such outstanding results and to record positive growth rates year after year, during these very difficult times, is a tribute to the resourcefulness of our people and to the efficacy of the macroeconomic policy framework established by my Government.

32. The strength of the macroeconomic framework is also manifested in our ability to curtail the rate of increase in the cost of living. In particular, the inflation rate as measured by the change in the consumer price index remained subdued at 2.1% in 2002. Moreover, data for the first nine months of 2003 indicate that the inflation rate remained relatively stable at around 2.0%.

33. Mr. Speaker, although our growth rate of 0.8% is well beyond our projections and much higher than the average for the Currency Union, we are determined to substantially increase the level of economic activity in our Federation and to increase the growth rate to a level that can provide the revenue necessary to support Government's development programmes, reduce the debt burden and continuously improve the standard of living of our people. Hence, even as we exercise fiscal prudence and pursue the

fiscal and structural targets agreed to by member countries of the Eastern Caribbean Currency Union, we will be exerting every effort to achieve a growth rate of at least 5% in the upcoming year. We know that raising the level of economic growth is a challenge that most Caribbean countries are attempting to confront at this time, and we stand ready to collaborate with other Caribbean countries and with regional and international institutions to ensure that the region as a whole, including our Federation, is well placed to seize every available opportunity to offer competitive goods and services to the rest of the world.

34. Mr. Speaker, I will now proceed to summarize the developments in the Balance of Payments Account, which is a record of all our receipts and payments arising out of transactions with the rest of the world. This account gives an indication of the extent to which the Country is earning the foreign exchange that is needed to finance imports, implement new development projects and service our external debt obligations.

35. The external current account was adversely affected by the decline in earnings from the tourism sector as a result of the September 11 terrorist attack and by the need for investors to import large quantities of material and equipment for their various investment projects. Hence the external current account deficit widened by 18.1% to reach \$340.6 million or 35.3% of GDP.

36. Notwithstanding the current account deficit, we were successful in achieving an overall Balance of Payments surplus of \$23.3 million or 2.4% of GDP in 2002. The 2002 out-turn primarily reflected a 6.1% increase in the surplus on the capital and financial account which amounted to \$328.54 million or 34.1% of GDP. Increased official capital inflows and foreign direct equity and portfolio investment were largely responsible for the increased surplus on the capital and financial account.

37. Mr. Speaker, this massive inflow of capital into our Federation tells the most persuasive story in respect of the confidence that foreign investors place in the economic policies of my Government and in the future prospects of our Federation. I must also mention that the relatively high levels of foreign direct investment reflected in the capital and financial accounts would not have been possible if my Government had not taken the bull by the horns and incurred the debt necessary to build modern infrastructure, pursue human resource development programmes and generally create an investment climate conducive to profitable business operations.

The Tourism Sector

38. Mr. Speaker, over the past year, the global economic challenges, the war in Iraq, the continuous threat of terrorism and the accompanying developments related to security continued to overshadow the

global tourism industry. Although two years have passed since the terrorist attacks on the United States, the tourism industry in the Federation is still trying to recover from the negative effects of the fall-off in travel that resulted. This, coupled with the effects of the War in Iraq and the frequent terrorist incidents in various parts of the world has served to magnify the challenges faced in an industry that has become extremely competitive.

39. The available information for 2002 indicates that an estimated 68,998 stay-over tourists visited the Federation, compared to 70,565 in 2001. At the same time, Yacht and Cruise ship passenger arrivals suffered a major setback as approximately 14 cruise ship calls were diverted to another destination. Consequently, yacht and cruise ship passenger arrivals declined to 165,542 in 2002, from 259,134 the previous year. Total visitor arrivals are however projected to increase in 2003, influenced mainly by an increase in cruise ship passenger arrivals, as well as the opening of the Marriott and Angelus Resorts.

40. Mr. Speaker, the Federation's tourism industry received a tremendous boost in February with the soft opening of the Marriott Resort. We are pleased that after some delay, work on the 18-hole golf course in Frigate Bay is underway, and that nine of the eighteen holes are already in use, under the joint management of the Frigate Bay Development Corporation and the Marriott Resort. In addition to expanding the Federation's tourism plant, the Marriott development has provided employment for hundreds of our citizens and is opening up numerous opportunities in the services sector for local entrepreneurs. It is expected that significantly more benefits will accrue after the hotel becomes fully operational. Already we have witnessed an improvement in airlift, including charter services catering to the Marriott Resort.

41. The Ministry of Tourism has also devoted considerable effort and resources to the improvement of airlift into the Federation, and we are now reaping the rewards. US Airways which offers direct services from Philadelphia to St. Kitts has operated this route since 2002, bringing numerous visitors to our shores. In fact, due to the positive feedback of this service, plans are now being made to introduce an additional flight to the Federation in the near future. Universal Airways has also introduced a flight, offering services from New York to St. Kitts with onward service to Guyana. Additionally, Excel Airlines has offering services directly from Gatwick, England to St. Kitts. Virgin Atlantic and British Airways are also looking at the possibility of offering services to the Federation. The increased number of airline seats available to persons from overseas wishing to travel to our Federation, will bring tremendous benefits to the entire tourism sector including all hotel and tourism related enterprises operating in St. Kitts & Nevis.

42. My Government has been working arduously to direct the strategic development of the industry, to ensure that tourism development is carried out in a sustainable manner. Enhanced product development and increased marketing and promotion of our Federation are expected to assume even greater roles in the future development of the industry. To this end, the St. Kitts Tourism Authority was recently established to promote and assist in the facilitation of the development of tourism. It is expected that the Authority will oversee the establishment of amenities necessary for the further development of St. Kitts & Nevis as a premier tourist destination, while designing suitable marketing strategies for the effective promotion of tourism.

43. In the area of cruise tourism, every effort is being made to exploit the full potential of this market by providing a combination of activities that would entice more people to disembark from the cruise ships. The St. Kitts Scenic Railway tour is one such activity. Since the start of operations, the St. Kitts Scenic Railway tour has emerged as one of the most attractive onshore tours. Cruise lines and tour operators in the major source markets have expressed much interest in the tour. It is therefore anticipated that this unique attraction in the region would draw more tourists to our Federation. My Government has also identified the strip along Port Zante as a key area for future development of shopping and other entertainment facilities. There are also plans to construct a Vendors Mall at Port Zante to provide accommodations for some 80 arts and craft vendors.

44. Mr. Speaker, I am encouraged by the prospects for tourism in the future. With the US economy (one of the major tourist markets) emerging from recession, we anticipate a rebound in tourist arrivals from that market. Tourism development remains an important element of the Federation's overall diversification strategy. My Government will therefore continue to create the enabling environment to attract additional foreign and local investment in the industry. Of course, we have also been proactive in ensuring that adequate resources are invested in the tourism industry. We have already obtained financing for the construction of an impressive villa project and commercial development at Potato Bay which will help to stimulate economic activity, generate substantial revenues for the Frigate Bay Development Corporation and the Government, and give a substantial boost to our programme of tourism development.

45. Mr. Speaker, I must also mention that already an 18-hole golf course is under construction in La Vallee through the instrumentality of two public corporations -the Whitegate Development Corporation and the Frigate Bay Development Corporation. The golf course is just the first phase of this massive development that will involve the construction of a Hotel and Marina, 160 luxury villas, and the

development of commercial area on some 496 acres of land, including the 183 acres that is being used to construct the golf course. Mr. Speaker, the project is attracting the attention of foreign investors, and we are already in discussion with private investors in respect of the construction of a 300-room hotel and Marina at the La Vallee Development. As the Whitegate Development Corporation projects get on the way, the demand for sugar lands become even more acute.

The Sugar Industry

46. Mr. Speaker, the sugar industry continues to be affected by a myriad of problems ranging from sugar cane plant diseases and damage caused by animals and cane fires, to exchange rate fluctuations and increasing uncertainty about continued preferential market access. Added to these factors, the performance of the industry for the 2003 crop was further severely affected by the prolonged drought earlier in the year. Consequently, sugar output for the 2003 crop declined by 5,143 tons to 16,255 tons. The volume of sugar exported fell appreciably by about 25% to 14,991 tons, thus negatively impacting net earnings from sugar exports. This decline in sugar exports coupled with the depressed value of the Euro at the time our sugar was being exported, resulted in net earnings from sugar exports falling from \$27.9 million in 2002 to \$22.9 million in the current year. Moreover, the drought has also affected the growth of sugar cane that would be harvested in the 2004 crop so that the quantity of sugar produced and exported could decline further in 2004.

47. In my budget address last year, I raised the matter of the Australian and Brazilian challenge to the European sugar regime in the WTO. A dispute panel is currently presiding over meetings to listen to arguments from Brazil, Australia and the European Union, and my Government has been closely monitoring the panel proceedings. We remain mindful that there is no guarantee that we will continue to enjoy the preferential prices in the European market or the preferential quota arrangement. For this reason, and given the troubled state of the industry Mr. Speaker, over the past few years we have undertaken a number of comprehensive assessments of the sugar industry with a view to exploring the available options regarding its future, while at the same time seeking to capitalize on viable diversification opportunities.

48. It must be appreciated that any far-reaching decisions concerning the future of this industry that has dominated the social and economic life of our Country for centuries and that still employs more than 5% of our work force, must be based on very careful analysis covering the social, economic, financial, environmental and cultural dimensions of sugar production. We are still actively carrying out that analysis

even as we work with the Caribbean Development Bank and the Food and Agriculture Organization to formulate and implement a diversification programme and to explore ways of restructuring the SSMC.

Non-sugar Agriculture

49. The development of the non-sugar agricultural sector is a critical component of my Government's overall economic diversification strategy. Hence, during the course of this year, the Ministry of Agriculture placed considerable emphasis on the identification of the constraints on the development of the sector and on the commitment of the necessary technical, administrative and financial resources to the removal or mitigation of these constraints. In particular, farmers have identified the absence of water for supplemental irrigation as a major limiting factor to expanding the period of vegetable production. A first step to address this constraint was made with the implementation of the Estridge Irrigation Project. The Ministry of Agriculture was also able to secure a reduction in water rates for agricultural use, thus reducing the cost of water to farmers in areas where it is available. Of course, the availability of suitable lands is critical to the success of any agricultural development programme so the Ministry of Agriculture has continued to make land available to farmers; over 200 acres of arable land have been allocated to farmers this year.

50. Mr. Speaker, the year 2003 would be remembered for its long dry spell that severely challenged crop farmers, particularly because most of these farmers depend almost entirely on rainfall for irrigation. However, despite the adverse weather conditions, no significant decline in production was recorded for any of the major food crops. During the first nine months of the year, the production of cabbages almost doubled from 88,000 lbs in 2002 to 170,000 lbs in 2003, while the production of tomatoes increased by 41% from 165,000 lbs to 233,000 lbs. A return to onion production was also observed as the output increased from 39,000 lbs in 2002 to 62,000 lbs in 2003. The production of pineapples also doubled from 10,000 to 20,000 lbs. Strong market opportunities exist for onions and pineapples and as a result, special focus is being placed on the production of these crops. Small declines in output were recorded for carrots, peanuts, yams and white potatoes.

51. The year 2003 marks the second full year of operation for the recently established Marketing Unit at the Department of Agriculture. The Unit is focusing on improving market access for local produce and has introduced the commercial use of packaging materials to farmers so as to enhance the presentation of their produce. The use of packaging material has received very positive responses from hotel staff, wholesalers and retailers. The Unit has also facilitated the sale of fresh produce to the recently opened

Marriott Resort, and between April and October delivered over 30,000 lbs of crop produce to that hotel. Exports of fresh produce have also been made to a retailer in St. Eustatius.

52. Mr. Speaker, during the year livestock farmers were severely challenged by the prolonged dry period that lasted for almost nine months. However, despite the adverse weather conditions, output of livestock products increased. The beef marketing initiative that was launched in October 2001 continued to significantly impact beef production. An estimated 40% of the cattle slaughtered during the first half of the year were for the boneless beef market. Beef production for the period January to September has increased from 87,000 lbs in 2001 to 105,000 lbs in 2002 and 128,000 lbs in 2003. There is however a major oversupply of cattle resulting in low returns to cattle owners, many of whom exhibit poor husbandry practices. As a result, a high incidence of roaming cattle is being observed and these cattle have caused significant crop damage and some vehicular accidents.

53. Pork production has continued to increase annually since the formation in 2000 of the Progressive Pig Farmers Association and the importation of livestock feed by that group. During the nine-month period from January to September pork production has increased from 55,000 lbs in 2001 to 78,000 lbs in 2002 and 98,000 lbs in 2003. The increases have also resulted from the special focus of the livestock staff at the Department of Agriculture on the improvement of husbandry practices by pig producers. We expect that the establishment of the Pig Production Unit at Conaree with the assistance of the Government of the Republic of China on Taiwan, will boost the output of pork even further.

54. Mr. Speaker, mutton production which has been relatively low despite very good opportunities for the marketing of local sheep and goat meat, has shown some improvement in 2003. Output in the first nine months of this year has increased from 28,000 lbs in 2002 to 38,000 lbs in 2003. A major challenge in this sub-sector is to develop a commercial approach to sheep and goat rearing and for the livestock owners to view this aspect of farming as a business.

55. Efforts to accelerate the diversification programme are expected to intensify during 2004. In an attempt to achieve this goal, the Ministry of Agriculture has recently established a Project Steering Committee for the implementation of the Diversification Project. Membership of the steering committee comprises all stakeholders who are expected to play a primary role in the implementation of the project. An immediate output of the steering committee is expected to be a Land Management Unit.

56. In the area of fisheries Mr. Speaker, total fish landings for the first nine months in 2003 declined by 17.6% to 492,760 lbs from 598,000 lbs in the same period during 2002. Although there was a general

decrease in total landings, there were significant increases in the landings of some of the high-priced species such as snappers which recorded an increase in output of 54.6% and conchs which recorded an increase in output of 67.2%. These increases are the direct result of the services provided to fishers by the new Basseterre Fisheries Complex.

57. The Complex became operational in January with a start-up fund of \$80,000, and for its first nine months of operation (January 4th to September 22nd 2003), the Complex has purchased over 55,460 lbs of fish equivalent to 11.3% of the total landings at a cost of \$371,810. Over the same period the proceeds of the sale of fish by the Complex amounted to over \$442,000. Future developments in the fishing industry would involve the improvement of landing and berthing facilities at Old Road, Sandy Point and Dieppe Bay and the provision of lockers, boat haul-out, ice and cold storage facilities at these locations.

Industrial and Enterprise Development, Commerce and Consumer Affairs

Industrial and Enterprise Development

58. Mr. Speaker, during the first nine months of the year, activity in the manufacturing sector declined compared to the corresponding period in 2002. The decline was mainly due to a drop in export demand. As a result, some of the manufacturing enterprises were forced to downsize their operations and shorten the work week during the year.

59. Manufacturing activity is expected to grow in 2004 with the establishment of another electronic assembly plant. This assembly plant is expected to commence operations during the first quarter of 2004 with seventy-five (75) employees, and this employment figure is expected to increase to 250 within the next 3 to 4 years. A new Call Centre Company commenced training of twelve (12) employees in September of this year. The company is presently in negotiations with a telecommunications provider for telecommunications services, and if negotiations are successful, the company will be employing an additional 80 persons during 2004.

60. Mr. Speaker, the Small Enterprise Development Unit (SEDU) is an important instrument of the Government for fostering entrepreneurship among our people, and providing them the means of converting their business ideas and proposals into successful and profitable business operations. In this regard, in April of this year, SEDU collaborated with the Inter-American Institute for Cooperation on Agriculture (IICA) in the organization of a workshop on food processing for agro-producers. In addition SEDU is spearheading a range of activities aimed at assisting agro-producers in upgrading the quality and presentation of their products.

61. SEDU is targeting school leavers with a view to assisting in establishing businesses. During the year 2003, SEDU conducted a Small Business Management Programme for the Business students of the Clarence Fitzroy Bryant College. The Unit also conducted sessions with final year students at the Advanced Vocational Education Centre (AVEC) on 'Entrepreneurship and Small Business Opportunities'.

62. Mr. Speaker, SEDU is presently working with IICA to implement a UNESCO sponsored project "Enhancing the participation of marginalized youth in the development process of the Eastern Caribbean States." This project is aimed at breaking the cycle of poverty among marginalized youths by providing them with self-employment skills. Participants are being trained in various technical skills including landscaping, agro-processing and plant propagation. The core module - Entrepreneurship and Small Business Management - has been developed and is being delivered by the Unit. SEDU has also continued its programme of town hall meetings in the rural areas and its visits to small business establishments to offer advice and assistance.

Commerce and Consumer Affairs

63. Mr. Speaker, on October 29, 2003 the Consumer Affairs Act 2003 was passed into law. This achievement marked the highpoint of activities of the Department of Consumer Affairs during the year 2003. The enactment of this law capped three years of public consultations coordinated by the Ministry of Commerce and Consumer Affairs. We are confident that a new enlightened era has dawned which will provide greater protection of consumers purchasing goods from the various providers.

64. Other notable achievements include the conclusion of a co-operation agreement for staff training in Consumer matters with the University of Vermont. As a result of this agreement, three (3) members of staff of the Department travelled to Vermont in August this year to undertake a two-week training attachment with the University. The training of the three officers was financed by the Organization of American States (OAS) as partial fulfillment of an agreement between that organization and the Ministry of Commerce and Consumer Affairs. Additionally, the OAS financed a similar attachment of a senior officer of the Department to the Fair Trading Commission of Jamaica in September.

65. The OAS is also sponsoring a consultant who is working with the Ministry to modify existing Business and Occupation Licensing Laws to make them reflect adequate levels of sensitivity to consumers' rights. The Consultant will also assist with the establishment of the Business Tribunal, which is provided for under the Consumer Affairs Act. The Tribunal will expedite the resolution of consumer related disputes.

66. Mr. Speaker, the Bureau of Standards (BOS) and the Multi-purpose Laboratory play critical roles in

consumer protection, and we are exerting every effort to ensure that their operations meet international standards. Through the OAS and the Canadian laboratory networks, the Multi-purpose Laboratory is participating in inter-proficiency testing of food and water. The successful completion of the two rounds of testing would help the Multi-purpose Laboratory in obtaining accreditation, which means the Laboratory's test results would be unequivocally accepted internationally.

67. The Bureau of Standards continues to implement its Compliance Programme and Food Safety Monitoring Programme with inputs from the Customs and Health Departments. This programme involves the testing of food and water (bottled and source) for contaminants. The Bureau also monitors imported food samples as well as food from local establishments and it examines the labels on all food samples to ensure that they comply with the proposed national standard for prepackaged goods. To date, a total of two thousand forty-six (2046) tests have been performed for 2003 in respect of food, water, soil, plant tissue, fertilizer and indoor air quality.

Information Technology and Telecommunications

68. Mr. Speaker, information technology and telecommunications will play an important role in my Government's strategy for stimulating increased economic growth and advancing the development process in our Federation. The global market for information technology has exhibited phenomenal growth in recent years, and as such, globalization and the phenomenal advances in telecommunications have opened up new avenues of growth and development for developing countries such as ours. No modern society today can survive and grow in the global space without continually updating and developing its technological resources to match changing technological demands and advancements. These developments represent the conduits through which much of the world's economic activity is conducted and facilitated. Consequently, my Government will continue its pursuit of activities that would harness the collective benefits of information and technology and thereby accelerate the development of our Federation and promote the well-being of our people.

69. My Government views training in information technology as an integral and indispensable part of our programme of human resource development, and as such we are continuing our efforts to make information technology available to all citizens throughout the Federation. We continue to provide resources to expand the activities of the computer labs which we expect will not only serve to educate our young people in the use of information and communications technology, but will also help them to become creators and innovators in that field. We have also initiated a rural education learning program to provide

opportunities for adults in the society to gain knowledge and enhance their capabilities in this area.

70. Mr. Speaker, to date the Federation has benefited from investment in a first class communications infrastructure, which allows the interconnectivity necessary to connect to the rest of the world. The liberalization of the telecommunications sector has brought innovations, new business and business opportunities to the market. Although the liberalization process is not complete, already there have been some attempts to bring lower cost services to the general public. In St. Kitts & Nevis, the liberalization process is still in its infant stage, but it is gathering momentum and we are determined to expeditiously remove all remaining impediments to the development of a free, competitive and well regulated telecommunications industry.

The Financial Sector

Commercial and Development Banking

71. Mr. Speaker, commercial banking in St. Kitts & Nevis continues to make remarkable strides, as reflected by the strength of its asset base. In 2002, the assets of commercial banks increased by \$181.5 million or 10.2% to total just under 2 billion at year end. In fact, our National Bank which is the largest commercial bank in the Eastern Caribbean Currency Union now has assets in excess of a billion dollars. This is no mean achievement for an indigenous bank built from the brain and brawn of our people. Indeed, the progress of St. Kitts-Nevis-Anguilla National Bank from a penny bank to a billion dollar bank in just three decades is indicative of the great social and economic strides that our people have made.

72. Of course the entire banking system in St. Kitts & Nevis has been recording impressive growth. During 2002, deposits grew by 6.3% to reach \$1.4 billion at the end of that year. Loans and advances grew by 3.8% to \$1.1 billion owing to increased credit to the agriculture, distributive trades and personal sectors. Liquidity in the commercial banking system improved further as deposits grew faster than loans and advances, resulting in the ratio of loans and advances to deposits declining to 79.0% at the end of 2002 from 80.9% at end of the previous year.

73. For the first eight months of 2003, statistics point to a further increase in commercial banking assets of \$180.2 million bringing total assets to \$2.1 billion. Meanwhile, deposits grew to \$1.5 billion while loans and advances fell to just about \$1 billion. Liquidity in the commercial banking system increased as the ratio of loans and advances to deposits fell further to 70.2%.

74. Mr. Speaker, the Development Bank of St. Kitts has also been playing an important role in the financial sector of St. Kitts & Nevis. The Bank continues to provide much needed credit to the various

sectors of the economy, including manufacturing and tourism, agriculture, education and housing. In 2002, the Development Bank approved 834 loans valued at \$32.9 million, an increase of 261 loans or \$11.5 million over the 2001 figures. Of this, \$15.7 million or 47.7% was approved for Housing (Mortgage Finance), \$7.3 million or 22.2% for Education, \$2.9 million or 8.8% for Industry and \$0.76 million or 2.3% for Agriculture.

75. On your way to this Honourable House you would have noticed the brand new headquarters building of the Development Bank nearing completion just across the street. This new building is symbolic of the increased emphasis that Government intends to place on development financing and on the role of development banking operations in the years to come. In fact, we are currently engaged in a process of evaluating the operations of the Development Bank and devising new strategies for achieving the very challenging goals of the Bank.

International Financial Services

76. Mr. Speaker, after being removed from the Financial Action Task Force (FATF) list of non-cooperative countries in June of 2002 the Government continued its efforts to enhance the industry's image and improve regulation of the industry in order to maintain high standards and integrity in our jurisdiction. To this end, the Financial Services Department and the Marketing and Development Department organized several seminars to sensitize providers and corporate officers about issues such as Money Laundering and Effective Corporate Governance in Financial Institutions. Capacity building through the training of existing staff at the Financial Services Department and Financial Intelligence Unit has also been an area of major focus.

77. I must also mention that St. Kitts & Nevis, along with the other countries of the Currency Union, has been participating in a Financial Sector Assessment Programme (FSAP) which is being conducted by the International Monetary Fund. The entire financial system in the Currency Union, including the domestic sector and the offshore sector, is being assessed under this programme. We expect that the findings of this assessment will help to guide the regulation and development of the regional and domestic financial sector over the medium term.

78. The Marketing and Development Department continued to focus on developing policy and financial services products to respond to the market demands and needs and to broaden the scope of international financial services in the Federation. To this end, my Government introduced two new pieces of legislation namely the Merchant Shipping Act (2002) passed in October 2002 and the Foundation Act (2003)

enacted in September 2003. The new Merchant Shipping Act makes provisions for the registration of ships and pleasure vessels in St. Kitts while the Foundation Act provides for the formation of private Foundations. The Foundation Act is expected to enhance the attractiveness of St. Kitts as an international financial center through the introduction of a civil law concept into the traditionally common-law system. Other developments that are expected to enhance the jurisdiction's offerings include amendments to the Companies Act (1996) to allow for corporate directors and hybrid companies (companies with a combination of shares and guarantees).

Money and Capital Market Development

79. Mr. Speaker, my Government continues to work along with the other member Governments of the Eastern Caribbean Currency Union (ECCU) to support the efforts of the ECCB and the Eastern Caribbean Securities Exchange (ECSE) to deepen the money and capital market in the OECS. Two years have elapsed since the commencement of trading activity on the ECSE and at the end of this period, a total of ten securities - five corporate securities and five government securities were listed on the exchange. To date the Governments of the Currency Union have raised over \$212 million on the Regional Government Securities Market which uses the market platform of the Eastern Caribbean Securities Exchange.

80. My Government remains committed to the creation of a single financial space in the ECCU. We will therefore continue to collaborate with the ECCB and other member governments towards the establishment of the Eastern Caribbean Enterprise Fund and the Eastern Caribbean Unit Trust. It is envisaged that the Eastern Caribbean Enterprise Fund will provide assistance in debt and equity financing, export insurance coverage, and business advisory and consulting services for the development of the productive sectors in ECCU member countries. The Eastern Caribbean Unit Trust will function as an investment company that pools shareholders financial resources and invests them in a diversified portfolio of securities. These initiatives are still in the planning stages but when implemented they are likely to increase market activity and significantly advance the development of the regional capital market.

PUBLIC FINANCE

Fiscal Review

81. The revenue collections for 2002 totaled \$230.3 million, surpassing the previous year's collections by \$25.9 million or 12.7%. Recurrent Expenditure recorded an increase of \$27.8 million or 10.7% ending the year at \$287.4 million. Although the increase in revenue outstripped the increase in expenditure we still recorded a recurrent account deficit of \$57.1 million, which exceeded the previous year's recurrent account deficit by \$1.9 Million or 3.4%. The main contributor to this increase was the growth in debt

service payments by \$22.4 Million arising from the interest payments in respect of the financing of the deficit and the commencement of repayments on several loans in respect of which the moratorium on principal repayments came to an end in 2002.

82. Mr. Speaker, Capital Expenditure for the year, as reported by the Director of Audit amounted to \$38.2 million. Of this amount \$16.6 million was funded from grants and the remaining \$21.6 million was funded from loans and overdraft. The expenditure on the capital account combined with the recurrent account deficit and net lending to public corporations to push public debt, including bank overdrafts to \$881.9 million. The importance of capital expenditure to the attainment of sustainable growth and development cannot be overemphasized. For this reason the economic infrastructure projects over the year were concentrated in the areas of water, electricity, waste management and telecommunications. Capital expenditure in the social services sector was also strong, particularly in the areas of health and education.

83. The specific capital projects financed during the year included development projects such as the Basseterre Fisheries Complex, the OECS Telecommunications Project, Upgrading of the Billing system for the Electricity Department, the Drinking Water Improvement Project, continuation of the Basic Education Project, the CFB College Hospitality Unit, the Solid Waste Management Project, continuation of the JNF General Hospital Rebuilding Phase I, the St Paul's Sporting Complex and the Emergency Recovery and Disaster Management Project.

84. It is worthy of note that, apart from debt service payments, recurrent expenditure growth in 2002 was relatively subdued as a result of my Government's strong focus on expenditure control during that year. Moreover, revenue increased dramatically in that year in response to a number of initiatives by Government aimed at upgrading the technical capability and strengthening the administrative efficiency of revenue collecting departments.

85. Mr. Speaker, those persons who read the IMF publications in respect of St. Kitts & Nevis would observe that the IMF has reported that the current account deficit actually declined from \$48.5 million in 2001 to \$35.9 million in 2002. In other words, in 2002, notwithstanding the economic malaise that had gripped the entire world and the prediction of doom and gloom immediately after the September 11 terrorist attack in the previous year, we were successful in reducing the current account deficit by 26%.

86. In arriving at their numbers the IMF employs a system of Economic Classification that is adopted internationally and that facilitates comparison between the various countries of the world. However, in my presentation so far I have used the information provided by the Director of Audit, who has applied the

methodology authorized by the Laws and Regulations of St. Kitts & Nevis. The main differences between the IMF Economic Classification and the Methodology employed by the Director of Audit are as follows:-

Interest on debt is treated as expenditure by both the IMF and the Director of Audit, but the repayment of principal is treated as financing by IMF while it is treated as expenditure by the Director of Audit.

Sale of property is treated as recurrent revenue in the Audited Accounts; while it is treated as capital revenue in the Economic Classification used by the IMF and therefore, does not affect the current balance.

The proceeds of loans are treated as capital revenue by the Director of Audit, while they are treated as financing by the IMF.

87. I have taken time out to highlight these differences, and to present information in both formats, because during the early months of next year, my Government intends to introduce a new Financial Administration Act that will, among other things, allow the presentation of public accounts using the internationally recognized Economic Classification.

88. Mr. Speaker, the improvement in the current account balance reported by the IMF in respect of 2002, has been sustained throughout 2003 through our implementation of a very successful fiscal stabilization programme. As part of this programme, we collaborated with the Caribbean Regional Technical Assistance Centre to establish various fiscal targets and we have successfully put in place a monitoring mechanism to ensure that we meet these targets. When it became apparent that we would quite comfortably achieve the targets, we agreed with the IMF in the middle of this year, that we would revise the targets and set even tighter target. I am pleased to report, Mr. Speaker, that based on our performance to date, we expect that when the out-turn for 2003 is reported, it will show that we have exceeded all the targets set in respect of our fiscal balances.

89. In fact, as late as November this year, we invited the IMF to visit St. Kitts & Nevis, to provide advice in respect of the 2004 budget. In their concluding statement they indicated their concern about the level of the public debt and suggested a variety of ways to deal with this problem, but they also indicated that "the economic rebound, which is expected to gain momentum in 2004, provides an opportunity to reduce the debt burden that clouds the economic outlook". In terms of our fiscal performance up to the date of their visit, they reported that "fiscal balances have improved strongly in 2003" and that "key reforms have been implemented that can be expected to contribute to strengthened fiscal outcomes for many years to come."

90. Mr. Speaker, we know the origins of the public debt. In particular, a series of exogenous shocks, including natural disasters of unprecedented frequency, dealt a severe blow to our fiscal position and public debt. In addition our graduation from the use of soft resource of international financial institutions has dramatically increased the cost of our borrowings, and this increased cost continuously exert upward pressure on the stock of debt. But we also know, that whatever the cause of the debt, we simply cannot

ignore the fact that the level of the public debt is such that it must be addressed comprehensively if we are not to put the future growth and development of our Federation at risk.

91. I believe, that it should be evident from my presentation here today that my Government is on the right track. We have been taking the actions necessary to correct the problem, and we have been achieving impressive results. It is these actions that have enabled our Federation to maintain its impeccable record in servicing debt and in meeting all of its financial obligations. Of course, we must sustain all of our activities aimed at fiscal stabilization and debt reduction if we are to minimize the risk to our continuing growth and bring the debt to satisfactory levels within a reasonable time frame.

Fiscal Prospects

92. The Financial Summary by Economic Classification, as reported on the first page of the Estimates, indicates that Recurrent Revenue for 2004 has been estimated at \$284.4 million. This represents an increase of \$43.2 million or 17.8% over the estimate of \$241.2 million for 2003. Recurrent Expenditure has been estimated at \$268.9 million representing an increase of \$9 million or 3.5% over the estimate for the previous year. Hence a recurrent account surplus of \$15.5 million is being projected for 2004 and this compares quite favourably with the deficit of \$18.7 million projected in last year's Estimates.

93. We are particularly pleased that notwithstanding the difficult times the entire globe has been facing, we have reached the stage where we can realistically project a current account surplus. This implies that despite the level of our public debt, our recurrent revenues would be sufficient to meet all recurrent expenditure including interest charges on the public debt, and contribute a surplus of \$15.5 million to the financing of capital projects. This projection for 2004 is very realistic when one considers that although we projected a current account deficit of \$18.7 million for 2003, all the indicators suggest that we could come very close to achieving a balance or a small surplus by the end of this year.

94. Mr. Speaker at this juncture the critical issue facing our Nation is the stabilization of our fiscal position. We have been taking several steps in this direction over the past few years and now we feel that the time is right to take even more decisive action in strengthening our position by targeting a current account surplus. We believe that persistent large deficits are unsustainable and they could send a negative signal to the international community and to local and foreign investors. When we consulted with the Economic Partners in respect of the 2004 budget they shared our concerns in this regard and I am particularly pleased that we are able to deliver a budget that addresses their concerns in this regard.

95. In many countries, in order to achieve this level of fiscal prudence, governments have been forced to

adopt draconian measures including the laying off of workers to achieve the level of fiscal adjustment that we achieved in 2003. However, as I indicated in my budget address last year, I was determined that no public sector worker whatsoever would be laid off because of our programme of fiscal stabilization. Hence, the progress that we have made towards fiscal stabilization is the result of increased vigilance in revenue collections, improved efficiency in the operations of public sector entities and tighter control of expenditure

96. The growth of the civil service is being restricted in the medium term by attrition and tighter control of the wage register through the computerization of non-established workers wage records. Additionally the Ministry of Finance is in the final stages of implementing commitment accounting which will prevent the various Ministries from generating orders which exceed their allocations. In the mean time in order to control expenditure on goods and services the system of pre-authorization of expenditures by the Ministry of Finance for both overseas and local procurement has served as an important control measure. On the capital account, we are controlling expenditure through tight procurement procedures and through the careful selection of projects that best achieve Government's objectives of stimulating growth, promoting development and advancing the standard of living of our people.

97. Through the application of these cost curtailment strategies, we have been able to reduce the total allocation on Goods and Services by 6.1% from \$55.3 million to \$51.9 million. We have also managed to reduce the allocation to wages by \$1.6 million or 6.1% from \$26.2 million to \$24.6 million. The targets will be accomplished through a combination of obtaining better value for money in procurement, the freezing of public sector employment and confining the filling of vacancies to extraordinary circumstances. In addition, interest on domestic debt has been reduced by \$3.1 million largely initiated by the interest rate which the market set for our bond when it was launched on the Regional Government Securities Market.

98. Mr. Speaker, because of these reductions in budgeted allocations for Goods and Services and Wages, we have been able to reduce the budgetary allocations to ten of the sixteen ministries. What is even more remarkable is that we expect that these savings will be achieved through efficiency gains so that the programmes of the Ministries will not in any way be compromised. In fact, the corporate plans which the ministries have been required to submit to the Ministry of Finance in support of their budget requests, suggest that in most cases the effectiveness of the programmes and activities of the various Government Ministries will be significantly enhanced so that the public should benefit from better quality services.

99. Over the medium-term, we intend to employ e-Government systems through the deployment of advanced technologies aimed at achieving even greater effectiveness and efficiency. Already the Inland Revenue Department is making steady progress in computerizing the administration of its various taxes. In addition, as part of the Secondary Education Project, an Education Management Information System (EMIS) is being instituted, and it will result in connectivity between all secondary schools and the Education Department to allow for real time management as well as the tracking of the school system. The Accountant General's Department is also receiving technical assistance from the Eastern Caribbean Economic Management Programme to its Information Technology systems to give departments real time access to the information stored at the Treasury and to allow greater centralized control over expenditure. We expect this process to continue so that over time there would be connectivity between all Government departments to allow for the sharing of information and the exploitation of synergies between the operations of the various Government departments.

100. Mr. Speaker, despite the reduction in recurrent expenditure we have been able to apply some of the savings that are expected to be generated through increased efficiency, to provide additional resources to programmes which we deem critical. In particular, the Ministry of Public Works, Utilities, Transport and Posts was allocated an additional \$2.0 million to provide for the implementation of a more comprehensive programme of maintenance and servicing of the generators. Mr. Speaker, I have been very concerned about the frequent power outages that our various communities have been experiencing. We have had problems relating to the distribution lines, which quite often impacted the generators. This matter is being addressed through the Crown Agents Water and Electricity Project that is replacing a substantial portion of our electricity distribution system. This project will also upgrade and expand our substations so that a problem in the distribution lines at a single location would not result in a power outage in half of the island. Instead the outage would be restricted to the particular area in which the problem occurs. In addition, we expect the additional resources provided for maintenance and servicing will allow more frequent overhaul of our generators and minimize the probability of breakdowns. We are confident that by the end of the Crown Agents Project, the frequency of power outages would be reduced dramatically.

101. The Department of Culture received an additional \$700,000 to assist in hosting the annual Music Festival given the increasing significance of this event to our economy. The surveys carried out in respect of the impact of the Music Festival indicate that the benefits accruing to our Federation from this important Festival already outweigh the costs and are increasing each year. The Festival plays a particularly

important role in boosting tourist arrivals after the end of the tourist season, promoting cultural development, and creating greater awareness of our Federation in the international tourist marketplace.

102. An additional \$775,768 was allocated to the Police Department to allow the Police to enhance their activities aimed at fighting crime. We feel that human resource development must be a critical component of any programme designed to enhance the capabilities of the Police Force. Hence, most of the increased allocation to the Police is to facilitate training activities. In particular, four middle Officers have just completed training at Centrex in Bramshill, England and another four Officers are scheduled to proceed to Bramshill for similar training in 2004. Provisions have also been made in the 2004 Estimates for the operations of the Canine Unit which was established earlier this year with two appropriately trained Officers and two sniffer dogs. It is expected that at least four other officers will be trained and four additional dogs will be acquired during 2004. My Government will spare no effort to eradicate crime and to ensure that our citizens and visitors can go about their business peacefully and free of fear. We therefore intend to re-examine the structure and operations of the Force with a view to providing it the capacity to launch an even more effective campaign against crime.

103. The Ministry of Social Development, Community and Gender Affairs was given an increase in the amount allocated to pay home care officers because of the need to expand our programme of care to the elderly. Provision has also been made in the budget to lend support to this Ministry as it implements its plans to initiate several programmes aimed at supporting and protecting the poor and under-privileged groups in our society. This Ministry has been charged with the responsibility for implementing the National Human Development Agenda in our Federation. In this regard, the Ministry will work with the National Human Development Council to monitor our progress in achieving our National Human Development goals, which include among other things, the eradication of poverty. My Government hopes to use this mechanism to coordinate our various poverty alleviation programmes and to give greater focus and strategic direction to these programmes.

Development Projects

104. The capital budget for 2004 amounts to \$90.2 million. Of this \$37.8 million will be funded from Development Aid, \$43.9 million from Loans and \$8.5 million from Revenue. We have been very careful to ensure that the capital budget is not inflated with projects which have little expectation of being implemented in 2004.

Hence the capital budget is essentially an action plan which we will strive to implement in full during the

course of 2004.

105. Mr. Speaker we must continue to build our infrastructure to ensure that we can respond to the demands that will be placed on it from the expected increase in tourism and other economic activities. We will therefore continue implementing the electricity supply improvement project and water improvement programme with a view to eliminating the supply and distribution deficiencies. We know that consumers are still suffering inconveniences from the occasional disruption of supplies, but we are confident that upon the successful implementation of these projects, the situation will improve dramatically.

106. Mr. Speaker, we expect that the construction of the West Basseterre Bypass road will commence in 2004. This road will help to relieve the traffic congestion in Basseterre by allowing persons traveling from the airport and other villages beyond the airport to the west of the island without having to pass through Basseterre. The project for the construction of this road will also include a major traffic study out of which we expect to implement various strategies to facilitate the free and easy flow of traffic in Basseterre.

107. We expect that these infrastructural projects will not only provide additional conveniences to our people but will also accommodate the increasing number of tourists that we expect to visit our shores. We know that tourists who visit our Federation would only return if their first experience is pleasant. We are therefore committed to implementing a major project that would ensure that our heritage sites and tourist attractions are well maintained and clean. This programme would also involve a massive training component, through the instrumentality of the brand new Hospitality Centre of the CFB College, to train a large number of our people to take advantage of the opportunities that are rapidly being created in the tourist industry.

108. We also plan to implement a number of social projects that would uplift our people and support the economic sectors of our society. In this regard, we will continue with the implementation of the Basic Education Project and the Secondary Education Development Project. This will bring a new secondary school to Saddlers and is also expected to fund the modernization of the management, content and delivery of secondary education in our Federation. My Government views education as the vehicle which will improve our competitiveness in the global economy and empower our people in poor communities to free themselves from the grip of poverty. To this end we are seeking to enhance the relevance of the education that we provide at all levels and to improve and expand access to quality education.

109. The area of Community and Social Development is very important in our development strategy as this provides an avenue for communities to contribute to the development process. We therefore intend to

construct a multi-purpose center and recreational facilities in the La Vallee/Fig Tree area, a community center at Cayon and a multi-purpose and day-care center at Challengers. In addition we plan to build a new co-ed juvenile rehabilitation centre to deal with the problems of our young people at risk.

110. Mr. Speaker, we consider sports as a primary vehicle for engendering positive community spirit. We therefore continue to commit substantial resources to sports development. During the course of next year we will carry out construction in respect of the Newtown Sporting Complex and the Bird Rock Cultural and Sporting Centre. The major sporting project however will be the Warner Park Development, which will include the Kim Collins International Athletics Track and new cricket facilities that we expect will significantly improve our chances of hosting World Cup 2007 cricket matches.

111. We are also determined to keep our communities safe. We therefore intend to construct Police Stations in Dieppe Bay, Frigate Bay and Tabernacle. In addition, we have allocated resources to provide the Police with modern fingerprinting and radio equipment to assist them in fighting crime in the various communities and commercial areas in St. Kitts & Nevis.

112. Mr. Speaker, during 2004 we will be executing the World Bank funded projects for HIV/AIDS and the reconstruction of Pogson Health Facility costing in excess of \$19 million. We are conscious of the devastation that HIV/AIDS can wreak on the work force of a small island such as St. Kitts & Nevis. We are therefore intensifying our efforts to make our citizens more aware of this pandemic and to provide persons suffering from the disease with adequate care and easy access to the appropriate drugs. New focal points will be identified and utilized for the fight against HIV/AIDS. The Pogson Hospital will be rebuilt to serve the people of Sandy Point and other nearby villages, and it will provide a comprehensive range of improved and expanded medical and health services to these communities.

113. My Government is also continuously improving the capabilities of the JNF France General Hospital. By the end of this year we will establish a Dialysis Unit that would be offering peritoneal dialysis at the JNF General Hospital; and during the course of next year the services will be expanded to include haemodialysis. We also expect that our citizens would be able to access improved radiological services through the deployment of new CAT scan equipment at the JNF General Hospital.

114. Mr. Speaker, I must mention that, apart from the capital projects included in the Estimates, a number of development projects are being implemented by public corporations. In particular, the St. Kitts Air and Sea Ports Authority will be implementing projects in respect of the construction of a new cruise ship pier at Port Zante, and the upgrading of the facilities at the R. L. Bradshaw International Airport to

accommodate additional jets. In addition, the NHC is playing a proactive role in housing and is expected to construct at least 500 affordable homes in 2004. In fact, we have also approved a number of private sector housing projects which could make result in the construction of up to 1000 additional homes in the upcoming year.

115. Mr. Speaker we are confident that the mix of capital projects which we intend to pursue in 2004 will contribute to the attainment of our development objectives which include the enhancement of competitiveness and productivity through human resource development; the strengthening of our healthcare delivery systems; the development of the physical infrastructure necessary to support our service-oriented economy; and the advancement and protection of our communities through various social, recreational and security projects. Ultimately, our goal is the empowerment of our people through the creation of opportunities for them to realize their full potential and to progressively and continuously advance the quality of their lives. We are truly convinced that our progress towards this important goal will be significantly advanced through the implementation of the capital projects included in the Estimates for 2004.

116. I now turn to Fiscal Measures and Other Budgetary Initiatives.

Fiscal Measures and other Budgetary Initiatives

117. Mr. Speaker, this portion of any budget address usually generates considerable interest and even anxiety. Moreover, in the context of the economic malaise and the high risk of crises that characterize the global and regional economy, I have no doubt that our citizens would expect to contribute a little more to the fiscal stabilization effort.

118. The fiscal challenge that we face is magnified by the need for us to ensure that the people who work diligently and conscientiously in implementing Government's plans and programmes are duly compensated. Our Civil Servants and other employees of the Government have been without an increase for nearly four years, and we must find some way of ensuring that at some time during the course of next year, their pay packages would be adjusted to reflect the high level of committed and dedicated service that they provide to the people of this country. In fact, we are now in the process of setting up a Salary Review Committee that would look at the terms and conditions of employment of public servants and Government employees with a view to making recommendations for improving the entitlements. As part of this review, the position of teachers would be given special attention. Moreover, consistent with our strong focus on poverty alleviation we will also look very closely at the salaries and wages of the lowly paid

workers such as cleaners and other unskilled non-establishment workers to ensure that their pay is at least sufficient to give them a decent level of subsistence for eight hours of service daily.

119. I have been very concerned that the very difficult economic and financial circumstances we face have prevented the Government from paying the usual 'double salary' in recent years, because I know how difficult it is to make ends meet at times. However, I am determined to make every effort to ensure that, at some time during the course of next year, Government employees will enjoy the pay increase that they so richly deserve.

120. In reviewing the terms and conditions of service of Government employees, we will also pay attention to peculiar needs of sportsmen and sportswomen who must represent our country overseas from time to time. I have no doubt that the achievements of our World Champion, Kim Collins, have inspired many of our young people involved in sports and athletics. Kim Collins has demonstrated that the capability of our people is not constrained by the size of our islands. But the entire society must give full support and encouragement to our sportsmen and women. I have therefore directed that General Orders be amended to give Government employees the right to full pay during periods in which they are required to be away from work to represent our country in sports or athletics. In other words I do not intend that this privilege would depend on any ad-hoc arrangements between employees and their Supervisors or Department Heads, but that it would be a right provided for by regulations. I urge private sector companies and entities to similarly amend their staff rules and procedures to give our young people a chance to excel and realize their personal dreams as well as the dreams of the entire nation.

121. Mr. Speaker, over the past few months, I have given considerable thought to the possible mechanisms that we could put in place to ensure that our people enjoy the full benefits of the operations of the impressive Marriott Hotel and of the massive growth in the tourism sector that is expected over the next five years. Already, we have been insisting that foreign investors would only be permitted to open businesses in areas where, because of the required level of expertise or capital, locals could not operate effectively and competitively. But this is a defensive strategy that may not be sustainable in the context of globalization. I am convinced that we must aggressively empower our people to take up many of the entrepreneurial opportunities that are being created in our economy. In this regard, my Government is determined to refine our tax concessions regime to provide incentives for foreign investors to enter into joint venture arrangements with local persons. Moreover, during the course of next year, my Government will establish a Business Fund that will provide assistance to small entrepreneurs with viable business

projects but without the means of meeting the onerous requirements of existing financial institutions.

122. I am persuaded that our farmers must also get a piece of the action. We could only maximize the benefits that accrue from increased tourist arrivals by ensuring that, as far as possible, they are provided with local products, including agriculture produce. I have therefore directed the Development Bank to set aside some of its resources for lending to farmers at interest rates not exceeding 7.5%. I have also directed the Legal Department to speed up the process providing leasehold or freehold titles to farmers so that they can approach any Bank with adequate security.

123. Our taxi-drivers and tour operators must also get a piece of the action. I find the current fiscal regime, which allows taxi-drivers to import vehicles with no more than 14 seats free of duty, overly restrictive in the context of the surge of tourist arrivals expected next year. We must provide the taxi-drivers the means of modernizing and improving their vehicles to move large numbers of tourists with great convenience and comfort, and of adequately servicing the massive cruise ships that are expected visit our shores. I therefore propose that over the 15-month period commencing January 1, 2004, taxi drivers would be permitted to import vehicles with seating capacity of 37 or less, free of duty and consumption taxes.

124. Our students and prospective students must also get a piece of the action. I am of the strong view that our people must be equipped to take up managerial and technical positions in tourism enterprises or to start their own businesses offering specialized services in the tourist sector. I, therefore, intend to initiate a new training programme that would provide financing to persons interested in pursuing studies in key areas of vital importance to the tourism sector. Early in January 2004, a survey will be carried out to identify the areas of expertise that would fall under this programme and shortly afterwards we will establish the programme.

125. Mr. Speaker, I know that these initiatives will cost money, and will add to our fiscal challenges in the short-term. I believe, however, that overtime these initiatives will bear great fruit and increase revenue collections by amounts far in excess of cost of these programmes.

126. Our short-term fiscal challenge is made even more monumental because many of our taxes are being considered discriminatory under the CARICOM, World Trade Organization (WTO) and Free Trade Area of the Americas (FTAA) arrangements. Moreover, some taxes are no longer feasible in the context of globalization. For instance, the Alien Loans Levy which is applied to Foreigners when they borrow monies locally is now proving to be inefficacious. In particular, given the global nature of banking, some

local financial institutions are adopting the practice of booking the loans in other countries to avoid the levy. This means that we get neither the benefit of the Aliens Loan Levy nor the benefit of the corporation tax that would have been payable in respect of the interest on the loan if it were booked in St. Kitts & Nevis. Furthermore, much of this tax falls on the immigrant workers in our Federation, including those from Santo Domingo and CARICOM Countries, because they are not able to avoid this levy in the same way as the large foreign companies operating here. I therefore propose the abolition of the Aliens Loan Levy for fiscal year 2004. Of course, we will continue to require that loans made to foreign entities be submitted to the Ministry of Finance for prior approval.

127. Mr. Speaker, our land and house tax legislation is outdated. It is now being recognized by tax administrators all over the world that market value-based property taxes are much more user-friendly and easier to administer than the archaic rental value based property taxes. In addition, we have been participating in the ECEMP project for the modernization of taxes and if we are to benefit from the technical and financial resources available in respect of property tax administration, we must bring our tax system in line with the modern trends that have been adopted by the other countries of the region. During next year, therefore, we propose to pass legislation that would modernize property tax administration and would replace the rental value-based tax system with a market value-based tax system. I must emphasize, however, that these innovations will not carry up the rate of taxes. In fact, we will drop the rate sufficiently to ensure that the taxes payable by property owners remain unchanged during 2004.

128. Of course, our programme of property reassessment is continuing so that if a property is currently undervalued, then the reassessment could result in a change in the taxes payable. Such a change, however, would not result from the implementation of the new system but from the ongoing programme of reassessments that the Inland Revenue Department has been pursuing over the past few years. I must mention, however, that the new legislation would give special concessions to small low-value houses. We propose to set a threshold such that any house with a value below the threshold would not be subject to taxes. This is intended to ensure that home ownership for low-income families does not become too burdensome. This policy initiative is also consistent with our strong focus on the protection of the poor. We believe that home ownership is for both rich and poor, and we are determined to remove the impediments to home ownership by low-income families.

129. Mr. Speaker, I have already indicated some of the successes that increased efficiency in revenue collections and expenditure management has achieved. In 2004, we plan to be even more vigilant. The

programme of tax audits initiated by the Inland Revenue Department will continue and will form part of the ongoing activities of the Department. We have employed the help of Consultants from overseas to assist in implementing the audits and in training our tax auditors. Their compensation is based on a fixed daily rate and it does not depend in any way on the amount of taxes collected. Moreover, as soon as we are satisfied that our local Tax Auditors can carry out the audits without technical support from the Consultants, we will bring the consultancy agreement to an end. These actions are necessary because no modern tax administration can operate effectively without the ability to carry out their own tests and checks to establish the accuracy, veracity and completeness of the returns submitted by taxpayers.

130. The selection of entities for audit is based on objective criteria that are used internationally. No person or entity is being targeted. We therefore urge taxpayers to give the Auditors your fullest support as they carry out their mandate of ensuring that the tax laws of the Federation are implemented in a fair and equitable manner.

131. We are also in the process of implementing a Customs Modernization programme with assistance from the Crown Agents who has made available to our Customs Department two seasoned senior Customs Officers from Her Majesty's Customs and Excise in the United Kingdom. This programme will include, among other things, organizational development, further computerization, human resource development, anti-commercial fraud activities and audit. We will give the Customs Department our full support in enforcing the Customs Laws and Regulations and we ask the public to cooperate with us in this important endeavour that could play a critical role in fuelling the development process.

132. Mr. Speaker, the Governments of the Eastern Caribbean Currency Union have set up a Tax Commission under the distinguished leadership of Sir Allister McIntyre to make recommendations in respect of tax policy and administration for the region. The Commission has issued its report and we plan to publicize the recommendations of the Commission and get the views of a wide cross-section of the community before we decide to implement the recommendations of the Commissioners.

133. It is clear that my Government has been pursuing a wide range of initiatives in our attempt to keep our economy on track in these perilous times. We know that the management of these initiatives will require concentrated effort and attention. My Government intends to give greater focus to core governmental activities by privatizing and commercializing a number of the activities carried out by Government that could be more properly operated through private management or control. We have therefore established a Cabinet Sub-Committee on privatization under the leadership the Deputy Prime

Minister, the Honourable Sam Condor, and we expect to support the newly established Privatization Secretariat with technical assistance from the Caribbean Development Bank. However, from the standpoint of my Government, privatization is not about giving away the assets of the Government or selling the patrimony of our people. It is about rationalizing the processes of Government, generating additional resources for development and stimulating capital market activities. Moreover, the assets of the Government belong to the people of this country and any privatization plan we formulate must include provisions for meaningful public consultations.

134. Mr. Speaker, the only thing left for me to do in respect of this portion of my address is to enumerate the tax measures for 2004. You can rest assured, though, that this Government, which has an outstanding track record of protecting the poor and of showing great care and concern for all citizens and residents of this country, would only introduce tax measures as a last resort. I am, therefore, pleased to announce that this year's budget is a tax-free budget.

135. We are convinced that at this juncture in our development the tax laws in place could generate the resources necessary to enable us to meet our budgetary targets. Hence, our focus during 2004 will be increased efficiency and effectiveness in tax collections and widening the tax net by ensuring that more persons comply with the tax laws currently in place.

CONCLUSION

136. This year's budget is a creative but responsible prescription to the very difficult challenges that our country, and indeed the entire world, face at this time. We have sought to balance the urgent need for fiscal stabilization with the long-term growth and development imperative. We have demonstrated that although natural disasters and other exogenous shocks have left us with high levels of public debt, we are capable of servicing them and of taking concrete action to correct our fiscal imbalances. In particular, through improved effectiveness in revenue collections and tighter systems of expenditure management, we reduced the current deficit by 26% in 2002. We expect to reduce it further to near zero in 2003, and we are realistically targeting a current account surplus of \$15.5 million or 1.43% of GDP in 2004. In fact, unless we encounter some other major exogenous shock, we expect that we would be able to achieve an overall surplus by 2005. In other words, we expect to generate enough revenue to cover our current and capital expenditure and reduce the level of debt. We also expect that increased economic growth would help to push the Debt-to-GDP ratio downwards.

137. From the standpoint of growth and development, we have unfolded a range of public sector projects including the Golf Course at La Vallee, the Potato Bay Villa and Commercial Development Project, and

the construction of the West Basseterre Bypass Road that we expect will generate substantial economic activity in St. Kitts & Nevis during the construction stage next year and during the operational stages for many years to come.

138. Of course, we remain committed to the view that ultimately development is about improving the quality of life of people. Any effective development strategy must touch people's lives in a positive way. Amartya Sen, a distinguished Nobel Laureate in Economics defines development as "the process of expanding the real freedoms that people enjoy." He goes on to argue that "sometimes the lack of freedom relates to economic poverty, which robs people of the freedom to satisfy hunger, or to achieve sufficient nutrition, or to obtain remedies for treatable illnesses, or the opportunity to be adequately clothed or sheltered, or to enjoy clean water or sanitary facilities." This year's budget seeks to expand the freedoms that people enjoy by providing the resources necessary to intensify the war that we have been waging against poverty and to address a range of social issues that impact negatively on the freedoms people enjoy.

139. Our continuing strong commitment to poverty alleviation and social development is manifested in the substantial level of resources that we have allocated to a range of social sector initiatives including the reconstruction of the Pogson Hospital; the provision of additional home-care officers to address the needs of our elderly; the construction of a number of community centres and sporting facilities, including the massive Warner Park Development Project, throughout the Federation; the establishment of a Legal Aid Clinic to guarantee adequate representation for the poor and underprivileged; and the implementation of the National Human Development Agenda to give strategic focus to our social development and poverty alleviation initiatives.

140. Development also entails the freedom of the citizens of our country to go about their business day by day without the fear of suffering injury or loss through the reckless or devious acts of criminals. This year's budget seeks to strengthen the ability of the police to address crime by allocating more resources to the construction of Police Stations; the procurement of modern equipment including computerized investigative and case management systems, radio equipment and fingerprinting equipment; the training of Police Officers; the operation of a Canine Unit; and the strengthening of the Joint Forces Patrol between the Police and the Army in Basseterre, Frigate Bay and the rural areas. Mr. Speaker, the Youths at Risk Project, including the construction of the Co-ed Juvenile Rehabilitation Centre, is also expected to support the work of the Police by allowing the early identification of young people at risk of becoming

hardened criminals and providing assistance and counseling aimed making them responsible members of our community.

141. During the course of next year we will pay particular attention to the overall structure and operations of the Force. In this regard, we have engaged the services of Mr. Orville Durant, a former Commissioner of Police of Barbados and currently a practicing barrister, to carry out the necessary study and evaluation with a view to making appropriate recommendations for the consideration of Government. We believe, though, that the Criminal Investigation Department (CID) requires even more urgent attention. We therefore commissioned a study by the British Police Expert, Mr. Colin Warburton, to identify any managerial or operational deficiencies in the Department, with a view to advising on their urgent correction. Of course, the fight against crime must be multi-disciplinary and must involve a broad cross-section of the community. We are hoping to achieve this through the establishment of the National Crime Commission which is expected to bring together the State, the Police and various NGO's to launch a major offensive against crime. Again we emphasize that law and order remains the first order of business of this Government.

142. But development goes beyond economic and social issues. It also relates to the strengthening of the legal and political institutions, systems and procedures that protect our people from fair and unjust treatment, guarantee their right and freedom to participate in political, economic and social decisions that affect them, and ensure that they can go about the business of earning wages, profits and other income free of any unnecessary impediments. The consultations with the Social Partners and the Economic Partners in respect of this year's Budget presentation testifies to Government's strong commitment to ensuring that our people are given adequate opportunities to influence Government policy. In this regard, during the first quarter of next year, we also intend to introduce new legislation relating to financial administration and procurement procedures that would take transparency in the public sector of this country to a new level.

143. However, in the final analysis, it is not the institutions, systems and regulations that will guarantee us a free, peaceful and orderly society. It is how our people relate to each other, and the extent to which people respect the rights and concerns of others. Employees have the right to demand a fair pay but employers have the right to expect a full day's work for a full day's pay. Businesses have the right to make a reasonable profit from the goods and services that they sell. In fact, profit is the engine that keeps an economy in motion. But consumers also have the right to expect value for their money. In general, we

must strive to create a society in which people with different interests and different political ideologies or religious beliefs can respect each other and work together in harmony, for the good of our country. We must bring an end to the animosity and tribalism that have pervaded the political life of our young nation. At this stage of our development we simply cannot afford the luxury of discord and division. The ship of State needs all hands on board.

144. My prolonged period of illness has given me much time for reflection. As I gave thought to the way forward for our country, I could not help but reflect on a passage from Book of Psalms "behold how good and pleasant it is for brethren to dwell together in unity." I am persuaded that we can accelerate the development process and progress even more rapidly to the achievement of the goals we have set ourselves if we work together in unity. I extend the hand of friendship to every Kittitian and Nevisian, and I stand ready to work in harmony with all individuals and groups in our society to implement the budget proposals and create a better tomorrow for us all.

145. Mr. Speaker, I so move.