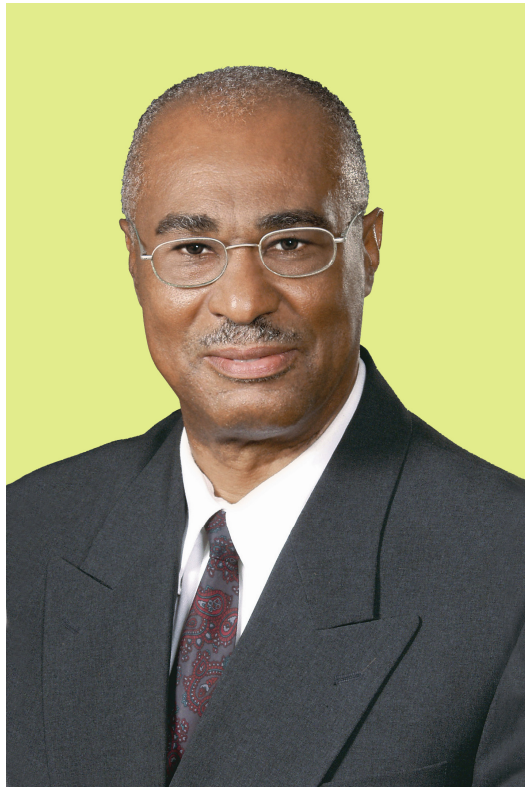


NEVIS ISLAND ADMINISTRATION

BUDGET ADDRESS

By



The Honourable Joseph Parry, M.N.I.A.

Premier and Minister of Finance

On

December 18, 2006

1. Madam President, I beg leave to move the second reading of the bill shortly entitled the Nevis Appropriation (2007) Ordinance 2006.

INTRODUCTION

2. Madam President, I want to begin this budget presentation by thanking the people of Nevis for the confidence and trust reposed in the Nevis Reformation Party (NRP) at the polls in July of this year. The election was won by the NRP because we put forward the best plan of action for the development of the country. The people of Nevis have hailed the NRP manifesto as the best that they have read since the establishment of the Nevis Island Administration in 1983. The reason that we have received such high acclaim is the fact that we have managed to capture accurately the concerns and aspirations of the people of Nevis. We did not hire a consultant to write a plan for the island. We walked the length and breadth of this country and had town hall meetings with a wide cross section of the community to solicit their views on the way forward for Nevis. Consequently, we have confidently laid our manifesto in this honourable house as the blueprint that will guide the development of Nevis and prosper our people in this century and beyond.

3. Madam President, I also want to take the opportunity in this honourable house to pay tribute to the earlier stalwarts of the NRP who fought valiantly for the freedom and advancement of Nevisians during the 70's, 80's, and early 90's. The history of the NRP cannot be separated from the economic, political and social advancement of this country. The founding members of the NRP dedicated their lives to the development of Nevis and were able to overcome many obstacles in their quest to establish a sound platform and macro-economic framework for the development of Nevis. I am certain that some of us here still remember the condition of Nevis in the 60's and 70's. We had no infrastructure, water was scarce, and electricity was virtually non-existent. Many of our people were unemployed and had to seek refuge from poverty in St Maarten, British Virgin Islands and the United States. These were the conditions that gave rise to the formation of the NRP. Brave men like Doctor Simeon Daniel, Mr. Ivor Stevens, Mr. Ubral Swanston, and

other stalwarts, risked everything to fight for the interest of Nevisians. Let us not forget that it is the NRP that helped to fashion a constitution that has given considerable autonomy to the people of Nevis to manage their affairs. This achievement enabled the establishment of the legal and administrative structure that has become the backbone of the modern Nevis. In fact, I can say confidently that it was the establishment of the Nevis Island Administration that provided the impetus which led to the growth and development of the Nevis that we know today. In addition, the NRP put together the first economic development plan for the island. We defined and successfully marketed Nevis as an upscale tourist destination. We attracted the Four Seasons Resort to Nevis as a result of our economic policies, and the investment climate that was created. We pioneered the development of the offshore financial sector with the passage of the Nevis Business Corporation Ordinance in 1984.

4. When the NRP vacated office in 1992, the stage was already set for economic takeoff. Between 1992 and 2006, we witnessed very little creativity and innovation. Most of the projects already started by the NRP were continued and the revenues from the hotel and the offshore sectors were leveraged to finance the development of the physical infrastructure which included projects that came from the strategic plans of the NRP. The education system and social services remained basically the same with very little new programmes to cater to the changing needs of our people. Consequently, many of our young people were left behind resulting in an increase in truancy and criminal activities. The founders of the NRP, men of great vision whose contributions have significantly impacted our lives should have been given high praise and honour in this country. Yet, over the 14 years of the Concerned Citizens Movement (CCM) rule no recognition was given to them. Instead, there was an attempt by the previous administration to rewrite history by diminishing the importance of their contribution while seeking to brainwash our young people into thinking that the progress of Nevis started in 1992. It is not surprising, therefore, that not even a street was renamed in recognition of any of the true visionaries who put Nevis on the path to progress. I can say here that we have entered a new era in our history and these practices will have to change. This government will take action to ensure that our real heroes are honoured in a tangible way and that their

contributions are etched not only in the minds of present and future generations but in our history books as well.

5. Madam President, the budget being presented this morning is just the beginning of the journey in our plan to reinvent and reinvigorate the government. The Civil Service needs to be built up with the right people in the right positions to improve management and the effective and efficient delivery of programmes. We have a private sector that is ready to lead the way in terms of energizing the economy but the government must provide the necessary support and tax incentives. We also have a very strong financial sector with commercial banks, non-bank financial institutions, a credit union and the development bank that are willing to finance viable business opportunities. The missing link is that our people are not equipped with the knowledge and skills to make maximum use of the opportunities that are available and thus help to propel the rate of progress and economic development. We believe that there is a strong connection between economic development and human resource development. Consequently, the top priority of this government for the next financial period and beyond is the development of our people. This requires giving serious attention to health, education, training and social services. These are the areas where there will be major changes in policies as we prepare our people to enter the mainstream of economic development.

6. Madam President, before we begin to put forward our policies and programmes, it is imperative that we take stock of the existing situation to determine the challenges and the availability of resources to achieve our objectives.

ECONOMIC AND FISCAL CHALLENGES

7. Madam President, the NRP has assumed office at a time of significant challenges, both domestically and globally. At the global level, we have seen an increase in the threat of terrorist attacks, rising interest rates, hikes in petroleum prices, and the global slowdown of growth. These are issues that we have to monitor carefully due to the likely impact on the domestic economy. The slowdown in global growth could affect our foreign

exchange earning capacity since most of our tourists come from the large industrialized countries. The situation is compounded with the requirement that all US citizens must have passports to travel to the Caribbean by January 6, 2007. The Caribbean as a whole will be affected by this policy, but in Nevis we will have to assess the situation carefully since over 50% of our tourist arrivals originate from the United States. Caribbean countries will have to step up their lobbying as well as begin a public awareness programme in the US to encourage people interested in traveling to the Caribbean to acquire passports early.

8. Madam President, after the impact of the September 11 terrorist attack on the World Trade Centre, we are also well aware of the impact that terrorism could have on our tourism product. The global tourism industry has not yet fully recovered and any terrorist activity in the developed countries or the region could spell disaster for the industry. The rise in interest rates is also a threat to our economy. It has the potential to increase the cost of contracting foreign debt as well as the cost to service variable rate loans. The domestic rates are also likely to move in tandem thus increasing the cost of domestic borrowing. The most important and immediate concern is the hike in the price of fuel. This trend will have a significant impact on the cost of living and could further marginalize disadvantaged members of our society. As a consequence of the increase in the cost of fuel, the Nevis Electricity Company (NEVLEC) had to impose a fuel surcharge to be able to meet the rising costs of fuel. On January 1, of this year, the fuel surcharge was passed on to the commercial consumers but the government at the time decided to subsidize the cost of electricity to the domestic consumers prior to the elections. This subsidy is now costing the government in excess of \$300,000 per month.

9. In the Nevis context, the most crucial challenge is the high cost of debt that this government has inherited. When the NRP left office in 1992, the debt service ratio was less than 4%. The debt ratio was so low because we relied less on debt financing and focused on energizing the private sector to generate growth and employment. In addition, we actively sought development assistance and conducted the affairs of the country with probity and transparency. Wastage and corruption were nonexistent and financial orders

and government financial rules were strictly adhered to. After 1992, the CCM administration disregarded these rules and pursued a path of wanton and reckless expenditure. It also rapidly accumulated debt by generating large overall budget deficits for 12 out of the 14 years that it was in office. The consequence of this action is that a huge debt of nearly \$300 million has been placed on the shoulders of Nevisians, which this present government now has the task to control and rectify.

10. Madam President, another area of concern is the cost of living in Nevis. While we do not have reliable Consumer Price Index (CPI) data on the movement of prices, many Nevisians continue to complain about the high cost of living. The problem has been exacerbated by the rise in oil prices which is perhaps the most ominous in terms of the potential impact on the economic well-being of our people. This is also a problem that we will have to address to alleviate the burden on our people especially the low income families.

11. Madam President, I have outlined the challenges because I want the people of Nevis to understand that the road ahead is not going to be easy. We have inherited a difficult situation but we are not daunted by the challenges. This is why I am entitling this budget address, **“Facing the challenges with confidence – People Empowerment.”** In coming up with this theme, I was encouraged by a remark made by Julius Caesar, during a storm, to a boat captain who had ordered his crew to turn back, *“go on, my friend, and fear nothing; you carry Caesar and his fortune in your boat.”* As we journey through the storm created by 14 years of mismanagement, I feel very confident about the future because I have the people of Nevis on board with me. Nevisians are hardworking, educated and resilient people who have the potential to achieve greatness provided they are equipped with the necessary skills and are given the opportunities. The human resource is the most important asset of this country and must be developed if we are to survive in the global economy. I say to the people of Nevis that this is a budget about confidence for a brighter future. We need to demonstrate confidence in ourselves and in our ability to manage resources in order to achieve success. The NRP has demonstrated before that it is a party of vision and fortitude and it is not afraid to venture into the

unknown. We will continue on this path and with God's help we will once again move to new horizons and provide greater opportunities for our people.

12. Madam President, I shall now present an overview of the fiscal situation before I summarize the plans and programmes for the next accounting period.

FISCAL REVIEW

13. Madam President, 2005 was quite a successful year in terms of revenue growth but the inability to control expenditure resulted in fiscal deterioration. Current revenue totaled \$94,672,561 representing an increase of 18% over 2004. Current expenditure on the other hand amounted to \$87,520,889 recording an increase of 9% over 2004. This resulted in a surplus on the current account of \$7,151,672, a significant improvement over 2004 when the current account realized a deficit of \$1,609,007. However, the worsening overall fiscal situation was a result of the large expenditure outlay on the capital budget.

14. In the case of the capital account, capital expenditure for 2005 totaled \$14,960,050 representing an increase of 19% over 2004. On the other hand, the capital revenue collected from loans and development aid was a paltry sum of \$53,000. This resulted in a deficit on the capital account of \$14,907,050. The deficit wiped out the surplus on the current account and resulted in an overall deficit on the fiscal account of \$7,755,378. What the analysis revealed is that while revenue growth was good and the growth in current expenditure was kept well below that of current revenue, the capital budget was responsible for the deterioration in the fiscal position when compared to 2004.

15. As was already explained, 2005 was a very successful year in terms of revenue collection and was driven by the rebounding of the offshore and tourism sectors. We are well aware that the terrorist attack of September 11, 2002 had a negative effect on the tourism sector. The offshore sector was also affected by the negative impact of the blacklisting of St Kitts and Nevis by the Financial Action Task Force (FATF).

Consequently, the hotel and restaurant tax increased by \$1,362,925 or 16.17% when compared to 2004. The revenue collected from the international financial services sector increased by \$948,368 representing an increase of 12.42% over 2004. There is no doubt that the spin off from these two sectors also significantly increased revenue in other areas. Consumption tax at the Customs Department increased by \$1,879,863 representing an increase of 14.73%; Customs Service Charge increased by \$2,479,563 representing an increase of 105.03%; Import Duty increased by \$668,986 representing an increase of 8.14%; Income Tax increased by \$2,082,146 representing an increase of 252.58%; Social Services Levy increased by \$529,160 representing an increase of 8.33%; and Stamp Duty increased by \$5,889,831 representing an increase of 55.35%. There were no important revenue head showing decline with the exception of gasoline levy which was affected due to the increase in the price of petroleum on the world market. No revenue was collected from this head in 2005, a significant loss considering gasoline levy was a major source of revenue in previous years.

16. Madam President, to a large extent, current expenditure was curtailed. However, there were some notable exceptions. Personal Emoluments grew by \$835,836 representing an increase of 3.51% and Wages grew by \$420,171 representing an increase of some 4.45%. While the percentage increases are small the absolute amounts are quite significant. Personal emoluments were affected by the usual yearly increments as well as the 33% increase in salary awarded to ministers of government. The increase in wages came as a result of an increase in the employment of non-established workers during 2005. Grants and contribution also increased by \$966,257 or 39.99% over 2004. This included the grants made to local and regional bodies to which the NIA is a member as well as contributions to statutory bodies. A large percentage of resources from this head was used to pay annual subscription to the Caribbean Water Association and the Commonwealth Parliamentary Association as well as subventions made to the Financial Services Commission and the Nevis Tourism Authority. Contributions were also made to local sporting associations to facilitate participation in regional tournaments. Supplies and Materials also increased by \$559,437 or 11.62% which was used mainly by Public Works and Water Department to maintain water services and the infrastructure of the island. The

most notable increase in current expenditure was in domestic debt service payments which increased by \$6,664,542 or 206.18%. Foreign debt service payments decreased slightly by 0.94% as the government relied more on domestic sources to fund its Public Sector Investment Programme (PSIP). The financing for these projects was obtained from the sale of treasury bills as well as loans from private contractors.

17. Madam President, the large outlays on the capital budget accounted for the large overall deficit in 2005. The areas of significant capital expenditure outlays were as follows: Computerization of Government Services \$165,319; Purchase of Government Equipment and Furniture \$353,069; Road Improvement Project \$5,061,699; Land Settlement \$616,138; the Basic Education Project \$899,516; Secondary Village Roads \$767,693; Renovation and Expansion of Secondary Schools \$577,416; Repairs to the Administration Building \$250,000; Water Service Upgrade \$642,574; Improvement to Alexandra Hospital \$1,771,512 and Upgrade of Primary Schools \$299,905. Presently, with the high level of debt, we will have to rationalize the Public Sector Investment Programme by carefully selecting and evaluating projects for funding. In the future, our focus will have to be on identifying those projects that will bring significant returns in terms of employment and income.

FISCAL PROJECTIONS

18. Madam President, current revenue for the fiscal year 2007 is estimated at \$104,507,860 representing a projected increase of 7% over 2006 budget. Current expenditure on the other hand is estimated at \$95,284,547 representing a projected increase of 7%. The difference between current revenue and current expenditure gives a projected current surplus of \$9,223,313. I must make the point that the revenue projection were made with the assistance of the Eastern Caribbean Central Bank (ECCB) and we have tried to be as conservative as possible to reduce the likelihood of overstating the revenue for 2007. Despite the new policy regarding the need for US citizens to obtain passports to travel to the Caribbean, the fiscal and macro economic outlook is positive for 2007. Many of the hotels have reported higher than average bookings for 2007 and as a

result, we have projected an increase in hotel accommodation and restaurant taxes. With the new products that will be offered by the financial services sector, we are also projecting increases in revenue. With the likely improvement in economic activity, we have also projected for an increase in customs duties. In addition, income taxes and collections by the water department are expected to increase not only as a result of the likely expansion in economic activity but due to the fact that the Administration will be more aggressive in the collection of arrears during 2007. Lastly, revenue from property tax is projected to increase as a result of the new system that will be introduced for property taxes in 2007. This will be discussed in more detail later in the presentation.

19. Madam President, capital revenue from loans and development aid is estimated \$49,965,635 and capital expenditure is estimated \$69,323,681 giving a projected deficit of \$19,358,046 on the capital account. When this deficit is offset by the surplus on the current account, we end up with a projected overall deficit of \$10,134,733. The capital expenditure budget of \$69,323,681 will be funded as follows: Revenue \$19,358,046; Loans \$48,433,800; and Development Aid \$1,531,835. We inherited a government with very little flexibility in its finances due to the high debt service costs and overall non-discretionary expenditure of about 70% of revenue. As a result, we have had very little room to maneuver in terms of implementing our agenda for social and economic transformation. We are forced to increase the debt and present a deficit budget. However, we believe that our programmes are extremely important and in the medium to long term the economic spin offs will improve the fiscal situation. Furthermore, with the assistance of Eastern Caribbean Central Bank (ECCB), the Caribbean Development Bank (CDB) and the International Monetary Fund (IMF) we intend to carefully monitor the fiscal performance of the NIA and implement remedial action where necessary.

20. Madam President, I will now highlight those Ministries that will have significant increases in current expenditure allocations for 2007. The **Audit Department** will receive a 12% increase in allocation. Considering that transparency and governance are very important to this Administration, we intend to increase the staff of the Audit Department to enable it to more effectively execute its mandate. The increase in

allocation to the **Legal Department** will increase by 21%. These resources will be utilized to employ additional staff and to increase the allowance paid to legal counsels. **The Ministry of Finance, Economic Planning and Statistics** will receive an increase in allocation of 7%. This amount will be used to cover the projected increase in insurance cost, in domestic debt servicing and in production and marketing of the International Financial Sector. The allocation to the **Premier's Ministry** will increase by 35%. This increase is due largely to the transfer of the Press and Public Relations Department to this Ministry. The **Ministry of Tourism** decreased by 62%. This is due to the fact that Department of Culture and the Culturama Secretariat were transferred to the **Ministry of Social Development** and as already explained Press and Public Relations was transferred to the Premier's Ministry. The **Ministry of Health** decreased marginally by 3% as a result of the transfer of the Gender and Social Services Department to the Ministry of Social Development. The allocation to **Human Resources** will increase by 30%. Most of this increase will be used to augment the training vote. Last, but not least, the **Ministry of Social Development, Trade and Industry** will increase by 32%. There will be the total reorganization of this Ministry with the addition of Culture, the Culturama Secretariat, and Gender and Social Services. A Sport Division will also be created separate from the Youth Division. Most importantly, this Ministry will spearhead the government's Social Action Programme which will involve managing the community centres and organizing programmes throughout the communities.

POLICIES AND PROGRAMMES

21. Madam President, despite the challenges and the problems inherited, we are taking a positive approach to development. In the past, we have seen most of government's resources being channeled to the development of infrastructure with the result that our people are lagging behind. It is not enough to achieve quantitative increases in economic growth without carefully analyzing qualitative factors. For instance, growth over the last 14 years has been achieved mainly from public sector expansion, but this has resulted in a huge build up of the debt stock which will place a burden on our people to repay. In

addition, quantitative expression of growth does not give any indication of the people who are benefiting. There are many countries in the world today that have high growth rates but the disparities in incomes are widening. The government has a responsibility to ensure that all of the people enjoy the fruits of development. To achieve this objective, we must implement policies and programmes geared towards equipping our people with the skills, knowledge and discipline to become productive members of the society. We do not believe in giving handouts. We want to empower our people to become more self-reliant and independent and thus reduce the burden on the state.

22. We have produced a budget with a projected overall deficit of \$10,709,733. It is our intention to work diligently in the future to correct the mistakes of the past and bring fiscal stability to the island within five years. However, in the initial stages we will have to make the necessary investments with the view that as our people become more productive, the country as a whole will become more competitive in the world economy, and the increases in incomes will help to keep the debt to Gross Domestic Product (GDP) ratio and debt service ratio within acceptable limits.

23. Madam President, I have indicated that this is a budget of confidence. This is why I have said that we will take a positive approach in tackling the development challenges of this country. In fact, we have already started the process of change. We have not been in office for six months and yet we have been making great strides.

- 1) The road from Jessup to Cotton Ground via Barnes Ghaut has already begun at a cost of approximately \$15 million. A contract has already been awarded to Surrey Paving out of Jamaica to complete the island main road at a cost of \$25 million. It is important to note that the previous Administration had signed a contract for the construction of this road at a cost of \$40 million. The contract was very unusual in that it allowed for a maximum price of \$40 million even before any designs were done. We have renegotiated this contract with Surrey Paving and have been able to save the taxpayers of Nevis \$15 million. This matter will be discussed in

greater detail in the future when we have completed a comprehensive review of all the agreements.

- 2) We have also launched the youth forum which will be utilized to keep communication open with our young people so that their concerns could be included in the national priorities of this administration.
- 3) We have launched the Social Action Programme which is aimed at empowering and strengthening communities.
- 4) We have also initiated cleanup programmes throughout the islands in an effort to beautify our communities. The schools have also been cleaned and we have made sure that all of the children are properly seated.
- 5) We have also respected the rights of our people as enshrined in the constitution by allowing the children of Rastafarians to go to school with dreadlocks. Pregnant mothers have also been allowed to return to school after their period of confinement. These young girls will now be afforded a second opportunity to continue their education and thus avoid the yoke of poverty and stagnation.

24. Madam President, we have moved swiftly to carry out the plans and policies delineated in our manifesto and I can assure everyone that the momentum will continue in 2007 and beyond. I will now highlight the policies and programmes that will set the stage for the economic, social and political empowerment of our people.

EDUCATION AND TRAINING

25. Madam President, at the very core of the economic strategy of this government is the development of our human resource. We campaigned on a platform of people empowerment, and education and training is perhaps the most important vehicle through which our people could uplift themselves economically and socially. This area of development has been ignored for too long and people of Nevis could expect a major change in policy as the programmes and activities of this government unfold. Education is too important to remain the purview of the privileged few. This government will ensure

that everyone living in Nevis has access to education regardless of economic circumstances.

26. Madam President, we will pursue the following objectives:

- 1) Deliver quality education to all;
- 2) Cater to those students with special needs;
- 3) Involve parents to a greater degree in the education of their children;
- 4) Address the problems of discipline, gangs and violence in the schools; and
- 5) Re-establish good values and standards in our schools.

27. We will continue with the upgrading of the school facilities to create an atmosphere conducive to learning. We will also provide additional resources through initiatives such as the provision of textbooks, the payment of examination fees for needy children, and the provision of lunches in the primary schools. One of the areas that has been given very little attention over the years is special education. This practice will have to change because we believe that children with special needs can in fact play a critical role in this country's development providing that they are taught the necessary skills to function independently. We have already employed a special education specialist who has been given the responsibility to develop programs and activities to enhance the standard of special education in Nevis over the next five years. With the construction of the new special education school and the programs that will be developed in the future, we will revolutionize special education in Nevis.

28. Madam President, I have said before that our education system has not changed much since NRP vacated office in 1992 even though the needs of our children are changing rapidly. We have been defining success in education based on the percentage passes at CXC when in fact only about half of the student population actually write CXC subjects. We have not given any serious attention to those students that are not academically inclined and as a consequence many of them especially the boys leave school without the basic skills to function in the workplace. We, therefore, urgently need to develop a comprehensive education policy to take Nevis forward in this century and beyond. To

begin this process, we will establish an Advisory Body to examine the delivery of education in Nevis and make recommendation to the Cabinet on the way forward.

29. Madam President, the most important project for this government will be the construction of a College of Further Education to house the Sixth Form, the University of the West Indies (UWI) Distance Programme and a Technical Education Unit. We believe that this project is vital to ensuring that Nevisians have access to affordable training at home to help them compete in the job market. The technical programme is also extremely important in ensuring that those children who are not interested in the academic areas are able to pursue a vocational programme that will prepare them for the workplace. This project will require careful planning to ensure that it meets the needs of our people in terms of the skills that will be required to make our island competitive. The expenditure outlay will also be very high and thus we will have to ensure that we get value for the investment that we make. Next year we will begin in earnest to undertake the preliminary work for this facility. We have already approached a funding agency that is interested in providing a soft loan for such a facility. However, we will have to prepare the necessary project proposal for submission to the funding agency as soon as possible. In the interim, we have already started the process of separating The Sixth Form College from the Charlestown Secondary School (CSS) to create a more conducive environment for research, study and exchange of ideas. The change will be fully completed by September of 2007.

30. Madam President, recognizing that many Nevisians cannot afford to go abroad to pursue tertiary education, we intend to expand the distance education programme to give more of our people access. We have already relocated the Ministry of Tourism to the Bath Hotel so that additional space could be provided at Marian Heights to accommodate students. This decision will give greater impetus to the programme by allowing the development of more classrooms, a library and additional video and teleconferencing capacity. In addition, we are actively seeking partners to introduce another module of external studies similar to the facility that we enjoyed with the Miami-Dade programme during the previous NRP government.

31. Madam President, we have also demonstrated our commitment to human resource development by assisting persons pursuing studies abroad. We have provided assistance to some twenty three first-time Nevisians pursuing studies at regional and international colleges and universities, and eleven at the Clarence Fitzroy Bryant College (CFBC) in St Kitts. Areas of concentration include environmental and community health, environmental science, law, business management, education, building technology and hotel and tourism management. We have also given a commitment to pay economic costs for six students who enrolled in the UWI, and full cost was met for four of our healthcare workers who have gone into regional institutions to upgrade their skills. It must be noted that assistance is not only given to individuals studying abroad but to individuals pursuing studies here. Presently, we are assisting about 30 of those students and we intend to increase the assistance in 2007 to encourage more people in Nevis to pursue on line and distance professional courses. However, we ask that people pursuing these programmes undertake the necessary research to ensure that they enroll with reputable and accredited institutions.

32. Madam President, we made a pledge in our manifesto that we will train 150 persons in the first year of office. I am very happy to report that we have not been in office for six months and already we have trained about 173 persons in various areas. We have assisted approximately 60 persons pursuing university training at home and abroad at a cost of approximately \$350,000. We have also sent 2 persons abroad for training in the Youth Enterprise Scheme; 10 contractors to St Lucia for training in business; and 6 persons to St Kitts for training in pharmacy. In addition to the above, we have also trained 7 community centre managers, 15 volleyball coaches, 15 in library management, 15 in customer service, 18 in jewelry making, and 25 women in political science. Most people thought that our plan was too ambitious, but we are demonstrating that if you have confidence in yourself the sky is the limit.

33. Madam President, we want to encourage more of our young people to pursue studies in the technical field since this area is a high priority for Nevis. The government of Cuba

has been offering scholarships in such areas as Agronomy, Culture, Sports, Medicine, and Engineering, but Nevisians have been slow in taking up these offers. We encourage the technically-minded to see Cuba as an option. We are also requesting Nevisians to take up studies in other areas critical to our development such as Mathematics, Science, Vocational Studies and Technology. To facilitate this objective, student pursuing technical areas will receive priority in terms of financial assistance from government.

34. To show our commitment to Education and Training, we have budgeted \$1 million for training in 2007 which is a significant increase of \$300,000 over the amount budgeted for 2006. We recognize that the amount of \$1 million is not enough for the objectives that we are hoping to achieve and consequently, we will aggressively pursue assistance from bilateral and multilateral sources to fill the gap. I must therefore express thanks to those friendly donor countries like Cuba and the Republic of China on Taiwan that continue to contribute to our human resource development by providing scholarships to our people. We are very grateful for the assistance and look forward to working with them in the future.

SOCIAL TRANSFORMATION

35. Madam President, as part of our people empowerment programme, my government is planning a major social transformation in Nevis. It is the view of this government, that the best way to tackle the social problems in our island is to focus our activities and programmes at the community level. To facilitate this objective, we have already launched the Social Action Programme. This programme seeks to facilitate participatory community based, self-reliant and sustainable action programmes in order to reduce isolation, strengthen the bond between the government and the people and to bring about meaningful social change throughout the communities of Nevis. Consequently, all community centres will be transformed into vehicles for community action and development through the establishment of community teams to effectively manage these centres.

36. Madam President, in the past the community centres were constructed without any effort being made to develop any serious programmes for our people. They were constructed to be used mainly as hurricane shelters and due to a lack of use and maintenance over time many of them had begun to deteriorate. These centres will now be fully utilized to energize the communities to reduce social dislocation and crime. There will be programmes targeted at our youths and senior citizens to deal with many of the social problems that we are experiencing. The community workers will play an active role in the establishment of these Centres. We believe that community workers need to be in the communities dealing with social problems rather than sitting in offices. This initiative will provide the opportunity for them to become more involved at the community level. The centres will be used for the following activities:

- 1) Homework assistance programme – Trained teachers will be hired part time to assist children in the community with their homework at evenings. There are many parents who do not have the educational background to assist their children and cannot afford to meet the cost of a private tutor. This programme will assist those parents greatly by ensuring that their children are not disadvantaged in that they have access to the same resources as children from higher income families.
- 2) Establishment of community libraries – We will not wait for the people to come to the library; we will take the library to the people. We will therefore establish functional libraries in all the community centres so that all persons in the community and especially the youths could have access to research material that will enhance their learning capability. This government believes in access, in delivery, in quality service and in empowerment through knowledge and the library programme will facilitate these objectives.
- 3) Computer training – The Centres will be equipped with computer labs and a certificate programme will be developed by one of the local computer training institutions. These centres will also have internet access so that persons pursuing online courses could utilize this facility.
- 4) Skills Training – Workshops will be organized to train people in technical areas such as sewing, baking, cake decorating, and other areas of interest. The objective here is to equip people with the skills that will help them find employment

- including self-employment in the job market. We will undertake an assessment of needs to determine the critical areas for training.
- 5) Health Education – Health officials will visit the centres regularly to conduct workshops and seminars on preventive health. There are high incidences of diabetes and hypertension among our people and as a consequence our training will focus on these areas. We also intend to provide training and disseminate information on HIV/AIDS especially for our young people.
 - 6) Recreational programmes for our senior citizens - These will be organized during the day so that our seniors will have opportunities for social interaction and sharing of skills. We are also planning to organize programs so that our senior citizens could pass on their knowledge and skills to the youths in the communities.

37. Madam President, the Social Action Programmes as outlined represent a paradigm shift in the approach that this government will be taking in managing communities to make them more responsive in addressing social ills that continue to affect this society. To give greater impetus to the community action plan, the government intends to devolve some of the power from the central administration to Parish Councils. These councils will eventually become the administrative arm of the community centres and in addition will be responsible for the beautification of villages, sanitation, sports and recreation, and cultural activities. We also intend to introduce a parish festival which we expect will provide the stimulus for the broader participation in Culturama. I must point out, Madam President, that the government does not have the resources to establish all of these programs in the next fiscal year; however, we intend to establish a pilot project initially and replicate it in other parishes over a period of time.

YOUTH DEVELOPMENT

38. Madam President, the neglect of the young people over the years by the government has resulted in the increase of criminal activity, drug abuse, juvenile delinquency and other social problems. I must state emphatically that youth development is a top priority

of this government and we will tackle some of these social problems especially crime. We intend to provide meaningful programmes for the development of the youths through sporting, social and community based activities and training to foster their growth and development. I have already outlined many of the activities that will be implemented at the community level for the development of our young people. However, we want to maintain communication with our young people to be able to understand their needs and concerns. Already we have hosted a one day youth symposium under the theme **‘Voices of youth directing the way to change and development’**. This symposium afforded young people the opportunity to articulate ideas, aspirations, and concerns, which would be used to shape the government’s policies on youth development. This consultative approach to youth development is one way of empowering the youths of our nation to become more active in the process of economic development and social change. We will ensure that this symposium is held annually so that we are able to keep in touch with our young people at all times.

39. Madam President, we intend to expand and improve a number of existing programmes. The Youth Skills programme will be used to provide job attachments for out- of- school unemployed youths. It will offer them the opportunity to be gainfully occupied for a three-month period while learning a skill. During this year a total of seven youths were attached to seven businesses in the private sector. All of the interns were paid \$1000 per month with the NIA meeting half of the cost and the private sector meeting the other half. However, there were some employers who paid the trainees as regular workers with full salary. I wish to put on record our profound thanks for their exemplary partnership and solicit the support of other businesses as we seek to expand this very important programme next year. The Easter programme was also conducted this year under the theme **“Counting every child, Enhancing their interest”**. Over 100 students were exposed to skills training in Art & Craft, Computer Science, Parade Drumming, Steel Pan, Poetry and Drama, Dance, Cake and Pastry Making, and Tie and Dye. These activities provided a safe and fun-filled learning atmosphere for the primary and secondary school children of Nevis. This programme will continue in 2007 and we are hoping to cater to more students and to expand the range of training activities.

SPORTS

40. Madam President, sports is conceptualized by this government as a public health measure and a celebration of excellence. In this regard, our sports policy will be anchored on the following:

- 1) Physical education
- 2) Coaching
- 3) Participation in competition
- 4) Maintenance of Sports facilities
- 5) Sports Administration and
- 6) Sports tourism

41. Sports will emerge as part of the overall philosophy of this government and will be infused into education and health as part of a wellness programme for wholesome living.

42. We will also strengthen collaboration with local, regional and international organizations to give our youths greater international exposure and the opportunity to develop positive characteristics of integrity, good sportsmanship, character, commitment and a competitive spirit. We organized the annual summer camp which afforded 453 young persons to enhance their skills in golf, tennis, volley ball, cricket, netball, football, swimming, computer technology, and first aid. In addition, we also hosted the Culturama Legends Cricket Match, the under 13 Cricket Matches at the regional level and a Volleyball Workshop. During next year, we will expand the sporting programmes and spearhead the establishment of a Nevis Sports Council to serve as the umbrella body for sports in Nevis.

SENIOR CITIZENS

43. Madam President, this programme is a very important part of our agenda for the empowerment of people. As already outlined most of the activities for our elders will be concentrated at the community level as part of the social action programme. In addition,

we will expand the hot meals programme by cutting administrative cost and finding new ways to deliver more meals at a lower cost; provide training for care givers; improve the home health care system; and assist with the maintenance of homes. We will also be providing recreational activities for the elderly. Daily recreational activities will be organized for the inmates at the Flamboyant Nursing Home as well as elderly persons in the communities. We do not want our senior citizens to be living in isolation at home. These programmes will give them the opportunity to interact with their peers and participate in activities that will enhance their health and overall well-being.

CULTURE

44. Madam President, this government is aware that culture is the creative expression of our people. It provides the society with spiritual, intellectual and emotional depth as well as a value system, traditions and beliefs. Culture is therefore the root of the overall development of its people. Hence, this government will seriously invest in the cultural development, cultural preservation and the promotion of the arts and culture of Nevis.

45. The government, through its Department of Culture, will vigorously establish, support and encourage an environment where arts and culture will again flourish in abundance throughout Nevis. Arts and cultural education will be given high priority and every aspect of the Nevisian indigenous and popular culture will be promoted through the existing schools cultural program as well as through the government's Social Action Program in the various community centres around the island.

46. The arts and cultural development program will focus on providing a better understanding of Nevisian customs and traditions, restoration and preservation of the cultural heritage and youth cultural education. Special attention will be paid to skills transfer in the construction, maintenance and playing of the traditional bamboo fife and the banjo as these skills are fast disappearing from the Nevisian musical landscape. Emphasis will also be placed on the maintenance and playing of the kettle drum. These

programs will ultimately assist both emerging and established cultural organizations and enthusiasts in all areas of the arts and culture and help to motivate and mobilize others.

47. Madam President, the government is aware that culture is much more than performing and visual arts. Culture is at the heart of our very existence. It underscores who we really are as a people. Therefore, the government will also focus on the non-popular aspects of the Nevisian culture in order to offer our youth and people positive role models and activities to build character while providing alternatives to negative influences. Programs geared towards inculcating a sense of civic and national pride amongst our youth will be introduced as part of the new mandate for the Department of Culture. This is an area of great concern to this government and certainly something that is sadly lacking in our society today. The link between the popular and non-popular culture will be established to demonstrate to our youth, how the performing arts – for example – could be used in education and other avenues as an advocacy for the development of healthy lifestyles and positive attitudes. These programs are primarily geared towards promoting social action through culture as a basis for meaningful development, thereby contributing to the strengthening of a more cohesive social fabric throughout Nevis.

48. Madam President, the government through the Department of Culture will work closely with all government and non-government agencies involved in cultural development, preservation and promotion to ensure that the youth and people of Nevis can both contribute to and benefit from all cultural programs and projects to be implemented on the island. We will also ensure that the Department of Culture works closely with the Culturama Secretariat and Community Festival Committees to ensure that its programs in arts and culture can culminate in artistic displays at these and other major events. One of the events that we are planning for is the World Cup 2007. This will provide an opportunity for our artists to showcase their talent to an international audience with the possibility of earning a decent income for their artforms. However, our people must begin to prepare for this event so that our visitors could be entertained with high quality cultural performances.

49. Madam President, one of the top priorities of this government is to make the Culturama Festival into a viable economic entity. During the previous NRP government, the Culturama Festival used to be self-sufficient and did not require government's subventions. After 14 years of mismanagement and waste the government is now subsidizing the festival to the level of \$300,000. The revenues from the festival were seriously eroded due to the widespread distributions of complimentary tickets to achieve political objectives. During next fiscal year the Administration will work towards the transformation of the Culturama Festival through the establishment of a government corporation to administer its affairs. With this initiative, we expect that over time the Festival will be able to pay for itself and the quality of the performances will improve significantly.

HEALTH CARE

50. Madam President, my government believes that health care is important to the development of this country and to our overall strategy for people empowerment. Health care is directly linked to productivity and therefore the investment in health care will bring significant returns in terms of the competitiveness of our country. We will continue to improve curative health care by equipping our health centres with the necessary resource for patient care. The Alexandra hospital will also continue to be upgraded. We do not have the resources for next fiscal year, but in the future we will construct a psychiatric unit, nurses' home and additional private rooms. We will ensure that we have sufficient doctors available to provide high quality health care and where specialist care is needed we will establish relationships with doctors abroad who would be encouraged to make periodic visits. However, because of our small population, we will not be able to provide all the health care services in Nevis and as a result people will have to go abroad for critical care. This is why we are seriously exploring the possibility of establishing a health insurance scheme especially to assist persons who have to go overseas for

treatment. During next year, we intend to undertake the necessary research to determine the feasibility of such a scheme bearing in mind that the working people of Nevis will have to contribute to it.

51. Madam President, my government intends to give priority to prevention and promotion. We believe that the best way to reduce the cost of health care is helping people to understand that they are responsible for their own health and must therefore take the necessary action to educate themselves and to live healthy lifestyles. I have mentioned already that too many of our people are suffering from chronic non-communicable diseases such as diabetes and hypertension when in fact these diseases could be controlled through a healthy lifestyle, early detection, and preventive care. We will place greater emphasis on primary health care by upgrading all of the health centres over time and ensuring that they have adequate resources to provide a high quality of service. We will place greater emphasis on Community Health Nursing which is critical to our plan to focus on preventive health services. Acting through the Public Health Department, we will aim to accomplish the following objectives:

- a) Improve collaboration between Community Health Nursing and the Health Promotion Unit to heighten awareness about the lifestyle diseases in an effort to decrease morbidity and mortality.
- b) Expand and Strengthen the Community Nursing Programme to meet the needs of the various groups on the island including the migrant population.
- c) Strengthen the capacity of the Environmental Health Unit to meet regional and international standards as it pertains to environmental health.
- d) Develop a more comprehensive mental health programme to deal with mental disorders and substance abuse.
- e) Begin preliminary work for the construction of a psychiatric facility to properly treat mental health patients; and
- f) Strengthen the Dental Health Programme to improve the overall dental health of the population.

52. One of the new ideas that will be implemented in 2007 is the launching of a Men's health clinic in Gingerland. This involves setting aside a day in the week to cater to the men in our society who are often reluctant to seek medical advice until their illnesses have reached the advanced stage. We intend to replicate this program at other health centres in Nevis depending on the response to this initiative in Gingerland.

53. Madam President, during 2007, we intend to step up our fight against HIV/AIDS to control the spread of this disease among our people. Presently, we have 23 reported cases of AIDS in Nevis and will have to intensify our efforts at prevention before this world pandemic gets out of control in Nevis. Since assuming office, we have moved swiftly to begin to tackle this problem. The Aids Coordinating Unit has been relocated to Charlestown where it will be more accessible to the general public in terms of disseminating information. We have also employed an additional person in the unit to augment the programme especially as we intend to focus our training efforts at the community level using the community centres. Our goals for 2007 are:

- 1) to increase services to persons living with HIV/AIDS;
- 2) develop and implement a communication strategy to publicize all available HIV/AIDS services;
- 3) improve program management and upgrade skills for core staff at the Unit; and
- 4) expand the multi-sectoral response to include line ministries and private sector interest groups.

54. We will also continue to source anti-retroviral drugs to ensure that HIV/AIDS patients have access to the medication at an affordable price so that they can continue to live productive lives in their communities. I must make the point that while we will continue to assist HIV/AIDS patients as much as we can, the people of Nevis must understand that they must educate themselves about the disease and take the appropriate action to avoid infection. This is perhaps the only way that we will be able to control the spread of the disease especially among our young people.

55. Madam President, since assuming office, the first order of business was to establish an environmental works programme. Teams of persons have been employed to clean drains and roadsides, maintain and upkeep playgrounds, monitor litter and garbage collection, identify and destroy health hazards such as mosquito breeding sites, identify and assess the cause of flooding, plant trees for the beautification of villages and communities, and improve the aesthetics of villages and communities by constructing drains, removal of derelict vehicles and the placing of litter bins. It is well established that a clean and healthy environment is central to the maintenance of good health for the citizens of a country. In addition, Nevis is marketed as an upscale tourist destination and the physical environment must reflect that fact, or the tourism product will be devalued. In addition, we want to prepare ourselves to benefit from World Cup Cricket which has the potential to give a boost to our tourism industry and our economy both in the short and long term, but we must provide a pleasurable experience for our visitors. Bearing in mind the foregoing, the environmental health programme will become a key component of this government's health strategy and we believe that in time it will reduce the cost of health care due to its heavy focus on prevention.

POVERTY ALLEVIATION

56. Madam President, the Country Poverty Assessment (CPA) conducted in 1999-2000 revealed a poverty rate of 32% and an indigent population of 17%. The previous government spent most of its time criticizing the report rather than taking the necessary remedial action to address the issues of poverty. I believe that the government at the time erred in thinking that the rate of implementation of infrastructure projects and the construction of private homes had solved the poverty problem. It is no surprise, therefore, that the distinguished ministers of government were left in bewilderment and amazement. The NRP has always maintained that economic growth does not address the problem of poverty and indigence unless it filters down to the grass root level. Therefore, we were not surprised by the results of the scientific survey. In fact, we have always been very close to the people and had much more information than the previous government about

the problems that have been affecting them. We realize that the problems of poverty will not be solved unless deliberate and concerted action is taken to alleviate the situation.

57. Madam President, our decision to focus on people empowerment has as one of its central tenets the eradication of indigence, and the reduction of poverty level to below 5%. We believe that the low level of educational attainment is a major contributor to the high incidence of poverty in any country, and consequently both formal and informal education will be given priority. I have already outlined our plan for education but the Social Action Programme as outlined will be the impetus for tackling poverty which is most prevalent at the community level. Our housing policy will also be targeted at poverty alleviation. We are already in the process of raising finance to construct 300 affordable income houses over the next four years. We will also allow for greater flexibility in the housing policy by catering for those persons who already own their own land. We are also in the process of finalizing a loan from Social Security to provide soft loans to all levels of civil servants for the construction of their homes. Our objective is to revolutionize the housing sector by empowering the low income families to experience the pride and joy of owning their own homes. We will change the landscape of Nevis in this regard over the next five years. Home ownership will no longer remain the prerogative of the rich. We will empower all the people of Nevis regardless of income or political persuasion.

58. We have already started a new CPA and when those results are revealed this government will not get into any debate about methodology and other trivial issues. We will study the results carefully and move swiftly to implement any additional programmes to help our people improve their standard of living.

59. Madam President, I will now move on to our plans for the service sector. This government is of the view that the service sector is where small island states like Nevis can in fact compete in the global economy. We do not possess a large endowment of natural resources but we have an intelligent population that is trainable and could rise to the challenge of providing first class services in the global market. We, therefore, will

give serious attention to this industry with the objective of providing employment opportunities for our people and augmenting the rate of economic and social development. It was the previous NRP that developed the policies that have sustained the service sectors over the years, and we are ready again to bring about a revolution that will prepare Nevis to compete globally in the near future.

TOURISM

60. Madam President, it was under NRP that tourism was designated as the sector that has the greatest potential for synergies and linkages with other sectors of the economy such as construction, transport and agriculture. In fact, the agriculture marketing cooperative was a product of this policy and eventually served as a model for many islands in the Caribbean. The CCM administration never understood the model and, consequently, the linkages established by the NRP government were not allowed to flourish. As we move forward with the development of the sector, these linkages will be re-established and strengthened so that Nevisians can once again maximize the benefits from the tourism industry.

61. Madam President, tourism as you know is our main generator of foreign exchange. It is also our largest employer with approximately 40% of workers in Nevis directly or indirectly employed in the industry. Considering the importance of the industry to Nevis, the government through the Ministry of Tourism will continue to expand its range of policies, and strategies, the ultimate aim being to foster service excellence and maintain sustainable development of this important sector for the benefit of all of our people.

Marketing

62. For a long time now we have realized that today's tourist is by far more educated, sophisticated, younger, more informed, energetic, and expects value for money. With this in mind our marketing strategies must adapt to changing times. This requires greater use of the internet, niche marketing, and targeting of special interest groups. We have seen

great results from the Wedding/Honeymoon markets. In fact since 2004, when the esteemed publication “Modern Bride” added Nevis to its list of World Best Honeymoon Destinations, we have not failed to make the cut. Additional e-blasts in 2007 will target well established and independently wealthy organizations such as AARP- the American Association of Retired Persons. We feel that our reputation as a haven of peace and tranquility would have massive appeal to this particular sector. Another innovation as far as our e-marketing thrust is concerned will be the introduction of a booking engine system onto the Nevis Tourism Authority (NTA) website. This system would allow for instant booking of not only hotel rooms but activities and other forms of entertainment as well.

63. Madam President, air access to Nevis is also a critical part of our marketing strategy. We already have a very good link with the US market through the American Airlines Puerto Rico hub. However, we are still losing market share from the European market as a result of the difficulty experienced by European tourists in getting to Nevis. In this regard, we will hold discussions with Winair, Liat and Caribbean Star to encourage them to link with the European Carriers and thus open up the lucrative European market to Nevis. We are also planning to maximize the benefits from the World Cup Cricket. We have been focusing our marketing effort on Scotland due to the fact that it will be based in the Federation and will attract many Scottish fans to the Federation. We anticipate that we will be able to attract a significant number of these fans to stay in Nevis and commute by ferry to St Kitts. Our marketing plans are very advanced and the response so far is encouraging.

Hotel Development

64. We view hotel development in Nevis as an absolute essential for the injection of new investment into the economy. Our drive to encourage this investment is in keeping with our promise to create new job opportunities for our young people, but will also create an atmosphere where local business persons would feel comfortable in establishing ancillary or support industries.

65. Our quest to realize this goal has resulted in serious discussions with various potential investors. In 2007, we anticipate the upgrading and refurbishing of the Inns at Cades Bay into a condominium type hotel. The Carino Hamilton Estate Development is already in full marketing mode in anticipation of Cricket World Cup, 2007. The latest projection is for 120 rooms when complete. We are also in discussions with groups interested in villa developments at Herbert's Beach and the area just south of the Four Seasons Hotel. The Newfound Hotel project is also still in the works but has had to be renegotiated for various reasons. Last but not least, plans are already on the way to develop 29 acres of land at Paradise into high end villas.

Cruise Ship Policy

66. Mindful of the fact that Cruise ship calls are a vital component of the industry, as well as a boon to taxi operators, greater emphasis will be placed on developing this critical aspect of the tourism experience. In 2007, we will begin to aggressively target vessels from the higher end of the trade so that not only will we get more visitors but visitors with a higher spending capacity. We have already identified one cruise liner that will include Nevis on its itinerary during 2007.

Heritage Sites Development

67. Madam President, as an army marches on its stomach so does an island country progress on its charm. This can be historical, as in the relics of our past, natural as in our lovely beaches and landscapes, or it can be man-made as in our botanical gardens and heritage villages. A country is nothing without its heritage and we will spare no effort to ensure that the colourful history of this island will not fade away into the pages of

history. A major effort will be made in 2007 to recreate the vibrant history of New River Estate with the establishment of a Plantation Yard Museum. The site will also be utilized as a craft centre to provide entrepreneurial opportunities for the young persons living in the environs.

Tourism Awareness Education

68. We are cognizant that the tourism torch will not pass successfully from this generation to the next without adequate preparation for the task. It is with this in mind that we have decided that tourism education must be given top priority. Presently, a majority of the primary schools are being afforded the opportunity of benefiting from tourism education. We will continue to expand and improve this program because we believe that as a service-centred economy, the best place to begin changing attitudes to service is at the primary level. By the end of the next year, it is our aim that all schools on the island will be participating in this unique experience. It is one of the strange anomalies of Caribbean Tourism that degree courses are being offered at our highest educational institutions, without sufficient groundwork being done at the base levels. In this regard my Administration will seek to establish a Hospitality Institute in Nevis to buttress our efforts to create and offer quality service to our industry. In addition, we intend to offer scholarships to interested and deserving students so that they too can stake their position at the commanding heights of the economy.

69. Madam President, I shall now move to the sector that is second to tourism in terms of contribution to the economy of Nevis.

FINANCIAL SERVICES

70. Madam President, the international financial services industry is a significant contributor to the economy of Nevis. Up to November 30, 2006, revenues generated for the year totaled \$10.4 million representing a 7.4% increase over the corresponding period last year. When one considers that total revenues collected in 2005 were \$10.59 million,

the year's performance thus far reinforces our belief that there is tremendous potential for growth and development within this sector.

71. We have already signaled our intention to restructure the financial services departments in such a way that we sustain international confidence in the jurisdiction as an international financial center and maximize sustainable development in the financial services industry. We will establish the Development and Marketing Department as an autonomous statutory body where it will be able to embrace active contributions from the various private institutions and draw from the strength of close intra-industry participation.

72. Madam President, in order to become more competitive as an international financial centre we need to focus on branding the jurisdiction. We have created a new website where visitors can now access a complete up-to-date law library, professional directory and latest news and announcements about the industry. Already for 2006, a total of over 12,000 unique visitors have visited the financial services website and over 600,000 hits were received. We have created a new tag line entitled "Discover the Ease of Doing business in Nevis", a new logo and a new emphasis on international business and investment as opposed to just financial services. The idea is to market Nevis on a holistic basis in order to attract investors for all legitimate purposes.

73. The Government recognizes that in order to enhance the industry we must give careful regard to a number of areas. A number of legislative changes have to be made to modernize and develop our product offerings as well as to bring the industry in line with new international standards which have evolved over the last five years. For example, the Nevis Offshore Banking Ordinance requires urgent review to provide the legal framework for effective supervision in line with international standards set out in the Basel Core Principles. Other legislation such as a Segregated Accounts Ordinance is needed to provide for a protective cell structure and to compliment the Nevis International Insurance existing products. We will also change the existing strategy and begin to focus on developing high value added products and attracting reputable

businesses that could generate more high quality employment opportunities for our people. In this regard, we intend to contract the services of a consultant to assist us in developing a comprehensive strategy for the international financial services sector. This sector is extremely important to the Nevis economy and no effort will be spared in making Nevis a premier financial services jurisdiction.

74. Madam President, the Regulation and Supervision Department continues to work in conjunction with the Financial Services Commission to ensure the industry's compliance with legislative provisions and adherence to professional standards of operations. Madam President, the vulnerability of our international corporate vehicles for use by money launderers should not be underestimated. The Federation will undergo its next Mutual Evaluation Assessment by the Caribbean Financial Action Task Force in early 2008. During 2007, the Department will therefore continue its programme of onsite inspections to identify areas of weaknesses and ensure that the sector is adequately prepared for this assessment exercise.

75. Madam President, I now turn to Agriculture which we need to link more strongly to the service economy especially tourism.

AGRICULTURE

76. Madam President, I want to take some time to outline this government's policy on Agriculture. I have decided to take the time to do this because I believe that the previous government had given up on this sector. There is no doubt that the development of Agriculture is a difficult challenge due to the limited availability of arable land and grazing pastures, and competition from highly subsidized agricultural imports. However, food security must be a very important goal of national development and, therefore, we cannot allow ourselves to become totally dependent on foreign produce. We will have to be creative and make use of modern technologies to make Agriculture competitive in Nevis. I will now highlight some of the critical areas for development.

Expansion and Retention of Farmer Base

77. Madam President, since October 2, 2006, a total of 11 new farmers has been selected and will occupy approximately 16 acres of farm land. Based on import data, production targets with regards to quantity and type of produce have been set. Crops of interest include: coloured peppers, carrots, cabbage, tomatoes, watermelons and cantaloupe. Although self sufficiency in these items may not be achieved, our dependence on imports will be reduced by an average of 40% in 2007.

78. The government through the Department of Agriculture has been working diligently over the past months to repair the extremely poor relations between established farmers (primarily members of the Nevis Growers Cooperative) and the Department. Following extensive consultation with the membership, a number of key problems have been amicably resolved. These include:

- Expedited land preparation
- Acquisition and sale of familiar varieties of seeds and chemicals that were discontinued at the Marketing Division.
- Improvements in both the physical plant and services (grading, storage and sale of produce) at the Marketing Division. To date 95% of this particular problem has been solved.
- Better prices for produce. Following negotiations with the Four Seasons Hotel, farmers have received an average increase of 15% effective from November 10, 2006.
- Reunited program for the 2007 Agricultural Open Day.

79. Madam President, we intend through the Department of Agriculture to continue to encourage “back yard” farming through the provision of seeds, seedlings and other agricultural supplies. As incentives to farmers, we are committed to assist in all aspects of production which include and are not limited to fencing, land preparation, planting materials and marketing. In return, the farmers will be required to:

- Adhere to crop scheduling guidelines
- Adhere to post harvest handling and marketing guidelines.
- Agree to have deductions made from the sale of their produce (minimum 10%) to repay the cost of inputs.

Prospect Experimental Station.

80. Madam President, the physical plant at Prospect has been allowed to degenerate to an abysmal state. The greenhouse and shade house intended for plant propagation are practically derelict. Despite the difficulties, the staff at both the Forestry and Root Crop Divisions continues to provide significant quantities of planting materials to our farmers and the general public. Presently, 16,000 pineapples (a gift from the Taiwan Mission) are being cultivated. From this stock, over 80,000 suckers will be made available to our farmers. The unit has also provided over 2000 banana and plantain suckers to farmers.

81. With improvements to the facilities planned for early 2007, the Department of Agriculture would be in a better position to satisfy the demand of farmers. The aesthetics of the Prospect Experimental Station leaves a lot to be desired. At present, consultations are underway with landscape designers to enhance the appeal of the unit. Phased improvements will begin by February, 2007. Over the next two (2) years the unit will be totally transformed into a beautiful place to work as well as to visit.

82. The Department of Agriculture has adopted the theme “Doing more with less”, and as such is committed to intensifying crop production through technology. In 2007, one green house (100’ x 40’) will be erected at Prospect and will serve as a test bed for intensive crop production systems. The technology will be shared with farmers. Also in 2007, vermiculture (worm composting) and semi-static composting will be introduced. Through the adoption of these relatively simple and inexpensive technologies, farmers would be able to significantly improve their productivity and reduce the cost of production.

83. Madam President, we will also improve the operations at all of government's estates in Nevis.

Cades Bay

84. Presently, 34 acres of farm land are in various stages of production; however, only 40% can be categorized as active. The Department of Agriculture has no production at this location. The advanced ages of the majority of farmers pose serious problems in regards to production. Most are unwilling to adopt the most basic technologies or to specialize in a particular crop so as to benefit from economies of scale.

85. Recently, the Department of Agriculture has attracted one new professional farmer to the area who will cultivate 1.25 acres of mixed crops until more land becomes available. Another positive report concerns banana and plantain production. By 2007, 25% of the local demand for plantain and banana will be supplied by the farmers at Cades Bay.

86. Finally, construction of the long awaited Agro-Processing Center should begin in 2007 at Cades Bay. We are very excited about this project because for the first time Nevisians will have access to a high class facility which will bring some diversity to the agricultural sector and enable us to develop stronger linkages with tourism. I, therefore, encourage those persons interested in agro-processing and agro-business to make maximum use of the facility. We will also provide training in this area so that our people are equipped with skills to make this endeavor a big success.

Potworks

87. Madam President, this estate comprises of 27 acres of farm land, 17 of which is being cultivated by farmers and the remainder under Department of Agriculture production. The breakdown is as follows:

- 5 acres of onions
- 1 acre of pumpkin
- 3.5 acres of cassava
- 0.5 acre of sweet potatoes.

88. Of the above crops, two (cassava and pumpkin) contribute 100% of local demand. An estimated 5% of pumpkin was exported via the "Dominica Boat." Although the yield of sweet potato exceeded 1 ton, it contributed only 10% of local demand. Additional acreage at New River and Prospect are now planted and will yield an additional 20-25% of local demand.

New River

89. Madam President, the acreage under production at this estate has declined over the years. Presently, three (3) farmers cultivate approximately six acres (6) with the principal crop being citrus. The Department of Agriculture presently cultivates seven (7) acres of onion and one-half (0.5) acre of sweet potatoes there. In 2007, the Department will expand tree crop production in the upper valley. A ten acre plot is due to be cleared and fenced by early January. The project will accommodate the following plants:

- Jammoun
- Gooseberry
- Sapodilla
- Jujube
- Manciport

90. In the lower valley an additional 2 acres of sweet potatoes and 1.5 acres of yams will be cultivated by February, 2007.

Indian Castle

91. Madam President, a ten acre plot at this estate has already been secured and earmarked for Almond and Cashew production. To date 40% of the project has been completed. The remaining 60% will be finished by early January, 2007. We believe that these crops will have a big impact on the local market and help to reduce our reliance on imports.

92. The bulk of the estate (400 acres) is primarily used for large ruminant production (58 zebu x Brahman). A small population (59 animals) of Barbados Black belly sheep is also maintained. Local farmers continue to access these pure breed stocks and in 2006, 16 heifers and bulls were sold. The precipitous decline in output (> 30%) was primarily due to the loss of breed stock in the drought of 2003.

93. To guard against drought, the Administration through the Department has recently undertaken an expansive fodder bank program. Sugarcane production has tripled from 1 to 3 acres, and 3 acres of field corn and 1 acre of Sorghum will be cultivated shortly. We will continue to increase the production of fodder to buffer ourselves from drought. We cannot afford to sustain the loss that we suffered in 2003 which was due to negligence and poor planning.

Maddens

94. Maddens is the largest (1000 acres) of the two animal stock farms of which 50% is home to 68 Senepol cattle. An identical program of fodder bank expansion will be undertaken beginning in January, 2007. A replacement bull from St. Croix will join the herd in January, 2007. The production, ending December, 2006 recorded 12 animals sold. It is anticipated that with the new bull and expanded fodder bank, production will increase by 35% in 2007.

95. A new pig breeding unit is nearing completion. A nucleus head of 10 sows (large white, Duroc and Hampshire) will be established for the express purpose of providing

feeder pigs to local farmers. Piglets will be produced through artificial insemination (AI). The service will also be available to farmers. In a related matter, the Department of Agriculture has committed approximately 2 acres of land at Lowground for the relocation of 7 pig farmers from within residential areas.

Cotton Production

96. Madam President, it is the intention of the Department of Agriculture to revisit cotton production. Following lengthy consultation, preparatory arrangements are being initiated. Approximately 60 acres (split between New River & Indian Castle) will be planted in August 2007. The expected yield of lint will exceed 50 tons and have a gross value of \$2.1 million. No effort will be spared to encourage local farmers to produce cotton. With prices hovering around \$US8.00/lb, that task will not be difficult.

97. Madam President, I will now move on to some other programs that will be undertaken in our thrust to revive the agricultural sector.

Lethal Yellowing Task Force

98. Madam President, the Nevis Island Administration has allocated \$ 350,000 in the 2007 budget to combat this lethal disease that affect coconut and palms trees in general. The thrust of our effort will focus on:

- Roughing out and burning infected plants
- Sourcing resistant varieties
- Establishment of a nursery
- Aggressive replanting campaign.

99. Much of the ground work is already in progress. Sourcing of the requisite forestry equipment needed to remove the trees has been initiated and will be on the ground by April, 2007. The harvesting and processing of the tree trunks into wood chips will extend beyond 2007.

Animal Control

100. Madam President, the incidence of dog attacks on livestock has reached intolerable levels and must be given urgent attention. Existing legislation requires registration of all dogs but the compliance is low. The government intends to become more aggressive in dealing with this problem. We will initiate discussion on this issue during 2007 to get feedback on the best way forward. We might even have to consider prohibiting the breeding of dangerous dogs. In the meantime, 3 dozen humane traps will be purchased to aid in the control program but ultimately we will have to come up with a more comprehensive policy.

101. We also have a serious problem with monkeys. They continue to be the key Agricultural Pests and are responsible for the majority of losses to crop farmers. Until and unless this matter is seriously remedied, crop production on Nevis will be severely compromised. Consultations on this contentious issue will be held in January, 2007 with the objective of coming up with a policy. We are well aware of the sensitivity involved in the control of the monkey population, but we will definitely have to do something about the situation.

102. Madam President, this is just an outline of some of the initiatives that we are planning for Agriculture. I can assure the people of Nevis that this government will not throw in the towel like our predecessors. We will harness the creative energies of our people in generating ideas to make agriculture in Nevis competitive and viable. It will be challenging but we intend to get the job done.

COOPERATION WITH THE FEDERAL GOVERNMENT

103. Madam President, one of the top priorities of my government is to improve relations with the Federal Government. Since assuming office, I have had several meetings with the Prime Minister as well as a joint cabinet to discuss areas of concern and of mutual

interest. We are of the view that the people of St Kitts and Nevis should focus less on their differences and instead work together for the benefit of all the people of the Federation. We have a common history and a family bond that should help us overcome any obstacles in the way to harmony and progress. We firmly believe that the political problems could be solved through constitutional reform rather than complete separation and as a result we intend to work closely with the Federal Government to achieve this goal peacefully and in an environment of mutual respect. What we are seeking is a greater devolution of the power to the NIA so that we can manage our own affairs taking into consideration our own peculiarities. This requires inter alia:

- 1) more legislative power to make laws in critical areas such as education and health;
- 2) greater involvement in foreign affairs and trade matters;
- 3) representation at regional and international meetings;
- 4) greater control over the police in Nevis to deal with domestic defense;
- 5) coordination of fiscal policies; and
- 6) the establishment of procedures for the distribution of grant funds.

104. My government is of the view that if these matters are addressed in an amicable manner, relations between the two sister islands will improve significantly. I am also recommending that we institute periodic meetings of the joint cabinet so that these matters could be discussed and a framework established for moving forward.

GOVERNANCE

105. Madam President, before we came into office, we promised the people that improving governance will be a top priority of the NRP government. Over the years, we have witnessed the waste and mismanagement of government resources. This practice will have to stop and as a consequence my government will implement best practices in government to eradicate the corrupt practices of the past. Presently, we are going through a maze of questionable practices that had become the norm in the past and when the

investigations are completed we will report our findings to the general public. In the meantime, we will move ahead with our mandate to improve transparency and accountability in the conduct of the affairs of this government.

106. During 2007, we intend to put forward a package of legislation to improve governance and to make ministers and civil servants more accountable in the carrying out of their fiduciary responsibilities as public officers. In this regard, we will appoint a permanent Integrity and Fairness Commission to hear complaints from the public and investigate ministers and public senior civil servants; enact finance regulations which will clearly outline procedures for the management and accounting of government finances; pass an integrity act to govern the conduct of ministers and senior public servants; and pass a procurement act which will require the establishment of a Central Tenders Board to award contracts and layout the procedures for competitive bidding. We will not only pass these act but we intend to put in place proper mechanisms and systems to ensure these laws and regulations are respected and complied with so that the people of Nevis could be assured that their tax dollars are well spent.

107. Madam President, I have said before that the previous government had no regard for accountability and transparency. For instance, the CCM cabinet secretly increased Ministers salaries by 33 % without bringing the matter to the Nevis Island Assembly and informing the general public. They were well aware that the review undertaken by the Federal parliament did not cover members of the Nevis Island Assembly but they implemented the recommendations nonetheless. Since assuming office, we have established a committee to review salaries and allowance paid to Ministers of Government in Nevis and when its report is submitted we will seek the sanction of parliament in accordance with the regulations. The objective of this exercise is not to increase the salaries paid to Ministers but to ensure that the business of government is done the right way.

DISASTER MANAGEMENT

108. Madam President, in the last 20 years, the world has seen a significant increase in natural disasters, from the destruction caused by the Kobe Earthquake in 1995, the extensive coastal damage by Hurricane Lenny in 1999, the devastation of Hurricane Katrina in 2005, the devastation of the Asian tsunami and closer home the intense flood events in Nevis in 2004 and 2006. To further promote disaster management to individuals, communities and organizations, both public and private, with the aim of reducing risk, cost, and impact to life and property caused by man-made or natural disasters, my government will undertake the following activities and programs for 2007:

- 1) Upgrade the **Office of Disaster Management** to full Department status to enhance its effort to prevent, prepare for, mitigate, respond to, recover and restore from, the effects of the hazard;
- 2) Develop and implement a new Nevis Disaster Plan for all hazards coupled with the development of comprehensive Disaster Management Plans for the districts and communities in Nevis;
- 3) Establish natural hazard impact assessment guidelines for assessment of development projects;
- 4) Include a schools' awareness program as part of the implementation of an effective public awareness and education program for all districts and communities in the management of emergencies;
- 5) Establish a disaster mitigation committee to be engaged in flood mitigation and control planning for critical areas of the island; and
- 6) Carry out simulation exercises at the Vance Amory International Airport to test the airport disaster plan.

109. Madam President, in addition to the above, the new emergency operating centre building and warehouse under construction at Long Point will be dedicated in the 2nd quarter of 2007, and will include the establishment of a Disaster Management database and Library for use by all Agencies and the community, providing information on all aspects of Disaster Management. Part of this improvement process will include the procurement of appropriate equipment, software and related technological instruments

including Geographic Information System capabilities and satellite communication to provide up-to-date information on analysis of hazards.

110. Madam President, since Hurricane Hugo in 1989, we have come to the realization that natural disasters are on the increase and that we will have to put in place disaster mitigation measures to minimize their impact. With these programmes, I have no doubt that we will be better able to manage and prevent disasters and thus protect the wealth that will be created in this country in the future.

111. Madam President, I will now move on to a very important area of our economic strategy. We are cognizant of the fact that while investment in people is critical to our strategy to engender sustained economic growth and development, the returns will be generated in the long term. We have to put in place policies that will immediately increase income and employment and thus boost the standards of living of our people in the short and medium term. We will continue with the public sector investment program, and energize the private sector to partner with government in the development of the country.

PRIVATE SECTOR DEVELOPMENT

112. Madam President, private sector development is a very important component of the economic development strategy of this government. This is an area where the people of Nevis will see a major shift in focus and strategy when compared to the policies of the past. We believe that the private sector must become the engine of growth in the economy for our economic strategy to become sustainable. With the high level of debt that has been accumulated over the years, it is imperative that we change our focus and provide the investment climate and support so that the private sector could thrive. This is perhaps the only way that we will be able to expand the economy while making the tough decisions necessary to control debt and to generate surpluses on the fiscal accounts. I feel very strongly about private sector expansion and consequently, I have spent a significant amount of time talking to potential investors in Europe and America about opportunities

in Nevis. I have received very positive feedback and I am confident that over the next five years, we will attract significant investments in hotels, villas, condominiums and holiday homes. During next fiscal year, we will develop a comprehensive fiscal incentives policy to stimulate the development of the private sector especially the small and micro businesses. Special attention will be given to production-oriented businesses and those that are major foreign exchange earners for the island. We will also put in place an Investment Committee headed by a member of Cabinet to ensure that important projects that have the potential to significantly increase incomes and employment are fast tracked through the system.

113. Madam President, we are also extremely interested in attracting Information, Communication and Technology (ICT) businesses. We believe that this area is extremely important to the development of Nevis and to our ability to compete in the global market especially since the size of country and population are not limiting factors in terms of our potential. However, we must begin to equip our people with the skills so that they can obtain high quality jobs in the ICT sector. The upgrading of computer labs in the schools and the equipping of community centres with computer equipment will go a long way in preparing our people for this very dynamic sector. We will also provide fiscal incentives to companies investing in technology type business such as telecommunications, computer technology and data and voice services. We are confident that we will be able to attract investments in these areas over the next five years and thus provide greater diversity in terms of employment opportunities for our people.

114. Madam President, we intend to give serious attention to the small and micro business sector by providing greater access to funding and technical assistance. In addition, we intend to expand the role of the Small Enterprise Development Unit (SEDU) to better cater to the needs of the small business sector. The Unit will work closely with these businesses to help them to become more competitive through improved marketing, innovation, accounting systems, productivity, and efficiency. We will also continue to work closely with the Caribbean Development Bank through its Caribbean Technology and Consultancy Services (CTCS) programme to provide training for small businesses in

the functional areas of business management. Furthermore, the technical assistance and training programmes will be upgraded so that we will be able to offer targeted outreach programmes to schools, community groups, and cooperatives in an effort to ensure that our programmes reach a wide cross-section of the community.

115. We have also budgeted an additional \$200,000 to expand the Enterprise Development Fund to assist the small and micro business sector with funding for viable business proposals. During 2007, a new policy will be developed which will broaden the range of businesses that will be eligible to receive loans as well as increase the ceiling so that larger loans could be disbursed. One of the new initiatives that this Administration will also launch next year is the Youth Enterprise Scheme (YES). We have budgeted \$200,000 to provide small loans to young people who are interested in starting their own business. To benefit from the programme, they will have to successfully complete a business training programme and an attachment in their field of endeavor with an existing business. Very soon two persons from Nevis will be traveling to Barbados to observe its YES programme and immediately on completion of the visit, the YES programme will be launched in Nevis. We believe that the small business sector is extremely important to employment generation and to the overall strengthening of the Nevis economy and consequently, this Administration will ensure that this vital sector receives its fullest attention.

116. Madam President, I mentioned earlier the challenge that we face with high cost of living. In this regard, we intend to reactivate the price control unit to protect consumers. We are aware of the problems of price control and the potential negative impact such as supply shortages. However, we will implement price control for important staple items to protect the disadvantaged in our society, but the main focus will be on quality control, and education to ensure that consumers are aware of their rights and responsibilities. We also intend to employ a trade specialist to help us keep abreast of regional and international trade issues and dialogue with the local businesses to improve productivity and competitiveness and thus prepare them for the challenges of the Caribbean Single Market (CSM) and global markets in general. We can no longer sit back and assume that

we are insulated from external changes. We have to face reality and move with haste in ensuring that our people are ready to meet these challenges head on.

117. Madam President, we want to develop a better relationship with the private sector by working more closely with the Nevis chapter of the Chamber of Industry and Commerce and the Small Business Association. We are also interested in working closely with social partners such as Non-Governmental Organizations and other community based organizations. We want all of these organizations to have a voice and thus help to influence the policies of this Administration. In this regard, we will launch a public/private sector consultation in September of every year to solicit the views of all the social and economic partners. This will be done during the preparation stage of the budget cycle so that we will be able to incorporate the ideas generated into the plans and programs for the proceeding year.

118. Madam President, I reiterate that the private sector has a very important role to play in the development of the country and every effort will be made to partner with the private sector to ensure that the development objectives are achieved.

PHYSICAL RECONSTRUCTION AND INVESTMENT PROGRAMME

119. Madam President, my government will continue to upgrade the physical infrastructure to create the enabling environment necessary for economic growth and development. I will now discuss briefly some of the critical areas.

Roads and Public Works

120. Madam President, the people's agenda has started in the area of the Public Sector Investment Programme. We promised that within 300 days a number of projects will be

implemented and we are well on our way to achieving this target with the commencement of a number of important capital projects.

121. The first was the link road of Jessups, Barnes Ghaut, Paradise and Cotton Ground. As you are aware this will include the construction of 5.5 kilometers or 3.4 miles of road with the features of proper drainage such as Curbs, Slipper Drains, Box Drains, Swales, Culverts, and so on. Madam President, this is being done at an estimated cost of EC\$15 million and is funded partly by the contracting firm of National Piling Company Limited and the Nevis Island Administration (NIA). This project was anticipated and I am sure the people of Nevis support the efforts of the NIA in ensuring that the people of St. Thomas' get what they truly deserved. Rest assured Madam President that the people of Hanley's Road, Westbury, Fountain and Mount Lily will also benefit from the NRP government's comprehensive physical reconstruction programme. We will start a project in 2007 for the reconstruction of at least one of these roads after we have done the relevant designs and have secured the necessary finances.

122. In addition, Madam President, a few weeks ago on 27th November 2006 your government had a ground breaking ceremony to commence work on the third phase of the Nevis Island Main Road. Madam President, this was promised to the people of St. James and Gingerland for many years and it took the NRP government to implement this project after just a few months in office. Your government will construct a high quality road at a cost of EC\$25 million. The project will be done by the contracting Jamaican firm of Surrey Paving & Aggregate Limited. The project includes an element of exposure and training for the Public Works staff and local contractors. We must commend the Bank of Nevis for their financial support in granting the NIA a loan of EC\$30million of which \$25 million will be used to implement this project. Furthermore, we appeal to all road users and property owners to cooperate with your government as we work together for the development of Nevis. In addition, the repairs and rehabilitation to secondary village roads will continue in 2007. However, we must express our concern over the high maintenance cost for the section of the island main road from Cotton Ground to Newcastle. Urgent remedial measures would have to be taken in 2007 to reduce the time

and money the people of Nevis have been spending to repair a road which has not yet served its useful life.

123. Madam President, the schools on Nevis need some attention in terms of maintenance and upgrade. The Public Works Department will work with the Ministry of Education in 2007 to effect repairs and refurbish the schools where needed. In the meantime we anticipate the completion of the new St. Johns Primary School by February 2007, the new wing at the Charlestown Secondary School and the Special Education Unit at Prospect by March 2007.

Water Development

124. Madam President, the Caribbean Development Bank (CDB) funded study on the water sector on Nevis was completed in 2006. There are several recommendations in the report which we will implement to ensure that we have adequate supply and good quality water for all residents and people of Nevis. The CDB has expressed its willingness to work with the government to ensure the medium term to long term development of the water sector so as to secure a sustainable supply of high quality water to all consumers for many more years to come. The government has already employed a Water Development Engineer to provide advice in this area. Madam President, we will increase our water supply by at least 400,000 gallons per day in 2007 by drilling additional wells and tapping other sources, and will seek to meet the growing demand by increasing the supply as the economy grows over the next few years.

125. In addition, Madam President, your new NRP government will pay serious attention to the quality of water on the island. In the short term, we will improve the chlorination process of surface water input facilities; and purchase adequate amounts of appropriate reagents for the water quality laboratory so that critical water parameters can be continuously monitored. It is our intention to employ another Officer to assist the current Lab Technician and acquire a vehicle to assist in the data collection and monitoring process. Furthermore, the Water Services Department will ensure that there are

production meters for all sources of water, both surface and ground water. Madam President, it was discovered that some of the Generators at the Pumping Stations are undersized and hence must be replaced to ensure that there is an adequate supply of water after or during a disaster or power outages. We intend to begin the process of upgrading these generators in 2007.

Planning

126. Madam President, in terms of Planning, the Department of Physical Planning has started the process of the development of a 15 to 25 year comprehensive Nevis Physical Development Plan through assistance from the Organization of American States. The Department has completed several key reports and draft policies. Also, a three-part consultation process was recently held with stakeholders, where discussions and presentations were made on the 24th, 27th, and 28th November 2006. The project will continue in 2007 when it will be completed and presented to the Nevis Island Assembly. Before the finalization and implementation of the Plan, a wider and more comprehensive consultation will take place throughout Nevis.

127. Madam President, in August 2006 the Department of Physical Planning also started a project to undertake Aerial Photogrammetry and Mapping for the island of Nevis with the assistance of Stewart International, a company based in Texas. The ongoing activities under this project include the development of ordinance maps for the entire island of Nevis; the development of coastal maps and infrared photographs for a portion of the island coastline; the development of a cadastral map for the entire island using local datasets; and the provision of training. For example, a training session took place during the week of the 13th November to facilitate the use of imagery provided under the project. The workshop included two representatives from the following Stakeholders agencies, Public Works Department, Inland Revenue, NEVLEC, Physical Planning Unit, Water Department, Nevis Disaster Management Office, and Agriculture Department. Further training will be provided in 2007. We are currently developing a proper Government

Information System (GIS) at the Physical Planning Department and again further training and exposure will be provided for all users and managers of the system.

128. Madam President, you must appreciate that this is in keeping with the NRP government's strategy to train our people in technical areas to provide the labor skills to implement our developmental agenda for the people of Nevis.

Energy

129. In terms of the Energy Sector, the government has started the process of expanding and diversifying this sector to ensure that we have a cost effective and an efficient energy supply for the social and economic development of Nevis. Madam President, the CDB has approved a second power project for Nevis which includes several components such as the purchase of two new engines, the installation of a ten ton crane and a black start generator for the power plant, the expansion of the power station maintenance workshop, and the installation of a 60,000 imperial gallon capacity water storage tank. Moreover, as part of Nevlec's input, a warehouse and an administrative complex will be constructed to house the company's offices. The power project is expected to cost US\$10.9 million with CDB providing a loan of US\$8.4 million and the company meeting the difference of US\$2.5 million.

130. Madam President, the company has already commenced the process to initiate a tariff study to provide the government and Nevlec with an efficient pricing mechanism and rate structure for all categories of customers. A loss reduction study will also be done to inform the company of what further works will be required to address the high level of losses in the transmission and distribution of electricity. These studies are expected to be completed early in 2007.

131. Madam President, the Ministry of Communications, Works and Utilities will also explore the various cost effective alternative energy sources for Nevis including Geothermal and Wind. We will work with the private sector, funding agencies and other

partners in this effort. An energy policy document will also be established for the Nevis Island Government. Your government will also seek to employ an Electricity Commissioner in the Ministry of Communications to regulate the electricity service sector in the upcoming financial year.

132. Madam President, the previous government sought to play politics with the tariff structure for Nevlec by agreeing not to pass on the payment of the domestic fuel surcharge to customers knowing that it was a condition precedent for the CDB loan. Madam President, this is not a sensible and transparent practice and it is now placing additional pressure on the financial resources of government. It is our intention to properly implement the domestic fuel surcharge by passing it on to the domestic customers so as to establish a fair, transparent, accountable, and proper tariff system similar to the practice of all the other utility companies in the region and throughout the world. Madam President, we will not hide from our responsibilities for political gain. All of our citizens must benefit but they must also share in the cost of economic development.

FISCAL STABILITY

133. Madam President, I have said before that one of the most difficult challenges is the management of the public debt. The recent statement of public debt showed that the NIA has foreign debts of \$96,782,870 and domestic debt of \$111,779,275 giving a total NIA debt of \$208,562,146. When the debts of statutory bodies (government guaranteed debt) which amounts to approximately \$68 million is added, the government wide public sector debt is nearly \$300 million. The debt service ratio is about 30% which mean that the NIA is spending 30% of its revenue to repay its debt. With a population of about 11,000 people, the debt is very significant and cannot be ignored. One of the top priorities of this administration is to proactively manage the debt so as to bring the situation under control within the shortest possible time. This will not be achieved overnight but with appropriate policies we can make a difference.

134. We have had discussions with the CDB, the International Monetary Fund (IMF) and the ECCB regarding the state of the fiscal accounts. They have all advised that the fiscal position has deteriorated over the years and remedial action will have to be taken to reverse this trend within 5 to 7 years. It was recognized that while revenues have grown steadily over the years, the rise in expenditure and the rapid build up of debt is in large measure responsible for the deterioration in the fiscal balances. The implication here is that we will have to be able to generate overall surpluses on the budget if we are to turn around the situation in the near future.

135. With this in mind, the technicians from the Ministry of Finance and ECCB undertook a comprehensive review of the finances of the NIA and came up with two scenarios as a guide to the policy makers. The overall objective is to reduce the debt service ratio to 15% and the debt to GDP ratio to 60% within 5 to 7 years. We do not have any data on Nevis' contribution to the national GDP but we have approximated a GDP for Nevis based on the population ratio. This is obviously a very crude method but it the best that we can do at the moment. It is our attention to seek the assistance of the Federal Government in disaggregating the data so that we can calculate Nevis' share of GDP for the purpose of analysis and planning. The first scenario is referred to as the **passive scenario** and assumes that we continue with existing policies including the present rate of implementation of capital projects. The analysis shows that we will continue to generate deficits and the debt will continue to increase. The **active scenario** on the other hand assumes that we will become proactive in the management of the fiscal accounts and make the necessary changes to improve performance. This scenario assumes the following: we aggressively pursue the collection of outstanding arrears; we implement the market value methodology for property taxes; we implement the transaction based Value Added Tax; we remove the fuel surcharge subsidy given to domestic consumers; we allow fuel prices to fluctuate according to market conditions; we reduce interest rates by listing on the Regional Government Securities Market; and we constrain the capital budget to about 6% of GDP. The active scenario reveals that we

could in fact generate overall budget surpluses and significantly improve the fiscal situation by 2012.

136. Madam President, we intend to be proactive in the management of the debt and will carefully study the work done by the Ministry of Finance and the ECCB. We also intend to develop a comprehensive debt strategy that will help focus our attention on the management of our liabilities. We will explore the possibility of refinancing and renegotiating high cost debt; privatizing those assets that could be run more efficiently by the private sector; placing a ceiling on existing debt and limit borrowing to completing ongoing projects; improving the management of the Public Sector Investment Program through screening and rigorous project analysis; impose higher standards of governance on public corporations; and seek to implement the active scenario over time in an effort to generate larger surpluses on the current account.

137. Madam President, I can assure you that the debt challenge will not overwhelm us. Ultimately, we intend to bring the debt under control by reinvigorating economic growth. We recognize that it is a difficult challenge to grow the economy while at the same time seeking to restore fiscal balance. However, this is something that we have done before and will do again. It was the policies of the previous NRP government that catalyzed the growth and development of Nevis during the 80's and early 90's and set the stage for the success in infrastructure development that we have achieved over the last 14 years. This was done without the need to burden the people of Nevis with excessive debts. When we left office in 1992, the debt service ratio was a mere 3.6%. We have now found ourselves in a very difficult situation but I can assure everyone that this administration has the fortitude and dynamism to propel Nevis forward and also to stem the deficits that have been accruing. We will have to incur deficits for a while as we seek to stimulate the economy, but with the massive injection of foreign and local capital that is contemplated, we will eventually grow the country out of debt and bring the debt ratio within the 15% threshold prescribed by the ECCB.

FISCAL MEASURES

138. Madam President, based on the fiscal situation already outlined, there is no doubt that we will have to implement fiscal measures to be able to fund our people empowerment programmes and strengthen the fiscal position of the government. As I have already outlined, the poor fiscal management over the last 14 years has given us very little flexibility to initiate new programmes and as a consequence we will have to put revenue measures in place. However, our first priority will be to strengthen the administration and collection of taxes. The government for years has been carrying very large arrears of taxes due to the fact that some favoured individuals and businesses have been allowed to flagrantly violate the tax laws. We, therefore, call on all patriotic Nevisians to make the effort to pay their taxes. We are willing to work out payment plans so that those persons who have not paid for several years are given the opportunity to bring their account up to date over a reasonable time period. I must emphasize that we now have in place a very responsible government that will ensure that our tax dollars are spent on the development of our country and the advancement of our people. This Administration is also very interested in establishing a Revenue Authority to combine the operations of the Customs and Inland Revenue Departments and improve the management of and collection of taxes. This structure will also give greater independence to tax officials so that they are able to carry out their work fairly and without any perception of political interference in the tax system.

139. In addition to improving the administration of taxes, we propose the following measures:

- 1) The property tax system will be changed from the annual rental value method to market value. We are in the process of completing the cadastral survey and in 2007 a tax assessment list should be completed. We will focus our attention on broadening the tax base rather than increasing the rate of tax. We believe that by capturing all taxable properties in the tax system, and improving compliance, the revenues could be increased significantly. To minimize the impact of the tax on the poor, we are proposing to give an exemption of about EC\$80,000 to ensure

that low income homes are excluded from the tax net. We are also proposing to exempt new properties for a period of one year after construction. We recognize that most persons experience financial difficulty after completing the construction of their homes and thus any reprieve in tax will be a significant financial benefit to them.

- 2) I have already explained that the fuel surcharge subsidy given to domestic users is a huge burden on government and is impairing our ability to carry out our people empowerment programmes. With effect from January 1, 2007, domestic consumers will be required to meet the cost of the fuel surcharge. However, the government will continue to subsidize the cost of electricity for persons who are considered to be indigent. A list of those persons will be prepared by the Community Affairs Department. I must also reiterate that the CDB has also insisted that the surcharge must be passed on to the consumers before any loan funds are disbursed for the upgrading of the electricity services.

140. In addition to the above, there may be taxes imposed at the federal level that would affect Nevis. In the past, the previous Administration misled the Nevisian public by declaring a tax free budget and then clandestinely imposing all the measures implemented at the Federal level. We now have a government that believes in transparency and thus we will depart from this practice. We have proposed to the Federal Government that both Ministries of Finance should work closely together in harmonizing fiscal policies and in deciding on the tax measures that will be implemented. We are ready and willing to play our part in this process as we work together for the development of both islands.

141. Madam President, I have given a brief outline of the measures that we are proposing. However, the strength of any tax system depends on the level of compliance. I, therefore, urge all Nevisians to pay their taxes willingly and thus ensure that the government can mobilize the necessary resources to carry out the important programs and activities to alleviate poverty, train our people and advance the social and economic development of this country.

CONCLUSION

142. Madam President, despite the many challenges that have been outlined, I have presented a budget demonstrating confidence for a brighter future for all Nevisians. The external environment has been changing rapidly but over the years very little has been done to prepare our people to cope with the vagaries of the new world order. Small island states are at risk of being marginalized as we witness the rise of monopoly capitalism with the increased power of the multinational corporations. Some of these multinationals are much larger and have more resources than nation states. Multilateral agencies such as the United Nations, World Bank and World Trade Organization are increasingly being dominated by the countries with large economies with result that the specific problems and concerns of small states are being ignored.

143. Here in the region, we have realized significant progress with the Caribbean Single Market (CSM) and work is ongoing to move to a single economy. This Administration is very supportive of the CSM because we are of the view that the only way that small island states can survive in this very hostile external environment that is unfolding is through the pooling of their talents and resources. Individually, we have very small open economies which are extremely vulnerable to external shocks. By creating a single space, we are able to expand our domestic market to create more opportunities for our people; to benefit from economies of scale; and to create greater synergies by vertical and horizontal integration of our production systems. Despite the obvious benefits of the CSM, our people are extremely fearful about the movement of labour which could threaten job security. In addition, due to the fact that we have very few goods to export, our people are also concerned that the larger economies will reap most of the benefits of the CSM to the detriment of the islands in the Eastern Caribbean.

144. Madam President, these uncertainties and insecurities have come about because the previous government did absolutely nothing to inform and educate our people about the CSM. Furthermore, nothing was done to prepare our people and businesses to compete effectively in the market place. The larger countries already have an abundance of

graduates and highly skilled persons who are better positioned to benefit from the CSM. We are now trying to catch up because the government did not have the foresight to begin the process of training and retraining our people to make them more competitive in the new environment. This government is of the view that it will be very difficult for us to compete in the export of tangible products. However, we could make a difference in the area of services where the ability to compete is not limited by size. For instance, the regional tourism industry is growing and this is an area that we could exploit with the right mix of focused marketing and product development. We also have a well developed financial service industry that could be leveraged in terms of offering competitive services.

145. Madam President, on July 10, the people of Nevis awoke from their slumber and realized that we just cannot survive in this global environment by channeling all of our resources into the physical infrastructure and leaving the most important resource behind – our people. Look around Nevis and you will realize that many businesses are struggling and others have failed. Look carefully at who are being employed in the top positions of many foreign-owned businesses and you will realize that they are non-nationals. It is much more expensive to recruit non-nationals to Nevis but many of these businesses have no choice because they just cannot find an adequate number of locals with the requisite skills to employ. We can build the most elaborate physical infrastructure but if our people are not equipped with marketable skills, we will not be able to break the yoke of poverty and despair.

146. Madam President, I repeat that this is a budget of confidence but I am also well aware that confidence without action is useless. We have presented a comprehensive plan for the development of Nevis with the human resource being at the very core. I am confident that the policies and programmes outlined will propel Nevis forward and secure a brighter future for all of our people. However, I ask the people of Nevis to be patient recognizing that we have taken over a government with many challenges as already outlined. We will therefore have to carefully sequence our programmes and activities to restore fiscal discipline to the government within a short time frame. However, we have a

team of men and women who have the discipline, dedication and vision to overcome any obstacles and return this land of beauty on the path of progress and prosperity for all.

147. Christmas is a time of reflection and a time for looking to the Almighty for guidance and direction as we move forward into a new calendar year. I would like to use this opportunity to wish everyone a Happy Christmas and bright and prosperous New Year. Continue to support the plans and programmes of this government and the future will abound with opportunities for the present and future generations of Nevisians.

148. Madam President, I so move.