

BUDGET ADDRESS 2014

STRENGTHENING THE SOCIO-ECONOMIC BASE FOR RECOVERY AND RECONSTRUCTION AFTER A NATURAL DISASTER IN A CONTEXT OF ON-GOING GLOBAL ECONOMIC UNCERTAINTY AND DOWNSIDE RISKS

by

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2014 BUDGET SPEECH

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A PREFATORY STATEMENT: INTERIM BUDGET 2014

Mr. Speaker, Honourable Members, the horrific, unforecastable, unpredictable, natural disaster ___ a one in a 100-years event, at least ___ which struck St. Vincent on Christmas Eve into Christmas Day 2013, and its consequences, have altered profoundly the immediate socio-economic context of the 2014 Budget. The upshot of this is that the 2014 Estimates which were approved in December 2013, and upon which the 2014 Appropriation Bill is based, has to be supplemented within the next four to six weeks or thereabouts. Accordingly, this Budget which is being presented today is interim in nature. This does not mean that it is provisional or temporising in fact or law. This Budget is aimed at strengthening our socio-economic base for recovery and reconstruction after a natural disaster in a context of on-going global economic uncertainty and downside risks. The Supplementary Estimates and Supplementary Appropriation Bill which would, of necessity and desirability, come to this Honourable House sooner rather than later would contain both altered and additional provisioning to reflect the profoundly changed circumstances of our country. Alterations and additions are to be expected on both the recurrent and capital sides of the approved Estimates.

It is unlikely that capital projects, for which funding has already been specifically sourced for particular projects and which are ready for imminent implementation, would be shelved. However, the scope of some existing capital projects is likely to be altered and additional allocations made. Further, capital projects of an urgent and critical nature not now present in the approved Estimates for 2014 would be included in the Supplementary Estimates for supplementary appropriation. Clearly, there would be a reshaping of budgetary priorities in accordance with the requisites of addressing effectively the extant humanitarian challenge arising from the natural disaster and of implementing in a focussed way the grand project of rehabilitation and recovery under the rubric **ARISE SVG WITH THE SIX R^s: Relief, Reconstruction, Roads (including bridges), River Defences, Reforestation, and Relocation (including Housing)**.

Now more than ever, Mr. Speaker, we must realise that nothing ever stands still. We must lift ourselves up to be stronger and better; we must go forward, not

backward. We must arise from this terrible natural disaster and human suffering in dignity and strength; we must meet the daunting challenges ahead with clarity of purpose, unity, discipline, hard and smart work; we must have faith in our individual and collective future, knowing always that faith is made perfect, made complete with deeds, with works; we must learn to love our neighbours like ourselves, and to practice that love, daily. Above all, we must heed the spirit and teaching of the prophet Isaiah [Chapter 41, verses 10-13]:

*"So do not fear, for I am with you;
do not be dismayed, for I am your God.
I will uphold you with my righteous right hand.*

*"-----For I am the Lord, your God,
who takes hold of your right hand
and says to you, do not fear,
I will help you."*

God the helper of Israel, of St. Vincent and the Grenadines, and of all nations, will fulfill His promise to us. He is a merciful God and we thank Him for the abundant blessings bestowed upon us!

Mr. Speaker, although my government is yet to finalise the full assessment of the damage and loss caused by the Christmas Floods and Landslides, it is evident from the preliminary appraisal that it will take hundreds of millions of dollars to tackle satisfactorily the combined humanitarian challenge and the rehabilitation and reconstruction exercise.

Excessive rainfall in the mountainous interior of the northern half of St. Vincent, particularly on the northeast and north-west, amounting to about 10 inches of rainfall in less than five hours, precipitated the extraordinary floods, landslides, and consequential loss and damage, the likes of which the country had never experienced in living memory. The rainfall distribution at five stations for the period 9:00 p.m. on the 24th December to 1:00 a.m. on the 25th December, 2013 was as follows: Owia, 10.21 inches (259.20 mm); Rabacca, 10.44 inches (265.30 mm); Rabacca Climate, 12.26 inches (311.40 mm); Belle Isle, 6.05 inches (153.70 mm); and Convent – Vermont, 7.98 inches (202.8 mm). At the E.T. Joshua Airport 3.12 inches (79.22 mm) of rainfall, fell.

Accordingly, the government declared a Level 2 disaster which is defined as follows: -

"An incident occurring within St. Vincent and the Grenadines for which local resources and response capacity are limited. Focussed specialised regional assistance is required such as the provision of technical assistance, specialised equipment, emergency funds and support personnel. Actions at this level may include the activation of the regional response mechanism and a request for international

support. A state of emergency/disaster area may or may not be declared."

A declaration of a "disaster area" was made, too, in respect of geographical locations on the western side of St. Vincent, including the Vermont Valley all the way down to Buccament Bay, Spring Village, Rose Bank, Dark View, Petit Bordel, Chateaubelair, Fitz-Hughes, and Richmond; and on the north-eastern side, including South Rivers, O'Brien's Valley, Dickson, and Spring Village, Georgetown, all the way north, up to Fancy. Over 11,000 persons or over 10 percent of the population of St. Vincent and the Grenadines were directly affected in these disaster areas. By December 31, 2013, over 50,000 persons or roughly 50 percent of the population were still adversely affected by extensive disruption of water supplies. The weather event was clearly a significant one of national proportions; it was neither localised nor merely episodic.

The havoc wrought to the physical infrastructure is huge: 14 bridges destroyed; 14 bridges severely damaged; several miles of secondary roads and feeder roads ravaged, making certain habitable and farming areas impassable; the many rivers overflowed their banks and caused widespread destruction; the forests have been substantially denuded beyond 10 percent of the total forest area; and 662 houses have been damaged or destroyed, some 300 of which, objectively-speaking, require relocation.

Occupants of these houses lost much or all of their belongings including the following items: furniture, stoves, fridges, beds and mattresses, cooking utensils, electrical appliances of one sort or another, laptops and computers, gas bottles, households pets, chickens, and pigs.

In less than five hours of rainfall, floods, and landslides, hundreds of families have been reduced from vulnerability to indigence, and from poverty to a "dirt poor" condition. Large numbers of people have been suffering harsh conditions as a consequence of the natural disaster, although the humanitarian response has eased some of the pain and hardship. The journey to recovery would be long and difficult. Psychological anguish or trauma is evident among the suffering and vulnerable people.

Most painful of all has been the loss of life. Nine persons died and three are still missing. Their names would long be etched in our personal and collective memory; an appropriate memorial must be erected. Their names are required to be here recorded. Dead are:

- ✚ Mr. Walsy Nanton, aged 74 of Rose Bank;
- ✚ Ms. Horna Nanton, aged 69 of Rose Bank;
- ✚ Ms. Hazel Baptiste, aged 51 of Rose Bank;
- ✚ Mr. Bernard Nanton, aged 24 of Rose Bank;
- ✚ Mr. Yowanie Nanton/Bartholomew, aged 18 of Rose Bank;
- ✚ Mr. Raymond Gonsalves, aged 62 of Manning Village, Byera;
- ✚ Mr. Desmond Wilson, aged 47 of Vermont;

- ✚ Miss Keslia James, aged 18 of Cane Grove;
- ✚ Miss Sharlan Headley, aged 2 of Cane Grove and Canada;

The missing persons are:

- ✚ Mrs. Josel Morgan-Small, aged 27 of Rillan Hill;
- ✚ Ms. Sheila Edwards, aged 36 of Buccament; and
- ✚ Ms. Inka Jack, aged 12 of Buccament.

The preliminary assessment of the damage tells a horrendous story:

1. The actual material damage to 662 houses is estimated at \$24.6 million. Assuming that a relocation of 300 of these houses is to be done, the cost to the housing sector would be an estimated \$45 million.
2. The clean-up cost to be incurred by BRAGSA, \$5 million.
3. Damage and loss to the Milton Cato Memorial Hospital, \$5.5 million.
4. Damage and loss to CWSA, \$12.0 million.
5. Damage and loss to VINLEC, \$23 million.
6. Damage and loss to private sector businesses, outside of agriculture, \$5 million.
7. Damage and loss to the agricultural sector, livestock and fisheries, \$8.4 million [over 1,100 farmers].
8. Damage and loss to the physical infrastructure [roads, bridges, river defences, two police stations], \$221.1 million.
9. Damage and loss to forest, \$24 million.
10. Estimated cost of damage and loss to household items, \$7 million.
11. Estimated cost of providing relief/humanitarian support to affected families for 6 months, \$2.4 million.

The aggregate cost of the damage and loss, is estimated, preliminarily, at \$330 million. This amounts to over 17 percent of the Gross Domestic Product (GDP) of St. Vincent and the Grenadines. This aggregate number is the preliminary estimate of the Government of St. Vincent and the Grenadines. Experts from the World Bank have provided a preliminary estimate of EC \$291.4 million or over 15 percent of GDP. The World Bank's number underestimates the damage to agriculture by nearly \$5 million, and does not include any damage assessment of the forests. However, the Food and Agriculture Organisation (FAO) estimates damage and loss to the agricultural sector at EC \$8.4 million, and to forestry at EC \$24 million. The Government's estimate is slightly higher than that of the World Bank's in a few

areas, but is at one with the Bank on the major areas of infrastructure, housing, health, electricity, water and sewerage. It is a monumental blow to our society and economy; damage and loss of between 15 – 17 percent of GDP is huge and devastating.

The swift and focussed response to the disaster by the government, the state agencies, the private sector, the civil society organisations, the regional and international communities, the Vincentian diaspora overseas, and the resilient people of St. Vincent and the Grenadines as a whole, ensured that the immediate humanitarian/relief challenge did not metamorphose into a humanitarian disaster. A continuing humanitarian challenge exists, but it is being creditably managed. Still, much work remains to be done.

Mr. Speaker, the government has been very active and focussed in providing leadership to the recovery and rehabilitation process. Immediately we have had to address the humanitarian relief challenge and remediation, however makeshift or temporary, of the physical infrastructure. At the same time we have to lay the basis for the very costly medium-term recovery and rehabilitation.

Within days of the natural disaster, the State-owned VINLEC restored electricity to all of St. Vincent. Similarly, several critical facilities such as the E.T. Joshua Airport and the Milton Cato Memorial Hospital (MCMH), which were flooded, were made fully operational swiftly with prompt remedial work. In the case of MCMH, four of its wards, including the pediatric ward, had to be temporarily located. Several pieces of medical equipment at MCMH were damaged and/or destroyed; and the vital CT-Scan Machine, the only one in St. Vincent and the Grenadines, which was rendered inoperable by the floods, is unlikely to be up and running before the end of February, 2014, at the earliest. Other restorative work at the hospital is proceeding apace.

Within three hours of the torrential rains, eight of the eleven water systems of CWSA were put out of commission; extensive restorative work was required. The heroic efforts of the management, staff, and ancillary employees of CWSA ensured the resumption of water supply, in stages, to substantially the entire island by January 04, 2014. Throughout the period of water shortage, the CWSA in conjunction with the Emergency Operating Centre (EOC) of the National Emergency Management Organisation (NEMO), the Ministry of Works, the helicopter service of the Government of Trinidad and Tobago, other governments and external agencies, the private sector, other entities such as the Red Cross and the Mustique Charitable Trust, Churches and caring nationals, assisted with the distribution of water to those communities which were in need.

Meanwhile, NEMO spearheaded the establishment of eight (8) shelters: Five (5) of them at schools, two at Learning Resource Centres, and one at the Academy in Richmond Vale; over 300 persons were initially in the shelters. By January 05, 2014, seven shelters remained open with 225 persons. Another four hundred persons were provided with food packages. By the weekend of January 11, 2014, the shelters in the five schools were closed and the occupants housed in Learning

Resource Centres or Community Centres, in houses rented by the government, or in dwelling-places of families or friends. Five shelters currently are in operation with 175 occupants. All schools reopened for instruction, one week late, on January 13, 2014. Affected persons in the communities are being provided with on-going relief through NEMO and other governmental and non-governmental agencies.

At the same time, the Ministry of Health has been carrying out a programme of psychological and social counseling of the affected persons with professional health personnel and the counselors employed in the educational system. While we attend to the individual and community material needs of affected persons, it is important to provide support services of psychological and social counseling and guidance to them.

Immediate material help to assist in meeting the humanitarian relief challenge came from governments, institutions, and agencies regionally and internationally. We are most grateful. The response, particularly from regional governments and institutions, gives life and meaning to our Caribbean Community.

The government of St. Vincent and the Grenadines is mobilising resources, financial and technical, for the grand rehabilitation and recovery project. To this end, we have been in contact with the governments of several traditional and non-traditional allies. Importantly, too, my government has been engaged in relevant dialogue on rehabilitation and recovery with the local financial institutions and contractors from St. Vincent and the Grenadines and the region, the World Bank, the European Union, the Caribbean Development Bank, the ALBA-Petro Caribe nexus, UNDP, the OAS, ECLAC, PAHO, ILO, the OECS and CARICOM. More details on these contacts, dialogues, and mobilised resources will be available at the time of the presentation of Supplementary Estimates and the Supplementary Appropriation Bill.

Mr. Speaker, even in these early days of recovery and reconstruction, beyond the relief or humanitarian effort, it is evident that a priority list of actions must include:

1. Repairing the damaged houses, rebuilding those which were completely destroyed, and relocating those houses which are in imminent danger.
2. Providing stoves, fridges, and mattresses, which were damaged or destroyed, to the persons who have been affected.
3. Completing the cleaning up by BRAGSA.
4. Rebuilding, with urgency, destroyed or damaged bridges, including those at: Caratal, Miss Jane, Belle Vue, Caro Point Ford (Sandy Bay), God-Save-the-Queen Bridge (Overland), London Bridge, Bottom Town Bridge (Owia), O'Brien's Valley, Vermont, Dark View, Top Sharpes (Chateaubelair), Kakarta (FitzHughes). Temporary Bailey Bridges have to be installed at several of these and at other locations.

5. Engaging immediately with restorative work as follows, among others: Buccament-Vermont River Defence, River Defence in Spring, River Defence at the Teviot-Zenga Rivers, River Defence and the Playing Field Wall at Sandy Bay, River Training in Fancy, Slope Protection at Belle Isle and Dark View, and River Defence at South Rivers.
6. Promptly reviewing for speedy corrective action pre-existing projects such as Mt. Young Bridge, the Congo Valley Road and Bridges, and Perseverance Road and Bridges.
7. Immediate grading and basic restorative work on several miles of feeder roads particularly in North Windward, North Central Windward, South Leeward, and North Leeward.
8. Prompt basic restoration of village and secondary roads in all affected areas.
9. Addressing immediately the rebuilding of the agriculture and livestock sub-sectors in the affected areas.
10. Initiating measures for reforestation and curbing the irresponsible behaviour of forest users.
11. Moving swiftly to restore the damage and loss at the Milton Cato Memorial Hospital (MCMH), the Central Water and Sewerage Authority (CWSA), and the St. Vincent Electricity Services (VINLEC).
12. Assisting the damaged private sector businesses in their rebuilding.

Mr. Speaker, nearly 80 percent of the damage and loss occasioned by the storm are in the physical infrastructure (Roads and Bridges: EC \$222.1 million; VINLEC: \$23 million; CWSA: \$12 million). Additionally, damage and loss to Housing is \$24.6 million; and \$24 million to Forestry. Clearly, the recovery and reconstruction programme has to be phased. In this regard, the various Ministries are at work in planning the work programme for implementation over time. The Chief Engineer, for example, has already provided me with a preliminary list of "MUST DO" projects immediately, and his Office is addressing the scheduling of the medium-term reconstruction. And then, there is the critical issue of mobilising the financing for all of this, in addition to the necessary on-going capital projects and normal government operations. More on the financing of the reconstruction would be addressed when I return to this Honourable House within six or so weeks with Supplementary Estimates and a Supplementary Appropriation Bill.

Mr. Speaker, a normal rule-of-thumb is that between 10 – 15 percent of the estimated damage and loss is required immediately to commence the rehabilitation and recovery, beyond the humanitarian relief. Accordingly, I am immediately mobilising, at least, between EC \$35 and \$50 million in new monies. Thus far, I have assembled over \$30 million, including some \$10.5 million in credit for building

materials. I am confident that my government will be able to access the resources immediately required. On the medium-term reconstruction, my government is already exploring avenues for financing. The presentation by the World Bank team of experts of their preliminary “damage and loss” assessment, which I accept for this purpose, to the representatives of several governments last Friday (January 17, 2014) in Barbados is an important staging-post in what would be a challenging exercise.

Mr. Speaker, it is being proposed that sometime within the next three months, an International Donors’ Conference be held to receive pledges for the rehabilitation and recovery processes in the countries affected by the Christmas disasters, namely, Dominica, St. Lucia, and St. Vincent and the Grenadines. The Chairman of the OECS, Prime Minister Spencer of Antigua and Barbuda is leading this quest with the support of the OECS and CARICOM Secretariat. The assessments by the respective governments of these three affected countries and the reports by the World Bank, the FAO, and ECLAC would provide background material and context for the Conference.

Mr. Speaker, this Budget address seeks to lift the level of discourse on our nation’s socio-economic condition in the extant circumstances by placing the macro-economic options before us, and setting out an appropriate strategic path. Accordingly, I turn first to the general and specific issues and considerations arising from our recent economic history and which underpin the broad strategic thrust and relevant details of the Appropriation Bill 2014 emerging from the Approved Estimates for 2014, in our quest to fortify the country’s socio-economic base.

SUMMARY OF SOME RELEVANT SOCIO-ECONOMIC ISSUES: 2001 – 2014

Mr. Speaker, Honourable Members. This is my 13th consecutive Budget Speech as Minister of Finance. When the Unity Labour Party (ULP) was elected to Office on March 28, 2001, we inherited an economy, polity, and society in severe distress; an administrative apparatus in shambles; and an awful international image.

The details of the economic, social, and political distress are a matter of record and have been documented elsewhere by objective observers, and do not require repetition here. But they are of relevance in grasping the journey my administration has had to travel in cleaning up the mess we met and in moving our country forward, in progress.

Mr. Speaker, the broad economic history of the last three decades would show that moderate-to-robust economic growth of the 1980s had given way after 1992, the last year of unrestrained market preferences in Britain for our bananas, to a condition of low-to-below-moderate economic growth in the 1990s. Economists speak of the “secular stagnation” which had gripped an economy like St. Vincent and the Grenadines. Increasingly, the economy was becoming more dominated by services, including tourism services, but the vital personnel, educational, social and infrastructural development were not being addressed sufficiently, or at all, to

accompany and underpin the alterations in the economy itself. For example, an appropriate impetus for education and training was lacking. Further, there was no forward movement to build an international airport at Argyle or a jet airport in Canouan to accelerate tourist arrivals. Moreover, the legal and institutional framework for a sustainable development in international financial services consistent with global best practices was not in place and was not seriously contemplated. Other vital areas of a modern, post-colonial economy, nationally, in a competitive regional and global economic setting were woefully neglected.

Mr. Speaker, very early, the ULP administration moved away from the policy limitations of the preceding 17 years and adopted a sustainable, people-oriented path to development. Steady, moderate economic growth, with some upward spikes, marked the 2001 – 2007 period, inclusive. The period 2008 – 2013 experienced negative or low economic growth rates as a consequence of a bundle of external factors. Still, St. Vincent and the Grenadines has held things together and has made solid progress on a number of indicators reflecting improvements in the condition of life and infrastructural development.

Mr. Speaker, the economy of St. Vincent and the Grenadines has been battered over the past five years by a combination of externally-sourced factors or circumstances, including: the global economic downturn from September 2008, and continuing; the on-going elevated oil prices; a string of natural disasters manifesting deleterious climate change, globally; the virtually complete removal of market preferences in the United Kingdom for our principal export commodity, bananas; and the meltdown of two regional insurance giants, CLICO and BAICO with liabilities for St. Vincent and the Grenadines amounting to 16 percent of Gross Domestic Product (GDP). These exogenous shocks have occurred in a context of a small, structurally-dependent, heavily-indebted, resource-challenged, vulnerable, open economy which is St. Vincent and the Grenadines, and against the backdrop of weak, under-capitalised indigenous banks and other financial institutions regionally in the Eastern Caribbean Currency Union (ECCU).

An economy with a weak or limited internal demand like St. Vincent and the Grenadines is by definition vulnerable and is, by itself, incapable of generating self-sustaining growth. Accordingly, economic growth and development depend on its capacity to produce goods and services competitively not only for consumers at home, but importantly for those who reside overseas or who come to St. Vincent and the Grenadines as visitors/tourists.

The productive capacity and the volume of the production of goods and services in the economy of St. Vincent and the Grenadines are substantially a function of the extent of the mobilisation of domestic resources (land, labour, capital, management) and external supports (capital, technical and managerial skills) in a requisite enabling environment, in the context of viable, sustainable consumer markets. The efficacy of the governance arrangements, the quality of the physical and socio-cultural infrastructure, and the array of appropriate public policies facilitate the creation of the environment for optimal living and production. Education and training are vital in the development of a quality and adaptable

labour force, including management. A sound, competitive financial system, domestically, but with external linkages, is required for the mobilisation of financial resources. Foreign direct investment, grants and soft loans to the government, and remittances from our diaspora overseas, are the critical levers for externally-sourced public and private investment. The development and modernisation of the physical and socio-cultural infrastructure (airports and air transport, seaports and sea transport, roads, telecommunications, electricity, water, housing, solid waste disposal, health and social security, sports, culture and entertainment, religious worship) to a sufficient level, are essential to the enterprise of modern life and production.

The ULP government's public policies and their implementation have been directed to all of these essentials and more. They constitute the central features of the government's praxis. But behind these seemingly lifeless categories are real flesh-and-blood people who daily give expression to life, production, and consumption. The people and their manifold interactions and inter-connections make up the fascinating study of political economy, which includes, but goes beyond the important, yet narrow, confines of the fiscal issues.

At the level of the central government, certain significant consequences flowed from initiatives taken to reorient our economy and society onto a more balanced developmental path. Both recurrent and capital spending increased substantially over the past 13 years; even after discounting the 2014 expenditure numbers by one-third to take account of inflation, central government spending is much higher now than in 2001.

Among the results of our policies in vital spheres of government, include:

1. An increase in the number of public servants by almost one-third, from approximately 5,000 to roughly 6,300. The increase was most marked in the areas of education, health, and national security.
2. A sharp rise in salaries occasioned by annual increments, pay increases, bonuses, and an extensive reclassification exercise. These increases, cumulatively, went way beyond, at least by one-third, the inflation rate for the period 2001 to 2013, inclusive.
3. In 2001, wages and salaries amounted to EC \$142.4 million, and the sum of EC \$14.6 million was allocated for Pensions and NIS; in 2014, the approved Estimates for wages and salaries is almost double the 2001 figure and stands now at EC \$271.42 million. The 2014 figure for Pensions and NIS contributions is EC \$52.3 million, nearly thrice the 2001 figure. These 2014 numbers under-estimate the full extent of these increases since in 2014, employees who were on the central government's payroll in 2001 are now in new statutory entities such as the St. Vincent and the Grenadines Community College, BRAGSA, St. Vincent and the Grenadines Tourism Authority, National Parks, Rivers and Beaches Authority, and the St. Vincent

and the Grenadines Standards Bureau; they are now accounted for separately.

4. Several notable recurrent programmes have expanded markedly, including the following:

- (i) Social Welfare, including Public Assistance in 2001 amounted to just under EC \$10 million; in 2014, the budgeted sum is in excess of EC \$25 million;
- (ii) Recurrent spending on educational programmes through the Ministry of Education amounted to EC \$55.6 million in 2001; in 2014, the comparable figure is EC \$112.78 million, twice the 2001 spending. Additionally in 2014, expenditure on tertiary education is in excess of EC \$14 million, nearly three times the figure in 2001.
- (iii) Recurrent spending on the Police, Fire, and Coastguard Services in 2001 amounted to EC \$24.93 million; in 2014, the comparable figure is EC \$41.2 million.
- (iv) Recurrent spending on Health and the Environment amounted to EC \$38.32 million; in 2014, the comparable figure is EC \$63.3 million.

5. New recurrent programmes after 2001 include the following with their 2014 budgetary allocations:

- (i) Youth Empowerment Service (YES) Programme : EC\$3 mn
- (ii) Home Help for the Elderly : EC\$1 mn
- (iii) Transport Subsidy for School Children : EC\$0.84 mn
- (iv) Duty-free concessions annually on Christmas Barrels : EC\$2 mn
- (v) Revolving Farmers' Support Fund : EC\$6mn
- (vi) Special Housing Material Support For the Poor : EC\$2mn
- (vii) Support for Employment and Training for Post-Secondary and University Graduates : EC\$1.5m
- (viii) Establishment of diplomatic Missions in Havana and Caracas and Consular Office in New York : EC\$3.2mn

(ix)	Establishment of NEMO	:	EC\$0.7mn
(x)	Adult and Continuing Education	:	EC\$2.4mn
(xi)	Pre-Primary Education	:	EC\$1.49mn
(xii)	Maritime Administration	:	EC\$0.32mn
(xiii)	Energy Unit	:	EC\$0.31mn
(xiv)	Regional Integration and Diaspora Unit	:	EC\$0.26mn

6. The implementation of a huge public sector investment programme in the areas of roads and bridges, airport development, education, health, national security, water and electricity, housing and lands, air transport, disaster management, tourism and agriculture, public administration, sports and recreation, community and social development.
7. The reformation of the tax system to engender fairness and equity, a reduction of the tax burden, efficiency in tax administration, and the facilitation of socio-economic development.

In the light of all this, a reflection on some central fiscal issues is required.

SOME CRITICAL ISSUES OF FISCAL POLICY

Mr. Speaker, in my speech in this Honourable House on the occasion of the presentation of the 2013 Budget, I drew attention to the fact that the economy of St. Vincent and the Grenadines is “*sui generis*” ___ of its own kind; unique. Accordingly, I laid out a series of practical issues for policy consideration. Among other things, I addressed critically the oft-repeated, general advice of the IMF for “*emerging markets and developing countries*” to embark upon the policies of fiscal tightening and monetary easing in the context of downside risks and global economic uncertainty, insofar as the small, vulnerable, open economies of the ECCU are concerned.

I insist that this general advice from global financial institutions must always pass the tests of relevance, appropriateness, and a correct reading of our region’s economic history, for us to embrace it. I repeat: the small, open, dependent island economies in the ECCU are “*sui generis*”. Analysis and prescription must recognise this; and we must have the intellectual rigour and confidence to say so.

Accordingly, a correct fiscal policy in the current domestic and external circumstances has, as I stated in my Budget Address, “to be creatively sculptured without unbalancing the overall economy and weakening internal demand. A correct fiscal policy balance has to be struck between the requirement of permissible fiscal buffers over time, and the need to stimulate further the economy.”

Mr. Speaker, over the almost thirteen years of this ULP government, there has been extensive assessments of our fiscal policy. In the period 2001 to 2008, inclusive, prior to the global economic meltdown, the discussions centred on the efficacy of

my government's counter-cyclical fiscal policy which contained two central elements: an increase in public spending (recurrent and capital), and a reduction of corporate and personal income taxes to enhance private consumption and investment. Such a policy option was justified in the extant circumstances so as to enhance the quality of life and create wealth and employment

My government acknowledged that a counter-cyclical fiscal policy was only sustainable for a relatively short period of time. Accordingly, by 2006, a tapering off of the recurrent expenditure increases was in place, save and except, for the significant salary increases for public servants (including teachers, police officers, and medical/nursing personnel) due especially to the implementation of a "Reclassification Exercise in the Public Service" in 2007. On the capital side, there was focussed, necessary, developmental expenditure.

In July 2008, oil prices skyrocketed internationally to US \$147.50 per barrel; and in September 2008, Lehman Brothers collapsed giving rise to a financial crisis which metamorphosed quickly into a horrendous global economic depression, the worst for almost 100 years. On August 13, 2008, my government commenced the planned construction of the Argyle International Airport, an absolute economic necessity, and the largest capital project ever in St. Vincent and the Grenadines, estimated to cost roughly US \$265 million, or some EC \$700 million.

Globally, after 2008, the fiscal response oscillated between "austerity" and "stimulus". In St. Vincent and the Grenadines, we considered "austerity" to be counter-productive; instead we fashioned some fiscal space for a measured "stimulus" package. So, to suit the specific, unique circumstances of our country's economy and fiscal condition, we advanced the fiscal framework of "prudence and enterprise". "Prudence" on all fronts especially on recurrent expenditure, but focussed enterprising fiscal activity through the targeted capital spending of the central government and the capital budgets of state enterprises such as VINLEC, CWSA, National Properties Limited, National Lotteries Authority, Petro Caribe, and the International Airport Development Company. At the same time, vital reforms were introduced in tax administration so as to enhance tax collection without increasing the rate of taxation.

In my Budget Addresses from 2009 onwards, my government made it plain that it will not succumb to an ill-advised "austerity" advocated by some locally, regionally, and internationally. I have listened to their mantra of severe cut-backs in recurrent spending and of tax increases. In St. Vincent and the Grenadines their "austere" expenditure cuts would undoubtedly include a socially indigestible menu: Abolishing the YES Programme and the Home-Help-For-The-Elderly Programme; cutting public assistance; removing the payment of annual increments to public servants; cutting sharply the allocations to goods and services, materials and supplies, including medical supplies; laying-off workers and public servants; cutting subventions to the St. Vincent and the Grenadines Community College, some other public enterprises, and the University of the West Indies; slashing payments to students of the School of Nursing and grants to University students; removing duty-free concessions on Christmas barrels and to religious institutions; cutting back on special employment

for road cleaning; rolling back the housing and land distribution programme for low-income and poor persons; shelving implementation of the Support for Employment and Training Programme for College and University graduates; and delaying the implementation of the Farmers' Support Programme. From these aggregate cutbacks at least EC \$65 million could be "saved". But my government will not take that route in slashing spending in this "austere" way.

The advocates of fiscal austerity also recommend tax increases, including on VAT, which they suggest could yield at least EC \$20 - \$30 million in additional revenues. But my government will avoid that kind of austere action. I await with great interest the recommendations of those in this Honourable House who clamour for "austerity", a "balanced" budget, and a "surplus" on the current account at a time of continuing global and regional economic uncertainty and downside risks, and low growth in the domestic economy.

"Prudence" is to be distinguished from "austerity". Prudence means careful spending; it demands sensible expenditure controls; it calls for the elimination of waste, and an efficiency in expenditure. It summons a fair and efficient system of taxation and its administration. Austerity, on the other hand, means a harsh application of spending cuts and the avoidance of necessary and desirable expenditure; and an increase in the tax burden. Prudence, when coupled with enterprise, leads to economic growth; austerity presages continued low-growth and socio-economic hardship, particularly in the current global and regional economic circumstances.

Whatever the applicability of this austerity thesis elsewhere, it holds no resonance in an economy like that of St. Vincent and the Grenadines. First, it must surely be realised that most of government's borrowings are external to St. Vincent and the Grenadines by way of soft-loans from international entities such as the World Bank, the Caribbean Development Bank, the ALBA Bank, the Petro Caribe, and friendly countries such as Taiwan and Venezuela. Thus, the theses of the government "sucking up" capital and "crowding out" private investment have limited validity. Indeed, there is an excess of liquidity in the domestic commercial banking system. Secondly, the domestic private sector, generally, loses confidence when the government refrains from spending, not when it ramps up public spending. Further, and most importantly, the restoration or achievement of competitiveness has less to do with a deflation occasioned by a home-grown austerity and more to do with other internal factors (cost of investment monies, labour and managerial efficiencies, the extent of the "business friendliness" of public administration, and so forth) and a set of exogenous economic/financial variables.

It is axiomatic that prudence, efficiency, effectiveness, and accountability in public finance are most desirable. Sustainable debt management is obviously a critical factor in the overall management of public finances. Further, all things being equal, it is preferable to run a surplus on the current account, or indeed on the overall account (recurrent and capital), than to run deficits. But in an economy such as St. Vincent and the Grenadines, and in the current global and regional economic context, all things are not equal. Accordingly, fiscal prudence, reasonable

enterprising risks, and manageable public debts are an admixture worth pursuing to engender economic growth, create wealth and jobs, and strengthen the social safety net. Thus, to those who query: "What's wrong with austerity?" I answer emphatically: Austerity is a dangerous idea because it does not and cannot work in a socio-economic milieu like St. Vincent and the Grenadines. Austerity may balance the books, but it will certainly unbalance the country.

THE ECONOMY AND ITS STRATEGIC PATH

Mr. Speaker, Honourable Members, it is important for us to remember that the economy is much more than what the government does in the fiscal sphere, vital though that is. Workers, farmers, managers, bankers, hoteliers, manufacturers, the electricity provider, and telecommunications companies, and assorted producers of one kind or another, produce and trade in goods and services. Domestic and foreign investors start up business enterprises to create wealth and jobs, and provide taxes. It is evident that, by far, the bulk of the volume and value of the goods and services produced in St. Vincent and the Grenadines is aggregated, cumulatively, by, and through, the private sector, even though the single largest employer of labour and the single largest investor is the public sector.

So, the state sector looms large in the economy, but the growth engine is located, collectively, primarily in the private sector. The cooperative economic sector completes the triad which works in a harmonious whole across the range of economic activities. The small size of the domestic economy and its integration, in a dependent position, into the global economy, conspire to elevate the critical importance for us of that global economy, foreign direct investment, external trade in goods and services, and the political economy of state-to-state relations.

Despite all the challenges to the economy of St. Vincent and the Grenadines in the post-2008 global economic slow-down, and continuing, we have been able to withstand its worst effects compared to some other small-island economies, including in the Caribbean. Several reasons account for this: First, significant population centres are located in areas which produce agricultural commodities and fish; thus, food for sustainable living poses much less a problem than in some other island economies. Secondly, out of an active labour force of roughly 45,000, some one-fifth (10,000) is employed in the public sector. Thirdly, three important entities employ a significant number of persons: the Mustique Company and the Canouan Development projects, 1,000 employees each; and the Cruise Ships, especially the Royal Caribbean Cruise Line, employ about 2,500 on them. Thus, these three private employment sources and the state sector employ some one-third of the active labour force; the nature of these four sets of enterprises means that they have, thus far, been able to withstand the worst employment effects of the global economic crisis. Fourthly, significant investment in Canouan, at Buccament, and in the state sectors (central government and public enterprises) has kept investment at reasonable levels. At the same time other foreign and domestic investors have contributed admirably. Fifthly, there has been little or no fall off in remittances from aboard which account for around 7 percent of GDP. Sixthly, significant capital inflows to the public sector have occurred through grants

and soft loans. Seventhly, our people's resilience, adaptability, and productive endeavours have helped in the economic stabilisation in a particularly challenging period. And finally, our government has managed the socio-economic apparatus sensibly and well.

The rural economy has taken a particular battering because of the decline in the banana industry ___ measured at first and then more sharply ___ owing to the almost complete removal of the market preferences for our bananas, and the evolution of altered market conditions, in the United Kingdom. Partially compensating economic activities in the rural areas have come from agricultural diversification and through increased employment of sections of the rural population in the public sector, and in the private sector on mainland St. Vincent and in the Grenadines, particularly in construction, tourism, and wholesale/retail services.

Mr. Speaker, Honourable Members, given that socio-economic backdrop, the strategic path for our economy's development and job creation includes the following specific policy directions in the short-to-medium term:

1. The delivery of cheaper electricity in continued reliability, through renewable energy sources of geo-thermal and solar, and further enhanced efficiencies of the hydro and diesel plants.
2. The further consolidation and expansion of the Education Revolution so as to lift teacher quality and improve markedly student results generally but especially in the areas of mathematics, applied science, technology, and assorted skills required for life, production, and the optimal development of a modern, competitive economy.
3. Sectorally, the focus is on agriculture and fisheries, tourism, information technology, manufacturing, construction, financial and other services, including the cultural and entertainment industries. In all these economic sectors, the government's policy is directed not only toward the creation of an "enabling environment", but also to partnering with the private sector, for example, in farm investment and the construction/expansion of hotels.
4. The modernisation of the health sector to better deliver all-round quality health care.
5. The completion and operation of the Argyle International Airport to enhance air access.
6. The further improvement of the country's physical infrastructure including seaports, airports, roads, and housing.
7. The continued delivery of reliable and quality telecommunications and water at competitive prices.

8. The improvement in air and marine transport between St. Vincent and the Grenadines and other countries and within St. Vincent and the Grenadines.
9. The further development of sporting and cultural facilities.
10. A continuing emphasis on disaster preparedness within the context of a robust public policy on the existential issue of global climate change.
11. The further strengthening of a sustainable safety net for the poor and the retired persons.
12. The further improvements in the delivery of good governance, including the strengthening of citizen security, the enhancement in the quality and efficiency of public administration services, the robust protection of individual rights and freedoms, the further bolstering of responsive and responsible democratic government, and waging the ongoing fight against corruption.
13. The pursuance of a fiscal policy of “prudence and enterprise”, sustainable control of any deficit, and more efficient tax administration.
14. The deepening and broadening of regional integration.
15. The further advancement of an activist, independent, principled and pragmatic foreign policy lodged within the contours of the core principles in the Charter of the United Nations and in accordance with the interests of the people of St. Vincent and the Grenadines.

Within the context of these strategic policy directions, the following practical measures, among others, are being currently undertaken by my government:

1. The completion of the Argyle International Airport before the end of 2014, and its operation immediately thereafter. Our investment in LIAT and our role in strengthening the oversight capacity of ECCAA are all part of the enhancement of air access.
2. The activist unfolding of a partnership between the government and VINLEC and the external entities of Emera, Reykjavik Geothermal, and the Clinton Climate Initiative on the Geothermal Project with the aim of constructing an initial 10MW plant by the end of 2017.
3. The building of a potentially fruitful partnership between the government and VINLEC and NRG of the USA to provide substantial solar energy.
4. The further elaboration of practical plans to construct a modern city at Arnos Vale on the site of the E.T. Joshua Airport after the commencement

of operations of the Argyle International Airport. Additional transport linkages between Arnos Vale and Kingstown are part of the plans.

5. The modernisation and relocation of Port Kingstown. In addition to the preliminary study for its relocation to the western end of the city; the study on the matter has been extended, by the Caribbean Development Bank, to include consideration of Arnos Vale for relocation.
6. The continuance of significant private sector investment, including foreign direct investment, in tourism, agriculture, telecommunications, energy, construction, wholesale and retail trade.
7. The pursuance of a programme of fiscal consolidation within the framework of "prudence and enterprise" so as to ensure, among other things, that fiscal deficits and debts stay within manageable limits. The revenue collection and tax administration measures are part of this overall exercise.
8. The provision of substantial capital resources in the 2014 Estimates under the classification "Economic Affairs" include:
 - (i) An allocation of \$97.5 million towards the Argyle International Airport;
 - (ii) \$4 million for the Agricultural Modernisation and Development Programme under an European Union grant of some \$34 million over a three year period as "Banana Accompanying Measures" (BAM);
 - (iii) \$6 million for the Farmers' Support Revolving Fund;
 - (iv) \$7.3 million for Tourism and Private Sector Development;
 - (v) \$2.1 million for CARCIP, a regional telecommunications project in the public sector;
 - (vi) \$1.0 million to complete the ICT Centre;
 - (vii) \$7 million for the Rehabilitation of the Leeward Highway out of a CDB soft loan of \$44 million for this 24-month project;
 - (viii) A \$4 million expenditure allocation towards the Rehabilitation of the Vigie Highway;
 - (ix) \$1.2 million for the Rehabilitation of Murray's Road;
 - (x) A \$2.2 million allocation for this year's expenditure on the Langley Park River Basin Rehabilitation; and

- (xi) \$2 million for the Kingstown Bus Terminal Redevelopment.
9. The provision of capital resources in the 2014 Estimates for Education, aimed at improving the school plant, developing further technical and vocational education, integrating ICT within the teaching-learning process, and lifting the delivery of teacher quality. Specific projects for 2014 include:
- (i) One-Laptop-Per-Child for Secondary and College Students: \$13.6 million
 - (ii) A further \$4 million for the Improvement of Education through ICT;
 - (iii) \$4.6 million for Tech Voc Education and Training;
 - (iv) A \$1.5 million Support Employment and Training (SET) Programme for College and University graduates;
 - (v) A further \$4 million for the Basic Education II Programme for Pre-Primary, Primary and Secondary Education;
 - (vi) A further \$1 million for the Book Loan Scheme.
10. The provision of huge sums of capital resources in 2014 to the Health Sector including:
- (i) \$9 million for the Modern Medical Complex at Georgetown scheduled for completion by the end of 2014;
 - (ii) \$9.4 million for the Modernisation of the Health Sector through a grant from the European Union of \$35 million to be spent over three years;
 - (iii) \$1.2 million towards the Refurbishment of the Milton Cato Memorial Hospital (MCMH);
 - (iv) A further \$0.6 million for the purchase of equipment for the MCMH.
- Mr. Speaker it is to be noted that the categories "Economic Affairs", "Education", and "Health" account for 81.2 percent of the capital budget for 2014, approved in the sum of \$257.1 million.
11. The on-going implementation of a \$54 million soft-loan from the World Bank touching and concerning disaster preparedness and climate change under the rubric of the Regional Disaster and Vulnerability Reduction Programme (RDVRP). This is a 5-year project. Capital expenditure on it in 2014 amounts to \$8.2 million.

12. A recurrent expenditure budget plus Amortization and Sinking Fund Contributions of \$654.4 million in which strategic objectives are met under nine functional classification heads, four of which (General Public Services, Education, Economic Affairs, and Social Protection) account for 78.4 percent of recurrent expenditure as follows:
- (i) General Public Services: \$224.8 million or 34.4 percent of recurrent spending. This head covers, among other things, interest on the public debt, amortization of the debt, and pensions and retirement benefits;
 - (ii) Education: \$125.6 million or 19.2 percent of the recurrent budget;
 - (iii) Economic Affairs: \$86.6 million or 13.2 percent of the budgeted sum for recurrent spending; and
 - (iv) Social Protection: \$76.2 million or 11.6 percent of the recurrent budget.

Mr. Speaker, this government does not govern without a clear developmental framework regionally, nationally and sectorally. Accordingly, late last year (2013), we launched formally the Economic and Social Development Plan for St. Vincent and the Grenadines, 2013 to 2015. This is to be read in the context of a deepening regional integration in the OECS, CARICOM, PetroCaribe, ALBA, and CELAC. Further, plans exist or are being updated or further elaborated for a host of sectors or subject areas including Education, Poverty Reduction, Health, Tourism, Agriculture, Social Development, Pensions, Public Expenditure, the Police Force, Energy, Port Development, Road Transport, Culture and Sports. My budgetary proposals fall within the frames of these various plans. Coherence is evidently at work.

Mr. Speaker, our plans can go awry if the external economic challenges arising from the global economy and nature, do not subside or are ameliorated. What, therefore, is the external economic prognosis?

Let us first state the basic facts in summary form. In 2013, the economy of the USA experienced real growth of a less-than-moderate 1.6 percent; the International Monetary Fund (IMF) has forecast economic growth in the USA at 2.6 percent for 2014. So, in 2014, the world's largest economy is poised to pick up on its growth rate. In the Eurozone countries, there is a marginal, gradual progress from a 2013 growth rate of minus 0.4 percent and an IMF forecast of 1 percent in 2014. In China, growth is expected to slow somewhat from 7.6 percent in 2013 to a forecasted 7.3 percent in 2014. In the emerging markets such as Brazil, Russia, India, Turkey, Mexico, and South Africa, there is a cautious wait-and-see from a growth rate in the aggregate of 4.5 percent in 2013 to an IMF forecast of 5.1 percent in 2014, but loaded with downside risks.

The cumulative expansion of the world economy in 2013 is estimated at 3.1 percent; the forecast for 2014 is 3.8 percent.

Still, the overall picture of the global economy is uncertainty and unevenness, particularly in our major trading partners, coupled with an insufficiency of growth in jobs, but with an optimism that things economic are improving, yet still below the level of economic activity, pre-2008, and indeed fewer jobs.

Disturbingly, the less than stellar growth in the recovery of the United States' economy has confounded many reputable economic analysts who had predicted an imminent acceleration in the US economy from 2010 onwards. But the actual economic performance was not robust: 2.5 percent growth in 2010; 1.8 percent in 2011; 2.8 percent in 2012; and below 2 percent in 2013. These very analysts insist that a faster pick-up in the US economy will occur in 2014. Still, other mainstream economists do not share this unbridled optimism; and the IMF, though upbeat on the US economy, forecasts a modest 2.6 percent growth for it in 2014.

The IMF's Chief Economist Olivier Blanchard does not envisage that the global economy will rebound in a relatively stable manner until the end of 2016. If this view proves to be correct, as is likely, and given the time-lag effect of economic growth in the USA and Europe on small Caribbean economies like St. Vincent and the Grenadines, the sustained upturn in dependent, tourism-based economies of our region may not be evident until the end of 2017, thereabouts, or beyond. A gradual, moderate level of economic growth in our region's major economic partners in USA and Europe will assist in keeping us afloat, but is unlikely to facilitate the requisite lift unless the peculiarities in the individual Caribbean economies provide opportunities for accelerated advance. In the case of St. Vincent and the Grenadines, I had earlier commented on some possibilities for realisation in our peculiar, "sui generis", though not isolated, context.

Broadly, a pertinent query, of a general kind, arises for consideration: Can a socio-economic model, initiated by Robert Milton Cato, refined by Sir James Mitchell, and further reformed under the ULP government, in a small, vulnerable, resource-challenged and dependent economy like St. Vincent and the Grenadines be sustained, without profound adjustments or alterations, during a prolonged global recession or continued economic slow-down? If the answer is "yes", then incremental accretions and a wait-and-see approach is plausible. If the answer is "no", what are the adjustments or alterations to be made and in what time-frame?

My government is satisfied that appropriate alterations and/or adjustments are necessary and desirable in order to attain a relatively secure level of economic sustainability. Fundamentally, this is the analytic frame which has guided the policy reforms of my government, and their urgency, in divers areas, of the society, economy, and polity which I summarised earlier.

In the challenging external environment which still lies ahead, these reforms and structured alterations are required more than ever to be accelerated. We cannot rest on our laurels. We cannot afford the luxury of wait-and-see or ill-considered

temporising. Renewal must continue apace. Lethargy is not an option. Focussed, hard and smart work and production will bring progress, wealth and job creation.

ECONOMIC AND SOCIAL SECTORS

Mr. Speaker, I have provided a broad overview of the economic and fiscal issues. The Ministers who hold the respective portfolio in relation to agriculture, forestry, fisheries, tourism, industry, telecommunications, creative industries, housing and lands, construction, road transport, external trade, wholesale and retail trade, will address each of these economic sub-sectors specifically in their Budget presentations. Economic data and analysis are included as an Addendum to my address and constitute part of it. It is a 45-page document circulated under the title, **SVG Economic and Social Review 2013** prepared by the Ministry of Finance and Planning.

Real economic growth in St. Vincent and the Grenadines for the year 2013 is preliminarily estimated at 2.0 percent, following upon real economic growth in 2011 of 0.28 percent, and in 2012 of 1.52 percent. Economic growth in 2013 was led by construction, agriculture and fisheries and manufacturing. Economic activity in tourism was mixed. A real economic growth for 2014 is projected at 2.5 percent.

Preliminary data indicate a 16.3 percent increase in construction activity for the period January to September 2013, compared with the corresponding period for 2012. Growth in value-added in the agricultural sector resulted from higher production of root crops, vegetables, bananas, and livestock. Preliminary data show fish landings improved during the review period (January to September 2013): An 8.4 percent increase in the volume of fish landings, and a 16.6 percent rise in the value. In manufacturing, economic activity expanded in the 2013 review period with increases in output of flour (9.8 percent), mill feed (11.8 percent), animal feed (8.9 percent), and beer (35.2 percent).

Total visitor arrivals for the review period (January to September 2013) increased by 2.5 percent over the corresponding period of 2012), totaling 145,703 visitors compared to 142,122 in 2012. But the performance of the various tourism sub-sectors was mixed: A 7.7 percent increase in sea arrivals and a 4.9 percent decline in air arrivals. The data show increases in yacht visitors (0.5 percent) and cruise visitors (12.8 percent); and declines in same-day arrivals (-4.6 percent), and stay-over visitors (-4.9 percent). The high cost of air travel and the slow economic recovery, regionally and globally, are the major reasons attributable for the decline of air arrivals. Still, stay-over visitors account for the majority of visitors to our country.

I reiterate, Honourable Members, that without hard and smart work in each area of economic activity, our country will not progress as much as it should. Better and more productive attitudes to work and production are essential to wealth and job creation. These fundamentals must constitute the core of our culture.

Similarly, Mr. Speaker, I have outlined the broad parameters for the year 2014 on matters relating to Education, Health, the Environment, Social Development, and other Social Sectors, but the Ministers with specific responsibility for these, and related, subjects will address them in detail. However, in respect of Education I reiterate the overwhelming importance of quality teaching and schools' leadership, good parenting, and optimal student effort to achieve better educational results. In the areas of Health and Wellness, our unhealthy behavioural habits and life styles will be our undoing. We must all resolve to embrace healthy living. We must remember that our major killers are hypertension, diabetes, cardiac ailments, violence, and accidents. By and large these occur as a consequence of our own behaviour. We must, thus, particularly in these challenging times, alter our lifestyles and behaviour for the better. Enhanced individual and social responsibility ought to be at the top of our New Year Resolutions.

NATIONAL SECURITY

Mr. Speaker, my government will continue to upgrade and strengthen the framework to bolster the security and safety of the citizen and nation. Central to this exercise is the enhancement of the overall working environment of the nation's security forces, mainly the Police Force, the Coast Guard, the Prisons, the Immigration Service, the Fire Service, their allied security organizations, and specialised entities like the Financial Intelligence Unit, Customs, and Maritime Administration. This national security apparatus is linked inexorably to the Regional Security System (RSS), and the security institutions of CARICOM certain international security agencies, and the security systems of some traditional allies.

From a policy stand-point, the on-going upgrading and strengthening of the framework for national and citizenry security and safety is grounded in the principles and programmes as detailed in a Resolution on National Security adopted by this Honourable House in February 2003, the Durrant Report on Reform in the Police Force, the policy decisions of the RSS and the regional security agencies in CARICOM, and the cooperation regimes devised through certain international mechanisms and organisations. These policies find targeted expression in the strategic and day-to-day work of the security apparatus of St. Vincent and the Grenadines as reflected formally, by-and-large, in the strengthening of the legislative framework to fight crime, in the pronouncements of leading security officials, especially the Minister of National Security, and the Commissioner of Police, and in the Result Indicators in successive Estimates approved by this Honourable House.

The Result Indicators in the 2014 Estimates cover, in a succinct way, the policies and programmes to be pursued in 2014 in relation to a wide range of citizen and national security issues touching and concerning the following, among other things: the regime for CARICOM and OECS migration and immigration generally; firearms; Pan Against Crime; the National Commission on Crime Prevention; security for the yachting and tourism industry; maritime administration; the Police, Fire Service, Coast Guard, Prisons; Port and Airport security; the regulation of private security firms; the Cadet Force; Community Policing; lifting the quality of security

personnel; and legislative reforms to fortify the security forces in their fight against crime.

The physical facilities of the security forces continue to be upgraded. In this respect, no government hitherto has done as well as my government; the record speaks for itself. Still, as always, more work is to be done.

Accordingly, work on the upgrade of the Old Montrose Police Station is nearing completion, a project executed with funds mainly from the Republic of China (Taiwan). Very importantly, the Canouan Coast Guard Facility, though not formally opened, was completed last year and is operational. This Coast Guard Base was constructed with resources from the United States of America under the Secure Seas Programme of the Caribbean Basin Security Initiative of President Obama.

In the 2014 Approved Estimates substantial capital provisions are made for the rehabilitation of the Union Island and Spring Village Police Station, the establishment of sub-stations at Belair and Fancy, a further upgrade of the Belle Isle Correctional Facility including the construction of a correctional wing for females, the purchase of vehicles for the Police, Prisons, Coast Guard, and Immigration Departments, and the purchase of other equipment for the various branches of the security apparatus.

Overall, in the 2014 Approved Estimates, recurrent spending to the Police Force, Fire and Coast Guard Service, Prisons, and the Immigration Department amount to \$47.0 million; in the 2001 Estimates the corresponding figure was \$23.5 million, less than one-half of the 2014 Estimates. In 2014, there are 1,170 officers for these five services ___ Police (816); Fire (69); Coast Guard (91); Prisons (131); Immigration (63); in 2001 there were 880 officers in these services ___ Police and Immigration (665), Fire (57); Coast Guard (67); and Prisons (91) ___ an increase in the aggregate of 290 officers in 2014 over the 2001 figure. It is noteworthy that the expenditure on salaries and allowance for the security forces in 2014 is twice that of 2001.

Mr. Speaker, citizenry and national security is the business of everyone and every nurturing or supportive institution in the society, but especially the family, the church, peer groups, the schools, civil and community organisations, the media, the trade unions and business sector, the security institutions and those of law and order, all the mechanisms of the State, and the economy. It is through a focused coordinated approach of these institutions and persons within them that we can better tackle crime and the causes of crime.

Although, St. Vincent and the Grenadines is a relatively safe country in which to live, it has to be acknowledged that the dangerous neighborhood in which St. Vincent and the Grenadines is located and a small minority of criminals among us, constitute an on-going challenge which we must face resolutely as a law-abiding people. My government's central policy in this regard continues to be "tough on crime and the causes of crime".

Mr. Speaker, on the issue of immigration, I refer to a few issues immediate relevance. First, the landmark ruling by the Caribbean Court of Justice (CCJ) in the Shanique Myrie case last year has clarified a bundle of legal considerations of practical import relating to intra-regional travel by nationals of the member-states of CARICOM. To ensure that St. Vincent and the Grenadines is fully compliant with Community Law, including the ruling of the CCJ, the Attorney General, the Chief Immigration Officer, the Director of the Regional Integration and Diaspora Unit, and the Office of the Prime Minister have put appropriate measures in place, including the specialised training of the Immigration Officers on the issue and the publication of a "fact sheet" for all visitors to inform them of their rights as migrants to St. Vincent and the Grenadines, as well as the State's obligations.

Secondly, my government has entered into a contract in the amount of \$3.5 million with the Canadian Bank Note Company (CBN) to design and produce an enhanced ePassport. Work is well-advanced on this project, and it is expected that by the end of the first quarter of 2014, an even more secure travel document, the ePassport, will be available for issue to our nationals. Meanwhile, renovations for a relocated Immigration Office costing \$1 million are being done to the upstairs, and an area downstairs, of the former D's Services Building on Bay Street, which was purchased by my government. Further, this renovated Immigration Office will be furnished optimally to provide the best possible working and service environment for the staff and general public, alike. This facility will complement the recently-modernised and upgraded Electoral Office in the downstairs of the same building. This is part and parcel of the on-going process of providing upgraded facilities and accommodation for the delivering of vital public services to the public. The many excellent examples of this do not require any further reiteration at this time.

INTERNATIONAL AIRPORT

Mr. Speaker, the construction of the Argyle International Airport is on target for completion by the end of 2014. This historic, existential facility of magnificence is a dream of generations of Vincentians being realised before our very eyes. This airport is not only pivotal for our nation's social connectedness with the outside world, but for our economic development, particularly regarding external trade in commodities and tourism.

On August 08, 2005, I laid out the blueprint and strategy for the building of the Argyle International Airport. And on August 13, 2008, actual construction started. Over the past 5 ½ years or so of construction, my government and its relevant agency, the International Airport Development Company, has not wavered from the main contours of the articulated blueprint and strategic framework of 2005. Numerous countries and regional and international agencies or financial institutions have facilitated us in our efforts, namely: Cuba, Venezuela, Taiwan, Trinidad and Tobago, Mexico, Austria, Turkey, Iran, Georgia, Libya, Petro Caribe and the ALBA Bank, the CARICOM Development Fund, the Ex-Im Bank of Taiwan, the First Caribbean International Bank, the Bank of Nova Scotia, the Export Development Corporation of Canada, the Ex-Im Bank of the USA, and the National Commercial Bank/Bank of St. Vincent and the Grenadines.

The airport is being built and equipped at a cost of some EC \$700 million, the largest single capital project in the history of St. Vincent and the Grenadines. More than one-half of the project is financed through grants in cash or in kind, and land and property sales by the government. The balance is financed through soft-loans mainly from Venezuela, Taiwan, and the CARICOM Development Fund. When completed the Argyle International Airport will have a runway of 9,000- feet (2,743 meters) long and 150 feet (45 meters) wide. The passenger terminal building, handed over to the IADC on December 30, 2013, is designed to handle about one-and-a-half million passengers annually through its two terminal sections — domestic and international. The airport will be able to accommodate jets as large as the Boeing 747-400^s and will allow for direct flights to St. Vincent and the Grenadines from the USA, Canada, Europe, and South America.

Mr. Speaker, at December 31, 2013, 89 percent of the earthworks at the airport site would have been completed. Sea defence works at the north-eastern end of the runway (the O22 end) commenced on August 12, 2013, and will extend into mid-2014. These works are being done by the Chatoyer-Che-Chavez (CCC) Contingent in accordance with the designs prepared by the Maritime Engineering Services (ASTIMAR) of Cuba.

The CCC Contingent has also begun work in creating an embankment into Stubbs Bay at the southern end of the runway. The embankment is done primarily to allow for the installation of the simple approach lighting system for the airport. There is, too, a social benefit in that the embankment will create a sheltered area in the Stubbs Bay, making it safer and more enjoyable for people to swim.

Some drainage works are completed and others are on-going. All drainage works and the covering of the Yambou River are scheduled for completion by the end of June 2014. The IADC has entered into a contract valued at US \$2.96 million (EC \$8.99 million) to purchase the Armco metal sectional drain arches from the Mexican firm, Trinity Industries. By the end of last year, 18 of the 45 containers had arrived in St. Vincent and the Grenadines, and the other 27 containers are expected to arrive before the end of January 2014. The IADC has created a work-team, in-house, to assemble these culverts under the supervision of engineers from Trinity Industries.

Mr. Speaker, in September 2013, pavement works began with the laying of stony base materials on the runway which base-laying is continuing from this month. After this, the work of placing the final layers of asphalt and concrete pavement of the aprons, taxiways, and runway, will begin. In November 2013, IADC took delivery of two batching plants: One for asphalt; the other for concrete. These two high capacity plants cost a total of US \$3.8 million (EC \$10.2 million). The assembling of these plants has been complete and their commissioning will take place this very month, along with the final training of the plant operators. Support equipment for the hydraulic concrete works have already been ordered, most of which have already arrived on site. Similarly, with loan funds of US \$3.3 million (EC \$8.9 million) from the CARICOM Development Fund (CDF), the IADC is in the

process of procuring the supporting equipment needed for the asphaltic concrete works on the runway. These equipment will soon be available to the IADC for the asphalt pavement works on runway to be done from February to June 2014.

The stone-crushing plant, purchased for US \$1.06 million (EC \$2.86 million) with funding from the CDF, and which has been operating since February 2013, has been producing most of the aggregate required for the pavement works. So far, a large amount of the aggregate required for the pavement works has been produced. From this month, onwards, stone-crushing activity is being done in two shifts to increase the production of aggregate in order to keep the concrete and asphalt pavement works proceeding on time.

All of the airfield lighting equipment costing US \$0.937 million (EC \$2.5 million) and funded by the CDF, have been received and are in storage at the airport site. The process of installing the lighting equipment will be done during the first quarter of 2014 together with the pavement works.

Mr. Speaker, I assure this Honourable House that all matters relating to a Land Use Plan, the quality control of work, wind studies, the collaboration with the relevant regulator, the Eastern Caribbean Civil Aviation Authority (ECCAA), and in accordance with the recommendations and guidelines of the International Civil Aviation Organisation (ICAO), are well in hand and in order.

I turn now, Mr. Speaker, to the Landside Facilities of the airport project. These Landside Facilities consist of the Passenger Terminal Building and Electrical Substation, the Control Tower, Air Rescue and Fire Fighting (ARFF) facilities, the Cargo Terminal Building, the access roads, and parking.

As I indicated earlier, the Passenger Terminal Building and Electrical Substation were handed over to the IADC on December 30, 2013, by the construction company, Overseas Engineering and Construction Company (OECC) of Taiwan. The construction cost of this facility is US \$28 million (EC \$75.6 million). The design cost by CECI of Taiwan was US \$3.4 million (EC \$8.8 million). The process of retrofitting the Terminal Building with the requisite furniture and equipment has commenced. It promises to be a most beautiful, modern, and user-friendly facility. The IADC is in collaboration with a reputable international entity on the installation of solar energy facilities for the Terminal Building.

The Control Tower at the Argyle International Airport will be located on the ridge at the former residence of the late Carl Glasgow, who was a strong supporter of the airport project. The Aircraft Rescue and Fire Fighting (ARFF) building will be located obliquely opposite the Passenger Terminal Building on the eastern side of the runway. Processes have commenced to ensure the completion of the construction of these two facilities by August 2014.

In respect of the Control Tower, the IADC has already entered into a contract of US \$5.3 million (EC \$14.3 million) with the Aeronav Group of Canada, funded by a loan from Scotia Bank of Canada, for the supply and installation of the Air Traffic Control

cabin and tower communication equipment and airfield navigational aids. IADC has also made a deposit payment on three fire-fighting trucks and equipment to allow for their delivery by September 2014. These fire trucks and equipment cost US \$2.653 million (EC \$7.1 million), and are being funded also by a loan from Scotia Bank of Canada, underwritten by the Export-Import Bank of the USA.

Regarding the Air Cargo Terminal, IADC expects that the contract to construct this facility will be awarded by March 2014 for completion of construction by September 2014. My government had hoped for a private sector entity to finance, construct, and operate the Cargo Terminal, but the discussions with interested private sector firms proved to be too protracted; so, IADC will build it and possibly lease its operations out to a private sector entity. Similarly, the IADC is in active conversation with relevant private operators for the financing, construction, and operation of a Fixed Based Operation and several aircraft hangars. Work should commence imminently on these.

The other aspects of the airport's construction are well in hand, namely, the Terminal Building Access Road, the Argyle Gardens Access Road, and the Rawacou-Mt. Pleasant Access Road, the Landscaping, Environmental Management, and the Relocation of the Petroglyphs. As regards the latter, the IADC has set aside funding in the amount of EC \$460,000 to meet the cost of the relocation. It is working in tandem with the National Trust on this. There have been some unfortunate delays with the Egyptian team engaged for this purpose.

Mr. Speaker, it would be recalled that in 2005, the original estimate for the airport's construction was put at EC \$480.6 million (US \$178 million), by a Canadian company, Marshall, Macklin and Monaghan (MMM), as an update of the cost contained in their 1998 Report entitled "*St. Vincent Airport Development, Phase I, Final Report*". But having received the final designs for the airfield in December 2007 from the Cuban designers, the IADC was able to review the cost of the construction of the airport in late 2008, arriving at a revised total cost of EC \$589 million (US \$216 million). That number has been revised upwards to approximately EC \$700 million (US \$260 million), due mainly to the higher cost of constructing the Terminal Building and other Landside Facilities, additional lands for landside facilities, increased earth and site works, and general cost escalation. It is worth noting that the experts have repeatedly advised that the alternative international airport site at Kitchen would cost at least twice that at Argyle!

In January 2013, I informed this Honourable house that the IADC had advised that it would require approximately US \$80 million (EC \$216 million) to complete the construction of the Argyle International Airport. I explained then that the sources of funding had not yet been sufficiently concretised for their entry into the 2013 Estimates and Appropriation Bill. Accordingly, when the probable funding sources had reached the requisite level of maturation, I came to this Honourable House later in 2013 with Supplementary Estimates and a Supplementary Appropriation Bill in respect of funding the international airport project, in accordance with the law and the highest level of transparency for which my government is widely recognised by dispassionate observers nationally, regionally and internationally. Appropriately

EC \$100 million or so of that 2013 appropriation has been included in the 2014 Estimates and Appropriation Bill.

The relevant sources of financing for the completion of the construction of the international airport project are: Land Sales at Canouan, US \$20 million (EC \$54 million); two Scotia Bank loans, US \$10.73 million (EC \$28.9 million); Caricom Development Fund, US \$3.361 million (EC \$8.8 million); ALBA Bank, US \$40 million (EC \$108 million); and Taiwan Ex-IM Bank, US \$10 million (EC \$27 million). Of these aggregate sums of US \$83.98 million (EC \$226.7 million), slightly less than one-half has been received, US \$34.5 million (EC \$93.2 million) — that is, one-half of the ALBA loan and nearly three-quarters of the monies from the land sales. The status of the remaining monies is as follows: the balance of the ALBA loan would be drawn down in accordance with the agreed time-table over the next few months; the payment of the remainder on the land sales is likely to be completed by the end of March 2014; early this year, we will draw-down from the two Scotia Bank loans; the draw-downs on the loans from the CDF and the Ex-IM Bank of Taiwan will begin in the first quarter of 2014.

The IADC has assured me that once it receives all the earmarked resources on a timely basis, it would meet the deadlines it has given to the government.

Meanwhile, Mr. Speaker, the practical matters relating to the promotion, marketing, and management of the airport are proceeding favourably. We expect that some of the international airlines will enter into service agreements in 2014 with the Government of St. Vincent and the Grenadines to operate out of the Argyle International Airport. The Chief Executive Officer of the St. Vincent and the Grenadines Tourism Authority, Glen Beache, in conjunction with the IADC and the Office of the Prime Minister, have been driving these promotion, marketing, and management initiatives. In due course, more would be said about them.

DISASTER PREPAREDNESS AND MANAGEMENT

Mr. Speaker, the three recent natural disasters (Hurricane Tomas in October 2010, the April Floods in 2011, and the Christmas Disaster of 2014) have yet again highlighted the extreme vulnerability of St. Vincent and the Grenadines to damaging occurrences of nature. Thus, strengthening our country's overall resilience and enhancing its capacity to respond to, and manage, disasters and their risks, are vital policy questions of top priority to my government and the people of St. Vincent and the Grenadines. So, too, is the existential matter of the deleterious effects of global warming and climate change to which small countries in the Caribbean such as ours hardly contribute; yet we are on the frontline of the adverse fall-out from global warming and altered climate patterns.

The simple truth is that prior to the advent of my government in Office, there was little or no provision made for disaster management and the issue was barely on the country's radar screen. The basic facts speak for themselves from the 2001 Estimate which were left for my government when we assumed office on March 29, 2001.

In the Recurrent Estimates for 2001 under the rubric Local Government/Disaster Preparedness, there were two staff positions only: A Local Government Officer who doubled up as the National Disaster Coordinator, at a Grade 7 level, and a Senior Clerk. In addition to his secondary work as the National Disaster Coordinator, this official had to carry out his primary duties as the Local Government Officer, which included the direct superintendence of the Kingstown Board, the District Councils, the Small Towns and Village Councils which had subventions of \$3.3 million. There was no specific subvention for Disaster Preparedness. The Result Indicators (then called "Key Results") for the year 2000 and 2001 pointed to inactivity on this matter. In the Capital Estimates for 2001, there was a provision of \$1.2 million out of a \$2.5 million EU/Stabex funded SVG Emergency Recovery and Disaster Management project to enhance institutional capacity, which was woefully lacking after 16 years of NDP governance, but nothing had been spent on that project in the preceding two years, 1999 and 2000. Then there was an allocation of \$7.6 million out of a \$15.8 million World Bank-funded Emergency Recovery and Disaster Mitigation Project, but not one cent was spent on this either in 1999 or 2000 when the project was included in the Estimates.

Indeed, the NDP government had failed to meet any condition or to do anything at all for nearly three years in respect of this significant World Bank loan, with which EU funding was also linked. Matters were so terrible that within one month of the ULP government's tenure of office the Senior World Bank executive responsible for the Caribbean formally informed me that the World Bank funding was withdrawn for this project because of the lethargy of the St. Vincent and the Grenadines government since 1998. Imagine this: Losing \$16 million in World Bank's money plus a further \$2.5 million of EU resources because of inattention and lethargy on disaster preparedness from 1998 to March 2001!

I persuaded the World Bank to remain steadfast on this with our new government; to give us a chance, so to speak. Immediately, I, as Prime Minister, assumed responsibility for Disaster Preparedness and brought it to the centre-stage of policy making, away from the fringes of the Local Government portfolio. We set about promptly to establish a National Emergency Management Operating Centre (NEOC), and to select a Director for the National Emergency Management Organisation (NEMO) in accordance with the World Bank's specifications and guidelines. It is through that project that my government constructed the NEMO headquarters, the Layout Waterfront Project, and several other small capital projects in the field of disaster preparedness; strengthened the institutional capacity to respond to natural disasters; fashioned a national disaster preparedness plan; and to put a comprehensive legislative framework in place. By then, of course, the price tag for the project was way in excess of the contributions of the World Bank's \$16 million and the EU's \$2.5 million. My government had to source the additional resources elsewhere.

Mr. Speaker, from 2001, onwards, my government adopted the United Nations blueprint for disaster risk reduction called the Hyogo Framework for Action (HFA). We accordingly elaborated appropriate programmes for disaster risk management

from these international guidelines as distilled by the Caribbean Disaster Emergency Management Agency (CDEMA), formerly CDERA, and applicable to our local conditions. The HFA has five overarching principles: Making Disaster Risk Reduction A Priority; Identify, Assess, and Monitor Disaster Risks ___ and Enhance Early Warning; Build Understanding and Awareness; Reduce the Underlying Risk Factors; and Preparation and Readiness to act. Under each of these rubrics, NEMO has laid out plans and has acted in conjunction with other State, private sector, civil society, regional and international agencies.

Mr. Speaker, as part of the quest to upgrade markedly the institutional framework for disaster risk management, which is at the heart of my government's public policies, I piloted in this Honourable House in 2006 a modern, comprehensive Bill known as the National Emergency and Disaster Management Act, Chapter 388 of the Laws of St. Vincent and the Grenadines. In the process, the Natural Disasters (Relief) Act of 1947 was repealed and replaced.

Mr. Speaker, it is unfortunate that many persons make the error of assuming that the nine-member staff at NEMO, including the Director, constitute NEMO; that is certainly not the case; essentially they are the Secretariat of NEMO and the core of the National Emergency Operating Centre.

The National Emergency and Management Act spells out clearly that the National Emergency Management Organisation (NEMO) is comprised of three entities: The National Emergency Council of which there are 44 members ___ broad-based, and chaired by the Prime Minister; The National Emergency Executive Committee, and its 10-sub-committees; and the district disaster management committees of which there are over forty.

As Prime Minister, I am empowered to give the Director policy directions of a special or general character relating to the functions of the Director and the Director is obliged to give effect to the directions. The broad responsibility of the Director is to coordinate the general policy of the Government relating to disaster management in St. Vincent and the Grenadines. As a condition for accessing its resources in 2001, the World Bank insisted that the Director be successfully trained at both the undergraduate and graduate levels. In the 2014 Estimates the salaries and allowances for the nine staff members of NEMO is over \$350,000 with office expenses of over \$300,000. In 2001, the total salary for the two public servants with oversight of the local government and disaster preparedness was \$60,000. The Coordinator in 2001 was a Grade 7 with an annual salary of \$38,016. NEMO's Director today is a Grade C (Grade 12) with an annual salary of \$75,216, plus allowances.

Prior to the 2013 Christmas disaster, NEMO had planned in 2014 to focus on the following: A review of the legislation and related mechanisms governing the operations of NEMO, using the UN's Hyogo Framework for Action Benchmarks; collaborating further with CDEMA, the World Bank, the Red Cross, and other bodies in strengthening disaster management institutionally and in the provision of upgraded physical assets/facilities; better prepared shelter managers, community

groups, and district disaster management committees in the area of disaster risk management; and enhancing NEMO's working relationship with regional and international partners on a wide range of regional disaster preparedness programmes, including coastal warning systems. All these are important goals to accomplish, but after the Christmas disaster they must be intertwined practically with the rehabilitation and recovery project at hand.

In the Capital Estimates for 2014, as I have indicated earlier, there is a composite provision of \$8.2 million out of a \$54 million soft-loan from the World Bank under the Regional Disaster and Vulnerability Reduction Programme (RDVRP). Among other things this year, the RDVRP will build and stock emergency relief warehouses at Sandy Bay, Rose Hall, Union Island, Bequia, Georgetown, and Mesopotamia; and retrofit comprehensively the Dorsetshire Hill and Kingstown Primary Schools for use as emergency shelters. A major upgrade in NEMO's telecommunication system is also in the offing. Meanwhile, NEMO is working with CDEMA to elaborate a more efficacious Comprehensive Disaster Management Programme to serve St. Vincent and the Grenadines for another ten years.

Mr. Speaker, in the immediate aftermath of the Christmas disaster, and continuing, several initiatives in particular Ministries or departments have come, splendidly, to the aid of those who have been adversely affected. Let us take a few examples. First, NEMO's investment in the training of teachers as shelter managers and assessors of the socio-economic loss to families, has paid off well as many of these teachers responded to the summons to assist the Ministries of Social Development and Planning in making the social assessment. Similarly, the Ministry of Health has been able to call on at least 20 of the 60 trained Counsellors in the primary and secondary schools to help in the psycho-social counselling of persons in the communities who have been traumatised in the disaster. Likewise, the coordinated work by BRAGSA alongside other state agencies and private entrepreneurs to clear the roads in the early days, was instructive and remarkable. So, too, the coordinated efforts in delivering water to communities in the first 10 days or so after the disaster. This coordination is envisaged under the National Emergency Management Act. Equally, the tremendous usefulness of the Learning Resource Centres, the refurbished Community Centres, and newer or rehabilitated primary schools has yet again been established as emergency shelters at a time of natural disaster. The public expenditure on all these have paid dividends in the relief of human suffering of the affected persons in the disaster.

Mr. Speaker, I now address the entirely bogus issue advanced by some critics of the government about alleged political partisanship in the delivery of food, water and other relief supplies, and the false spectre of further possible discrimination on political grounds in the distribution of building materials and household appliances. Anyone familiar with the way in which NEMO, the shelters, the district or community disaster management committees handle the distribution of food, water, and such like supplies would know that it is practically impossible to have the distribution tainted or compromised by political discrimination. Similarly, the way in which the distribution of construction materials or the reconstruction of houses in the wake of Tropical Storm Lili, Hurricanes Ivan and Tomas, and the April

2011 floods/landslides was done, indicates that the very structures or systems which are in place do in fact mitigate against political discrimination. Moreover, the Cabinet minutes will reveal my reiteration of the government's policy on non-discrimination on political or other such jaundiced grounds. We have taken an oath to uphold the Constitution and the members of my government do abide by that oath. Undoubtedly, in any mass distribution of supplies to affected persons some inefficiencies may occur, but not political discrimination. And we must give credit to the public servants and community activists involved in this process who selflessly, tirelessly, and honestly man the distribution process on the ground. There has not been and there will be no political bias used in the distribution of supplies to the persons affected by the recent disaster.

Meanwhile, I continue to urge that all metaphoric "soldiers" turn up for duty at, and with, NEMO for assigned tasks in our recovery effort to make St. Vincent and the Grenadines stronger, and better; to lift it higher; to raise it up further.

ENERGY

The 2014 national budget is occurring at a time when the country is beginning to feel the increase in electricity cost due to the effect of the recent flooding on the country's hydroelectric facilities. This development and VINLEC's response is a significant issue in the energy sector in 2014.

Growth in electricity sales of 2 percent seen in 2012 over sales in 2011 was not repeated in 2013. Electricity sales in 2013 were practically at the same level as 2012. The uncertainty in the international economic climate continues to impact the local environment in all sectors of the economy. In 2014 the company is predicting a modest growth in electricity sales of 2.0 percent over the projected sales for last year.

The cost of diesel fuel for the generation of electricity continues to affect the resulting Fuel Surcharge Rate on customer's electricity bills and by extension the cost of electricity. In 2014 the company is projecting to use 6.9 million Imperial Gallons of diesel costing approximately \$77 million for the generation of electricity. This compares with a figure of \$73 million in 2013.

In view of the projected modest increase in electricity sales the company's operational and capital expenditure programme have been so tailored to reflect prudence and efficiency. The capital expenditure programme of the organisation in 2014 would be driven by the need to optimise the nation's renewable resources for the production of electricity in an effort to reduce the price of electricity, and its volatility; to curb the national dependence of fossil fuel, and to improve energy security. The rehabilitation of the hydroelectric plants at South Rivers and Richmond costing approximately \$6 million is scheduled to be completed in 2014. However, this programme of works has been impacted by the recent heavy rains and flooding that affected all three hydroelectric facilities (South Rivers, Cumberland, and Richmond). The total cost of rehabilitation and mitigation measures to protect the hydroelectric infrastructure at these three facilities is

estimated to cost approximately \$14 million, at least. This expenditure has not been included in the estimates for the company in 2014, but it will be necessary to complete the repair works; and the company will seek financing to carry-out these repairs.

In the area of renewable energy, the company is holding discussions with NRG Energy for the installation of a 1.5 megawatt Solar PV installation at the Argyle International Airport, as well as pressing forward with the completion of the installation of the remaining 338 kW of its announced 500 KW system. By year end 2014 we anticipate substantial PV installations. The project of solar installations on vital government buildings is continuing apace.

The demand for electricity in St. Vincent is expected to be met by the company's diesel power plants at Cane Hall and Lowmans Bay, and the Hydroelectric Plants at Cumberland, South Rivers and Richmond; while the demand in the Grenadines is to be supplied by the diesel plants located on the islands of Bequia, Union Island, Canouan, and Mayreau. The Lowmans Bay Power Plant, will for the immediate future, continue to be VINLEC's main generating station and consequently is expected to produce approximately 50 percent of the energy generated by the company.

In preparation of the estimates of revenue and expenditure for the company for 2014, the management has ensured that adequate provision has been made for the maintenance and operation of the company's power plants, as well as for the maintenance of the critical Transmission and Distribution infrastructure. Provision has also been made for all the systems necessary to support the generation, transmission and delivery of power to customers.

NATIONAL INSURANCE SERVICES

Mr. Speaker, the spillover from the global financial crisis has greatly stressed financial systems worldwide. In St. Vincent and the Grenadines the National Insurance Services has been severely impacted, mainly through declining investment income and profits. Indeed Net Income for the NIS has declined from \$27.12 million in 2008 to an annual average of \$9.33 million for the three year period 2010 to 2012. Contributing to this declining performance, too, is the rapid increase in Benefits Cost as the number of pensioners and the value of pensions, rise.

In my 2013 Budget Address, I outlined a number of reform measures which will be implemented in order to preserve the long-term financial sustainability of the NIS. It is important that participants understand the financial challenges looming for the NIS and the potential risks to future benefits that these difficulties can pose, unless the requisite reforms are urgently effected. Participants must understand that the only alternative to reform is future insolvency and disorderly adjustment. At the same time, reforms must be structured in a way that respects the legitimate

expectations of current participants. The major reform measures which are being implemented include:

1. An increase in the contribution rate from the current level of 8% to 10% with effect from January 01, 2014;
2. A gradual increase in the number of years required for pension eligibility from 500 weeks to 750 weeks;
3. A gradual increase in the retirement age to 65 years starting in 2016;
4. A change in the rate of pension entitlement for each year of service;
5. A change in the reference wage used to calculate pensions.

At the same time, pensions-in-pay, the maternity grant, the funeral grant, NAAP funeral grant and the Employment Injury Grant have all been increased with effect from January this year.

Government is also continuing with its plan to reform the Public Service Pension System. Public service pensions absorb a considerable amount of public resources: 11.3% of revenue in 2013. This is set to increase in the coming years. Since established government employees are eligible for both NIS and government pension, workers who retire with the maximum allowed years of service would be entitled to a pension with a replacement rate of up to 127 percent of their salaries. There is no reasonable justification for workers to retire with combined pensions in excess of their wages prior to retirement, especially given that these benefits are based partly on a non-contributory plan financed by the tax-payers.

Accordingly, the Government is now exploring various options for the reform of the Public Service Pension system and will be holding discussions with all stakeholders on this very important public policy issue, in the coming months. One of the reform measures being considered is the increase in the retirement age for public servants in order to ensure that the retirement age is aligned with that for the NIS. Careful consideration will have to be placed on the transitional arrangement for such a measure, so that existing officers are not placed at a disadvantage.

THE BAICO-CLICO ISSUE

Mr. Speaker, it may be difficult to believe, but next week marks five years since that day in late January 2009 when CL Financial's disastrous financial situation became public.

The people of our region have exhibited admirable patience and resilience throughout this period.

Despite the considerable fiscal difficulties of the Governments of our Currency

Union, significant progress has been made in helping and protecting the interests of policyholders of British American Insurance Company (BAICO) and CLICO in the Eastern Caribbean Currency Union. This progress has been achieved by immense toil and determination.

Since the presentation of the 2013 Budget, much progress has been made.

First, the ECCU Governments agreed with BAICO and Sagicor Life Inc in 2012 to recapitalise and sell most of BAICO's traditional business, the sale of which was completed on March 15, 2013. Sagicor has now assumed the responsibility for this business and, partly utilising funding from the ECCU Governments, has undertaken to make payments to persons with that type of policies for claims or bonuses due to them.

Nearly 3,000 persons in Saint Vincent and the Grenadines have had their policies transferred to Sagicor, and are once again in a position to operate their policies. In St. Vincent and the Grenadines close to 300 persons have benefited or will benefit from being paid over \$3 million in outstanding claims.

Having assisted most of BAICO's traditional policyholders, we were able to focus our attention on those individuals who acquired annuities from BAICO. To this end, the support of Trinidad and Tobago has been critical.

In addition to the original US\$50 million received in 2009 from the CARICOM Petroleum Fund, a further US\$100 million was pledged by the Government of Trinidad and Tobago at the CARICOM Heads of Government in July 2012. In December 2012, the first US\$36 million was received with appreciation by the Currency Union.

This first payment enabled us to commence the ECCU Policyholders' Relief Programme, which is focused on assisting holders of BAICO's annuity policies. These policies, although less in number compared to the traditional business, represent by far the greater losses to those individuals and organisations that hold them. For Saint Vincent and the Grenadines, this Programme may assist some 2,000 policyholders.

Phase 1 of the Programme commenced in early December of 2012, and closed at the end of March 2013. Holders of FPA policies with under \$30,000 in their August 2009 account balance were able to receive that amount plus a refund of the premiums they had paid since that date. Across the ECCU, 3,231 policyholders received \$19.3 million. In Saint Vincent and the Grenadines, 716 policyholders received \$4.5 million.

Phase 2 of the Programme commenced on 18 March 2013, when policyholders with EFPAs and FPAIL policies with Principal Balances under EC\$30,000 were invited to apply for assistance. Across the ECCU, \$27.5 million have been paid to 2,296 policyholders. In Saint Vincent and the Grenadines, \$5.1 million have been paid to 374 policyholders.

In November 2013, Phase 3 of the Programme commenced, where all remaining individual policyholders may now apply for payments of EC\$30,000 each. Under this Phase, 631 persons in Saint Vincent and the Grenadines are eligible to receive \$18.9 million. So far, just over 60% of all policyholders in this group have made their applications. Priority attention is being given to those applicants who have been badly affected by the Christmas Eve storm.

Whilst most payments in Phase 3 can be met from funds on deposit at the ECCB, the full completion of the payments in this phase is dependent on our receipt of the promised additional funding from Trinidad and Tobago. Further, we are ever hopeful that this Phase 3 will not be the end of the assistance to this group of policyholders, and that we will be able to make further payments to them in the future when sufficient funds are made available.

Thus, we are in the position now where we await the balance of US\$64 million promised by the Government of Trinidad and Tobago. We anticipate that the funding will be received in two tranches: US\$40 million in a development loan from the Caribbean Development Bank on a phased basis; and US\$24 million directly from the Government of Trinidad and Tobago.

The loan to the Government of Trinidad and Tobago will be paid over time, based on the approval and commencement of new insurance regulation in the Currency Union. I will speak more of this in a moment.

We continue to press the Government of Trinidad and Tobago for the outstanding US\$24 million that it promised, over 18 months ago. We trust that they will not disappoint us, and we await news of the arrival of those funds.

I wish to once again acknowledge the work of the BAICO staff and the Judicial Managers through the ECCU and in The Bahamas, who have provided invaluable assistance in the effective operations of the Programme as well as the support to the Monetary Council. I also wish to express our appreciation to British American in Trinidad, which has been working with us to review policyholder data and to produce the necessary cheques for payments.

Litigation

During 2013, BAICO's judicial managers continued to pursue a number of legal actions for the recovery of funds from various parties. The judicial managers have kept us up to date on developments and, although litigation can be a frustratingly slow process, matters continue to advance for the benefit of BAICO's policyholders.

As citizens of Saint Vincent and the Grenadines would be aware, the Supervisor of Insurance has instituted legal proceedings against a commercial bank here in St. Vincent and the Grenadines in respect of assets which ought to have been properly held on trust or custodianship for the benefit of BAICO policyholders.

CLICO International Life

In the matter of CLICO International Life (CIL), as noted in 2013, we are regrettably less advanced.

The reports of the Judicial Manager, Deloitte Consulting, made to the Law Courts, note a substantial shortfall in CIL's assets as compared to liabilities, and that the assets of CIL are highly illiquid, being dominated by real property and intercompany debts.

The Judicial Manager, in 2013, put forward a plan that requires financial commitments from the Government of Barbados and the Governments of the ECCU. The ECCU Governments' core advisory committee has provided substantial feedback on a number of technical matters arising from the draft proposal, which to date has only been put to us at a very general level. So, although we have not yet received a sufficiently detailed proposal to enable us to understand the cost and benefits of the proposal to the ECCU, we remain as committed as ever to the implementation of a workable solution.

Once we have received the required details, and mindful that we must provide both certainty and speed of outcome to CIL policyholders, we would be in a position to conduct an assessment of it, and provide more information to CIL's ECCU policyholders.

Reform of Insurance Regulation in the Currency Union

I am pleased to let our citizens know that we have made substantial progress in implementing major reforms to insurance regulation in the Currency Union.

Agreement has been reached at the ECCU Monetary Council to establish a single supervisor for insurance, which will assume both prudential and market-conduct oversight of the insurance industry. We have worked with the existing Single Regulatory Units in each territory, as well as technical experts, to devise a draft law and a comprehensive plan for the establishment of this new Regulator, to be known as the Eastern Caribbean Financial Services Regulatory Commission.

We have also worked hard to develop a reformed insurance law that incorporates modern rules and regulations for prudential and consumer protection. The draft law is currently in a consultative process with the insurance industry and senior government representatives. While not everyone in the insurance sector will be pleased with the direction in which the regulation is going, we are determined that the citizens of the Currency Union are entitled to have the best protection that we are able to provide.

Some changes – such as proposed increases in the minimum capital for insurers – may well be challenging for some market participants to achieve. However, I would encourage market participants to recognise the opportunities that will present themselves in the new regime.

Some of the reforms on which we are focused, include:

- New minimum capital requirements will be lifted to \$5 million for general insurers, and \$8 million for long-term insurers;
- New minimum solvency requirements will be imposed on insurers, requiring their capital levels to match established rules based on the size, type and risk profile of their business;
- New statutory fund requirements will be imposed, which will be managed centrally for all Currency Union policyholders;
- New licensing requirements will apply, and all insurers must re-apply for their licences within two years of the start of the law.
- If an insurer is licensed in one territory in the Currency Union, they can be passported into other territories using a streamlined application to the Commission;
- New consumer protection rules will be implemented to ensure that appropriate information is provided to consumers, and also that the conduct of insurers and intermediaries be fair and honest.

Assuming that all goes well, we anticipate that the law will be passed and the Commission will be established before the end of this year, with appropriate transitional arrangements to allow the industry time to comply.

Once these tasks are completed for the Currency Union, we anticipate that the full US\$40 million advance from the CDB will be made available to the ECCU for further assistance to affected BAICO policyholders.

In addition to supporting the timely progress of this project, we in Saint Vincent and the Grenadines are determined to remain at the forefront of these reforms and adopt the new laws for the benefit of our citizens at the earliest possible opportunity.

Fiscal Measures

Mr. Speaker, in the current economic situation, globally and nationally, there is little room to raise taxes or large amounts of additional revenue. Similarly, there is little room to lower tax rates or to make additional tax concessions. Our fiscal policy stance for 2014 will therefore continue to be a mix of prudence, patience and enterprise.

During 2013, there were deficits on the current, primary, and overall balance of 2.3 percent, 3.9 percent, and 6.3 percent of GDP respectively. The recurrent expenditure was reasonably restrained save and except for the ballooning costs of pensions and retirement benefits and salary increases occasioned by the built-in 2.0 percent increment and the 1.5 percent back-pay from January 01, 2011. Contributing to the current account deficit was a decline in revenues of 7.2 percent

during the year 2013. The decline in revenue was disappointing coming as it did in a year when nominal GDP was estimated to have grown by 4 percent.

A near quadrupling of capital receipts were not sufficient to outweigh the increase in capital expenditure of roughly 180 percent. As a consequence, the overall deficit widened.

Mr. Speaker, the decline in the tax buoyancy is attributable to three main factors:

1. Weakness in tax administration at the major revenue collection departments;
2. Low and declining level of tax compliance by certain taxpayers; and
3. Increasing level of tax concessions, particularly ad hoc concessions.

The need for continued institutional strengthening and capacity building of the major revenue departments has become more evident. Deficiencies in the daily operations and strategic focus by the revenue departments have contributed to this sub-optimal revenue performance. Additionally, a critical system failure in the SIGTAS tax system during the first half of 2013 set back the reform initiative for the Inland Revenue Department which I announced in the 2013 Budget.

Notwithstanding these setbacks we have made some progress in the programme for modernization of the tax system, including:

1. The introduction of an e-filing system at the Inland Revenue Department including a complete upgrade of the IT System.
2. Successful implementation of the new property tax system, with a conservative valuation applied to all properties. Indeed, some taxpayers have compared their own private valuations with that of the Valuation Unit and have realized that their private valuation is much higher than that derived by the Unit.
3. Full implementation of the ASYCUDA World Project, including the implementation of the Customs Website.
4. Improvement in the use of risk management techniques to facilitate more timely clearance for imported goods, particularly for those importers on the Gold Card programme.

For 2014, Government will step up its efforts to strengthen its revenue system to make it a more buoyant and stable source of revenue, and provide an environment hospitable to investment and growth. This includes an examination of basic tax structure to determine where a move away from the global tax structure is merited. Fundamental reform of this sort requires adequate preparation.

Excise Tax

The fiscal performance during 2013 highlights the need for further fiscal consolidation. However, fiscal consolidation cannot be effected only by restraint of expenditure; wherever possible revenue must also be augmented. In this regard, I propose to increase the excise tax on gasoline and diesel by 50¢ per gallon, with effect from February 01, 2014.

This measure which is estimated to yield an additional \$3 million per year will not apply to diesel used in the production of electricity; this will continue to be tax exempted.

The increase in Excise is not expected to have any immediate, significant upward impact on the price of fuel at the pump as oil prices has been trending downwards in recent months. In the case of gasoline the entire 50 cents can be accommodated by the lower price of gasoline. Indeed, I hereby announce that with immediate effect, the price of gasoline will be reduced by 12 cent per gallon and the price of diesel will be increased by 37 cents per gallon. The new retail price will be:

	Current Price	New Price
Diesel per gallon	\$13.32	\$13.67
Gasolene per gallon	\$14.48	\$13.94

CONCLUSION

Mr. Speaker, I am satisfied that this Budget will provide further strengthening of our nation's socio-economic base for recovery and reconstruction after the Christmas disaster, in a context of on-going global economic uncertainty and downside risks.

Even amidst all the pre-disaster challenges last year, my government took a series of measures to keep our nation's economy on an even keel and to prod it forward with an estimated growth rate of 2.0 percent; still modest, but moving in the right direction, and comparably better than most of the OECS member-countries and our Caribbean neighbours, including those with more economic resources than us.

Mr. Speaker, so traumatic has been the impact of the 2013 Christmas disaster that most people have probably forgotten my government's commendable initiatives even in the three or so months before Christmas 2013. These include: The launch of a 12-year National Social and Economic Development Plan, 2013-2015; the award of the tax-free back-pay of 1 ½ percent from January 2011 to December 2013 to over 6,000 public servants, costing \$10 million; the grant of land titles to 170 owners at Glebe, Barrouallie, at 10 cents per square foot; the duty free concessions for Christmas barrels for the 13th year running; the roll-out of a \$2.5 million road-cleaning programme in November 2013 involving over 4,000 workers; the provision of \$1 million for road-patching just before Christmas; the start-up of

15 more low-income houses at Green Hill with a labour force of 150 persons; the payment of \$500 to each of 606 students from their performances at CXC, "A" Level/CAPE Exams; the registration of the State-owned Farmers' Support Company Limited to operate an initial \$6 million revolving fund loan arrangement for farmers; the formal launch of the EC \$46 million South Leeward Road Project; the delivery to the Government by contractors of the EC \$31 million St. Vincent and the Grenadines Community College Project of an additional 80,000 square feet of floor space; the commencement of the application-process by 631 policy-holders of BAICO in St. Vincent and the Grenadines whose policy values are in excess of \$30,000, to be each paid \$30,000 by end of March 2013 at a cost of EC \$16.2 million; a one-time retroactive payment covering 56 weeks (3rd December, 2012 to 28th December, 2013) to 3,407 pensioners at the NIS, costing \$917,000; the announcement that a further medical school in St. Vincent and the Grenadines, the St. James Medical School would be established by May 2014; the stabilisation and consolidation of the St. Vincent Building and Loan Association under the leadership of the Financial Service Authority (FSA); the commencement of the roll-out of three huge capital projects: The \$34 million Modernisation of the Health Sector Project financed by an EU grant, the EC \$54 million Regional Disaster Vulnerability Reduction Project financed by a soft-loan from the World Bank, and the Banana Accompanying Measures (BAM) financed by a grant of EC \$34 million from the EU; an initial export of 22,000 pounds of fish to the ethnic New York market; the opening of the Smart Georgetown Hospital by PAHO; the continued work on the nearly-completed Modern Medical Complex; the reclamation of the nation's patrimony by way of forfeiture of 100 acres of beachfront land at Chatham Bay, Union Island; the completion or near-completion of major items of physical infrastructure projects including roads, bridges, playing fields, educational facilities, Customs headquarters, the Hospitality and Maritime Training Institute, and a number of other renovated buildings in Kingstown to house governmental functions; the initiatives in geothermal and solar energy; the productive engagement with private sector investors, including those from overseas; our activist regional and foreign policy on a number of vital issues; and so on and so forth. It is breathtaking work for a government of real progress.

Mr. Speaker, my government will continue to look for ways to ease the burdens on the persons affected by the natural disaster. So, in addition to all the relief and restorative work, small burdens would be eased. For example, passports which were damaged or destroyed in the disaster would be replaced free of cost. Similarly, relief in the payment of property taxes would be granted to persons whose houses were flooded, damaged or destroyed.

Despite all our real achievements, and more, a new and different situation has arisen with the recent disaster. We have to take a fresh guard at the wicket. This Budget and the Supplementary Estimates/Supplementary Appropriation Bill shortly to come, are part and parcel of taking this "fresh guard". Metaphorically, this is to enable us to adjust and readjust to the altered conditions to score more and better, individually and collectively as a nation.

In this massive recovery effort of ARISE SVG With the Six R^s (Relief, Reconstruction, Roads including Bridges, River Defences, Reforestation, and Relocation including Housing), I take inspiration, and find comfort, from the words of the Prophet Isaiah which draws out the better angels in us:

*"He [God] gives strength to the weary
And increases the power of the weak.
Even youths grow tired and weary,
And young men stumble and fall,
but those who hope in the Lord
will renew their strength.
They will soar on wings like eagles;
they will run and not grow weary,
they will walk and not be faint."*

Almighty God, the Helper of Israel and St. Vincent and the Grenadines has come to our aid. He advises us: "Do not fear, I will help you." And He will!

Thank you!