

NEVIS ISLAND ADMINISTRATION

BUDGET ADDRESS

By

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

Premier and Minister of Finance

On

December 17, 2007

1. Madam President, I beg leave to move the second reading of the bill shortly entitled the Nevis Appropriation (2008) Ordinance 2007.

INTRODUCTION

2. Madam President, I am extremely happy to be able to report to this Honourable House on the stewardship of the Nevis Reformation Party (NRP) regarding the management of the economic resources of the Nevis Island Administration over the past 18 months. This privilege is very important to me because when the NRP assumed office, there were many detractors who felt that our agenda for social and economic transformation was too ambitious. We were not in any way discouraged by these negative sentiments. Instead, we have forged ahead with The Peoples' Agenda feeling assured that responsible, honest and dynamic leadership will bring progress to all Nevisians regardless of political persuasion, economic status, or family background.

3. Madam President, we are well aware that economic growth is an important prerequisite for an improved and sustainable standard of living for all of our people. However, growth by itself does not guarantee the alleviation of poverty and a fair and equitable distribution of resources among different classes of society. Many countries have experimented with income and price policies to reduce the concentration of income in the hands of the wealthy but those policies have not only created major distortions but have actually negatively impacted economic growth. Consequently, we have proceeded on the basis that the most efficient and effective mechanism for reducing income equality is through people empowerment. This has been the hallmark of our campaign for social transformation, and will continue to guide our deliberations as we implement policies to diffuse the flow of economic benefits to a broad cross section of the community.

4. Madam President, our achievements after eighteen (18) months have been remarkable. We have supported the school feeding programme in four out of seven primary schools; we have provided free textbooks for students in both the primary and secondary schools; we have provided additional duty concessions on capital items including vehicles for small businesses; we have increased the rate of construction of low income houses and improved the quality; we have significantly increased training and educational opportunities for our young people; and we have launched the homework assistance programme in some communities on the island. We have spent in excess of EC\$4 million to undertake these programmes and the impact has been felt throughout the country especially among the low income families. We continue to receive high commendation from parents, teachers, guidance counselors, as well as religious and international organisations for our vision in implementing programmes that will have a lasting impact on the lives of all Nevisians. In fact, the home work assistance programme is being studied by several Caribbean countries with a view of implementation. A funding agency is also showing interest in funding the programme in Nevis, so that a successful model could be developed for replication in other countries in the Caribbean and beyond.

5. Madam President, I want to make the point very clear, that at the core of our people empowerment programme is self reliance and independence. This government does not

believe in handouts. We are targeting low income groups so that they can become more productive members of the society and thus increase their incomes. We believe that the main reason for poverty and an increase in income inequality is a lack of opportunities. Consequently, if we could equip our people and especially our youths with the appropriate skills and attitudes, productivity will increase and the country as a whole will benefit. I can assure everyone that this NRP government will continue to provide opportunities for our people to advance socially and economically but the onus is on all of us to work hard to earn an honest living. Let us shun crime, vagabondism and laziness. It is through the hard work of our people that Nevis will continue to prosper and become more competitive in the global economy.

6. Madam President, in a very short time we have begun the implementation of most of the people development programmes that we promised in our Manifesto. We have received some criticism for these programmes. We have been accused of spending too much money and putting the Country's finances at risk. It is beyond belief that we have been accosted for helping the low income families in Nevis. What is wrong with granting duty free vehicles to small businesses? My government takes a long term view, and we are certain that some of the small businesses that we are helping now, will one day grow into large enterprises and become major contributors to government's revenue.

7. Despite the tax concessions and expenditure on social programmes, we continue to increase revenues and generate surpluses on our current account. Through our tax incentives and fiscal policies, we have been able to generate increased economic activity which has augmented the purchasing power of our people and ultimately government's revenue. We have not stopped here. In conjunction with the Federal Government, we have awarded an interim increase in salary of 5% to government employees with effect from January 1, 2007. The new rate for employees will be paid in the month of December 2007, together with related retroactive payments. I believe that Public Servants deserve this increase as a result of their hard work and dedication over the years and I certainly hope that they will put these additional resources to good use. While this decision will place additional burden on government's fiscal performance initially, we believe that in

the medium to long term, the additional purchasing power will benefit the economy. This is a confident Government that is not afraid to take the initiative to generate higher returns for our people.

8. Madam President, since taking office we have given considerable attention to the human dimension of economic development. We are now poised to take Nevis to a higher level of economic progress leveraging our people as an important resource. We still have a long way to go in terms of training and development but we are on the right path and over time, Nevisians will be able to elevate themselves to take up more middle and top management positions in the service industry that we are promoting.

9. In this presentation, I will describe the external environment in which we operate, review the fiscal performance of the government and then outline projects and programmes that will enhance the rate of economic growth and bring progress to the people of Nevis. I have confidence in the ability of this government to deliver on its promises and I am encouraged by the words of Eric Hoffer in his book **The True Believer**, “*nothing so bolsters our self-confidence and reconciles us with ourselves as the continuous ability to create; to see things grow and develop under our hand, day in, day out*”.

10. Madam President, over the next 3 years, we will witness the sound and practical ideas of my government being translated into real value for the people of Nevis, as the economy grows and the people progress under the skillful guidance of a group of men and women who possess the knowledge, dedication, integrity, and discipline to anchor Nevis firmly on the path to sustainable development.

EXTERNAL ENVIRONMENT

11. Madam President, firstly, I want to briefly examine the external environment and its potential impact on the Nevis economy. Over the years, Nevis has evolved into an open, service oriented economy with Tourism and Financial Services being its main pillars to

compete in the global economy. With the impetus for growth in these sectors being externally driven, we could consider ourselves fairly well integrated in the global economy and thus subjected to its vagaries. Most of our tourist arrivals originate from the United States of America, but with the weakening of the dollar to which the EC dollar is pegged, the European market is showing greater potential.

12. While global growth is sound with projections of 5.2% in 2007 and 4.8% in 2008, it is mainly been driven by emerging markets such as China, India and Russia. The developed countries which provide the main sources of income for our tourism and financial services have been lagging. According to the IMF World Economic Outlook, the US economy is projected to grow by 1.9% in 2008, a mark down of almost 1% below previous projections. This is due to a weakening of consumption caused by ongoing difficulties in the mortgage market, high energy prices, and widening current account deficits. In the Euro area, growth has been marked down to 2.1% in 2008 and in Canada to 2.3%. This reflects an appreciation in their currencies, difficult financing conditions and trade spillovers from the United States.

13. While there is no immediate threat from the slowing of the economies of the developed countries, we have to carefully monitor the situation to minimize the potential future negative impact on our economy. We need to begin the process to diversify the domestic economy as well as our overseas markets for the export of services to make our island more resilient to external shocks. To this end, my government has been giving greater attention to Agriculture, Education, and Information and Communication Technology (ICT) as we seek to make the domestic economy more robust. We are also in the process of revising our marketing strategy for both tourism and financial services to enhance the quality of these services and expand our access to non traditional markets. We are being proactive and are taking every measure to stay on the cutting edge of technology and ideas, to ensure that we can compete effectively for a larger share of the global market for tourism and financial services. I firmly believe that our efforts will bear fruit in the medium to long term, providing that we are willing to work hard and to position ourselves to reap maximum benefits.

14. Madam President, it very important that we look carefully at our past performance so that we are better able to direct the future allocation of resources to gain maximum returns. I will now review our fiscal performance for 2006.

FISCAL REVIEW

15. Madam President, in assessing the fiscal performance, it was realized that the year 2006 posed a challenging year for the Nevis Island Administration. There was an overall deficit of \$19,565,715, while 2005 showed a deficit of \$7,756,378. The variation between these two figures was largely due to the increase in total expenditure from \$102,480,939 in 2005 to \$118,194,873 in 2006, a 15% increase. Total revenue on the other hand increased by 4% over 2005, from \$94,724,561 to \$98,629,159 in 2006.

16. On the current account, a deficit of \$2,382,849 was realized in 2006, compared to a current account surplus of \$7,150,672 in 2005. The deficit in 2006 was largely due to the increased spending under many of the object codes. Those object codes that experienced significant increases were Personal Emoluments, which increased by \$1,385,653 or 6%; Wages, which increased by \$1,088,018 or 11%; Retiring Benefits, which increased by \$1,434,455 or 39%; Training, which increased by \$314,866 or 49%; Utilities which increased by \$4,657,049 or 191% and finally both Domestic and Foreign Debt Servicing, which increased by \$4,102,212 or 41% and \$1,057,568 or 6% respectively.

17. Madam President, due to the fact that 2006 was an election year, there was the expectation that there would be some deviation in the figures relative to 2005. The previous government increased expenditure significantly just before the election by employing additional workers and undertaking several capital projects. After assuming office, the NRP government began to aggressively pursue its 'People's Agenda' to give greater impetus to the economy which was at a standstill. The Nevis Reformation Party (NRP), as outlined in its manifesto, has always been of the view that community based programmes are needed to rebuild the social structure that had somewhat deteriorated

over the years. The Ministry of Social Development, Trade and Industry was restructured to spearhead the Social Action Programme. The employment of persons under this Ministry, including those persons that work in the Community Centres contributed greatly to the increase in Personal Emoluments and Wages. The increase in Retiring Benefits was due to the number of persons who received gratuity within the year. Our commitment to human resource development fully explains the amount spent under the training head. From July to December alone the administration gave assistance to forty-two (42) persons studying overseas. The Administration not only assisted students overseas but also those enrolled in the University of the West Indies Distance Education Programme and the Clarence Fitzroy Bryant College. The object code Utilities, experienced the largest increase totaling \$7,090,551. This amount included fuel surcharge for the government and domestic consumers averaging about \$300,000 per month. Domestic and External Debt Servicing contributed to 34% of the total current expenditure for the year 2006. On the domestic side, there were some payments made to National Piling Company for construction, rehabilitation and improvement of roads at Jessups', Barnes Ghaut, Paradise Estate and Cotton Ground. On the external side, interest and principal repayments were made to the Caribbean Development Bank for the ongoing Road Improvement Project.

18. Madam President, the percentage increase in current revenue appears miniscule in percentage; however, in absolute figures the increase was \$3,248,114. Some of the object codes that experienced large increases during the year 2006 were Consumption Tax-Customs, increasing by \$874,826; Customs Service Charge increasing by \$1,030,116; Offshore Financial Services increasing by \$731,052; and Social Services Levy increasing by \$580,977. Additionally, there was no Gasoline Levy collected in 2005 due to the rising price of petroleum on the world market; however, \$573,868 was collected in back payments from Delta Petroleum Ltd. and Sol St. Kitts-Nevis Ltd.

19. Madam President, capital expenditure was the driving force behind the huge deficit realized in 2006. This amounted to \$17,892,348; representing an increase of 20% over the 2005 figure of \$14,960,050. The areas of significant capital outlays in 2006 relative

to 2005 were as follows: Emergency Fund \$298,382; Additional Space at Long Point \$296,490; Road Improvement Project \$1,916,342; Upgrade of Playfields \$1,043,839; New Castle Airport \$2,034,919; Improvement of Alexandra Hospital \$3,489,101; Fencing of Charlestown Secondary School (CSS) \$143,956 and Improvement to Recreational Facilities \$804,590. To finance some of the spending on the capital account, capital revenue, that is loan disbursements, increased by \$656,483, amounting to \$709,483 in 2006. In an effort to curb expenditure, we will continue to urge the various ministries and departments to prioritize capital projects and seek to implement those that will generate the highest economic returns overtime.

FISCAL PROJECTIONS

20. Madam President, current revenue for the fiscal year 2008 is projected at \$115,396,000, representing an increase of 10% over the 2007 budgeted amount of \$104,507,860. Current expenditure is projected to increase by 11% and is estimated at \$105,908,000. Therefore, the Nevis Island Administration is expected to realize a current account surplus of \$9,488,000 for 2008.

21. Throughout the year the administration has been working tirelessly to improve revenue collections. The new Tax Administration and Property Tax Ordinances are some of the strategies that once implemented would endeavor to achieve revenue targets. Hence, the Inland Revenue Department is expected to increase its collection. In addition, the economic activity during 2008 is expected to spiral upward; the effects of which would be felt in the various departments, including the Customs Department, Water Department and the Financial Services Department. Also, the increased construction, particularly for Hotel and Villa developments, would result in increased incomes and government revenues. From our discussions with hotel owners, we expect an increase in tourist arrivals and thus we have increased the projections for Hotel and Restaurant Tax to \$12.5 million.

22. Madam President, capital revenue from loans and development aid is projected at \$37,781,000, while capital expenditure is projected at \$60,186,000, giving an overall deficit on the capital account of \$22,405,000. Taking into consideration, both current and capital accounts, there is an expected overall deficit of \$12,917,000 for 2008. The capital expenditure budget will be funded as follows: Revenue \$22,405,000; Loans \$36,433,800; and Development Aid \$1,347,200. Due to the debt burden that was inherited from the previous government, it is almost impossible for the administration to achieve fiscal stability in the short term. We have been taking the necessary measures to improve the fiscal situation, with assistance from the Eastern Caribbean Central Bank (ECCB), International Monetary Fund (IMF) and Caribbean Regional Technical Assistance Center (CARTAC) and expect to see significant results in the medium to long term.

23. Madam President, I shall now highlight some of the critical areas that will continue to benefit from large allocations in 2008. In the new budget format, we have compartmentalized expenditure as recurrent, capital and transfer. Previously, transfers were included in the recurrent expenditure but with the new format we have decided to make a distinction due to the fact that transfers which include grants and contributions do not contribute directly to the output of the various ministries. However, for the purpose of analysis, that is comparisons between 2007 and 2008, we have added the transfers to the current expenditure.

24. Madam President, current expenditure in the Legal Department is expected to increase by 4.8% for the purpose of salary and allowance of legal counsel and the employment of additional staff. The Premier's Ministry increased by 9% to cover the cost of employing additional School Crossing Guards, Court Reporters, and Bailiffs. Significant sums will also be spent on the purchase of law books, and furniture and equipment for the offices at the Court House. Additional resources will also be given to the Disaster Management Department. These resources will be used to draft and implement a new disaster plan for hazards; develop comprehensive disaster management plans for the districts and communities in Nevis; develop a five year comprehensive

disaster management strategy; and establish natural hazard impact assessment guidelines for development projects.

25. Madam President, the Ministry of Finance, Statistics and Economic Planning will increase by 13%. Most of the increase will go towards the payment of domestic debt as a result of the Government's increase in domestic borrowing relative to foreign borrowing. Due to the increase in employment and purchase of vehicles over the years, we have also increased the allocation for both medical and vehicle insurance. The price of fuel is expected to continue the upward trend and thus we have also increased the allocation for the cost of electricity consumed by government departments. However, we have taken into consideration that domestic consumers will now bear a percentage of the cost of the fuel surcharge from January of 2008. We have also added two new divisions in the Ministry of Finance, namely, The Internal Audit Division and the Fiscal Policy Unit. The Internal Audit Division will be used to complement the work of the existing Audit Department by focusing on internal accounting systems and thus will assist in the timely submission of final accounts. The Fiscal Policy Unit will focus primarily on debt monitoring and fiscal performance, analytical projections and providing advice to Cabinet on fiscal and economic issues. This unit is very important in our efforts to improve debt management and achieve our fiscal targets over the medium to long term.

26. Madam President, the Ministry of Communications, Works, Public Utilities, Posts, Physical Planning, Natural Resources and the Environment will increase by 14%. The large increase in current expenditure reflects the efforts of the ministry to improve the quality of service in its various departments by employing additional staff. More importantly, the ministry will be establishing two new units namely the Project Management Unit and the Philatelic Unit. The Project Management Unit will be responsible for the implementation of projects financed by Bilateral and Multilateral Agencies. This is imperative due to the number of capital projects planned for the future. The unit will coordinate with the foreign agencies, review tender documents, enforce procurement guidelines, and ensure that government's commitments are carried out. In the case of the Philatelic Unit, the government recently took a decision to establish the

Philatelic Bureau as a department of government. However, the increase expenditure in this area will be offset by the revenue intake.

27. Madam President, current expenditure for the Ministry of Health increased by 9.2%. The increase in expenditure is required to provide additional doctors along with supplies and materials. Health care is very important to this government's plan to empower its citizens to become productive members of society and thus we will continue to improve our delivery of service for both preventive and curative care.

28. Madam President, a strategic plan has been developed for health for the period 2008 – 2012 which will give greater attention to preventive health. To this end, we will strengthen the Health Promotion Unit with the establishment of a Resource Centre with special emphasis on the completion of leaflets, posters and videos that will be available to the public for educational purposes; establish a Disaster Coordinating Unit to strengthen the health sector response to disaster; enhance the effectiveness of the HIV/AIDS Unit to improve surveillance and constantly monitor and evaluate the services and programmes geared toward prevention, discrimination, care and support; and intensify our efforts at educating the public to reduce the incidence of diabetes.

29. We are also working to improve the health services at the community level. Two nurses returned from Barbados where they successfully completed studies in Public Health Nursing. In addition, a Pediatrician was employed and she makes regular visits to the Health Centres to provide care to toddlers and infants. In 2008, we will expand the Men's Wellness Clinic to two other Health Centres on the island. This programme began over a year ago at the Gingerland Health Centre and has been very successful to date.

30. Madam President, while preventative health will be given greater attention, we will also continue to improve our capacity to diagnose and treat diseases. I believe that we have made considerable progress in this regard. The Dental Unit has recently employed a Nevisian as a Dental Surgeon and as a result the demand for the service by the unit has doubled. In 2008, we will further expand the service by employing another Nevisian as a

Prosthodontist which is a specialty dealing with the replacement of dentures. The Maternity and Pediatric Wards now have a full-time Pediatrician on staff to provide better care to infants. We also have a doctor at the Hospital twenty four (24) hours a day to provide emergency health care services to outpatients. We are also improving our diagnostic capability by acquiring sophisticated equipment and technology. Presently, we are installing a digital X-ray Machine which will not only improve the quality of images but will give us the ability to send them electronically to radiologists for interpretation. In 2008, we will provide CT scan services so that Nevisians can have affordable access to these services at home.

31. Madam President, these are just samples of the plans that we have for health care during 2008 and beyond as we begin to aggressively implement our Health Plan. We are committed to providing the best possible health services both at the Hospital and at the community level, as part of our strategy to improve the quality and productivity of our human capital.

32. Madam President, current expenditure for the Ministry of Education and Library Services increased by 10.73%. We have made provisions for the upgrading of the scales for trained teachers including those in the special education programme; and increasing in the number of trained graduate teachers. Education will also receive in excess of 13% of the budget which demonstrate our commitment to this very important sector.

33. Madam President, our efforts in education are paying dividends with the results that we have continued to receive in the overseas examinations. I must congratulate the teachers, parents and students for the outstanding CAPE results, and the excellent CSEC results at both secondary schools. However, we cannot rest on our laurels. There is still a lot of work to be done. Too many of our students especially boys are under performing and are seeking alternatives by engaging in criminal activities. The major priority of this government is not only to ensure that every child can read or write, but that they be given the opportunity to have an education that would arm them for the work place to make a decent wage and to continue to educate themselves after school. We will continue to

establish libraries and internet facilities in schools and the communities to support our children and prepare them for the workplace. One of the top priorities is the establishment of a community college to offer training in the technical areas including the hotel trades. We have already requested assistance with this project from the Caribbean Development Bank and a pre-feasibility study was undertaken with financial assistance from the bank to determine the needs of the island. We intend to work aggressively on this initiative to bring it to fruition in the near future. This facility will ensure that our young people are equipped with marketable skills that will improve their chances for employment in the workplace.

34. Madam President, the budget for the Human Resource Department will increase by 19%. The increase is due mainly to the proposed increase of staff including the employment of a Human Resource Manager. However, the most important activity under this programme is training. This is no doubt the locus of my government's agenda for people empowerment. Recognizing this, \$1.5 million has already been expended on training in 2007. The amount of \$1.0 million was budgeted but an additional \$500,000 had to be appropriated to meet the needs of 93 new and continuing Nevisians students pursuing higher education. These students are pursuing areas such as Business and Finance, Hospitality, Sciences, Law, Engineering, Social Sciences, Medicine and Humanities at Universities within and outside the region. We have also conducted on-the-job training in various areas. Thirty four (34) senior managers were trained in civil service practices including Financial Instructions and General Orders and twenty four (24) supervisors attended a two-day seminar in Motivation and Interpersonal Relationship.

35. Madam President, we have budgeted to spend \$1.0 million on training in 2008 as we continue our efforts to improve productivity and performance through skills enhancement. However, we would not have achieved the level of progress without assistance from bilateral and multilateral agencies. My government, therefore, expresses sincere thanks to countries such as Cuba, Taiwan, Korea and organizations such as the

Organization of American States (OAS) that continue to partner with us in the development of our human resources.

36. Madam President, there will be a decrease of 0.66% in the allocation to the Ministry of Agriculture, Lands, Housing, Cooperatives and Fisheries. This does not reflect any scaling down of programmes but instead a concerted effort by the ministry to achieve more with less. The year 2007 has been a very productive year for the ministry reflecting the seriousness of this government's agenda to revive Agriculture. The Agro-processing plant is near completion and should be commissioned shortly. The Fisheries Complex has been rehabilitated and is again operational. The Maddens Estate house has been refurbished, signaling the return of Agriculture to its formative days of being a major contributor to development, and in particular to the St James' Parish. We will increase activities at this facility to establish a research base and to promote agricultural awareness and education in the primary and secondary schools.

37. Madam President, Agriculture will benefit from about 3.6% of the current budget in 2008 as we continue our thrust to improve food security on the island. We will continue our programmes to increase food production to ensure adequate food supplies for the local market. During 2008, we will undertake the following:

1. Re-introduce cotton which will require the use of improved production practices and greenhouse technology;
2. Increase and improve onion production using improved management practices;
3. Continue the control of lethal yellowing of coconuts by introducing new resistant varieties using green house production technology.
4. Commence agro-processing which will increase the variety and quality of finished goods produced by Nevisians;
5. Establish a Management Information Unit to coordinate, monitor and evaluate the implementation of the Ministry's projects; and
6. Establish a Layer/Broiler Unit and intensive livestock farming at Maddens.

38. Madam President, the vision of my government for Agriculture is materializing. We recognize that the resources allocated to Agriculture are inadequate but we have been able to optimize the use of those resources. As the economy grows, we will make incremental increases in funding to ensure that Agriculture remains a priority on this government's agenda.

39. Madam President, last but not least, I turn to the Ministry of Social Development, Youth, Sports, Culture, Trade and Industry and Consumer Affairs. This ministry will receive an increase in allocation of 11% as my government strives to positively impact the social infrastructure of the economy. This we will do through participatory and sustainable action programmes in Sports, Culture, Community Development, and Social Services.

40. We have continued to spend significant resources on sports development. During 2007, we have resurfaced, and marked 14 courts in different locations including Cotton Ground, Charlestown, Jessups, Bricklin, and Gingerland. The implementation of these projects has resulted in increased participation of youths in tennis, basketball and netball in the locations highlighted. We have also placed greater emphasis on coaching and training by using the National Cricket Coach to prepare the Under 13, Under 19 and the National Cricket Teams to participate in various competitions. Sports Tourism is another area that we have been developing. In this regard, we hosted two touring teams out of England to give our cricketers greater exposure to international teams. As we look ahead in 2008, we will continue to improve the infrastructure, and coaching programmes. We will employ full time coaches in Netball, Football, and Basketball; grade and light the Brown Hill and Bath Village playing fields; expand the coaching programmes for athletes at the national level; and re-introduce the Under 19 cricket parish league.

41. Madam President, we will increase funding to the Department of Culture by 24%. We will continue to find creative ways of integrating culture into the overall national development plan. We have focused on Drama, Dance, Training, Research, Preservation and the creation of economic opportunities in cultural industries. We were very active in

training in particular with the facilitation of workshops for Junior Kaisonians, and students of drama as well as overseas attachment of a dance/choreographer at the Edna Manley School of Dance in Jamaica. The most important activity for 2008 will be the establishment of a Nevis Cultural Development Foundation which will subsume the Department of Culture and the Culturama Secretariat with a renewed mandate to promote, develop and manage the arts and culture of our Nevisian heritage.

42. Madam President, expenditure on Community Development will increase by 17%. The resources will be used to strengthen community based organizations; expand the homework assistance programme, establish libraries and library programmes in selected community centres; expand education and skills training programmes for staff and communities; and re-organize the computer training program so that participants could be certified.

43. The Social Services Department will receive an increased allocation of 17%. This department comprises Family, Youth, Gender Relations and Senior Citizens Divisions, all very important to my government's goal of improving the social well-being of Nevisians. The Family Service's Division has been very proactive in responding to the social problems in our society. Social workers have been assigned to all primary schools to assist teachers in dealing with delinquent children. They have also been assisting with acute cases at the secondary schools. We have also initiated the policy of holding parent legally accountable for their children's attendance at school. The parents are given counseling and written warnings before legal action is taken. In 2008, we will continue to improve our family services by enhancing truancy services, expanding the membership of the Single Parent Group, and developing a pilot programme to assist boys exhibiting extreme behavioral problems.

44. The Youth Division is another area of high priority. I have already highlighted some of the programmes for sports development. In addition, we will continue to develop programmes in other areas for our young people. Youth month was celebrated in April 2007 and activities organized included an anger management workshop and presentations

of awards to successful youths in the world of work. During 2008, we will organize peer counseling workshops; establish a Nevis Caribbean Healthy Lifestyle Club; upgrade the Boys' Choir programme to incorporate measures that address behavioral problems; and expand the Literacy in Nevisian Kids (LINK) mentorship programme already started at the Charlestown and St Thomas' Primary Schools, to one other primary school on the island.

45. Madam President, my government through the Gender Relations Division will continue to raise the level of awareness of gender related issues. We have already spearheaded the formation of the Voices of Women (VOW), a non-governmental women's organization to give women a greater voice in policy issues especially those affecting women. On International Women's Day in 2007, VOW organized a successful award ceremony and walk against violence. In 2008, VOW will implement outreach programmes to target teen mothers; workshops and media programmes to address gender sensitive issues; and will continue the collaboration with the Gender Relations Department in St Kitts.

46. Madam President, our Senior Citizens programme will continue to focus on the elderly in our communities by implementing programmes that will help them to live long and enjoyable lives. We have instituted at the Butler's Community Centre, the first phase of the Seniors Day Out (SDO), a recreational programme for ambulatory senior citizens. This programme offers opportunity for weekly interaction, arts and craft, field trips and other meaningful activities for elderly persons. International Elderly Day was celebrated in October with an appreciation program and luncheon for 130 seniors around the island. During 2008, we will continue media recognitions of senior citizen who have made exemplary contributions to society and are celebrating significant milestones. We will also organize training programmes for home help care givers and field officers catering to seniors, and implement the second phase of the Senior Recreational Program in St. Johns' Parish.

47. Madam President, I have reviewed the fiscal situation and highlighted the critical areas such as Agriculture, Health, Education and Community Services that are very important to social stability and preparation of our people to enter the mainstream of economic activity. I shall now focus on government priority areas necessary to create the enabling environment and drive growth and economic development in the economy not only for 2008 but in the years ahead. I will address the services' sector first.

EXPANDING THE SERVICE ECONOMY

48. Madam President, I believe that it is well established in the literature that most small island states should focus on developing a competitive advantage in the service sector to maintain and improve their standard of living as they integrate into the global economy. As part of our economic strategy, we will continue to focus our energy on Tourism and Financial Services.

TOURISM

49. Our goal for 2008 is to make Nevis more competitive in the tourism arena. The challenge we must face is to apply what is the most environmentally sound, economically efficient, and socially equitable way of advancing a sustainable tourism industry. We are well aware that competition is becoming more uncompromising not only from around the globe, but within our own region. However, the sector is too important to our development for us not to respond. It is the sector that provides the highest employment levels with over 1300 persons employed at the various hotels and restaurants on the island. It also contributes direct revenues to government amounting to approximately 11% of total revenues. During 2008, tourism will receive a total expenditure of EC\$2.1 million. Our policies therefore must aim to create the conditions for economic growth, job creation and the broadening of opportunities in the tourist industry. This is what we pledge ourselves to do during 2008 through the implementation of the following initiatives:

- We will continue to develop the tourism product through a number of targeted education, awareness, research and development initiatives and partnerships. It is our aim to integrate into the national consciousness a value system that emphasizes that tourism touches everyone. Tourism education, now extensively taught in the primary schools, will be extended to incorporate all schools, and tourist related information, quizzes, and other forms of communication will be featured on a regular basis on the media.
- As part of our commitment to the total involvement of our youths in the development of the country, we intend to establish a Tourism Youth Council comprising of secondary school students, as well as a simulated Travel Writers Workshop for students. These initiatives will ensure that by more concentrated participation, our youths will have a greater appreciation of what the tourist industry means to the ongoing development of the island.
- With the Fothergills Heritage Village fully operational, our focus will now turn to completing the Plantation Yard Museum at New River. We will also establish a maritime museum to showcase the various types of craft and equipment used in commercial and pleasure boating throughout our history. It is essential that we preserve for all time an aspect of our history that has always been fundamental to our very existence. The result will not only prove to be educational for young people but will provide yet another attraction for our visitors.
- My government through the Ministry of Tourism will develop a new policy for sustainable cruise tourism as well as infrastructure enhancement. This will involve targeting specific cruise lines and providing more on shore activities to make Nevis a more attractive prospect for them to visit.
- Foremost among the proposed enhancements will be the creation of a Nevis Artisans Village. This concept is of a working commune where a specific area will be developed for craft vendors and creators to have a permanent and attractive location to produce, sell and market locally made craft and agro processing items. The aim is to not only attract more high-end, high spending tourists to Nevis, but also to ensure that we have the goods, services and experiences for them to spend their money on.

- We will incorporate new approaches to our existing marketing strategy. There is no doubt that methods such as trade conferences, and other hospitality forums have yielded successful results in the past. However, in addition to these traditional approaches to marketing, we intend to utilize e-marketing as an important component of our overall marketing strategy. This will include developing our website to include features such as blogs, user generated information, third party endorsements, and the creation of an interface with a booking engine. This new approach will place the name of Nevis and all information relative thereto, at the fingertips of a much broader demographic group than before and thus continue to propel the growth in tourism.
- We will also continue our efforts to improve our carrying capacity out of Antigua, especially to accommodate flights out of the U.K. and Europe. Carib Aviation will be operating scheduled flights to Nevis that will allow passengers to make connecting flights to Virgin Atlantic and British Airways. This will augur well for our tourism industry. Access via St. Kitts, while not entirely ideal, will also form part of the focus of our efforts to ensure a smooth transfer of passengers who may take that route.

50. Madam President, a country such as ours with limited resources must always find ways of maximizing our results while minimizing our capital outlays. This calls for sound and sensible management of the finances to be deployed in the promotion of our tourism product. I am confident that the plan that has been delineated will achieve this objective and position Nevis to take full advantage of opportunities in the tourism industry.

FINANCIAL SERVICES

51. Madam President, the International Financial Services Industry continues to be an important component in our thrust for economic and social development. As of November 28, 2007 revenues generated from the sector totaled \$11 million representing a 9% increase over the corresponding period last year. Also we registered 3,191 new entities for the year up to 28th November representing a 10% increase over the

corresponding period last year. This sector now contributes over 11% of government's revenue which demonstrates, beyond any doubt, its importance, and the need for progressive policies to continue the propulsion forward.

52. Madam President, two weeks ago the Federation of St. Kitts and Nevis was elected to serve as Deputy Chair of the Caribbean Financial Action Task Force for the 2007/08 term and under the existing protocol is expected to assume the Chair in November 2008. At the same time, the Federation is scheduled to undergo a Mutual Evaluation Assessment by the Caribbean Financial Action Task Force (CFATF) during the year. Both of these developments will place the Federation and of course, Nevis (which is a recognized international financial services centre) in the spotlight. On the other hand, both of these developments require that we make the necessary enhancements and improvements to our administrative, legislative, judicial, law enforcement and regulatory structures to bring them to levels where we can proudly face the inevitable international scrutiny and also be in a position to take full advantage of the positive spins offs that can be derived from the increased international exposure.

53. Madam President, the Nevis Island Assembly has recently passed the International Mutual Funds Amendment Ordinance and paved the way for the registration and administration of international mutual funds from Nevis as of January 1, 2008. We are confident that our jurisdiction can develop this market and establish ourselves as a preferred domicile for private and professional mutual funds. We are also working assiduously to attract a reputable international offshore bank to Nevis to expand the banking services offered to the corporate clients and provide a fillip to the sector. We are proposing to amend the Offshore Banking Legislation to make it more attractive to reputable banks. However, it is not our goal to become a premier banking jurisdiction. Our interest is to provide more value added support services to our service providers and their corporate clients.

54. Now that we have a diverse range of products including mutual funds, insurance, and foundations, our strategy will focus on more effectively promoting these products in the international community, as well as improving the regulatory infrastructure to make the

jurisdiction more attractive to reputable and high profile financial institutions. To achieve these goals we will undertake the following in 2008:

- Work in conjunction with the Legal Department to prepare the blueprint for the establishment of a Single Regulatory Unit for the regulation of financial services businesses operating in Nevis which is to become effective January 1, 2009. This unit will be established as a statutory body to encourage greater independence and to expand its regulatory coverage to include Credit Unions, Local Insurance Companies, and Money Transfer Agencies.
- Work in conjunction with stakeholders and the Legal Department to oversee the passage and implementation of a Service Provider's Ordinance and related Regulations and Code of Practice.
- Establish an effective risk based supervision programme by conducting a risk assessment of all licensees and establishing risk based supervision schedule for onsite inspection and offsite monitoring of licensees.
- Develop statements of guidance for licensing processes and establish timelines for completion of these processes.
- Actively participate in the Federation's Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) Task Force to review the Federation's legal, administrative and regulatory structures, identify and correct deficiencies and weaknesses and implement related initiatives prior to the commencement of the Mutual Evaluation Assessment Exercise.
- Promote the establishment of a Society of Trusts and Estate Practitioners (STEP) Branch within the Federation to encourage industry practitioners to pursue related professional accreditation.
- Conduct targeted meetings with attorneys, real estate agents, lawyers, notaries, accountants, and Trust and Company Service Providers who are classified as Designated Non-Financial Businesses and Professions (DNFBP's) to outline their

specific obligations under the Anti-money Laundering and Anti- Terrorism laws in accordance with the FATF 40 Recommendations and 9 Special Recommendations.

- Conduct annual training seminar in AML/CFT Compliance and a certification course in the operation and administration of multiform foundations.
- Solicit the assistance of the Caribbean Regional Technical Assistance Centre (CARTAC) in the review of proposals, formulation of legislations, and the development of human and other resources necessary for the establishment of a Single Regulatory Unit in Nevis to become operational effective January 1, 2009.
- Establish an Investment Promotion Agency (IPA) with one of its objective being to promote the financial services industry. There will be a shift in marketing strategy to focus greater attention on targeting the major service providers of offshore services rather than present emphasis of promoting the various legislations at conferences and trade shows. We will find out the needs of the movers and shakers in the industry and take the appropriate action to attract them to our island.

55. Madam President, with these policies and plans, the financial sector in Nevis will continue to grow. We are still facing serious threats from OECD countries that are insisting on the implementation of transparency and regulatory standards that they themselves have not implemented. However, we will continue to fight for a level playing field and with the plans outlined for the future, I feel confident that the sector will continue to play an important role in the development of Nevis.

PRIVATE SECTOR DEVELOPMENT

56. Madam President, the previous CCM government increased the public debt to over \$200 million mainly to upgrade the physical infrastructure of the island. Using an estimate of Gross Domestic Product for Nevis based on the size of its population relative

to the Federation as a whole, the debt to GDP ratio was about 83%. In addition, the debt service ratio; that is payment of principal and interest as a percentage of Current Revenue, was about 30%. These ratios were well above the 60% debt to GDP and 15% debt service thresholds recommended by the Eastern Caribbean Central Bank (ECCB) for the islands of the Organization of Eastern Caribbean States (OECS). It is not my intention here to castigate the previous administration for the rapid accumulation of debt, but instead to point out that the public debt is unsustainable unless the private sector plays its part in expanding output in the economy. This is one of the areas where my government's philosophy and policies will depart significantly from the previous CCM government. We believe that the only way to sustain and improve the standard of living of our people is through both local and foreign investment with the government performing a facilitative role. With the relatively high debt levels the private sector must become the engine of growth in the economy and thus relieve some of the burden from the government's shoulders.

57. Madam President, in this regard, my government will embark on an aggressive private sector development and promotion programme to catalyze the rate of economic growth over the next three years. After being in government for 14 years, the CCM Administration cannot point to any significant private sector investment that was encouraged and nurtured by its leadership. My government, therefore, has a greater responsibility to energize the private sector into action so that we could expand economic opportunities for our people.

58. In just over one year in office we are already making great strides. Both at home and abroad, I have met with several potential investors who have shown keen interest in establishing businesses in Nevis in the areas of Telecommunication, Information Technology, Education, Financial Services, and Tourism. Based on the work that my government has done, I am confident that the people of Nevis will witness a significant increase in private sector expansion over the next three years. We have already given approvals in principle for about ten projects which are already on the drawing board. During 2008, we anticipate that about three or four of these projects will begin

construction. These include Simplicity International with the proposed construction of 9 luxury high end villas at an estimated value of US\$22.5 million; Cades Bay Inn with 32 condominiums at an estimated value of \$EC11.2 million; Paradise Palm Villas with 24 villas at an estimated cost of \$US40 million; and Royal Pelican Estates with 22 luxury villas and 48 condominiums at an estimated cost of \$US40 million. There are also several other hotel/villa projects that have been approved by the government but no start dates have been determined as yet. These include the Bush Hill Villa Project, Clifton Estate Villa Project, and the proposed Atlantic Breeze Hotel and conference centre at Pinney's. I must also report that the Newfound Company has recently signed a memorandum of understanding with Starwood for the construction of its 'W' group five star hotel at Pinney's Beach. In the area of Information, Communication and Technology (ICT) we are in discussion with a potential mobile telecommunications company to establish its head office in Nevis and we are also working with an investor for the establishment of an IT park in Nevis.

59. Madam President, the concession that we are giving to small businesses is to encourage them to prepare themselves to take advantage of the vast opportunities that will unfold in the near future. I am proud to say that many of our local entrepreneurs have taken the initiative and we have seen a significant increase in the importation of heavy equipment, vehicles for business purposes, and equipment for small businesses. We have also been witnessing a significant growth in the establishment of small businesses. For the year so far we have already registered about 50 small businesses on Nevis. We have also assisted many with financial assistance through the Small Enterprise Development Unit (SEDU). To date, we have provided total assistance of approximately \$174,000 to ten small business owners in the areas of Construction, Agriculture, Services and Tourism. Training has also been accorded a high priority with 23 persons going abroad to pursue courses in management and other technical areas facilitated by the Caribbean Development Bank (CDB) and the Organisation of the Eastern Caribbean States (OECS).

60. Madam President, during the consultation on the economy, some hoteliers requested further assistance from the government to upgrade their properties. In response to this

request, we decided to implement a policy aimed at encouraging the hotels on the island to improve their accommodation and cuisine to international standards. We want more of our hotels to achieve at least Four Diamond status by the AAA rating agency and /or become members of an international brand such as Relais & Chateau, Small Luxury Hotels or Leading Hotels of the World. We recognize that for the hotels to achieve these goals, they will have to expend large sums of money to upgrade their facilities and to pay membership fees. Consequently, we have decided to provide additional fiscal incentives as follows:

- Any Hotel Property that achieves a Four or Five Diamond Rating by AAA will pay a total of 20 % import taxes on all food and beverages.
- Any Hotel Property that becomes a member of either Leading Hotels of the World, Small Luxury Hotels or Relais & Chateaux will pay a total of 20 % import taxes on all food and beverages.
- Any Hotel Property that achieves the status of both will pay a total of 18 % import taxes on all food and beverages.

61. This policy will not only encourages hotels to improve their standard but will help Nevis to enhance its image as an upscale destination. I, therefore, want to use this opportunity to encourage the hoteliers on the island to make maximum use of this initiative. This policy is initially for two years but may be continued based on the response that we receive.

62. Madam President, with the proposed expansion in the private sector over the next three years, we will need additional accommodation in Nevis. Presently, we grant duty concessions to hotels, condominiums, villa development and guest houses that have a minimum of ten rooms. During 2008, we will extend similar concession to investors who construct six rooms or more for rental purposes. Those rental properties with six or seven rooms will pay total import taxes of 20% on materials and furnishings and those with seven or eight rooms will pay 15%. The accommodation must be of a high standard with each room self-contained and fully furnished. This fiscal incentive will last for a period

of two years at which time a decision will be made whether or not to continue. These incentives are given as a result of government's projection that rate of capital formation will increase significantly over the next three years. I, therefore, reiterate that those persons with capital, management skills and an appetite for risk should take advantage of these initiatives. We want our people to be at the forefront of economic development by using their creativity and imagination combined with hard work to reap the benefits of development.

63. Madam President, one of the criticisms levied against government over the years is the speed at which development projects are processed in the system. In fact, St Kitts and Nevis was rated number 85 in the world and number 6 in the OECS in a study conducted by the World Bank to assess the ease of doing business in these islands. There is no doubt that countries in the world like Ireland and some Eastern European Countries have increased their rate of economic growth by streamlining bureaucratic procedures and creating a friendly and enabling environment for investors and businesses. During 2008, we intend to seriously address this shortcoming. We requested assistance from the United States Agency for International Development (USAID) under its Caribbean Open Trade Support (COTS) project and a consultant was sent to give advice on how to move the process forward. We have now agreed that an Investment Promotion Authority (IPA) will be established before the middle of next year to facilitate both foreign and local investors, to promote investment abroad, and to establish open dialogue with businesses in an effort to give policy advice to cabinet. The IPA will be a one-stop shop for investors and will coordinate with all the other departments of government. In terms of investment facilitation, the IPA will be given the authority to approve alien land holding licenses and tax concessions in accordance with guidelines established by cabinet. The legislation for the formation of the IPA is presently being drafted and should be ready for tabling in the assembly by February of next year. We intend to hold consultations with the private sector before the ordinance is passed in the assembly.

64. Madam President, my government has created great excitement in Nevis since assuming office over a year ago. The investment climate has improved significantly and

the island is attracting interest from both local and foreign entrepreneurs. I appeal to all Nevisians to begin now to prepare themselves to grasp with both hands the opportunities that will be created in this country. We are all required to focus on our strengths and equip ourselves with the requisite skills to ensure that we are competitive in our country. Opportunities will abound under the astute leadership of the NRP government but it is only through hard work and dedication that we will increase our incomes and standard of living.

65. Madam President, even though we are creating the environment for increased private sector investment, we will also continue to upgrade critical infrastructure.

INFRASTRUCTURE INVESTMENT PROGRAMME

66. Madam President, I now turn to an important section of the Budget - the infrastructure investment programme. In July 2006 we were elected on the basis of our presentation to the people of Nevis of the “People’s Agenda”. One aspect of this was strengthening the foundation of the economy by investing in the infrastructure. The NRP led government promised the people to make things better by implementing a number of projects.

Roads and Public Works

67. Madam President, I am therefore pleased to report that there has been tremendous progress on the Link Road Project for Jessups’, Barnes Ghaut, and Cotton Ground. Paving is completed on the Barnes Ghaut Road through Barnes Ghaut and Jessups and work will continue on the final leg from Barnes Ghaut to Cotton Ground Village. We anticipate that this \$15 million project will be completed by February 2008. Madam President, this project has generated much interest and criticism from members of the public. But it has lifted the spirits of the people of St.Thomas’ who were neglected for 14 years. It would have been heartless for the NRP led government not to listen to the cries

of the people. However, when all is said and done, Madam President, we expect that this link road would continue to encourage residential and tourism investments in this area of the island, improve the transportation network, and lay a solid foundation for other forms of development. This road project was one of the promises we made and kept for the people of Nevis and specifically for the people of St. Thomas’.

68. In addition, Madam President, the Island Main Road Project is well on its way to completion. The Contractor, Surrey Paving and Aggregate Caribbean Limited, has indicated that paving is scheduled to be completed in December 2007 and other minor works in January 2008. This project has transformed the appearance of Nevis from Market Shop in Gingerland to the St. James’ Anglican Church in St. James’ Parish. It is our hope that the people of St. James’, the people of St. Georges’ and all the people of Nevis will now invest in the development of these areas on the island of Nevis.

69. Furthermore, Madam President we continue to appeal to all road users to be careful on the roads. Please avoid accidents. Save your own lives and the lives of others. We appeal to the Traffic Division of the St. Kitts and Nevis Royal Police Force-Nevis Division to do everything in its power to curb reckless driving and accidents on the roads. The government wants to assure the police that full support will be given to your efforts to educate the public and control the flow of traffic on the roads.

70. Madam President, I would also like to take this opportunity to thank all land owners along the island main road route, and all property owners in Jessups, Barnes Ghaut, Cotton Ground, and Paradise Estate for their understanding and tremendous cooperation thus far. We continue to crave your patience as we work together to deal with issues relating to land settlement in the coming months. We applaud you and thank you.

71. Madam President, I must tell you that the Caribbean Development Bank has agreed to finance the Cades Bay to Camps Road Project and the Hanleys Road Project. The Federal Government has already given its support in pursuing these road projects. However, the administration will have to meet the costs of feasibility, design, and tendering. An

engineering firm out of Barbados has been identified to carry out these preliminary works up to the selection of a contractor and possibly providing engineering supervision. These activities will be pursued in early 2008. The NIA is of the view that these two projects are important to the development of Nevis and will provide opportunities for Nevisians to pursue development in these areas.

72. Madam President, we were able to complete the construction of the new wing at the Charlestown Secondary School, the new Special Education Unit, and the St. John's Primary School. However, I want the people to understand that some finishing work is still being done on the St. John's Primary School in terms of the construction of cupboards and counters for the kitchen area, the staffroom, the principal's office and the various labs. This work is being executed by local contractors. Madam President, we would like the people of St. John's to understand that the NRP led administration will ensure further work is done on the grounds of the new St. John's Primary School including the construction of a new playing field for the school and the community.

73. I must tell the people of Nevis Madam President that it is good to have well constructed roads and buildings but these come at a cost. The NIA would therefore have to ensure that maintenance schedules are established and implemented for these roads and buildings. The parents and students also have a responsibility to take care of the schools and cooperate with the government in all activities pertaining to the educational development of our young people.

Water Development

74. Madam President, in the last budget presentation I told the people of Nevis that the administration will seek to increase the water supply on the island by drilling additional wells in order to meet the growing demand for water and the anticipated economic growth. I am pleased to announce that the water drilling project has already started in collaboration with a company called BEAD LLC and we have been successful in finding water at the first attempts in the Hamilton and Barnes Ghaut areas. Several other sites

have also been identified for water exploration and drilling will commence shortly.

75. Madam President, the arrangement is that the company will provide specialized services including financing, identifying, drilling, developing, managing and maintaining new sources of potable water for a period of 10 years with the option that the government can purchase and manage the developed wells at anytime during the contract period. The objective Madam President is to obtain additional 1million imperial gallons of water per day to meet current and future demands.

76. Moreover, the Caribbean Development Bank (CDB) has confirmed its willingness to develop a water development project for Nevis to deal with the short term, medium and long terms needs of the water sector both from a physical or capital aspect as well as an institutional aspect. We anticipate the development of the project components in early 2008 and approval of the project within the first half of the year. With the proposed expansion of our water programme, we will have to improve the efficiency and effectiveness of its operations. This will require a change in the structure and management of this utility in the future. We will therefore address the feasibility of corporatization under the institutional aspect of the CDB assistance project. We will also continue to monitor our water quality by collecting, collating, and analyzing data on a regular basis. We have also sought assistance from CDB to improve our capability in this very important area.

77. Madam President, I must remind all the people of Nevis that it was the NRP led government that developed the water sector on Nevis under the Kuwaiti Water Project up to 1992, and after 14 years of neglect, the NRP led administration is now given the mandate by the people to put this sector on its right path. This Madam President, is all part of 'The Peoples' Agenda.'

Physical Development Plan

78. Madam President, no development should take place without proper planning. I am pleased to report that great progress has been made in the development of a Nevis

Physical Development Plan. The Plan is at its final stages of drafting and would be further scrutinized by the general public and the Cabinet of the Nevis Island Administration before finalization in the Nevis House of Assembly. I would like to take this opportunity to thank the various individuals, civil servants, and institutions that have contributed to the development of this plan. We must also express our sincerest appreciation to the Organization of American States (OAS) for partnering with the administration to help make this plan a reality.

Energy

79. Madam President, despite the transfer of a percentage of the cost of the fuel surcharge to residential consumers in January 2008, my government is vigorously seeking to implement its renewable energy programme to buffer the high price of oil and to make electricity cheaper for consumers. I am pleased to report that the administration has granted an 18 months exploration license to West Indies Power Nevis Limited to explore for geothermal energy on Nevis. The exploration will build on the OAS geothermal project for St. Kitts-Nevis, St. Lucia and Dominica which was unable to secure the relevant funding to take it to the exploration and development stages. It is anticipated that exploration drilling will commence in the next few weeks and if successful the development of the resource will take place. Madam President, if this project is successful it has the potential to revolutionize the energy sector on St Kitts and Nevis.

80. Madam President, your NRP led administration is currently seeking technical assistance and advice from institutions such as the CARICOM and the OAS as it explores geothermal energy development. In addition, strategic alliances have been established with other institutions such as the German Technical Cooperation (GTZ) with regards to the possibility of exploring and developing wind energy. Several companies have already expressed an interest in harnessing this resource on the island of Nevis.

Airport

81. Madam President, my government has put forward a proposal to the Kuwait Fund for Arab Economic Development (KFAED) for the expansion of the airport. This project will involve the lengthening of the Runway by 1000 feet in the direction towards Nisbett Plantation, the procurement of equipment to improve and expand the services offered including fire and navigation, and the construction of hangars for private jets and other airplanes. The first phase will include the extension of the runway and the purchase of equipment and is estimated to cost EC\$20 million. The second phase will require the acquisition of additional lands for the construction of the hangars but funding has not yet been identified. I am pleased to report that the Federal Government has already indicated its willingness to support the project and the feedback from the Kuwait Fund for the financing of phase 1 has been very positive.

82. Madam President, the overall vision of the NRP led government is “better for all Nevisians”. Page 8 of ‘The People’s Agenda’ states that the NRP government “will ensure the provision of essential infrastructure, including port developments, and expansion of the energy, water and roads sectors to facilitate economic development.” These projects demonstrate the seriousness and commitment of this government in pursuing programmes and strategies that will help us achieve the goals and visions as outlined in our manifesto – ‘The People’s Agenda.’

83. Madam President, I will now focus on two other areas that are very integral in creating the climate for economic stability and sustained growth. The first is relations with the Federal Government. Due to the highly integrated nature of the economies of both islands, it is very important that we work together for the benefit of the people of both islands.

RELATIONS WITH THE FEDERAL GOVERNMENT

84. Madam President, my government firmly believes that constitutional reform and institutional development are the best options to avoid rancor, division and political instability. At the heart of the problem is the fact that Nevisians want more autonomy to manage their affairs, a greater share of resources, and more active participation in regional and international issues. I believe that we can achieve these in the short term with meaningful changes to the constitution and the implementation of management systems that will improve functional cooperation. To achieve these goals, all of the political parties in the Federal Parliament will have to work together to fashion an arrangement that is satisfactory for the people of both St Kitts and Nevis. We cherish the family and cultural ties between the two islands and believe that we have the capacity and goodwill to create a homegrown solution that will help to prosper both islands. This approach deserves at least a chance to succeed.

85. Madam President, during the remainder of the first term in office, we will be working closely with the federal government to achieve the following:

- Expanding the powers under section 106 of the constitution to give Nevis legislative competence in areas such as Health, Education, Labour, Fisheries, Airports and Seaports, just to name a few;
- Giving Nevis exclusive responsibility for Security within Nevis similar to many of the States in the United States of America. This will allow us the flexibility to develop the security apparatus in accordance with our goals and priorities;
- Institutionalizing a joint quarterly cabinet meeting with an agenda to address issues of common interest such as foreign affairs, trade, security, and membership in regional organizations;
- Establishing a committee with participation from both islands to ensure a fair distribution of Aid resources; and
- Establishing a committee with members from both Ministries of Finance to coordinate debt and fiscal policies.

86. We have already succeeded in encouraging the Federal Government to appoint a constitutional subcommittee of Parliament to address these concerns and we will continue to work tirelessly until our goals are achieved. We do not expect the road ahead to be without some degree of turbulence, but the framework proposed is very practical and is in the best interest of peace and prosperity. I anticipate that the opposition members present here will support this initiative as proud and conscious Nevisians in an effort to secure a brighter future for the people of Nevis.

87. Madam President, the second area that is important to the creation of economic stability and sustained growth is accountability. If we are to progress as a nation, it is important to have checks and balances to minimize corruption and abuse which could squander a significant percentage of the GDP of a country.

IMPROVING GOVERNANCE

88. Madam President, one of the pledges made in our manifesto is to improve transparency and accountability in government. After witnessing the wanton abuse of resources over the years, we decided that this matter had to be accorded high priority. With the assistance of the Eastern Caribbean Economic Management Programme (ECEMP), we have upgraded the budgeting process to improve transparency. For 2008, the budget will be in three volumes. The first and second volumes will give a summary of the expenditure and revenue of all the departments of government. The third volume relates to the business plans of the various departments. Madam President, it must be noted that the budget address is shorter this year because it represents a summary of what is presented in volume three. The general public will for the first time have very detailed and comprehensive information on the objective of the government, its priorities, measurable targets, plans, programmes and achievements. We have advanced the programme budgeting system so that the cost and effectiveness of government programmes could be evaluated and remedial action taken where objective and targets are not being realized. We have also prepared multi-year budgets as we force the managers

in the public service to plan more effectively by looking at least three years ahead when developing their business plans. What all of this means, Madam President, is that the people of Nevis will have all of the information necessary to analyze and assess the performance of the government and its programmes during its term in office. The willingness on our part to provide such comprehensive information demonstrates that this government is so confident about its ability to manage the Nevis economy that we are not afraid to subject ourselves to greater public scrutiny.

89. Madam President, as part of our governance mandate we have initiated consultation on various sectors of the economy to solicit the views of a wide cross-section of the general public on important public policy issues. We have held consultations on health, youth development and the economy as a whole. In fact, during September of this year, my government hosted a very successful consultation on the economy with the participation of over 100 people from the public sector, private sector and civil society. I found the sessions very interactive and the participants refreshingly engaged in important economic issues. We were able to glean ideas on Tourism, Financial Services, Agriculture and the economy as whole. Please be assured, that we have listened attentively and the ideas generated will be incorporated in my government's medium and long term strategic and development plans. We intend to host this consultation on an annual basis as a means of institutionalizing and facilitating open and constructive dialogue with the general public.

90. Madam President, in the area of accountability, we have been working with the Federal Government on the drafting of a modern Finance and Administration Act to improve financial management practice in the Public Service. I am hoping that this act will be passed next year. We are also working on procurement legislation to improve transparency in the award of government contracts. With this legislation a Tenders Board will be established and all contracts for government works or supplies in excess of a stipulated amount will have to be tendered and evaluated by the Tenders Board before a contract is awarded. We will also insist that government departments request at least three quotations before awarding small jobs or purchasing supplies that are not subjected

to the Tender Board. I must point out that Statutory Bodies and projects financed by external agencies with their own procurement procedures will not fall under the jurisdiction of the Tenders Board. However, board of directors of Statutory Bodies will be required to implement more stringent procurement procedures.

91. Madam President, the previous CCM Government was so reckless in the management of the finances of the country that they did not bother to obtain the sanction of parliament for supplementary appropriation warrants. Furthermore, it was only after the NRP then in opposition, raised public awareness about the lack of audited accounts that any effort was made to have the accounts of government and statutory bodies tabled. It is a real shame that this government had to present supplementary appropriations bills to this Honorable House for the period 1993 to 2000 when the CCM was in government. This action is illegal and demonstrates a lack of respect for the laws and the people of Nevis. I can assure everyone that my government will immediately address these matters to return probity to the conduct of government's business. We have already passed the supplementary appropriation bills mentioned above and very soon the accounts of government will be current in accordance with the Audit Act. To demonstrate the seriousness of my government regarding accountability, we have established an Internal Audit Division to complement the work of the Audit Department. This division will focus on ensuring that proper financial management and accounting systems are in place in all government departments so the Audit Department which functions more like external auditors will have more time to work on the final accounts.

92. Madam President, as government officials we act in positions of public trust and must therefore take appropriate action to ensure that we discharge our fiduciary responsibility in the best interest of the people who we were elected to serve. It is with this in mind that my government will continue to enact laws and implement procedures to improve governance and promote transparency and accountability in government.

93. Madam President, I now turn to our proposal for increasing revenues and reducing expenditure so that we can begin to work towards achieving our fiscal targets.

FISCAL MEASURES

94. Madam President, my government wants to use this opportunity to appeal to businesses to keep their taxes current. We have significant arrears of Property Tax and Corporate Income Tax due to poor compliance with the law. As a result, we recently passed the Tax Administration Ordinance in the Nevis Assembly with the objective of strengthening the hands of tax officers to collect outstanding taxes. We are taking this matter very seriously and every effort will be made to enforce this law. We must recognize that Nevis is a low tax jurisdiction and if the government is expected to maintain the services in Health, Education and Social Affairs, every citizen and business has a social responsibility to pay their taxes in a timely manner.

95. Madam President, we have very few fiscal measures for 2008. In last year's budget we had decided to discontinue fully subsidizing the fuel surcharge for domestic consumers. However, we delayed this decision to give the people of Nevis a further reprieve so that they have adequate time to adjust their budgets to reflect the reality of rising prices of fuel. The fuel price has continued its upward trend and the government can no longer afford the full subsidy which is costing the treasury about \$4.0million per year. Consequently, effective from January 1, 2008, the government will meet fifty (50) percent of the cost of the surcharge with the hope of phasing it out over time. We believe that passing on the price increase to the consumer will encourage conservation practices and release resources to fund government's poverty alleviation and social programmes. However, we are very optimistic that the exploration for geo-thermal energy by the West Indies Power (Nevis) Company, if successful, will give Nevisians access to a cheaper source of electricity in the near future.

96. The other area is Property tax which has been discussed in several budget addresses over the years. This is a continuation of a project started by the previous administration to reform the property tax to the market value system. The fiscal cadastral survey is near completion and the first reading of the Property Tax Ordinance has already taken place.

The ordinance will soon be given the second and third reading so that the new system could be implemented in 2008. I want to reassure the general public that it is not the intention of this government to use the new system to significantly increase the tax. However, there are properties that have not been reassessed for several years including those that have undergone major improvement and will have to pay higher tax in line with modern day realities. We have also seen the large appreciation in land values over the years and the government has continued to charge unrealistic fees such as \$1.00 per acre on uncultivated lands, \$5.00 per acre on agricultural lands and \$20.00 per acre for commercial and residential lands. These rates will have to change significantly but every effort will be made to protect those persons in the low income bracket.

97. Madam President, we do not intend to place a heavy tax burden on our people. We are also conscious of the fact that many foreigners are attracted to our island to purchase retirement homes because of our low tax rates relative to the developed countries. We want to continue to attract this business. However, the cost of social services provided by government has quadrupled over the years and the tax yields have not kept the pace. We, therefore, have to strike the right balance to ensure that we could maintain these services without overburdening the taxpayers in Nevis. I, therefore, request the residents of Nevis to support us in this endeavor as we work together for the good of our beloved country.

CONCLUSION

98. Madam President, the NRP government has been very consistent with its theme of people empowerment. This has been our platform while in opposition and we have held fast to this position since assuming office. As a consequence, we have been severely criticized by those persons who believe that we are pursuing socialist ideals by speaking on behalf of the poor and emphasizing poverty reduction, greater income equality, and empowerment. There are also some persons who believe that these are just populist ideas that create high expectations that our limited resources cannot match. From this budget address, it is made abundantly clear that my government supports the market system, corporatization, and creating the enabling environment for local and foreign investment

to thrive. However, our people empowerment agenda is aimed at preparing our people to be competitive in the global market.

99. We recognize that the world's economy is changing constantly with the impact of globalization. The world is fast becoming a global village where capital and goods are crossing borders with lower restrictions and controls. The advancement in technology is creating seamless borders between countries and whether we like it or not, small island states will eventually have to remove their protective barriers and integrate into the global economy on a reciprocal basis. The Caribbean Single Market and Economy is a case in point. It is important for our economic survival in a world where market size is becoming a predominant factor in countries ability to absorb shocks and sustain economic growth. Yet the small islands in the Caribbean are seriously disadvantaged because our people do not possess the skills to compete effectively in the job market with citizens of the larger Caribbean islands who have access to several tertiary and technical institutions that turn out thousands of graduates every year.

100. As we integrate into the global economy, our people will face even tougher challenges. As a result of the advancement in computer and communication technology, there are trained professionals in India tutoring students in America in Math and Science. Many companies in the developed countries have been able to outsource jobs to countries such as India and China in an effort to reduce cost and improve productivity. These countries have achieved rapid progress not just as a result of their comparatively low labour rates but because they have highly trained professionals who are flexible and are willing to continually update their skills to compete in the global market.

101. Madam President, this is the reason why we have emphasized training in all age groups. We are being proactive in preparing our people to compete in the global economy. Our people must not be left behind. The move towards a global economy will create more opportunities but those persons who do not adapt to the new environment and continuously sharpen their skills will be subjected to poverty and despair. This is why we have been focusing on entrepreneurship, small business development, training, and

human resource development in general. We want to ensure that our people are in the forefront of economic development not just as hewers of wood and drawers of water but as business owners and managers.

102. Madam President, this is also one of the reasons that we have been actively pursuing foreign investment. We need foreign capital and the knowledge that it brings to grow our economies. There is no need to try to reinvent the wheel. Our people must be willing to work hard and assimilate the technology with the objective of being able to equal and perhaps surpass the foreign owners. The higher the level of training that our people acquire, the greater is our capacity to master new ideas and technologies and use them to our advantage. Thomas L. Friedman in his book, 'The World Is Flat,' recalls how Xia Deren, the Mayor of Dalian, one of the most successful cities in China, explained how the city has progressed and where he intends to take it in the future: *“Chinese people first were the employees and working for the big foreign manufacturers, and after several years, after we learn all the processes and steps, we can start our own firms. Software will go down the same road..... Today, the US, you are the designers, the architects, and the developing countries are the bricklayers for the buildings. But one day I hope we will be the architects.”*

103. Madam President, this is the vision of the NRP government when we speak about people empowerment. It is about helping our people to develop the skills and positive attitudes that will move them from brick layers to architects in the CSME and the global economy. It is about making them entrepreneurs, business managers, and a competitive force to reckon with. It is about reducing income inequality, criminal activities, and laziness. It is about equipping our people with the skills to build self confidence and self esteem to give them an edge in a very competitive and dynamic global economy. There is a long and difficult road ahead but I am confident that with the progressive policies and programmes of this government, and the discipline and dedication of our people, we will move to a higher level of economic prosperity for all.

104. I want to take this opportunity to wish everyone a happy Christmas and I can assure you that with God's help, the New Year will be bright and rewarding for those who are willing to work hard.

105. Madam President, I so move.