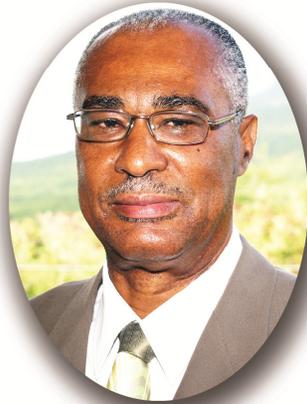




BUDGET ADDRESS 2011



“Fueling Growth Through Dynamic Leadership.”



Delivered by
Honourable Joseph Walcott Parry
Premier and Minister of Finance
Nevis Island Administration
Tuesday December 7th, 2010

1. Madam President, I beg leave to move the second reading of the bill shortly entitled the Appropriation (2011) Ordinance, 2010.

INTRODUCTION

2. Madam President, four and a half years ago, the people of Nevis returned the Nevis Reformation Party to public office on a fresh mandate to transform the economy, and empower our people to achieve their fullest potential. Shortly after assuming office, we were confronted with the worst economic recession since the depression of the 1930's. This was compounded by the closure of the Four Seasons Resort and the resultant retrenchment of about 600 workers. There were spill-over effects in all sectors of the economy with government's revenue falling sharply by over 20%, the once booming construction sector became fragile, the hotel sector decreasing employees' hours of work, and the financial sector accumulating non-performing loans as disposable incomes dried up. The gains we had made in poverty alleviation and reduction were under threat of receding. In a small island economy like Nevis this was an economic crisis of potentially calamitous proportions.
3. It was a situation that demanded boldness, creativity and dynamic leadership. Great leadership arises out of crises. It is fired by a determination to succeed against the odds. A real pilot proves himself or herself in the midst of a storm or danger. Likewise, Madam President, my government has provided outstanding leadership to this island over the past 4½ years even in the face of extreme difficulties. Madam President, there is no Nevisian, not even our most severe critic, that can deny the dedicated, steadfast and unwavering commitment of this NRP-led government to restore normalcy to the lives of Nevisian in a period of great uncertainty. My government does not consist of spin doctors who turn and twist every statement and initiative in an attempt to deceive and baffle the people of Nevis. We are not actors on a stage seeking to grandstand with rhetoric and vanity. This is a government of substance with the vision, fortitude and determination to triumph over any adversity. We are a government of action, not talk. Our record of visionary leadership speaks for itself.

4. Madam President, I shall highlight some of the critical areas where my government has demonstrated decisive and quality leadership:

I) Madam President, the closure of the Four Seasons Hotel has caused much distress but as an effective leader with a dedicated team, my government, ably assisted by the villa homeowners, led the charge in ensuring that the property reopens in a timely manner. It was not an easy task. The original owner walked away from the property leaving the lenders with very few options. They considered minimizing their losses by placing the property on the market as a distressed asset with the hope of recovering some of the loan funds. This could easily have resulted in the loss of the Four Seasons brand and the downgrading of the hotel to a lower diamond status, a severe blow to the island of Nevis that has built its reputation as an upscale destination. In addition, there was an undercurrent by some of the principals to remove Four Seasons as the operator. My government held several meetings at home and abroad with all the parties involved and made it abundantly clear that the Four Seasons had to remain as the operator. We were also engaged in intensive negotiations to convince the Wachovia Bank and other bond holders to invest the additional capital of about 50 to 60 Million US dollars required to rehabilitate and upgrade the property to the level required by the Four Seasons. Furthermore, we negotiated a new tax agreement to provide additional incentives as an inducement to the investors. Just as we had brokered a deal for the foreclosure to proceed and for the hotel to reopen, a number of creditors signed a petition to force the holding company into involuntary liquidation in the state of Delaware in the United States. We had to engage, at our expense, the services of a lawyer from the United States and one from the Attorney General's office to fight our cause in the Delaware court. Through the hard work and determination of this government and the homeowners' association, we eventually prevailed and in just a few days we will witness the reopening of a vastly improved Four Seasons Resort. We should all be proud of this outstanding achievement which will certainly benefit all Nevisians.

- II) With the negative impact of the global recession and the Four Seasons closure, the country was in dire straits. If we did not respond aggressively, government would have been forced to lay off some of its employees and compound an already difficult employment situation. After consultation with the Federal Government, we approached the St Kitts-Nevis-Anguilla National Bank with a financial proposal to assist the government in meeting its commitments for the fiscal year with the expectation that the financial situation will improve in 2011. With the approval of the bank, we converted EC\$64 Million to a long term loan and created a new overdraft facility with a limit of EC\$50 Million. With these additional resources, we have been able to survive the recession, maintain employment for all of our public servants, find jobs for some of the unemployed workers, meet our debt obligations, and stabilize the economy.
- III) With the decline in the construction sector and a weakened economy, we realized that we had to implement policies to prevent any further deterioration. This was extremely difficult to accomplish considering our indebtedness and limited fiscal space. We decided to pursue counter cyclical policies by focusing on the implementation of small projects that could aid in keeping construction workers employed. We approached the St. Kitts and Nevis Social Security Board and got approval for an EC\$10 Million loan which has been used as a stimulus package. In addition, we have invested over EC\$30 Million on affordable income homes throughout the island of Nevis between 2006 and 2010. Furthermore, we also commenced the Civil Servants loan scheme and have disbursed through our agent, the Nevis Cooperative Credit Union (NCCU), a total of 84 loans totaling over \$16 Million. These investments have empowered many Nevisians to become home owners, and have provided employment for over 600 workers.
- IV) My government made an important decision to work more closely with the Federal Government to resolve issues of mutual interest in an amicable and cooperative way. We recognized that Nevis would have been in a disadvantageous position, if we had continued the acrimonious relationship of the

past. To this end, we agreed to the appointment of Honourable Patrice Nisbett, the NRP representative for St. James Parish and former Legal Advisor to Nevis Island Administration, to the position of Attorney General in the Federal Cabinet. The opposition forces in Nevis were critical of this change in policy, preferring instead to cultivate an environment of hostility and antagonism with no tangible benefits to the people of Nevis. Through the spirit of cooperation, we were able to agree on an amendment to the Income Tax Act that will make it compulsory for companies operating in Nevis, including branches of St. Kitts based companies, to pay their income taxes to the Nevis Island Administration. We expect to collect in the region of EC\$10 Million from this policy change. In exchange, we may have to fund the budgets for the police in Nevis, the economic cost of our students attending the University of the West Indies, and the tuition fees of our students attending the Clarence Fitzroy Bryant College. These costs are estimated at about EC\$6 Million. This decision will generate additional revenue for Nevis and also give us more control over our internal affairs.

- V) Through the same spirit of cooperation, we are in the process of finalizing the document that addresses the devolution of power to the Nevis Island Administration. We continue to lobby for increased autonomy for Nevis so that we have the power and authority to make important decisions regarding the economic and social development of Nevis. However, with the strong familial and historical bonds, and the close proximity of the islands, we are firmly of the view that it is advantageous for both islands to continue to work closely together especially in the areas of security, local and international trade, and foreign affairs. With our achievements so far, we are demonstrating that this government can accomplish the cherished goal of greater autonomy for Nevisians without rancor and chaos.

- VI) Despite the challenging financial crisis and the difficulty in raising capital for investment initiatives, we have been aggressive in attracting local and foreign investments. We expect a huge injection of Foreign Direct Investment during

2011. I will highlight some of these projects later in my presentation. The important point to grasp is that under this government, the island is fast becoming a hot spot for local and foreign investors. This did not happen by chance. It is a direct result of the enabling investment climate that we have created and our persistent efforts to keep Nevis current in the minds of potential investors.

5. Madam President, leaders do not get stuck in neutral positions. They make things happen. My government has been proactive since assuming office and it is our unstinting determination and lofty ideals that have steered this country through difficult times. However, there is no room for complacency. The global economy is still tenuous and thus we will have to continue to closely monitor the external environment and devise strategies to make our economies more resilient to possible future shocks. I will therefore survey the global economic environment and put forward my government's plans and programmes to advance the social and economic interest of Nevisians in a rapidly changing market place.

THE GLOBAL CONTEXT

6. Madam President, according to the World Economic Outlook published by the International Monetary Fund, the global economy is forecasted to expand by 4.8% in 2010 and 4.2% in 2011. In the advanced economies, growth is expected to be subdued with projections for 2.7% in 2010 and 2.2% in 2011. In terms of the advanced economies that are most important to Nevis from the standpoint of trade and investment, the United States is expected to continue to grow slowly as a result of the decline in the real estate market and in private consumption. Growth is projected at 2.7% in 2010 and 2.2% in 2011. The Euro area is expected to be worse than the United States with growth of 1.7% in 2010 and 1.5% in 2011. The United Kingdom is expected to follow a similar trend with projected growth rates of 1.7% in 2010 and 2.0% in 2011. The best performance by the advanced economies is expected to be achieved by Canada with projected growth rates of 3.1% in 2010 and 2.7% in 2011. Most of these advanced economies are likely to recover gradually from the recession as a result of lingering unemployment, of high fiscal deficits and of burdensome debt.

7. Madam President, global output is expected to be driven by emerging and developing countries which are expected to grow by 7.1% in 2010 and 6.4% in 2011. The leaders in this group are expected to be China with growth rates of 10.5% in 2010 and 9.6% in 2011, followed by India with growth rates of 9.7% in 2010 and 8.4% in 2011.

8. The negative impact of the crisis has caused continued decline across the Caribbean. Real GDP growth has fell by 1.8% in 2009 as a result of the decline in tourism, remittances and foreign direct investment. The large economies of Barbados, Jamaica, and Trinidad and Tobago contracted in 2009 by 4.8%, 3.2% and 3.5% respectively. The Eastern Caribbean Currency Union (ECCU) was the hardest hit with a contraction of 7.4% in 2009 following modest growth of 1.9% in 2008. St Kitts and Nevis in particular contracted by 8.9% in 2008 and 9.6% in 2009. Anguilla was the most severely affected with a contraction of 24.4% in 2009 after having achieved a growth rate of 4.5% in 2008.

9. Madam President, bearing in mind the close interconnectivity of the Caribbean to these advanced economies, the prospects for recovery will depend largely on the speed and robustness of growth in the metropolis. Our economies are likely to lag behind and thus we should begin to brace ourselves for a difficult year ahead. In Nevis, the government has acted aggressively to boost employment and stimulate demand through debt financing. However, we do not have the fiscal space to continue this policy and thus for the 2011 fiscal year, we will focus on fiscal consolidation, debt sustainability, and growth. Improving fiscal performance will be challenging in light of the fact that over 70% of the revenue is normally used to meet the cost of personal emoluments, wages and debt servicing, which are regarded as fixed cost in the public sector and extremely difficult to reduce in the short term. We will therefore have to take an incremental approach to fiscal consolidation to minimize any social dislocation but this will entail pursuing our plans with determination and consistency over the next five years. In terms of debt management, it is extremely difficult to achieve debt reduction and growth

simultaneously but many studies have shown that when a country's debt to GDP ratio increases to above 60%, it begins to have a negative effect on growth. This is self evident considering that high debt levels increase government's interest cost and reduce fiscal space; crowd out the private sector; and reduce confidence in the economy due to the likelihood of increased taxes. It is important therefore, that we accord high priority to debt sustainability first by containing the rate of debt accumulation and ultimately by reducing the debt to GDP ratio below the 60% threshold. With regard to stimulating growth, the government will have to play a limited role, due to lack of fiscal space, and focus on creating the enabling environment for private sector-led growth. This policy initiative will be difficult to accomplish due to the global recession, but we expect a surge in private capital formation starting in 2011 as a result of the hard work of my government in seeking to encourage and support local and foreign investments since assuming office over 4 years ago.

I shall now highlight some of the important policy initiatives planned for 2011 and beyond.

LAYING THE FOUNDATION TO REINVIGORATE GROWTH

10. Madam President, to create the environment conducive to growth and development, we must lay a solid foundation with the implementation of sound and creative policies.

- i) We believe that the government should empower its people by increasing the accessibility of health care, education, knowledge and skills.
- ii) We believe that economic growth is not an end in itself and must be translated into a higher standard of living for all of our people. This requires that we achieve a fairer distribution of income to ensure that no one is left behind.
- iii) We do not believe in hand outs. The government must be a catalyst in the economy and create opportunities for its people to advance economically and socially. However, the onus is on all of us to grasp the opportunities and realize our full potential.

- iv) We believe that the public and private sectors should work in partnership to create a stable and investor friendly environment. The private sector must also become the engine of growth to allow the government to focus on consolidating its fiscal position.
- v) We believe that the government should continue to develop the service industry especially Tourism and Financial Services. This is especially important as in the modern economy a highly sophisticated service sector can be instrumental to development. We therefore have to continue to expand the service sector by creating niche markets.
- vi) We believe that Agriculture should continue to play an important role in our development agenda and, therefore, measures to reduce the high cost of operation will have to be found. We will continue to ensure food security and focus on import substitution.
- vii) We believe that the government must give high priority to diversifying the tourism industry and the economy as a whole.

11. Madam President, I have outlined briefly the People’s Agenda that we enunciated during the political campaign in 2006. It is a work in progress and so far we have transformed the lives of many Nevisians, regardless of age, or economic and social background. Our People’s Agenda has become a source of light and inspiration as we continue the fight to empower Nevisians to strive for excellence.

TOURISM

12. Madam President, studies on Caribbean economies have shown that tourism has been an important contributor to growth over the years, and that there is significant scope to boost growth further by enhancing the performance of the sector. This requires that we not only focus on volume but also on the quality and value added of tourism. To this end, my government will continue to give high priority to this sector by attracting more high-end

cruise visitors, embracing modern approaches to upscale marketing, and educating our people about the industry.

Cruise Ship Activity

13. For the past two years my government has focused on ensuring that cruise ship activity pays greater dividends to our economy. So far, the results have been encouraging. In fact, there will be three new ships making inaugural calls this season. The **Azamara Journey**, a sister ship from **Royal Caribbean and Celebrity Cruise Lines** will be making its inaugural call into Nevis in January 2011. **The Saga Ruby** and **Saga Pearl II** are also making inaugural calls for the 2010 – 2011 season. In addition, we are happy to welcome back the **M. V. Grand Mariner** and **Star Clipper**. The **Star Clipper** is scheduled to call into Nevis every other Sunday. I must mention that the passengers on these ships are wealthy individuals who are interested in high end destinations, which dovetail quite well with our tourism development strategy.

14. Despite the success, there are some challenges that we have to address. Some cruise passengers have complained that on their arrival to Nevis in the afternoons, there is not much for passengers to buy once they have taken their tours. Related to this is the fact that most stores close at around 5 p.m. which makes it difficult for passengers to see what Nevis has to offer. We are hopeful that the Artisans Village which opened earlier this year will go a long way towards alleviating this problem. The village has been off to a slow start as a result of the sluggish world economy, but the upcoming season should see it emerging into its own. In addition, we have approved the construction of the Harbour Village Project which will give Charlestown a facelift, and help to boost cruise tourism by offering more activities and greater shopping convenience. We will also work in

conjunction with the developers to focus greater attention on promoting and marketing the cruise industry. This project will be highlighted in greater detail later.

Marketing

15. Madam President, the Nevis Tourism Authority's (NTA) marketing budget for 2010 had to be reduced due to the world economic crisis and the closure of our primary tourism plant, the Four Seasons Hotel. This presented an opportunity for the Authority to examine its existing strategies for the upcoming season. Heavy emphasis on public relations and media communications will continue. The NTA participated in a media event held in New York City on 18th October, 2010 to share news and tourism updates with influential travel press personnel. This included news of Four Seasons re-opening, hotel refurbishments and new restaurants. Impending green energy initiatives, and the upcoming Tri-Star Triathlon received strong interest and indeed several articles have already been published.

16. For 2011, there will be greater emphasis on structured e-marketing, particularly with respect to social media. The NTA's Facebook page will be revamped to make it more interactive and a new Twitter persona will be launched. In an effort to reduce cost and increase synergies, the Nevis Tourism Authority has been working closely with the St. Kitts Tourism Authority (SKTA) on a number of initiatives including operating a joint stand at World Travel Market, and joint marketing programmes. This collaboration between the NTA and the SKTA will continue in the future as we seek to maximize the use of scarce resources and offer a richer experience to our tourists.

17. Other plans for 2011, include a consultation on the tourism economy. This will involve extensive and comprehensive consultation with various tourism stakeholder groups, out of which it is expected that a strategic plan for tourism marketing and product development will emerge.

Tourism Education

18. Madam President, my government recognizes that we cannot develop a successful tourism industry unless our people are active participants in the process. We therefore have to prepare our people, especially the young, by educating them about the industry, and the role of citizens to work towards maintaining and sustaining our tourism assets for future generations. We have been very successful thus far with various initiatives:

- i) Under the guidance of the Ministry of Tourism, during 2010, we established a Tourism Youth Council comprising of youth ages 15 – 20. Since then the group has been involved in activities such as coastal clean-up and visits to heritage sites.
- ii) We have continued to invest in tourism education for our youths and have received positive results. Our students continue to excel in regional Tourism Awareness Contests that are coordinated by the Ministry. This year, Nevis placed 1st regionally, in the Florida Caribbean Cruise Association (FCCA) Children’s Foundation Environmental Poster Contest. Twelve year old Kelsia Liburd of the Gingerland Secondary School was the coveted winner in the Junior division of the contest. Both Kelsia and her school received a cash prize of US \$3000.00 each from the FCCA. Kelsia and her class were treated to lunch and presentation of prizes was held on board the Royal Princess in early March 2010.
- iii) In an effort to broaden the scope and showcase the talents of our young people, seventeen students from Primary and Secondary schools attended a two week Art workshop held in July of this year. The children also learnt how to exhibit and sell their work. It is our intention in the future to find a suitable place to create an art gallery to display local art.

- iv) My government through the Ministry of Tourism has been instrumental in facilitating and implementing the UNESCO YOUTH PATH Programme. YOUTH PATH Poverty Alleviation through Heritage Tourism, is a UNESCO initiative that aims to enable young people in thirteen (13) Caribbean countries to utilize innovative skills for sustainable employment in the area of heritage and community tourism. For four consecutive years, St. Kitts and Nevis have taken full advantage of the technical and financial support UNESCO has provided to execute the YOUTH PATH programme. Through this programme a number of young persons have found gainful employment in hotels on the Island. Two young men who graduated from YOUTH PATH are now trainee chefs at prestigious hotels on the island. As a result of this UNESCO funded programme, the Youth PATH has undertaken an ambitious project to rehabilitate the Gingerland Public Market as a cultural heritage site to promote economic activity as well as community tourism. To date, the group has repainted the public market, transformed an abandoned office into a snackette and upgraded bathroom facilities. The medium term goal is to repair the roof at the market by the end of 2011.

Security

19. Madam President, our efforts in tourism will be futile if we do not protect our international image and reputation. Recent events in the Federation have impaired somewhat our reputation as a zone of tranquility and safety. My government is making an all out effort to be proactive and to assist the police in curtailing this type of activity. Beach patrols will be increased in frequency and scope, the road leading to Sunshine Bar and Grill will be lighted before the end of the year, and our communications equipment will be updated to enable speedy contact with the police and thus speedy resolution of any situation that may arise. Another new initiative, will seek to alert the police whenever a tour takes visitors off the beaten track. Our aim is to ensure that our visitors enjoy a smooth and enjoyable experience as well as to foster peace of mind to our service providers.

20. Madam President, I am confident that the ideas put forward and the plans for the expansion of the tourism plant in the future will continue to make Nevis a high quality upscale tourism destination. With my government at the helm, this sector will certainly continue to drive growth in the economy and improve the standard of living of our people.

FINANCIAL SERVICES

21. Madam President, turning to the international financial services sector, the negative effects of the global financial recession continued into 2010 and, as reported extensively by financial analysts worldwide, recovery has been slow in all countries affected by this crisis. From a local perspective, there are two major indicators which best reflect recovery of our international financial services sector; revenues from annual renewals and the number of new registrations. In the case of revenues from annual renewals, for the year 2009 we recorded a 3.4% decline from the previous year. For the current year, up to the 30th November, the decline in revenues from annual renewals is only 0.3%, when compared to the corresponding period for 2009. The number of new registrations for the year 2009 was 15% lower than the previous year. The current year's registration figures as of 30th November reflect a 6% increase over the corresponding period for 2009. Total revenue collected from the sector up to November 30, 2010 is approximately \$10.2 Million, representing a 1% increase over the corresponding period for 2009; and so, Madam President, there are some encouraging signs of recovery in the sector.

22. Madam President, international financial services centers such as ours continue to come under scrutiny of the Organization for Economic Co-operation and Development (OECD) and the Financial Action Task Force (FATF) and will always be susceptible to the pressures of ever changing standards and new requirements. In order to successfully meet these challenges and protect our interests, we have to become more proactive in our approach to these matters. The Nevis Island Administration has therefore been working closely with the Federal Government in respect of these issues and our representatives

have been actively involved in (1) activities of the OECD Global Forum on Exchange of Information, where the Federation sits as a member of the Peer Review Group (PRG) which has been charged with the responsibility of developing the methodology for conducting country reviews; and (2) activities of the Caribbean Financial Action Task Force (CFATF) where our own Nevis Regulator represents the Federation on that organization's Strategic Plan Working Group and Financial Advisory Group. This involvement puts us in a position to keep abreast of ongoing developments and influence decision making, on matters that will ultimately have an impact on our financial services industry. The Global Forum's Peer Review of the Federation's implementation of the standards of transparency and exchange of information for tax purposes is scheduled to be conducted in early 2011. An officer from Nevis has already been trained in the new methodology and will spearhead a self assessment exercise, in advance of the Peer Review, to ensure that Nevis is in a state of readiness.

23. There have been a number of changes in the regulatory framework which are intended to enhance the supervision and monitoring of financial services in line with international requirements. A new Financial Service Regulatory Commission has been established within the Federation to bring the regulation and supervision of all non-bank financial services sub-sectors under a Single Regulatory Unit. The Unit will continue to function through operating branches in the two islands. As of 3rd Quarter 2010, a reporting regime has been implemented for all sub-sectors and during 2011 the Nevis Regulatory Branch will expand its programme of onsite inspections of companies operating in these sub-sectors. Provision has been made in the 2011 budget for additional regulatory personnel to meet the challenges of the expanded role of supervision and monitoring.

24. Madam President, for several years, it has been the intention of the previous and present Government to pass into law a Service Providers Ordinance to provide a clear and cohesive legal framework for regulating the businesses that are involved in the international financial services sector. Although individual legislative provisions

governing the industry address varying aspects of the regulation of our service providers, there is need for a comprehensive ordinance establishing the role and responsibilities of industry practitioners and providing for varying classes of licensing based on the nature of the business being conducted, in accordance with international standards of best practice. This Government intends to have early consultation with the industry to ensure that a Service Providers Ordinance is passed into law in 2011.

25. My Government is firmly convinced that the international financial services industry is now well poised for a new era of maturity, development and growth and that our private sector partners share similar sentiments. During the current year, the Nevis Service Providers' Association (NISPA) was established and the Association has given an unequivocal commitment to work with the Government for the commercial development of the industry. In November, the Nevis Branch of the Society of Trust and Estate Practitioners (STEP) was officially launched and this we expect will bring a new dimension of professionalism, training opportunities and increased expertise to the industry. Madam President, I wish to pause here to acknowledge the support that has been given by the Regulation and Supervision Department and the Development and Marketing Department to our private sector partners in these initiatives.

26. Madam President, provision has been made in the 2011 budget for a sum of EC\$185,000 to improve the technological resources of the Registry to increase efficiency and prepare ourselves for the anticipated growth. We are confident that growth will be driven by focusing our market efforts on the increasingly wealthy countries in the Middle East and Asia. We will target well established and reputable service providers and offer incentives to them to establish a presence in Nevis. Working closely with the Service Providers and legal professionals, we will update our legislations to increase our attractiveness to Service Providers, and our competitiveness in the industry without sacrificing regulatory standards. Through the initiative of Nevis Investment Promotion Agency (NIPA), we

have already made initial contacts with prospective businesses in the international financial industry, which have given us good reasons to be optimistic about the future.

EDUCATION AND TRAINING

27. Madam President, the previous government did not give priority to the development of people which, to some extent, contributed to the moral decadence that we have been experiencing over the years. We campaigned on a platform of people empowerment and have made great strides in this regard, despite the economic challenges that have confronted us. In our short time in office, we have made significant investment to improve the learning environment and the quality of education delivered. Our programmes have touched the lives of all children at different levels of development from pre-school to university. We have provided additional classrooms, better working environment for teachers, state of the art computer labs, improved security for schools, more trained personnel, and a superior and expanded school meals programme.

28. Madam President, my government can proudly point to the fact that the investment in the necessary support systems has begun to pay huge dividends. Evidence of this is seen in the improved performances of the students in the end of year examinations such as Test of Standards, Caribbean Secondary Examination Council (CSEC), and the Caribbean Advanced Proficiency Examination (CAPE). It is therefore with a sense of pride that I congratulate Miss Joanne Flemming for obtaining the best results in the CAPE examinations and for being declared the 2010 State Scholar. With this achievement, the Nevis Sixth Form College has won the State Scholarship for the fourth consecutive year, that is, every year since the NRP government took over the mantle of leadership in this country. It is a fitting tribute to great leaders like Simeon Daniel, Ivor Stevens, Uhral Swanston, and Levi Morton, original members of the Nevis Reformation Party, who pioneered the development of a Sixth Form College in Nevis.

Tertiary Education

- 29.** Madam President, my government has budgeted some EC\$2.8 Million for the development of our Human Resource Capital for the fiscal year 2011. We have consistently spent in excess EC\$2,000,000.00 on training especially for students pursuing tertiary education which continues to be a target area for this Administration. In 2010 over forty (40) additional Nevisian students have benefited from the ongoing training programme which assists persons pursuing higher education. Many of the areas being pursued will enable us to satisfy some of the needs of the Public Service and our country at large. These include Medicine, Land Economy and Valuation Surveying, Music, Food and Science Technology, English, Social Work, Psychology, Agriculture, Education, Legal Drafting, Accounting, Pharmacy, Nursing and Fitness Administration.
- 30.** As we continue the drive to encourage persons to opt for regional institutions, we are happy to report that many of the new applicants are pursuing studies with Caribbean institutions, namely University of the West Indies (31), University of Technology, Jamaica (5), University of the Virgin Islands (2), Cuba (5), Barbados Community College (1), University of Trinidad and Tobago (1), and The Edna Manley College (1). Assistance is also provided to persons pursuing distance programmes with the University of the West Indies and other reputable institutions.
- 31.** We continue to enjoy excellent relations with Midwestern State, Texas and Camron University Oklahoma, where we presently have twenty-one (21) and eleven (11) students respectively. At these institutions our students qualify for the payment of in state tuition.
- 32.** We continue to benefit from the generosity of friendly governments and organizations that invest in our Human Resource. We must make special mention of the governments of Taiwan and Cuba for their continued interest and commitment. Currently we have

four (4) students in Taiwan and five (5) students in Cuba pursuing higher education. Four (4) of the five (5) students in Cuba are pursuing studies in the field of Medicine. We once again register our profound gratitude to the Organization of American States (OAS) and the Pan American Health Organization (PAHO) which continue to support the efforts in training of the Administration.

33. Madam President, during 2011, we will continue with our “no child left behind” policy and work to improve the quality of education at all levels including special education, pre-school, primary, secondary and tertiary. Our plans include:

- i) Placing more emphasis on values education in the primary schools. This will be done through the introduction of a new subject into the curriculum which will be called character education. The objective here is to mold children at an early age to become responsible and law abiding citizens in Nevis;
- ii) Expanding the parenting workshops for parents of preschoolers. It involves training parents in child development to better prepare them to cope with the psychological and social needs of children. The programme was successfully launched in the Charlestown area in 2010 and will be expanded to Gingerland in 2011;
- iii) Expanding the curriculum in the special education programme to include Agricultural Science, Home Economics, Food and Nutrition, and Swimming. We will also organize training sessions for people in the communities to educate them about living and working with persons with disabilities;
- iv) Introducing a new and modern appraisal system for the evaluation of teachers and principals. This initiative is intended to improve the standard of teaching and administration in the schools;
- v) Working towards the establishment of a tertiary institution in Nevis in the future; and
- vi) Continuing to provide financial assistance to individuals attending local, regional and international tertiary institutions to pursue advance studies in areas beneficial to Nevis.

34. Madam President, my government assures all citizens that its vision of education as set out in “The People’s Agenda” will be vigorously pursued to ensure that all Nevisians receive quality education and are equipped with lifelong skills to respond effectively to the development needs of the island. I hope that we will grasp the opportunities which are being provided for us to achieve our maximum potential so that we may become active participants in the developmental process.

HEALTH CARE

35. Madam President, Health is another success story for my government as we pursue our agenda to improve the quality of our human capital. We have made tremendous success in the midst of continuing harsh economic times. With greater emphasis being placed on chronic non-communicable diseases, primary health care, and upgrading the quality of the human resource in health care delivery, our programmes have been felt throughout the island.

36. Lifestyle diseases such as diabetes and hypertension continue to lead the way in morbidity and mortality statistics. We have 443 persons on the hypertensive register and 506 on the diabetic register. My government has been active in addressing the problem by organizing educational campaigns, promoting healthy lifestyle changes, and undertaking mass screenings in the various parishes. Through the Ministry of Health, we collaborated with the Food and Agricultural Organization (FAO) in the production of the Food Based Dietary Guidelines which provide recommendations for the populace on diet and physical activity. We are admonishing the people of Nevis to participate fully in these activities so that we can reduce the incidence of non communicable diseases.

37. In the area of human resource development, we continue our efforts to increase the number of health care professionals. It is just not economically feasible to provide all of the specialist services in an island with approximately 11,000 people. However, we have

been doing an excellent job in keeping the health system functioning efficiently with the limited resources available to us. An additional surgeon has been employed at the Alexandra Hospital, thereby increasing the availability of surgical services on the island. We have also employed two pharmacists from the region as replacements for two of our trained pharmacists who exited the service. To avoid being totally dependent on external sources in the future, we have financed a student to study Pharmacy in Barbados in 2010, and in 2011, we intend to finance two others. We continue to experience a problem with a shortage of nurses but our efforts at encouraging individuals to pursue nursing as a career is achieving the desired outcome. In 2010, two (2) nurses completed general nursing studies at the Clarence Fitzroy Bryant College (CFBC) in St. Kitts and one (1) individual entered the programme. We have also continued to encourage nurses to specialize in various areas including Intensive Care Unit, Surgical Nursing, and Anesthesia. Three (3) nurses are expected to begin training in 2011 in these critical areas. Where curative services cannot be provided locally, we will continue to provide financial assistance to low income earners who have to travel abroad. As of October 2010, we assisted 36 persons in the amount of EC\$233,000 and this is expected to increase by EC\$75,000 by the end of this year.

38. Madam President, we have not ignored the physical infrastructure. The completion of the Brown Hill Medical Facility in July 2010, has enhanced the provision of Public Health Service on the island. The facility, which is the only health centre to be equipped with a pharmacy, will have a pharmacist on site during the weekly doctor's clinic. Family Planning and Postnatal services have also been introduced and will be expanded next year. We intend to continue this trend with the construction of a new health centre, with similar facilities and services, in Cotton Ground to enhance the primary health-care services in that area.

39. In 2011, we will continue with our programmes to improve the standard of health care in Nevis. Top priorities for 2011 include:

- i) Continuing the public education campaign on the food based dietary guidelines which was launched in 2010;
- ii) Strengthening of Port Health Surveillance in order to be adequately prepare for communicable diseases that can be spread across borders;
- iii) Continuing to invest in training in critical areas including nursing, public health and pharmacy; and
- iv) Intensifying our effort in encouraging Nevisians to take up careers in Nursing and other specialist areas in the health sector.

40. Madam President, in just four (4) short years, we have witnessed a major transformation in the health care sector under the leadership of this government. We have undertaken public campaigns, screening for non communicable diseases, the development of our human resources, the attraction of professionals to expand curative care, and the provision of resources to assist persons who must travel overseas for critical care. The NRP has brought real leadership to the government and the people of Nevis are the beneficiaries. The People's Agenda is breaking down barriers and opening opportunities for all.

SOCIAL DEVELOPMENT

41. Madam President, the exposure of the vulnerabilities of small islands has heightened the need to implement strategies that will positively impact the social landscape of our changing society.

42. My government has made people empowerment the focal point of its mission and as such, through its various programmes, seeks to create and support the enabling conditions that will promote self reliance, confidence, and independence. Our diverse programmes, therefore, speak to issues of education and skills training, social and community

cohesion, the development of youths and community organizations, social safety nets, participation in sports, sports tourism, preservation of culture, and the alleviation of poverty through the Basic Needs Trust Fund (BNTF) projects.

Sports and Community Development

43. Madam President, Sports and Community Development play an integral role in the socio-economic stability of the country. In this context, a number of initiatives have been undertaken by my government to respond to the many challenges within our society. Our strategies include:

- i) Dialoguing with donor agencies, through the Project Management and Training Unit (PMTU) to secure funding for social projects;
- ii) Recasting our society in the image of our local heroes by naming landmarks in their honour;
- iii) Providing opportunities locally and overseas for community residents to participate in skills training programmes to enable them to meet their social responsibilities;
- iv) Providing educational programmes for children, youths and adults to foster self development and economic advancement. These include homework assistance, reading starts with us, computer training, and O'level classes;
- v) Instituting professional development training for staff aimed at improving service delivery;
- vi) Undertaking grass root training in sports to harness the sporting talents of our youths in the various sporting disciplines;
- vii) Developing sports tourism through hosting of visiting sporting organizations and clubs; and
- viii) Constructing community centers and playfields to provide increased recreational and educational activities to all sectors of society.

44. While these existing strategies are ongoing and are very successful, in 2011, my government intends to introduce new initiatives to enhance social resilience given the continued attack on the social fabric of the island. In this regard, we will:

- i) Establish a National Youth Empowerment Center, which will enable young people, especially those at risk, to become productive, caring and responsible adults, in a safe place to learn and grow;
- ii) Enhance competitiveness and promote diversification through the implementation of Information Technology for education at the Community level;
- iii) Develop an audiovisual and ICT service industry;
- iv) Expand its grassroots sport training programmes to include participation in competitions at the local and regional levels;
- v) Enhance the sports tourism product by hosting a Tri-Star International Triathlon in collaboration with the St.Kitts and Nevis Triathlon Association;
- vi) Complete the lighting of sporting facilities in Brown Hill and at the Flats to provide more opportunities to participate in sporting activities at nights;
- vii) Implement activities to rekindle the spirit of community and volunteerism; and
- viii) Expand its community outreach programmes to take advantage of the construction of five additional community centers in Jessups, Fountain, Charlestown, Cotton Ground and Combermere.

Social Services

45. Madam President, cognizant of the fact that issues related to the family, youths, gender relations and senior citizens, are critical to the overall well being of the society, my government through the social services department, will seek to enhance the quality of the services and programmes offered in these areas. Special attention will be placed on:

- i) Child protection and foster care programmes to deal with the disturbing evidence of increased physical/sexual abuse of children;
- ii) Expansion of the seniors recreational and home help care programme;
- iii) Enrichment programmes for youths, women and men through community education;
- iv) Reviewing the social safety net programmes with a view of bringing about greater transparency and more effective targeting;

- v) Family preservation and provision through more effective strategies at early intervention;
- vi) Developing and adopting appropriate intervention strategies to re-engage the victims of social exclusion;
- vii) Exposing youth leaders to and providing them with appropriate training in modern management techniques so as to improve the quality of management of youth organizations;
- viii) Ensuring Nevis youths benefit from job training programme sponsored by Partners of America. The second cycle will start in January 2011;
- ix) Parenting awareness for at-risk adolescent and pre-adolescent girls as a response to the rise in pregnancy among fifteen and sixteen year olds. Four cases alone were reported in November to the Department;
- x) Introducing the Male version of Nevisian Pearls dubbed “Positive Moves” aimed at counseling and positively impacting young boys at risk for gangs, crime and other anti-social behaviour, as well as incorporating “Bike not Bombs” and other existing sports programmes;
- xi) The celebration of International Men’s Day to promote more awareness of the role of men in our society. The programme will focus on men’s health issues, including nutrition, exercise, and safe sex. This will become an annual celebration similar to International Women’s Day activity; and
- xii) Training officers so that they can better address social issues and problems.

Culture

46. Madam President, my government recognizes that culture is the foundation of all forms of development and that it is our culture that makes us unique, proud Nevisian people. To ensure that our culture is preserved and manifested in the wider society, my government through the Cultural Development Foundation will continue to:

- i) Ensure that training opportunities are made available in all aspects of the arts and culture at both the school and community levels;
- ii) Market, promote and coordinate artistic and cultural activities including Culturama, community festivals, and overseas exchanges;
- iii) Assist and support community based activities designed to promote arts and culture;
- iv) Work closely with UNESCO to implement a national cultural policy; and
- v) Publish in print, audio visual and multi-media forms, materials of an artistic or cultural nature.

47. Madam President, with the completion of the Nevis Performing Arts Center in February 2011, the cultural landscape will be boosted with a state of the art venue which will be a permanent home for culture. It is envisaged that this venue will become a hub of cultural activity 365 days of the year, as our people and artistes from overseas display their varying talents, and assist in the furtherance of our artistic cultural expression.

48. Madam President, my government is pushing forward with its social agenda. We are confident that the social climate within our society will be transformed as we continue to stimulate growth and the empowerment of our people, through programmes, in sports, community development, social services and culture.

CRIME PREVENTION

49. Madam President, the spate of criminal activities that we have witnessed over the past ten years is a serious threat to our economy and our standard of living. We have implemented many social programmes to help reverse the trend of deviant behaviour exhibited by our young people, with the expectation that the situation will improve in the future. We do not believe that the problem is uncontrollable and thus we will

continue to provide resources to strengthen families and prepare young people to cope with the challenges of life. We are also intensifying our efforts to enhance the capability of the police to detect and prevent crime. This remains a high priority of my government and thus we have augmented the resources of the police by providing five (5) vehicles for surveillance purposes as well as constructing Barracks to accommodate officers. However, if we are to effectively deal with crime in Nevis, the government of Nevis will have to take greater responsibility for the police and its own internal security. This will enable us to increase the number of police officers, provide greater incentives to officers, strengthen the management structure, improve training, seek assistance from foreign countries, and provide additional resources. We have commenced discussions with the Federal Government on this subject as part of the devolution agreement that is being negotiated. It is expected that we will have to meet the cost of the police operation in Nevis and offset it against the additional Income Tax expected from the recent amendment to the Income Tax Act. Hopefully, we can finalize these discussions during the course of next year.

DEVOLUTION OF POWERS TO THE NIA

50. Madam President, I want everyone to pay close attention to this section because it will have far reaching consequences in Nevis in terms of governance, and economic and social development. The islands of St. Christopher (St. Kitts) and Nevis have been established as one sovereign democratic federal state. In keeping with its federal doctrine, there is a national Constitution which defines the distribution of legislative powers. It is now being proposed that the existing distribution of legislative and administrative powers should be altered so as to expand the legislative powers of the Nevis Island Administration.

51. It must be noted, that while the Nevis Administration has exclusive responsibility for the administration in Nevis of such matters as the ports, education and health, these

functions are carried out in accordance with national not local laws. This dichotomy between administrative responsibility and legislative competence has a potential for inefficiency from a policy and administrative point of view and for conflict from a constitutional point of view.

52. It is not unusual for a State or provincial administration in a federal system to carry out administrative functions created by the Federal Parliament. There must be an assessment of the areas of government which should more appropriately be the legislative and/or administrative responsibility of the national or the local government. It is important to take into account the special needs and aspirations of the local community in the assignment of power and responsibility.

53. A local or provisional legislature may, however, within the federal system be given critical powers but these are essentially limited within a defined territorial jurisdiction. The exercise of such powers does not impinge on international law or relations.

54. The making of additions to the specified matters listed in Schedule 5 of the Constitution is governed by section 37(6) of the Constitution which requires a two-thirds majority for its passage in the House. The need for special time limits and referendum are inapplicable.

55. The joint cabinet of the Federal Government and the Nevis Island Administration have established a committee to discuss and reach consensus on the areas to devolve to the Nevis Island Legislature. The committee has met on several occasions to undertake the task that it was mandated to carry out and in doing so the committee

has sort and obtained legal advice from one of the Caribbean foremost constitution legal expert. The committee is presently nearing completion of its work and a submission is being prepared for the consideration of the joint cabinet for transmission to the National Assembly.

56. Madam President, the Island of Nevis has experienced positive economic and social development with the existing legislative powers, and has ably managed its fiscal responsibility without burdening the federal structure. In fact, its own development, especially advances in the international financial services, has enhanced the federation of the islands. This development is secured by a legislature that is dynamic and responsive to the needs of the development of the island.

57. It is to be reiterated that the development needs of the Island of Nevis require a flexible legislative regime for the island. Additional law making authority for the Island of Nevis is a necessary adjunct to economic and social development within the Island of Nevis.

58. It is within this scheme that the Nevis Island Legislature calls for Parliament to exercise its constitutional responsibility in accordance with section 37(6) for additional powers to the Nevis Island Legislature. These additional powers include matters of education, health, police, security and the other areas of exclusive responsibility.

59. Madam President, as was mentioned before, we expect this matter to be submitted to the National Assembly early next year. When the amendments to the constitution are enacted, this will be a significant achievement for the NRP-led government. It was

the NRP government that gave Nevis its own government and legislature in the 1980's, and history will be repeated when we advance to a higher level of internal self-governance.

AGRICULTURE

- 60.** Madam President, I can say without contradiction that this government inherited a dying agriculture industry and in just over four (4) years has brought about a renaissance of the sector. We took the view that food security was too important a part of a country's strategic interest to become totally dependent on imported food. We were not overwhelmed by the challenges posed from the ongoing economic crisis; instead, we searched diligently for the intrinsic opportunities presented, and augmented our support for the sector. With enthusiasm, renewed vigor, and a sense of purpose, we were able to reposition agriculture and encourage significant movement of human and capital resources into the sector. As such, there has been growth in the number of persons employed, acreage cultivated and farm output for each of the last four years. For example, the number of farms rose from 52 in 2006 to 71 in 2009, acreage cultivated rose from 132 to 158 and farm output rose from 148,000 lbs to 372,000 lbs for the same period.
- 61.** Fueling this resurgence and interest in the sector is the support system extended by my government to farmers, fishers, agro-processors and others. This support system has three main components.
- 62.** The first is the Fiscal Incentives Act which offers significant subsidies to investors of all sizes. These include tax concessions on work related vehicles, boats, engines and every category of supplies, services and materials required to operate the business. According to the Ministry of Agriculture records, for the period 2006 – 2010, 29 vehicles, 63 engines and 20 boats have been granted duty free concessions.

- 63.** The second component is to identify and spearhead opportunities for public/private partnerships which seek to diversify and add value to the sector. To that end, the agro-processing subsector was targeted for immediate action in 2007. Public investment has since exceeded EC\$1,000,000.00 for a new multi-purpose plant which opened in April 2010. The Agro-processors Cooperative as well as individuals now have guaranteed access to the facility, and the environment and technology to develop their products to meet international standards. So far, we have used the facility to produce over one (1) ton of mango pulp.
- 64.** Another targeted intervention is the Fisheries Subsector. Plans are well advanced for the construction of a new Fisheries Center in Charlestown funded jointly by the Nevis Island Administration and the Japan International Cooperation Agency. The estimated US\$8,000,000.00 facility is scheduled to begin construction in 2011. When completed in 2012, the center will boast a new jetty, fish processing facilities, fishermen's lockers, and a refueling station. Value added products such as fish fillets, fish burgers and fish sticks will be produced. The potential for reducing the volume of these imported items (75,000 lbs annually) is undoubtedly very significant. In addition, fishers will have access to better technology to be able to harvest presently under utilized species such as flying fish and ballahoo to supply the facility.
- 65.** The third component focuses on infrastructural upgrades to existing systems and programmes. For the period 2007 - 2008, the priority area was on improving the physical working environment throughout the many Departments and Divisions of the Ministry. Significant funds were also expended on new equipment, from soil testing to computers for the various Divisions which invariably increased work efficiency. For the future, the focus will be on drastically improving the irrigation infrastructure throughout the island. This is extremely important because irrigation in the Nevisian context is the most limiting factor to the success of Agriculture.

66. Madam President, global warming and unpredictable weather patterns have conspired against traditional rain fed agriculture as the preferred method of crop production. It is the firm view of my government that significant investments in irrigation systems are a prerequisite, if equally significant investments in crop and livestock production are to occur. The programme will involve the development of deep water wells and distribution lines which are separate from the existing domestic system. Communities targeted in 2010 – 2011 are New River, Cades Bay and Indian Castle. In addition to public funds, grant funds totaling US\$97,000.00 have been secured from the Japan International Cooperation Agency (JICA), and US\$1.8 Million from the Republic of China (Taiwan). When completed in 2012, the system will deliver over 50 million gallons of water per year to our farmers at concessionary rates. The immediate effect will be the extension of the crop season well into the hot summer months. This will certainly have a positive impact on locally produced food both in terms of availability and price, which should be good news for consumers.

67. In the area of cooperatives, signs of recovery are visible. Comprehensive reviews of all eight (8) Cooperative Societies have been completed and strategies devised to strengthen them. In 2009, one new cooperative, the Nevis Cotton Famers Cooperative, was added and another, the New River Farmers Cooperative, is awaiting registration.

68. For the upcoming year, the Ministry of Agriculture will further its involvement in the School Garden Project, the School Jobs Attachment Programme, and the Summer Youth Work Programme. Significant interactions are also expected to continue with the Inter-American Institute for Cooperation in Agriculture (IICA), Food and Agriculture Organisation (FAO), Caribbean Agricultural Research and Development Institute (CARDI) and the Republic of China (Taiwan). These agencies have been a tremendous source of financial and technical assistance and I wish to express our

sincere thanks and appreciation for their outstanding contribution to the development of Agriculture in Nevis.

- 69.** Madam President, my government must be commended for its efforts to revive the agriculture industry and to mitigate the food security risks associated with dependence on imported food. It is a generally held view that we are indeed moving in the right direction.

TRADE AND INDUSTRY

- 70.** Madam President, my government has demonstrated its commitment to trade and industry by the establishment of the Ministry of Trade, Industry and Consumer Affairs to focus on this very important area of our economic strategy. Since then, we have pursued relentlessly the growth of trade and industry, the promotion of consumer education, and the development of small businesses.

- 71.** In the area of small business development, the Small Enterprise Development Unit (SEDU) has continued to provide technical assistance to existing and prospective businesses. For those businesses that had difficulties raising financing, they have found refuge in the concessionary loan financing facility that is offered through its agent the Nevis Co-operative Credit Union. As a result of the success of this facility, we are planning to raise an additional EC\$1.0 Million to expand the loan portfolio so that more small businesses with feasible projects could have easy access to financing. We will also continue to provide tax concessions to these businesses on the purchase of vehicles, and capital equipment necessary to expand production. This will have the effect of reducing their cost and making them more sustainable. In addition, the Unit will be boosted with an experienced small business peace-corps officer who will add considerably to its capacity to deliver training, and technical assistance to businesses.

72. Madam President, one of the major shifts in policy is that my government has become actively involved in promoting foreign trade and negotiating trade issues. We were represented in the Federal delegation at the World Expo 2010 in Shanghai, China, where opportunities to showcase Nevis to the some seventy million people were maximized. We utilized the opportunity to highlight our extremely high literacy rate of (98%), pristine and natural resources, friendly people, the easy access to both sea and air routes to facilitate international trade, the ease of doing business, and our thrust in renewable energy. The various networks established have opened avenues for Foreign Direct Investment (FDI), particularly in the areas of Tourism, Financial Services, and other ancillary services.

73. We have also been able to establish a working alliance with the Federal Ministry of Trade which has resulted in us being included in any trade delegation representing St. Kitts and Nevis abroad. Early in 2010, we were represented on the Caricom negotiating team that met in Barbados to discuss the Canada-Caricom Trade Agreement.

74. Madam President, one of the most important areas of our trade policy is consumer education. My government through the Consumer Affairs Unit in the Ministry of Trade and Industry has already implemented several consumer oriented programmes which include ongoing retail and wholesale store visitations, frequent television spots on consumer rights, and other consumer education shopping ideas. These initiatives are designed to ensure, among other things, that the rights of the consumer as guaranteed by the Consumer Affairs Act are protected. There is also a Price Control Officer, who tracks price movements and ensures that subsidies offered on certain basic food staples are passed on to the consumer, thereby maintaining some semblance of control on the cost of living on the island. This information is used to

educate consumers and allow them to compare prices before making purchasing decisions. This Unit has also been mandated to play a vital role in monitoring the implementation of the Value Added Tax (VAT). The office will be required to work closely with the VAT Unit and visit the various business places to ensure compliance with law and to prevent price gouging.

75. Madam President, another policy change is in the area of industrial development. Greater attention will be paid to this aspect of our development strategy. We have given the Ministry of Trade full responsibility for all areas designated as industrial Parks. One of the requirements will be close collaboration with the Housing and Land Development Corporation in cataloguing the current use of lands on the Industrial sites, and determine the best use of available lands for the purpose of establishing new industries and related businesses. This systematic approach will be necessary, bearing in mind the anticipated increase in demand for land due to the impact that cheaper energy in the form of geothermal and wind energy will have on the industrial stock in Nevis. In addition, it is expected that the Ministry of Trade would work closely with the Nevis Investment Promotion Agency (NIPA) to attract and develop industries in Nevis in the designated areas. We are confident that our trade and industrial policies will bring significant benefits to the people in terms of generating employment and diversifying the economy.

PLANNING AND STATISTICS

76. Madam President, when my government assumed office, we realized that we did not have the statistical information required to adequately monitor and evaluate the effectiveness of our economic policies. Consequently, we have been trying over the years to build the capacity in the planning and statistics department, independent of St Kitts, to compile and report the pertinent statistical information required by both government and the private sector for strategic planning and decision making. I am

happy to report that we are making steady progress in this regard.

Consumer Price Index

77. Nevis is scheduled to release its first Consumer Price Index (CPI) during the course of this month. A price index measures the proportionate, or percentage changes in a set of prices over time. Consumer Price Indices (CPIs) typically measure changes in the price of a given basket of goods and services representing the purchases of a typical consumer. They are used to measure the real purchasing power of money on various types of commodities and services and are an important measure of the inflation and changes in the cost of living experienced by households. The CPI is an important management tool for both the government and the private sector. For government, it is a key statistic for purposes of economic policy-making, especially fiscal monetary policies. It is also often specified in legislation and in a wide variety of private contracts as the appropriate measure of inflation for purposes of adjusting payments, such as wages, rents, interests and social security benefits. After the initial release this month, subsequent releases will be done on a monthly and annual basis. The base year for the CPI is 2006.

Gross Domestic Product

78. Madam President, one of the priorities of my government is to determine Nevis' contribution to the Federation's Gross Domestic Product (GDP). Simply put, the gross domestic product at market prices is the sum of the value of goods and services produced in an economy within a given time period of usually one year of all resident producers. Similarly to the CPI, it is an important tool of economic policy used by government and other agencies to analyze the effectiveness of fiscal and monetary policies, to assess the ability of governments to repay debts, and to make comparisons with other countries and regions. In the context of St. Kitts and Nevis, it will also be

used as a basis for sharing the revenue collected from VAT since GDP is regarded as a more reliable indicator of economic activity than the population criterion that has been used in the past. The Department of Statistics will be actively involved in the process to determine Nevis' contribution to GDP in the coming year using the methodology which has already been developed by the Caribbean Regional Technical Assistance Centre (CARTAC). The methodology was applied by CARTAC to the years 2006 and 2007 and Nevis's contribution to GDP was estimated at 27.5% and 28.4% respectively. However, with the contraction of the economy caused by the closure of the Four Seasons Hotel, Nevis' contribution is estimated to have shrunk to 21.0% in 2009.

- 79.** Madam President, we will need the assistance of the producers of goods and services in Nevis to achieve our objective. Therefore, businesses in particular must comply with the Statistics Department and provide data requested to ensure that the best GDP estimates are produced.
- 80.** I must also point out that in 2008, the Federation embarked on a National Accounts rebasing exercise to move the reference period from 1990 to 2006. The Statistics Departments on both islands are actively engaged in this exercise which will make changes to the existing methodology, increase the coverage of data collection, and generally improve the quality of the GDP estimates.

Population and Housing Census

- 81.** Madam President, the upcoming population and housing census for St. Kitts and Nevis is scheduled for 2011 with May 15th being assigned as Census Day. The population census is a primary source of detailed benchmark data on size, distribution, and composition of the population. Data from population censuses will aid the government in developing policies to address social and economic issues.

Field work is scheduled to commence in April. Presently, a housing and business listing exercise is ongoing, the main purpose of which is to update the number of buildings, households and businesses on the island. This information will serve as a check to ensure that there is comprehensive coverage of households and individuals during the census enumeration. In 2011, pre-census activities will include testing of the questionnaire and training of the census workers. During the census exercise, all households will be visited, and information will be collected on each person within that household and on the physical structure of the home. Questions will be asked about education, health and living conditions, amongst other things.

- 82.** The housing census will be done concurrently with the population census and will provide information on the supply of housing units together with information on the structural characteristics and facilities that have a bearing upon the maintenance of privacy, health and the development of normal family living conditions. The demographic, social and economic data collected concerning the occupants will furnish a description of housing conditions and also provide basic data for analyzing the causes of housing deficiencies and for studying possibilities for remedial action. The government will therefore be in possession of objective data that will be used to develop programmes to improve the condition of the disadvantage persons in the communities and thus help us to push forward The People's Agenda for economic and social transformation.

Poverty Reduction Strategy

- 83.** In 2007/2008, the Caribbean Development Bank, jointly with the Nevis Island Administration, conducted a Country Poverty Assessment which showed that our poverty rate had been cut in half at 15.9 percent, and indigence had disappeared. This was very good news to us but we decided that we will not rest until poverty in Nevis is virtually eliminated. Consequently, Kairi Consultants of Trinidad and Tobago have been contracted to develop a Poverty Reduction Strategy (PRS) that will assist the

Government in finding ways to reduce poverty and enhance resilience. This strategy will speak to vulnerable groups such as indigent persons, youths at risk, persons with disabilities and persons with special medical conditions among others. Out of the findings, my government will develop additional programmes to address the root causes of poverty. In the meantime, we have continued with our existing programmes including skills training, entrepreneurship development and affordable housing construction.

DISASTER MANAGEMENT

84. Madam President, the increasing incidence of natural disasters is a threat to the viability of small states. In response to the continual climatic and other shocks that threaten our socio-economic development, Professor Norman Girvan, distinguished Caribbean academic, posed a very pertinent question – **“Are Caribbean countries facing existential threats.”** The harsh reality is that disasters pose serious threats to our very survival as small islands and require that appropriate steps be taken to mitigate risks.

85. Madam President, in 2011, a new Nevis Disaster Plan for all hazards will be completed and will form part of the updated St. Kitts & Nevis Disaster Plan, currently under development with the assistance of the Caribbean Disaster & Emergency Management Agency (CDEMA). A critical component of the plan will be the implementation of policies and systems covering Comprehensive Disaster Management that will be applied to all Government Agencies and communities in Nevis. This will be supported by the re-appointment of a Community Liaison Officer in 2011. A Communications Officer will be attached to the Department with the goal of providing a continuous stream of timely and relevant information, and to further the public education of all sectors.

86. Disaster Management will be implemented in all schools in Nevis with all students and staff trained on all relevant and appropriate aspects of Disaster Preparedness, Response and Risk Management. The intent will be to create greater awareness and education, and to develop hazard specific Disaster Plans for all schools, with contributions from staff and students.

87. Given the recent damaging floods, a Disaster Mitigation Committee will be established to engage in Flood Mitigation and Control using a multi-agency approach, and to conduct flood assessment and mitigation for hazards. We will also be expanding the Emergency Operating Center at a cost of EC\$1.0 Million. My government will contribute EC\$300,000 and the remainder including the cost of labour and materials will be provided by the Humanitarian Assistance Programme (HAP) of the United States Southern Military Command (US Southcom). This will allow for maximum use of the facilities at the Llewellyn Newton Disaster Management Facility for workshops, training, production of audio-visual programmes, launching of a 24/7 Internet based Information and Education programme, and other initiatives.

88. With the assistance of the Organisation of American States, we will complete the following activities during 2011:

- i) Train personnel to conduct Economic Impact Assessments after natural disasters;
- ii) Develop and implement planning standards, regulations and guidelines to enhance and support the Planning & Development Ordinance 2005. Enhanced Environmental Impact Assessments (EIA) coupled with Natural Hazard Impact Assessment will ensure that projects and major construction activities are fully assessed before commencement of any development;

- iii) Procure equipment to encourage the use of information and communication technologies, and to cater for hands-on training needs to be utilized in emergency and disaster settings; and
- iv) Organize tourism focused disaster management workshops to streamline disaster management processes and to sensitize and develop incentives, standards and guidelines for the Tourism industry. This will be coupled with a Public Awareness Campaign to emphasize the importance of Risk Management for an industry that relies so heavily on nature.

89. Madam President, I now turn to an extremely important area of the budget which is necessary to return the economy on a positive growth trajectory.

FUELING GROWTH IN THE ECONOMY

90. Madam President, the global economy is showing signs of recovery and the fear of a double dip recession is subsiding. We are of the view that the time is propitious for individuals and businesses with access to capital to invest in the economy as we are returning on the path to sustainable growth. We will continue to upgrade the physical infrastructure of the island, but we are confident that the private sector will take the lead in propelling the economy forward. The Nevis Investment Promotion Agency will work closely with the private sector to ensure that investors are given the necessary support to advance their projects. Early next year, NIPA will meet with a group of businessmen from various sectors of the economy to devise a plan of action on how to create a more facilitative investment environment in Nevis. We intend to implement appropriate measures, along with the federal government, to improve St Kitts and Nevis ranking in the World Bank 'ease of doing business' guidelines, as we aggressively pursue the development of the private sector next year.

Private Sector Development

91. Madam President, I am happy that many local investors have heeded the call of my government to invest in the island. Consequently, the Bank of Nevis Ltd. and S.L.Horsfords Ltd. expansion projects are at very advanced stages of construction. Furthermore, the Nelson Spring phase II project has already started and involves the construction of over 75 condominiums along with a spa, restaurant and other auxiliary services. We are also in the preliminary stages of negotiation with the developer of Nelson Spring for a public/private partnership to develop the land at Fort Ashby into a Condominium complex similar to Nelson Spring Phases I and II. The government will retain ownership of the land and share in the profits from the sale of the condominiums. Our goal is to put the land to productive use, expand the tourism plant, and generate additional employment for our people. We are hoping that this project will break ground late next year.

92. Madam President, my government has provided exceptional leadership in attracting foreign direct investment to Nevis. As a result of our efforts, great excitement has been created in the investment community, and we are looking forward to the commencement of several projects next year:

- i) Madam President, **the Charlestown Harbour Village** project is scheduled to commence on **January 18th, 2011** with a ground breaking ceremony. Upon completion, this project is expected to host 25 high end stores along with the existing stores that we have in the Cotton Ginnery Mall, a restaurant, bar and café. The aim is to further upgrade and enhance the environment in Charlestown and brand it as a premier high end destination in the region. We do believe that after completion of this project we would see a boom in the cruise industry in Nevis.
- ii) Plans for the construction of the renowned six-star Aman Resort at Indian Castle are progressing smoothly. The project entails the construction of a boutique hotel with 40 rooms, 40 villas along with a spa, beach club and a Jack Nichlaus 18-hole

golf course. This historic event is scheduled to launch with a ground breaking ceremony in the last quarter of 2011. The overall project including hotel and villas is expected to cost about US\$160 Million. We look forward with great expectations to the arrival of another upscale property, the second of its kind in the Caribbean.

- iii) We expect that the Marina project next to the Sea Bridge will start next year. The Planning Department is presently evaluating the environmental impact assessment after which the plans will be expedited.
- iv) We have also made significant progress with the proposed cosmetic surgery clinic planned for the New River area. This is a health tourism project and attracts a high net worth clientele wanting a more personalized and holistic approach to healing. It will offer a range of surgical procedures including orthopaedic and joint replacement, and cosmetic plastic, spinal, and eye laser surgeries. The facility will be operated on 5 acres of land leased from government and is expected to cost US\$10 Million. The first phase of the project will involve the construction of a Reception Centre with pre-operative assessment rooms and conference centre, two operating rooms, a Physiotherapy Unit, and luxury accommodation suites. It will have a compliment of 9 medical and 59 non medical personnel and would offer medical services to locals. The ground breaking ceremony is planned for the first quarter of next year.
- v) We have witnessed a resurgence of the small business sector as a result of the financing and concessions given to them by this government. They have access to financing through a government loan facility that is managed by the Nevis Cooperative Credit Union (NCCU). We will also continue to give duty concessions on vehicles and equipment. Over the past 4 years about 400 businesses have benefitted from this policy. We have budgeted additional financing of \$100,000 for 2011, and as already mentioned, we are presently trying to raise EC\$1.0 Million to expand the fund.

- vi) Health Education is a top priority for my government and as a result, we will continue our efforts to attract reputable offshore educational facilities to our shores. The former CCM Administration tied the hands of Nevisians by granting the University of the Americas the exclusive right to operate for 50 years. This agreement is quite unusual and has not been the practice in the other Caribbean islands. Since then, we have had to deny several requests from potential investors. However, we will continue to engage the principals of the University until we arrive at a mutually acceptable solution to end the exclusivity so that we can advance our plans to develop this very important sector of the economy.
- vii) We are also working on several other hotel projects including Herbert Beach and Pinneys. We are in constant dialogue with the developers and are making steady progress. However, these projects are not slated for 2011.

93. Madam President, I shall now move on to what my government considers to be the most important area of private sector development that has the greatest potential to transform the economy of both St. Kitts and Nevis.

Energy Sector Development

94. Madam President, the former President of the United States, William Jefferson Clinton, gave a lecture in Kingston, Jamaica on the theme, “embracing our common humanity,” and warned that the Caribbean has the highest cost of electricity in the world. He argued that pursuing a path of using clean, renewable energy represents the greatest opportunity for economic and social growth for the Caribbean. My government has taken the same view and has begun a relentless campaign to educate the public about the importance of renewable energy to the economy of Nevis, and the potential for creating business opportunities. I am proud to announce at this juncture, that Nevis is becoming known worldwide for its leadership in the Caribbean in the development of the renewable energy sector specifically in wind and geothermal energy. Friday the 27th day of August 2010 was a significant and historic

day in the lives of the people of St. James' Parish, the people of Nevis, the people of the Federation of St. Kitts and Nevis, and the people of the OECS, when the NRP-led government commissioned in Nevis the first commercial Wind Farm in the OECS, along with the developer, Windwatt. Many regional and international organizations have congratulated us on this milestone achievement and have showered praises on my government for its foresight and diligence in moving ahead with an aggressive renewable energy development agenda. We now have a wind farm that has the capacity to produce 2.2 mega watt of energy for the people of Nevis and which will overtime generate savings for the Nevis Electricity Company Ltd. (NEVLEC) and the people of Nevis. Madam President, I would like at this time to pause and express thanks to several organizations for their technical support and assistance, most of whom travelled to Nevis to give congratulatory remarks at the grand inauguration ceremony in August namely, the Organization of American States (OAS), the Caribbean Common Market (CARICOM), the Organizations of Eastern Caribbean States (OECS), the Caribbean Renewable Energy Development Programme funded by the German Government (CREDP – GTZ), and the United Nations Development Programme (UNDP).

95. However Madam President, in order for us to achieve our goal of being 100% renewable in the generation of electricity, to brand Nevis as a “green economy”, to diversify our economy, to provide cheaper electricity, and provide more jobs for the people of Nevis, we must continue to move ahead with the Nevis Geothermal Project.

96. Madam President, about a month ago you would have been aware that a number of companies descended on Nevis to make preparation for phase II of this very important project. We had with us Directors and Senior Management of West Indies Power (WIP) Nevis Ltd; White Construction that will erect the geothermal plant; Power Engineer that will do all the engineering work for the plant; Turbo Care from

Siemens who will provide the turbines; Bank of Nova Scotia that will provide financing along with EXIM Bank; and the Drilling Company for the Nevis and St. Kitts geothermal plant Just Hot Resources. Madam President, we also had present one of our contracted Consultants EGS Incorporated out of the USA to have technical meetings with various agencies of the NIA and the WIP team on geothermal drilling field rules and other issues. Madam President, the plan was to finalize all the necessary arrangements so that Phase II can be executed in a timely and efficient manner come the first quarter of 2011. I am also pleased to inform you that the Environmental Impact Study will be filed with the Nevis Island Administration and the financiers in December. This important study was one of the delays in the process but it had to be done to ensure that all the environmental concerns regarding the geothermal drilling and plant construction are addressed. Public consultations will be held to discuss and explain the upcoming activities in Phase II of the geothermal project. Madam President, I want the people of Nevis to understand, that despite the global economic recession and the fact that you did not see much physical activities on the ground on Nevis, there were a series of meetings, negotiations and studies taking place that have brought us to this point where we are satisfied that Nevis will have the best team to implement this important project for the social and economic advancement of St. Kitts and Nevis.

- 97.** Madam President, there will be increased noise levels and activities on the island of Nevis during the production drilling and construction phase. We therefore crave the cooperation of the people of Nevis as we move to implement this project for the benefit of all of us. A large contingent of persons and experts will be taking up residence here for at least a year during construction. In addition, we anticipate that about 40 jobs will be created over the next year. There is no doubt that the economy of Nevis will reap significant benefits from the increased economic activity. Some critics doubted our ability to pull this project off but we never wavered. Your NRP led government has proven time and time again that it is action oriented and that it gets the job done. Since July 2006, we have delivered in roads, water, housing,

agriculture, health, social development, tourism, wind energy, and there is absolutely no doubt we will deliver in providing cheaper geothermal energy to the people of Nevis.

98. Madam President, I shall now turn to the public infrastructure investment programmes.

Public Sector Investment Programme

99. Madam President, we are well aware that the public sector investment programme is extremely important in stimulating growth but could increase the debt burden of the country if it is not carefully prioritized and managed. We had to increase the debt to keep the economy afloat during the recession, but now that the situation in the world economy is improving, we have decided to tighten up on fiscal management. Consequently, we have kept the capital budget below \$45 Million minimum by focusing on critical projects that will have the greatest economic impact.

Stimulus Package

100. Madam President, earlier in the presentation, I mentioned the stimulus package which is ongoing. These projects were well targeted to give a boost to the construction sector and improve critical services. I am happy to report that we have been making steady progress and the benefits are already improving the lives of many Nevisians. So far, we have completed the expansion of the St. Thomas' Primary School \$431,179; construction of the Labour Department offices \$250,000; purchase of an Ultra Sound Machine for the hospital \$330,000; expansion of the Charlestown Secondary School including two classrooms and staffroom \$1,355,000; upgrade of the government's telephone system \$100,000; computers for the primary schools labs \$300,000; repairing the roof of the Gingerland Secondary School \$205,000; and fencing, paving and upgrading lunch room at the Elizabeth Pemberton Primary School \$180,000. There are also ongoing projects including the construction of

kitchen and cafeteria at Charlestown Primary School \$1,344,197; land acquisition and construction of Cotton Ground Police Station \$1,382,200; and construction of the Jessups Community Centre \$1,361,228. We have also recently had ground breaking ceremonies for the Combermere and Fountain Community Centres, and the ceremony for the Cotton Ground Community Centre is planned for later today. The cost of these three projects is estimated at \$3.2 Million. In addition, we will begin the upgrade of the Charlestown Public Market before the end of this year. The project is estimated to cost \$812,000.

- 101.** Madam President, when we negotiated the stimulus package, the intention was to spend the monies over a two year period with the hope that the economy would have rebounded by the time the funds were depleted. We will therefore utilize the remainder of the funds during 2011 to complete the ongoing projects. In addition to the stimulus package, we will utilize our own resources to begin the upgrade of several primary schools including Charlestown, Ivor Walters and Violet Jeffers Nichols \$523,000; and the upgrade of health centres in Gingerland, Charlestown, and Cotton Ground \$530,000. The Barnes Ghaut Community Centre is near completion, and is financed under the Basic Needs Trust Funds (BNTF). We have budgeted \$100,000 for the additional work in 2011.

Roads Development Programme

- 102.** Madam President, the year 2010 was challenging not only because of the global economic recession but also because of the unusual rain falls and storms we experienced in Nevis. Hurricane Earl damaged our roads, bridges and culverts most of which we were able to repair in a quick time with no external financial assistance. The Four Seasons Hotel Rehabilitation Project suffered very little setbacks and no lives were lost as a result of these storms. Hence Madam President, we have to be thankful to Almighty God for His grace and mercy. The rains in early October however caused significant damage to our roads and bridges which resulted in the

Nevis Island Administration having to find additional resources for road repair works at the Pentecostal Church near Pancho's Shop, the bridge at Prospect Junction, Cox Village, Fort Ashby, Fountain Ghaut, Nisbett Bridge, Eden Browne and at various locations along the Uhral Swanston Highway. My government, after careful consideration decided to undertake some of the reconstruction while contracting the other major works to the private company of Surrey Paving and Aggregate Company Ltd. The road repair works are estimated to cost EC\$2.2 Million. Moreover, a number of homes suffered damages during the storms throughout Nevis but especially at Stoney Grove and in the Bath Village areas due to the overflowing of the Bath Ghaut.

- 103.** Madam President, it is our intention to remain focus and continue our road development programme in 2011 which will include significant drainage works to bring relief for all the people of Nevis as resources permit. For instance Madam President, it is our intention to start certain secondary road projects at Hamilton, Brown Pasture and in the St. James area early in 2011. In addition the Asphalt Plant at New River has served its useful life and has been showing signs of rapid deterioration for several years. Plant breakdowns are more frequent; maintenance and repair costs have escalated and have significantly affected the implementation of our secondary road development programme. Therefore, Madam President, we will seek to replace this plant with a new one in 2011 so that our road infrastructure and maintenance programme can continue without any major hindrances.

Water Sector Development Programme

- 104.** Madam President, we continue to work to improve and maintain a good quality potable water supply for the people of Nevis as we prepare for economic growth and development. The Caribbean Development Bank (CDB) funded water development project was approved in 2010 and the process of securing a Project Coordinator and Engineering Consultant is nearing completion. This will certainly help to expedite the implementation of the project.

105. Furthermore, our successful well drilling programme will continue in 2011. With funding assistance from the Republic of China on Taiwan, it is our intention to drill a Water Well in the Indian Castle area and to complete tests for a trench well to boost agriculture development and prepare for the Aman Hotel Development. Water wells will also be drilled in the New River area to supplement water supply for agricultural use and future developments such as the soon coming Cosmetic Surgery Clinic. Madam President, we were forced to change our billing system in 2010 to a more modern and user friendly system since the previous system posed some administrative, technical and cost challenges to operate. The new system was purchased from a United States based company called Continental Utility Solutions Incorporated. Training is ongoing with the water department staff as to how to use and operate the new and improved billing system.

106. Madam President, in terms of water quality, the NIA and Federal Government of St. Kitts and Nevis have benefited from the Global Environmental Facility (GEF) funded Integrated Watershed and Coastal Area Management Project (IWCAM) for the past few years. Nevis however will receive further benefits in 2011 when a new vehicle will be donated to the Lab Unit of the Nevis Water Department. This vehicle will be utilized in monitoring and testing potable water throughout the island of Nevis so as to maintain and ensure a safe supply of water for residents of Nevis. In addition the Caribbean Health Institute (CEHI), based in St. Lucia, will also purchase new water testing equipment for the Nevis Water Department at an estimated cost of US\$50,000.00. We want to express our appreciation to the Caribbean Development Bank (CDB), GEF and CEHI for partnering with us as we continue this phenomenal transformation of the water sector on Nevis.

Housing

107. Madam President, I can state without fear of contradiction that my government has transformed the landscape of Nevis with its affordable housing programme. We have not only built 284 homes in just over 4 years, but the quality has been far superior to those built by the previous Administration. Under this caring NRP government, many Nevisian families have been empowered economically and socially by home ownership. The many housing projects completed by this government include; 6 units at Grace Housing Development in Church Ground costing \$1,107,751; 15 units Golden Grove Housing Development in Brown Hill \$2,799,249; 4 units at Claremont Housing Development at Stoney Grove \$690,325; 19 units at Shaws Road Housing Development \$3,369,494; 16 units at Harbour View Housing Development Ramsbury \$3,184,851; 10 units at Sunrise Housing Development Maddens \$1,397,983; 2 units at Sugar Mill Housing Development, Stoney Grove \$535,455; 9 units at Sea Island Cotton Housing Development, Stoney Grove \$1,334,685.26; and 110 units at Cherry Gardens Housing Development, Prospect Estate \$23,788,489. We have also constructed 68 units on private lands at a cost of \$10,019,863.

108. Madam President, my government will not rest until every Nevisian, who is willing to work, owns a home. Home ownership is too important a part of our people empowerment policy for us to become complacent. We are already planning for our next five-year term in office. We will continue aggressively with our housing programmes by constructing at least 250 homes over 3 to 5 years at a total investment value of \$47,325,000. We already have plans to construct 23 units in Cotton Ground, 22 in Maddens, 70 in Garniers, 6 in Jessups, 16 in Hamilton, 53 in Cherry Gardens, and 60 in Dasent Estate. This government has proven beyond any doubt that it does not make promises that it cannot keep. We will therefore continue to execute our development agenda in a determinate period of time.

109. Madam President, we believe that with the investments in these areas, our economy will be on a solid foundation and new areas of opportunities will emerge for economic growth and development.

110. Madam President, the people of Nevis have no choice, based on the government's unprecedented performance and delivery, but to stay the course, to keep the momentum going and get involved in building Nevis by supporting leadership that counts, by supporting the NRP led Nevis Island Administration government as it takes Nevis to a higher level of development in our second term in office.

FISCAL REVIEW

111. Madam President, the 2009 fiscal year was quite severe on a number of fronts and placed considerable constraints on the public finances. By all records, this year was much more challenging than 2008. However, with clear insight and the ability to take decisive actions we remain resolute today.

112. In light of the difficulties of 2009, it is not surprising that the fiscal operations produced an expanded total deficit. This deficit is calculated to include loans and development aid as capital revenue. It was recorded at \$29.44 Million and was mirrored largely by a current deficit of \$27.50 Million due to major contractions in current revenue.

Revenue Performance

113. Madam President, we were faced with a decline in Total Revenue and Grants of 19.64% when compared to 2008 summing at \$90.07 Million.

- 114.** The decline at the Ministry of Finance was immense falling by as much as \$24.37 Million or 24.67%. The decline in the area of Tax Revenue was even more magnifying contracting by 26.98%.
- 115.** At the Inland Revenue Department, decreases in tax revenue for the period was universal; Taxes on Income and Profits and on Domestic Goods and Services contracted by 11.36% and 47.63% respectively. Taxes on Domestic Goods and Services were impacted by the severe contraction in the collection of Hotel and Restaurant Tax; which in itself declined by 83.58%. Stay over tourist arrivals for 2008 totaled 22,007, by 2009 it had fallen to 7,086 according to records received. Overall the department saw a decrease in revenue that summed at 34.05%.
- 116.** Further contractions were witnessed at the Customs Department. Madam President, the department's revenue base was eroded by 17.63% to sum at \$29.97 Million. Taxes on International Trade and Transaction fell by 17.55%. Madam President in 2008, the reported value of imports for the island as recorded as the CIF value of Imports at Customs Department was \$123.59 Million while in 2009 the amount summed at \$96.88 Million. Subsequently, such disparity in import values for the two years produced a negative variance of 27.57%. These figures highlight the challenge that was before us due to a shrinking revenue resource base.
- 117.** Marginal reductions were seen at the Financial Services Department changing from \$11.54 Million in 2008 to \$11.06 Million in 2009.
- 118.** On the other hand, Water Department and Supply Office produced increased revenues in the period. The percentage increases were 21.33% and 37.81% respectively.

Expenditure Performance

- 119.** Total Expenditure remained relatively unchanged in 2009 when compared to 2008. In 2008, total spending was \$138.16 Million whereas in 2009 it was \$138.31 Million. Reported current spending only increased by .11%.
- 120.** Madam President, there was a general reduction in spending in 2009. The only ministries that had increased overall spending were legal Services, Premier's Ministry and Ministry of Education. The change in the Ministry of Social Development was due to the establishment of the Ministry of Trade whose activities were mainly undertaken by the Ministry of Social Development prior to 2009.
- 121.** As a category of expenditure, Personal Emoluments showed the most significant increase of 11.52%. Madam President, within the context of the Four Seasons Resort closure and the ensuing increase in unemployment, my Administration acted promptly to ensure citizens obtain temporary employment in the Public Sector. This action has increased the amount spent on Personal emoluments. However, in light of the situation, it was a necessary and prudent action.
- 122.** The other chief area of spending, Madam President, is Debt Servicing. The amount reported in 2009 was \$28.65 Million. Domestic Interest payment increased in 2009. Whereas my Administration has used short term borrowing to overcome the current financial hurdle, we expect to reduce dependence on this type of financing requirements in the medium term. This we hope will have the effect of curbing the rate of increase in the interest payment. However, these payments are expected to remain high in the near term.

123. Capital spending also fell in the period, Madam President. In 2008, the figure was \$22.15 Million; and included amounts for the renovation and reconstruction of integral village roads such as those at Jessups, Cox and the surrounding areas. Water development projects were also a part of the capital investment for the year. 2009, capital spending was reduced to \$20.74 Million. These spending continued on the same vein as in 2008. There was the continuation of the infrastructural projects, the renovation of schools including the secondary schools and the construction of the Police Barracks at Butlers and Bath Plains commenced in the year. Madam President, you would agree with me that all of these projects are important to developing the landscape of the island.

DEBT PERFORMANCE

124. Madam President, over the years the contraction and management of debt was critical to the development of our island. We have borrowed in order to undertake a number of fundamental investments, such as the development of infrastructure which is so pertinent to long term growth. Accordingly, the debt levels have increased and the outstanding balance as at the end of December 31, 2009 stood at \$319.45 Million moving from \$276.64 Million in 2008. The debt is denominated predominantly into the EC and US currency. The other currency in the portfolio is the Kuwait Dinar.

125. The new external debt instrument was the disbursement of the IMF Emergency and Natural Disaster Assistance (ENDA) loan of \$8.09 Million by the end of 2009. The IMF ENDA loan was as a result of the contraction in revenue due to the closure of the Four Seasons Resort. This loan came at an interest rate of 1.38% with a grace period of 2.5 years to be repaid by 2014. The external debt outstanding as at the end of December 31, 2009 summed at \$103.60 Million.

126. On the domestic side, the overall level of the Central Government debt increased at the end of 2009 to \$215.87 Million.

127. Madam President, the 365 day treasury bill issue on the Regional Governments Securities Market (RGSM) in June 2009 had two objectives. One was to help to develop the Regional Government Securities Market (RGSM) and the other to finance the borrowing requirement of my Administration at a more competitive rate of interest. These monies assisted in funding the financing gap for the 2009 period. The total of the issue was \$12.42 Million at an interest rate of 6.75%.

128. Furthermore, new loan facilities were obtained from the SKNA National Bank and the Social Security Board. SKNA National Bank loan was in the amount of \$4.65 Million to meet outstanding payments for capital projects. The loan was contracted at an interest rate of 9.5% and matures in 2017. On the other hand, the Social Security instrument is a 15 year loan to mature in 2024 at an interest rate of 7%. The amount disbursed as at the end of December 31, 2009 was \$2.17 Million. It was used to undertake a number of projects including the renovation of the Charlestown Secondary School.

129. The outstanding Central Government debt estimated as at December 31, 2010 is \$350.71 Million. This represents an increase of \$31.24 Million or 9.78% over that of December 31, 2009. The most significant change in the portfolio was the conversion of a major part of the overdraft at SKNA National Bank into a longer term facility of 15 years at an interest rate of 6.175%. This has created an interest rate savings of 3.33%.

130. Other ancillary changes were made to the debt structure, including an increase in the RGSM treasury bill issue which for this year was fully subscribed at \$20 Million increasing from the \$12.42 Million of the previous year. Furthermore, the Administration was able to retire some external facilities in the 2010 period such as

the Royal Merchant Bank US\$3 Million and US\$5 Million bonds, and reduce the overdraft at the Bank of Nevis Ltd.

BUDGET FOR 2011

131. Madam President, the 2011 budget is projected to produce a contraction in the total deficit. The deficit is calculated at \$18.12 Million. The deficit estimated for 2010 indicates an expected amount of \$42.71 Million. As a result, the subsequent improvement in the total deficit based on these comparisons is 57.61%. The Administration is very mindful of the need for due prudence in the operation of the fiscal machinery, Madam President, and major efforts are being exerted to ensure proper management of the resources entrusted to us, while ensuring higher levels of development for our people.

Expenditure Projections

132. Consequently, Total Planned Expenditure for the fiscal year 2011 is set at \$178.34 Million; an increase 9.04% over the estimates for 2010.

133. Madam President, the 2011 budget increase of 9.04% over the 2010 projections is due in a great measure to increases on the Capital Expenditure budget. The current expenditure increased by 6.47% to \$133.97 Million while the capital expenditure increased by 17.63% to \$44.37 Million.

134. Madam President, we were forced to curtail important capital projects in 2010 due to severe resource limitation. However, we are very cognizant of the part well thought out government capital projects play in any developing economy and thus my government is intent on continuing this work in the 2011 period, but focusing on critical productive, growth inducing capital investments. We seek the maximum economic impact while optimizing the use of scarce resources.

135. Madam President, the current expenditure allotted to the four autonomous departments of **Deputy Governor General, Legislature, Audit and Legal Department** totals \$2.29 Million. Premier's Ministry is anticipated to increase marginally by 1.93% over the 2010 budgeted figures.
136. Within the Ministry of Finance (MOF) current expenditure is budgeted at \$63.12 Million, a small increase of 5.72% over 2010. The increase is due mainly to the establishment of the VAT Division as well as the cost of debt servicing. Other items of expenditure that contributed significantly to the increase are retiring benefits and utilities which amount to \$5.00 Million and \$7.00 Million respectively.
137. Madam President, the **Ministry of Communications** current expenditure budget is \$10.11 Million, an increase of 4.28%. The **Ministry of Agriculture** is allocated \$4.95 Million, an increase of 5.23% or \$264,000 compared to 2010. Current expenditure for the **Ministry of Health** is \$14.90 Million, an increase of 12.00%. The main reason for the 12.00% increase is the recruitment of additional medical personnel, and the expansion of essential services.
138. Madam President, both the **Ministries of Tourism and Education** had marginal declines in current expenditure of 3.4% and 0.68% respectively.
139. **Human Resources** budgeted figure for 2011 showed an increase of 5.08% as the Administration continues its thrust in human development.
140. My government has allocated \$4.85 Million to the **Ministry of Social Development** for 2011. Resources will be used for the development of sports, culture, and other community related programmes.
141. The **Ministry of Trade, Industry and Consumer Affairs** current expenditure budget is set at \$7.13 Million representing an increase of 39.97% over 2010. The large variation is due to the additional staff at the Consumer Affairs Department to monitor prices and work in conjunction with the Tax Reform Unit for the successful monitoring of the Value Added Tax.

- 142.** Madam President, as stated previously, my Administration was forced to forgo certain capital projects intended for the 2010 period. A few pertinent ones are expected to take place in the coming year resulting in an increase in capital spending when compared to the revised estimates of 2010. \$27.34 Million is allocated to the Ministry of Communications and Works. These resources are for the continued improvement of road and government buildings. The Road drainage Project will be implemented. In addition, water upgrades are expected for areas such as Braziers, Rawlins Pasture and Camps Village.
- 143.** At the Ministry of Agriculture, work on the Renovation of the Public Market, and the Fisheries Biodiversity projects will form a part of the capital investments in 2011.
- 144.** Other capital investments that are slated to take place next year are the construction of the Environmental Health Office at the Health Centre in Charlestown, and Upgrades to the Primary Schools including Charlestown, VOJN and Ivor Walters.
- 145.** Madam President, the wage bill and Debt Servicing have been the major contributor to the current budget. They comprise 72.84% of current spending and the respective amounts are \$58.09 Million and \$39.50 Million. The Administration at this time is desirous of restricting employment into the Public Sector. The increases in salaries and wages are therefore due to payment of increments and other subsidiary amounts.
- 146.** Madam President, the amount allocated for domestic and external debt servicing is \$22.50 Million and \$14.00 Million respectively. We have to ensure that debt

obligations are paid on time to maintain the good reputation of Nevis Island Administration in the financial community.

147. Other expenditure such as payment for Goods and Services and Transfers and Subsidies make auxiliary commitments on the budget. Goods and Services increased by a nominal 3.42% over the revised estimates, while Transfers and Subsidies contracted by 6.4%.

Revenue Projections

148. Madam President, total revenue and grants for 2011 are projected at \$136.43 Million. The percentage increase over the Estimates for 2010 is calculated at 34.49%.

149. Within the Ministry of Finance, reported revenue is expected to increase considerably. The ministry's budget is projected to be \$119.02 Million, moving from \$84.61 Million projected in 2010. Significant improvements are expected in Tax Revenues collected at the Customs and Inland Revenue Departments especially as a result of the reopening of the Four Seasons Hotel. All classification of taxes is anticipated to witness improvements.

150. The recently enacted legislation that gives powers to the Nevis Island Administration to collect Corporate Income Tax from corporations and branches operating in Nevis will increase the collection from Taxes on Income and Profits by about \$10 Million.

151. The implementation of the Value Added Tax in November this year is expected to contribute to improvements in the performance of Taxes on Domestic Goods and Services and Taxes on International Trade and Transaction. Madam President, I once

again reiterate that the VAT is not a new thing. Around the world, this tax has been the centerpiece of most tax reform endeavours. The essential tenets of the tax are:

- i) It does not tax investment. This is especially vital for our small island, as we continue to ensure the macroeconomic structure facilitates local and foreign investment.
- ii) It contributes to efficiency gains in tax administration. In such, the design of the tax allows for its proper enforcement by the Tax Departments which reduces the marginal cost of collecting the tax.
- iii) Madam President, these efficiency gains are not only for the government, but can be extended to the business sector also. Production efficiency gains can be obtained because unlike the old Consumption Tax paid at Customs, registered businesses are granted an input tax credit under this new VAT tax regime. This input credit ultimately means that businesses are not taxed under a VAT system which also helps to promote the business environment.

152. Madam President, here I wish to record the Administration's appreciation to the persons involved in ensuring the successful implementation of the tax. This especially includes the staff at the VAT Division, the Inland Revenue Department, the Customs Department and the Consumer Affairs Division. I wish to encourage them to continue the work to ensure the effective operation of this new tax system. I would also like to thank the business community for their cooperation. The general public must also be thanked for assisting with the policing of the tax in this its implementation stage. The Administration is cognizant of the important role played by all in this endeavour.

153. The Inland Revenue Department revenue budget is set at \$66.53 Million. Of this, \$18.14 Million is projected to be collected as VAT. The other major tax contributor

is Stamp Duties. Stamp Duties are anticipated to increase when compared to the past year as sales in villa and other such developments are expected to intensify. Moreover, collection of Taxes on Income and Profits are projected to expand to \$24 Million from \$12.98 Million in 2010.

154. The Customs Department revenue budget is set at \$39.93 Million, an increase of 17.49% over 2010. VAT collection under this revenue head is forecasted at \$16.64 Million. Subsequently, the total collection projected from the VAT is \$34.78 Million. Reform to Excise Tax is also expected to increase the collection of this tax. It is budgeted at \$6.29 Million. Further, increases in overall business activity for 2011 will cause an increase in the collection of Import Duties which is budgeted at \$9.13 Million.

155. Madam President, revenues from Financial Services contribute significantly to Non Tax revenue representing 41.04%. The effects of the crisis and other factors on the international financial services sector are common knowledge, Madam President. My Administration is therefore taking strong measures to ensure the long term viability of the sector in the face of external pressures placed on the industry. Diversification of the marketing efforts has already begun and this will bear fruits. We cannot and will not allow the industry to die. The budgeted revenue from this department is expected to increase to \$12.30 Million.

156. Other auxiliary impacts are expected on Non Tax Revenue from the Water Department and Supply Office. The collections at these departments are budgeted at \$6.12 Million and \$6.30 Million respectively.

FISCAL MEASURES

157. Madam President, I am pleased to inform the general public that my government will not impose any new taxes on the people of Nevis during the next fiscal year. We will focus on improving the efficiency of the tax collection system, and enforcing existing laws and regulations to ensure that all residents of Nevis carry their fair share of the tax burden. In this regard, we will implement the following measures:

- i) Create further awareness about VAT by continuing the public education programme on radio, television, and the print media. We will also organize focus group discussions and make presentations to various organizations including the schools. This will help to counter misinformation and increase compliance by the public.
- ii) Continue the Collection Enforcement Training Programme which is being undertaken with the assistance of CARTAC. The programme is geared towards the enforcement of policies and procedures to improve efficiency of revenue collections.
- iii) Complete the valuation of commercial and accommodation type properties. In 2008, the valuation methodology was changed from annual rental value to market value. To meet the deadline, we focused on the valuation of residential properties which is by far the largest classification. We are now ready to direct our attention to the commercial and accommodation classification which will be completed next year.

158. Madam President, I want to appeal to the people of Nevis to contribute to the development of this country by paying their taxes voluntarily and on time. Presently, we have arrears of taxes in excess of \$12 Million, a situation which is untenable and will have to be addressed. We will therefore enforce indiscriminately the powers in the Tax Administration Procedures Ordinance to ensure a higher level of compliance.

However, this is a caring government and thus we will continue to provide relief to those who are experiencing financial difficulties. Those persons who fall into this category should contact the Inland Revenue Department, provide a reasonable explanation, and negotiate a manageable arrangement to pay the debt.

CONCLUSION

159. Madam President, John P. Kotter of Harvard Business School wrote- *“leaders establish the vision for the future and set the strategy for getting there.”* I believe that this government has passed the test with flying colours. In its 2006 manifesto, the NRP laid out a new vision for Nevis focusing on people empowerment. The previous CCM Administration clearly articulated in its budget statements that the focus was infrastructure-led growth. The CCM party came to power in 1992 after ousting the NRP government led by Doctor Simeon Daniel, which had brought the Four Seasons Hotel to Nevis and had drawn up a blue print for the development of Nevis. The CCM Administration basically leveraged the revenues from the Four Seasons Hotel and implemented many of the projects that the previous NRP government had conceptualized. While the island benefitted from these projects, there was significant mismanagement of resources resulting in huge costs overruns on many capital projects including the airport terminal and the section of the road network from Cotton Ground to the airport. The economy grew as a result of the investments by government in the physical infrastructure, but the average Nevisian was left behind. My government came to office in 2006 after putting forward a people-centred development agenda to the people of Nevis. We recognized that in a small island like Nevis, with limited resources, our most valuable asset had to be our people and thus after setting the stage, we went about the task of governance with a passion and determination to create a favourable economic climate and equip our people with the knowledge and skills to play a greater role in the developmental process.

160. Our record of achievement is remarkable. Let us briefly review the highlights:

- I. Completed 8.6 kilometres of the island main road from Gingerland to the Anglican Church in St. James Parish;
- II. Introduced homework assistance programmes in the community centres.
- III. Expanded the school meals programme;
- IV. Completed 3.5 kilometres of road from Jessups to Cotton ground via Barnes Ghaut;
- V. Established state of the art computer labs in all primary schools;
- VI. Trained over 600 student locally, regionally and internationally;
- VII. Completed 5.5 kilometres of roads in the Cox Montpelier, Chicken Stone and Clay Ghaut areas;
- VIII. Constructed police barracks in Butlers and Bath Plains to accommodate about 20 officers;
- IX. Improved security at all schools;
- X. Raised EC\$ 10 Million to stimulate the economy;
- XI. Borrowed additional working capital resources to keep Nevisians employed and to sustain the economy;
- XII. Established an investment and promotion agency to attract investments into Nevis;
- XIII. Constructed 284 affordable homes;
- XIV. Begun construction of the Performing Arts Theatre;
- XV. Provided duty free concessions to small businesses on vehicles and equipment;
- XVI. Built community centres throughout the island;
- XVII. Attracted the first wind energy plant in the OECS to Nevis; and
- XVIII. Constructed the Brown Hill medical centre.
- XIX. My government worked assiduously to ensure the speedy re-opening of the Four Seasons Resort and maintained the Four Seasons brand on the island of Nevis for the people of Nevis.

161. Madam President, the NRP led government has created history in this country in terms of its outstanding achievements over the past four years in the midst of global economic distress. We encountered serious financial challenges, but we did not despair. We aggressively pursued every possible avenue to access resources to alleviate the impact of the recession on our people, and to implement the plans and programmes that were laid out in The People’s Agenda. We have completed about 75% of the People’s Agenda that was presented in our 2006 manifesto. I do not believe that any government in the Caribbean could boast of such rapid progress in the first term. We established a clear vision for the country and the evidence of our achievements are before our eyes. This was done with extraordinary leadership and every citizen must be justly proud.

162. Madam President, despite the impressive achievements of the NRP government, we will not rest on our laurels. I agree with Benjamin Franklyn who said, **“Sloth (like Rust) consumes faster than Labour wears.”** In other words, it is better to wear out from hard work than to rust from inactivity or laziness. We will therefore continue to pursue The People’s Agenda with unrelenting aggression. In 2011, we will:

- I. Begin the construction of 250 affordable homes;
- II. Upgrade water services;
- III. Construct deep water wells and distribution lines to deliver cheaper water to farmers in Cades Bay, New River and Indian Castle;
- IV. Upgrade schools and health centres;
- V. Continue our secondary roads programme focusing on Hamilton, Brown Pasture, and St. James;
- VI. Facilitate the construction of the first geo-thermal plant in the OECS;
- VII. Facilitate the construction of the Aman Resort;
- VIII. Facilitate the construction of the Cosmetic Surgery Clinic;
- IX. Begin the construction of the Fisheries Complex in Charlestown;

- X. Facilitate the construction of the Charlestown Harbour Complex;
- XI. Continue with the construction of community centres, and health centres;
- XII. Rehabilitate the Charlestown Market; and
- XIII. Work with Brown Hill Communications Ltd. to expand the Call Centre.

163. Madam President, we will leave no stone unturned as we increase the drive and momentum to give the deserving people of Nevis a higher standard of living.

164. Madam President, in the near future, the people of Nevis will be asked to make a choice.

A choice between a political party that has two leaders articulating a cacophony of ideas, and a NRP government, with one capable leader, working in harmony and speaking with one voice;

A choice between a party that has a history of waste and mismanagement of public funds, and a party that has demonstrated fiscal probity in the management of the people's resources;

A choice between a party that has used every legal technicality to delay answering to a Commission of Enquiry about their stewardship, and a NRP led Government that promotes transparency and accountability;

A choice between a party of actors, and a NRP led government of men who live their parts; men who are doers;

A choice between a party that has mastered the art of rhetoric and deception, and a NRP government that has a proven ability to solve problems and to get things done;

A choice between a party that was in office for 14 years and could not attract one serious investor despite a growing world economy, and a NRP-led government that has been in office for just 4 ½ years during a world recession and has already brought

several investors to the island in areas of wind energy, geothermal energy, tourism and health.

165. Madam President, I believe that the distinction is clear and the people of Nevis will throw their weight behind a government that has turn darkness into light, turn despair into hope, turn challenges into opportunities and turn ideas and policies into concrete, tangible programmes.

166. Madam President, this budget takes a fiscal stance that is pragmatic, strategic, stable, responsible, and people centred. It is a sound plan that will bring a steady return to fiscal consolidation without limiting the potential for growth. It calls on the private sector to become the nexus of creativity and growth; it calls on every citizen to play his or her part in the economic development of Nevis; and it calls for men with the vision, industry, and leadership abilities to pilot this ship of state into the safe harbour of peace and prosperity. With my government at the helm, the future for the people of Nevis is very bright.

167. As I conclude this presentation, I want us all to reflect on the timeless admonition of John Foster Dulles, “*A capacity to change is indispensable. Equally indispensable is the capacity to hold fast to that which is good*”.

168. I want to wish everyone a blessed Christmas and a bright and prosperous New Year.

169. Madam President, I so move.