



GOVERNMENT OF ST. CHRISTOPHER (ST. KITTS) AND NEVIS

2018 BUDGET ADDRESS



Presented By:
Dr. The Honourable Timothy Harris
Prime Minister/Minister of Finance
6th December, 2017

Putting People First In Pursuit Of Sustainable Development



ST. CHRISTOPHER AND NEVIS

2018

BUDGET ADDRESS

1. Mr. Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation Act (2018), 2017.

INTRODUCTION

2. St. Kitts and Nevis is a blessed Nation under God. As we meet today to consider the Budget and the major policies and plans for 2018, we must give thanks to almighty God for sparing our Federation from the destructive tropical cyclones that caused widespread devastation a few months ago. Preliminary estimates indicate that, in the Public Sector, the impact sustained from the winds, rain and storm surge resulted in approximately \$150 million in damage across our two islands. We are thankful that we did not suffer any loss of precious lives and were spared the massive destruction that was inflicted on some of our neighbouring islands. Even as we grapple with our own needs here in St. Kitts and Nevis, my Team Unity Government took note of the greater pain and suffering of our brothers and sisters who suffered much more devastating blows from Hurricanes Irma and Maria than we did. We believe in the biblical advice of being your brother's keeper and therefore, to the best of our ability, we quickly offered both monetary and in-kind assistance to our neighbours that were seriously impacted. In terms of monetary donations, we gave \$1 million to the Commonwealth of Dominica, \$400,000 to Anguilla, \$400,000 to Antigua and Barbuda, \$500,000 to the British Virgin Islands, and committed \$200,000 to St. Maarten. We were also encouraged by the generosity of the various local businesses and private citizens who came together to give support to our less fortunate neighbouring islands. We wish our brothers and sisters well in the recovery process.
3. Hurricanes Irma and Maria were a stark illustration of the force of nature and demonstrated the fact that climatic changes can create an accommodating environment for the development of what can only be described as super storms. We here in the Federation of St. Kitts and Nevis must remain vigilant and adhere to the standards established for our own protection of life and property. I strongly encourage the general public to cooperate with the relevant authorities in the enforcement of the building codes and to follow the good advice of

the officers from the Department of Physical Planning and the National Emergency Management Agency. The harsh reality is that, notwithstanding our small role as greenhouse gas emitters, Small Island Developing States like St. Kitts and Nevis will continue to bear the brunt of the resultant effects of climate change such as temperature rise, drought conditions and sea level rise. Such effects cannot be decoupled from economic growth and development. Therefore, we must take a holistic approach to build resilience into our economies and infrastructure.

4. Mr. Speaker, based on our experiences here in St. Kitts and Nevis, we are well aware of how difficult it is to return a country to a state of normalcy and resume a track record of achieving growth and development after the impact of a natural disaster. That is why we moved quickly to begin repairs and reconstruction work at our main hospital, our schools, the Old Road Bay, the Frigate Bay Development Corporation and Police Training Complex to name a few. We also provided duty free concessions on materials for all properties damaged by the hurricanes. Care and concern for people are at the centre of my Government's Development Agenda and that is why we have chosen the theme for the 2018 Budget: "Putting People First in Pursuit of Sustainable Development." All of the major initiatives sponsored and implemented by my Team Unity Administration over the last 34 months have been centred on making life better for our people. Many around the region marvelled at the long list of accomplishments by my Administration in less than 3 years. No other Government has done as much as we have in so short a time. Every citizen of this Federation can count on my Administration to continue to do what is best to support the growth and development of our people and our Nation.

5. As we considered the theme for the 2018 Budget, we were not only concerned with environmental sustainability of our Federation and our ability to mitigate and adapt to climate change but most importantly how these and other related issues are impacting the lives and livelihood of our people. One of the fundamental issues that we are determined to address in 2018 is the modernization of our education and training system to prepare our people for a modern work environment. We are committed to assist our MSMEs even further and, in the interest of our people, we will advance improvements in social development and health services, access to good quality, affordable housing and the formulation and update of

supporting policies and legislation to facilitate reform actions in a number of areas. In this regard, my Team Unity Administration is taking a strategic approach to reduce the vulnerabilities faced by our Federation. This is evidenced by the mix of investments in critical areas and the implementation of sound policies supported by appropriate legislation. In 2018, we will continue to build on the solid foundation which we have already established to develop the following: (i) a dynamic Climate Change Policy accompanied by a relevant Climate Change Adaptation Strategy, (ii) a National Housing Policy, (iii) an updated Land Use Policy, (iv) a National Qualification Register, (v) a Special Needs Policy, and (vi) a Plan of Action for Non-Communicable Diseases. In addition to these, we will complete the National Strategic Plan for Health and commence in earnest the implementation of the Education Sector Plan. My Team Unity Government will also continue to seek strategic partnerships to translate these policy frameworks into tangible outcomes that will enhance productivity and promote economic growth and development.

6. Mr. Speaker, we are pleased to see a long-awaited strengthening in the global economy as it helps to improve our prospects for increasing economic growth here in the Federation. We will remain vigilant and take action to support the social and economic transformation of our country over the medium and long term. To achieve our objectives, we are therefore prepared to introduce changes to our legislative and policy frameworks, operational procedures and institutional structures. We are also striving to find the right balance in supporting economic expansion while being fiscally prudent. To be successful, we must continue to exercise fiscal prudence and invest in strong systems and efficient infrastructure. These are three main ingredients that we must apply with the right measurement in order to increase resilience, growth and prosperity for all well into the future. Of vital importance remains the critical investment in our human capital. A dedicated focus on education and skills development is of paramount importance for transforming the lives of the youth of this Nation. We will also continue to focus on providing opportunities for Life-long Learning especially for residents who desire to retool themselves or acquire new skills to take up employment or entrepreneurial opportunities that are emerging as the economy grows and changes. Our Team Unity Government is prepared to be energetic in protecting the hard-earned gains of the country and to build an even more prosperous Nation for all citizens. It is therefore our pledge not to become complacent nor get weary in doing good on behalf of our

people. More importantly, we are determined to work even more energetically to ensure that the Federation develops in such a way that no one is left behind.

7. We have been generating positive growth results in the St. Kitts and Nevis economy over the last three years. We are on a mission to craft the right set of policies to ensure that the positive growth continues and exceeds the growth level that was attained in 2017. We also intend to continue to build on our good track record in regional and international cooperation to which we have an unwavering commitment. We believe that a good mix of domestic policies and our active regional and international cooperation efforts would help to improve our Nation's chances of achieving success in our pursuit of sustainable development. This would be the basis for us to build a more resilient economy that would continue to realise positive growth, create jobs, increase incomes and ensure greater prosperity for all. Such an initiative calls for stronger Public Sector institutions, growth friendly fiscal policies, revamping the tax and benefits systems to improve the fiscal incentives regime and refine the targeting of Government sponsored social safety net programmes, and investing in high-quality climate resilient infrastructure. We will continue to facilitate the ease of registering a business, particularly the small and medium sized enterprises that are entering the retail trade and professional services. We are happy to report that business licences issued reached a historic high of over 400 under Team Unity as a result of the success of SMEs coming into existent owing to our Fresh Start Loan Programme. The Ministry of International Trade, Industry and Commerce will devote time to improve our Ease of Doing Business score. We hope that the Chamber of Industry and Commerce will work with us on an action plan. We are mindful that there is still the need to boost productivity both in the Public Sector and the Private Sector. In 2018, this will be an area of focus for the Human Resource Management Department in collaboration with selected line Ministries. I would like to take this opportunity to encourage our partners in the Private Sector to really take on the challenge of integrating productivity boosting initiatives as part of their companies' strategic plans. With the Private Sector playing the leading role as the engine of growth, increasing productivity would be critical to our success in generating higher incomes and raising the living standards here in the Federation.

8. St. Kitts and Nevis does not operate in isolation to the rest of the world. In this regard, it is timely that I now take a brief look at the most recent international and regional economic developments.

INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

9. The advanced economies are projected to record an increase in economic activity expanding by 2.2% in 2017, an increase of 0.5 percentage points when compared to 2016. Economic activity in the United States is projected to grow by 2.2% in 2017, a notable increase in activity of 0.7 percentage points when compared to 2016. Likewise, economic output in both Canada and Japan are set to achieve growth of 3.0% and 1.5% respectively. Growth in the United Kingdom is projected to increase by 1.7% in 2017, a slight falloff of 0.1 percentage points when compared to 2016 as consumer spending and business investment slow due to uncertainty surrounding the Brexit negotiations. Economic activity in the Euro area is also expected to increase to 2.1% in 2017 when compared to 1.5% in 2016.
10. The Caribbean Development Bank (CDB) in its 2016 Economic Review and 2017 Forecast reported that the larger Caribbean Community recorded a mixed performance. The larger commodity-producing countries were impacted by the slow recovery of commodity prices on the international market while service based economies performed better where tourism and construction continued to expand. The economy of Jamaica grew by 1.7% in 2016, an improvement when compared to 0.8% in 2015. Barbados also recorded an expansion in economic output of 1.6% in 2016, an increase when compared to the positive growth of 0.8% in 2015. The Trinidad and Tobago economy, however, recorded a further decline in output of 5.0% in 2016 compared to a contraction of 2.1% in 2015.
11. The economies in the Eastern Caribbean Currency Union (ECCU) recorded a slowdown in economic output to 2.2% when compared to 2.6% in 2015. This was primarily associated with a decline of 7.5% in the Manufacturing Sector when compared to an expansion of 0.8% in 2015 as the Sector continued to be constrained by a number of factors including weak demand and competitiveness. A contraction in economic output of 2.1% was also recorded in the Agriculture Sector in 2016 after a positive output of 9.5% in 2015. This

was due to a fall in crop production in most member states. The effect of these contractions was stymied by expansions in value added in the Construction and Tourism Sectors by 7.0% and 4.1% respectively. In 2016, growth within the OECS territories ranged from a contraction of 0.7% to an expansion in economic activity of 4.3%. Preliminary data for January to June 2017 has indicated that economic output within the ECCU expanded by 1.5%.

12. I will now give attention to the Domestic Economy.

THE DOMESTIC ECONOMY

Output and Prices

13. Mr. Speaker, the positive growth momentum of the St. Kitts and Nevis economy continued into 2016 amidst a high level of uncertainty in the global economy. In 2016, Gross Domestic Product (GDP) was on par with estimates increasing by 3.2%. This surpassed the average rate of economic expansion in the ECCU for that year. This achievement was underscored by the notable performance of the Wholesale and Retail, and Construction Sectors which increased by 10.3% and 7.6% respectively. The growth momentum was carried into the first half of 2017 as estimates indicate that the economy expanded by 2.0% in the first six months of the year. The growth recorded was attributed mainly to an expansion in the Construction Sector which recorded an increase in economic output of 8.8%. The enlargement of the Sector was buttressed by private residential construction coupled with the increased investment made by the National Housing Corporation (NHC) on the construction of low and middle-income homes. The performance of the economy was also supported by a pick-up in activities in the Transportation, Storage and Communication Sector which expanded by 7.5% in line with the developments in the Tourism Sector. The Financial Intermediation Sector recorded an increase of 2.5% driven by a rise in Financial Services and an improvement in lending by commercial banks.
14. The Tourism Sector contracted by 4.3% during the first half of 2017 as a result of the downturn in stay over arrivals. A pickup in the performance of the Sector is foreseen with the recent opening of the Park Hyatt St. Kitts and the addition of flights by Delta and United Airlines during the peak tourist season. Cruise tourism remained on a positive trajectory evidenced by a growth rate of 14.4% during the first six (6) months of this year. The Agriculture Sector rebounded in the first half of 2017 as a result of the turnaround in crop production and fish landings. The Manufacturing and Wholesale and Retail Sectors produced less than desirable results. The downturn in activity in the Manufacturing Sector was

influenced by the decline in the production and export of electronic components as uncertainties in the international trade markets impacted demand. The Wholesale and Retail Sector was constrained by the spill over from the sluggish growth in the Tourism Sector. Taken as a whole, the economy remains relatively strong particularly in the face of the effects of Hurricanes Irma and Maria on the productive sectors and supporting infrastructure which, as I mentioned earlier, resulted in damage in excess of \$150 million in the Public Sector alone. Nevertheless our economy is expected to remain positive in 2017 and the forecast shows an average expansion of 3.5% over the medium term of 2018-2020. This sustained level of positive growth is evidence of the strength of the macroeconomic framework and the resilience that my Team Unity Government is building into our economy.

15. The Consumer Price Index (CPI) reflected an increase in prices in the Federation by 1.2% in the first half of 2017 in line with the rise in international fuel prices. Prices for essential goods and services, however, remained low up to June 2017. The Food and Non Beverages Index deflated by 2.6% over the period. This is a clear indication that residents here in the Federation continue to enjoy the benefits of the Team Unity policy action to remove the Value Added Tax (VAT) from all food items. We paved the path for poor families and persons living on a fixed income to stretch their dollars and realise greater purchasing power. This is evidence of my Administration putting people first by increasing the purchasing power of all citizens particularly the most vulnerable to ensure that the quality of life for everyone is improved.

The External Account

16. Mr. Speaker, it is not unusual for small open economies to experience deficits on the current account, that is, their transactions with the rest of the world. We can only address this by greater production and import substitution. The current account widened in 2016 as a direct result of the importation of goods to develop the large number of planned Private Sector investment projects, some of which are associated with the Citizenship by Investment (CBI)

Programme. The elevated current account deficit was also influenced by the recent restructuring of the Balance of Payments using a revised methodology. The new way of recording Balance of Payments data has widened the scope of coverage to capture activities of the offshore universities and their student population and improve the coverage of tourist expenditure. By using this updated methodology, St. Kitts and Nevis is now compliant with the international standards set for reporting Balance of Payments data. This has the effect of making the data a more accurate and reliable source for assessing economic performance and decision making.

17. Despite the widening current account deficit observed in 2016, I am happy to report that our country remains in a very strong position as we have been able to maintain significant amounts of international reserves. We have amassed sufficient reserves to cover the current requirements for goods and services for approximately seven (7) months. Our performance in this regard has been lauded by the IMF, having led the ECCU as it relates to international reserves accumulation and thereby giving the Federation a sizeable buffer in meeting its external demands.

Performance Review 2016 Fiscal Operations

18. Mr. Speaker, it is my pleasure to report to this Honourable House that for the 2016 fiscal year, the Government's fiscal operations once again resulted in surpluses for the three main fiscal indicators. A surplus of \$121.0 million was realized on the Recurrent Account, a surplus of \$121.1 million was recorded for the Overall Balance and a surplus of \$148.5 million was noted for the Primary Balance. As I would have stated last year in my Budget Address, and for the avoidance of doubt, I repeat this year, the calculation of these surpluses is based on the Economic Classification of fiscal data which is the method that is used by the IMF and other recognized institutions and the method that the Government has consistently used over the years. Relative to the budget, the Recurrent Account Surplus reflected a favourable variance of \$1.9 million (1.6%). Positive variances of \$43.6 million

(56.2%) and \$41.8 million (39.1%) were also observed for the Overall and Primary Balances respectively. Recurrent Revenue for the fiscal year totalled \$633.9 million, exceeding the 2016 budget by \$25.6 million (4.2%). The outturn reflected the performance of Tax Revenue which amounted to \$401.2 million or 63.3% of Recurrent Revenue and Non-Tax Revenue which totalled \$232.7 million or 36.7% of Recurrent Revenue. Most of the Non-Tax Revenue was derived from fees associated with the CBI Programme which contributed significantly to the overall 2016 fiscal performance. When compared to the budget, favourable variances of 5.0% for Taxes on Income and 2.6% for Taxes on Domestic Goods and Consumption were noted. Revenue from Taxes on Property and Taxes on International Trade and Transactions were, however, below the target by 8.3% and 4.0% respectively.

19. On the expenditure side, Mr. Speaker, Recurrent Expenditure amounted to \$512.9 million. The overage was influenced by higher than expected expenditure on Transfers in the amount of \$30.6 million (24.5%) and on Personal Emoluments, Wages and Allowances of \$9.9 million (4.7%). The variance in Transfers was primarily due to the budgetary support given to the Nevis Island Administration in 2016. Additionally, the bonus salary that was paid in December 2016 to Civil Servants and staff of State Owned Enterprises as well as my Government's contribution of \$1.5 million to the capitalization of the Eastern Caribbean Asset Management Corporation during 2016 influenced the expenditure outturn. Savings were, nonetheless, realized on outlays related to Goods and Services which were below the budget by \$15.0 million (12.0%) and Interest Payments which reflected a positive variance of \$1.8 million (6.3%).

20. Mr. Speaker, Capital Expenditure amounted to \$75.6 million for the 2016 fiscal year. This was 40.3% less than the amount that was budgeted. Significant sums were expended in 2016 on the Social Services Sector where emphasis was placed on projects related to Youth and Sports, Education, Lands and Housing, and Health. Enhancements to the island's economic infrastructure to facilitate an improvement in transportation and water services were also undertaken as part of my Government's Public Sector Investment Programme during the last fiscal year.

21. Approximately 81% of Capital Expenditure was financed by revenue that was generated by the Government while just under 20% was funded by grants from donor institutions. The SIDF, Republic of China (Taiwan) and the Caribbean Development Bank were the main contributors of Capital Grants in 2016 providing partial funding for projects such as the hosting of the CPL games, the upgrade of the Sir Kennedy Simmonds Highway, the construction of our National Heroes Park and activities under the Basic Needs Trust Fund. In addition to Capital Grants of \$14.7 million, a total of \$40.6 million was received in the form of Budgetary Grants, most of which were derived from the European Union (EU) in accordance with the EU's special arrangement to support sugar protocol countries. The amount received in 2016 represented the final disbursement under that arrangement. We express our sincere gratitude to all of our donors who have partnered with us over the years as we strive to continually improve the quality of life for the people of this beautiful land of ours.

MEETING THE CHALLENGE OF PURSUING SUSTAINABLE DEVELOPMENT

ECONOMIC EXPANSION

Citizenship by Investment Programme

22. Mr. Speaker, our platinum Citizenship by Investment (CBI) Programme continues to be an important contributor to Non-Tax Revenue and contributes significantly to the buoyancy of construction and allied industries. In response to an increasingly competitive environment, greater efforts are being undertaken to make the Programme even more competitive. The substantive reforms, restructuring and repositioning efforts of my Government have allowed our Programme to emerge as a global leader receiving highest acclaim by the Financial Times of London on four (4) indicators including the quality of due diligence. At a recent forum in Russia, our Programme was ranked as the most innovative Programme. My Government will hold a conference on the CBI in the first half of 2018. All stakeholders will have an opportunity to discuss the future of CBI Programme and how we can make it even greater.

Construction

23. Mr. Speaker, the Construction Sector has been one of the main pillars of economic development in the domestic economy for several years contributing an average of 16.3% to GDP over the period 2012-2016. As mentioned earlier, in the first half of

2017, Construction grew by 8.8%, a direct result of the injection of a significant amount of resources to construct several multimillion dollar condo, villa and hotel developments. Some of these developments were the Park Hyatt St. Kitts which opened for business just last month, Koi Resort, Helden Estate, T-Loft/Radisson, and Kings Pavilion Hotel all of which have been facilitated through the CBI Programme. Construction was also boosted by robust residential construction activities, investments in excess of \$11 million by the Federal Government and notable progress with the affordable home construction programmes being implemented by the NHC. In addition, the continuation of the First Time Home Owners Initiative which supported construction of 106 houses for the year to date also boosted growth in the Construction Sector.

24. The implementation of strong economic and fiscal policies supported by the strength of the physical infrastructure is critical to people-centred sustainable development. To advance this goal, my Government has made significant headway in formulating a substantial pipeline of projects for infrastructural development. One such development is the construction of a second cruise pier at Port Zante, a project that is expected to take 18 months to complete. I am pleased to report that the contract to construct the pier has been signed and construction will begin shortly. The signing ceremony took place at the OTI and was attended by the Canadian High Commissioner. Her presence reflected the confidence of the Government of Canada in the viability of the Project and the transparent and accountable processes that preceded the signing of the contract. We are equally happy that a number of local institutions have joined together to provide financing in the amount of US\$47.5 million via a syndicate loan arrangement to make this venture happen. My Administration welcomes this formidable partnership of large local entities which is supported by tangible investments of the St. Kitts-Nevis-Anguilla National Bank, the St. Christopher and Nevis Social Security Board, the St. Kitts and Nevis Sugar Industry Diversification Foundation (SIDF), and the St. Kitts Nevis Anguilla Trading and Development Company Limited (TDC) in this venture. Wonderful things can happen when our institutions come together to serve the best interests of our country. We hope that other private entities can follow this example and step forward to join the Government in raising financing for transformative development projects that are necessary to ensure our Nation's sustainable development well into the future.

25. The cruise pier project will encompass not only the construction of the new pier but also walkways to connect the existing pier to the new pier. Approximately US\$5 million has been earmarked to facilitate upland development to ensure that our cruise visitors receive the best possible experience from the cruise ship to the shore. More importantly, the upland development is specifically designed to improve the facilities and ambiance for our local micro and small businesses that provide services to our visitors. With first class facilities visitors would be more inclined to shop and purchase items offered for sale by our craft vendors currently operating at the Amina Craft Market. We also hope that the new facilities would help to boost the quality of customer service offered to our guests.

26. Once completed, the pier would be able to accommodate multiple ships of the wider and larger OASIS class vessels at the same time. In addition to the construction activity being undertaken at our sea port, we are also paying attention to the airport. Very shortly, the St. Christopher Air and Sea Ports Authority (SCASPA) will commence work on the resurfacing of the main runway and the two (2) taxi ways at the Robert L. Bradshaw International Airport. The project will be undertaken over a three (3) month period and will cost almost \$20 million (US\$7.3million). The construction work will be carried out at night to ensure that regular business at the Robert L. Bradshaw International Airport is not disrupted. It is expected that there would be notable efficiency gains in terms of the improvements in the flow of air traffic. Going forward, we plan to invest in other major infrastructural upgrades most vital of which will be the adaptation work to the carriageway at Old Road Bay, construction of the East Bus Terminal and the upgrade of the Island Main Road. All these investments will benefit our people and contribute to job creation and overall economic growth.

Agriculture

27. Mr. Speaker, overall agricultural production during the first half of 2017 expanded by 33.9% when compared to the same period in 2016. This robust growth was

mainly driven by an increase in the Fishing and Crops Subsectors which expanded by 72.6% and 4.3% respectively. The Fishing Subsector benefited from continued investment by my Government to transform the fishing industry from an artisanal industry to one that is commercialized. In this regard, two (2) mega Fish Aggregating Devices were deployed during the last quarter of 2016 which resulted in an increase in large pelagic fish landings by more than 200% in the first half of 2017 compared to the same period in 2016.

28. My Team Unity Government has long acknowledged the benefits of establishing linkages between agriculture and other sectors. Substantial work has been undertaken to develop a synergy between agriculture and tourism. We are aware that such a partnership has the potential to create investment incentives for local crop production and further development of the agro processing capacity in the country. In light of this, my Government has initiated negotiations with the various hotels within the Federation to facilitate the inclusion of more local products on their menus. We are pleased to report that the response has been favourable with hotels now consistently buying local produce from our farmers. I use this opportunity to make special mention of the Park Hyatt St. Kitts which has expressed its commitment to purchasing all local produce and has provided the Department of Agriculture with a list of fifty (50) products that the Hotel would be interested in sourcing locally. A Memorandum of Understanding has also been drafted for consideration as part of the negotiation process to formalise the partnership with Park Hyatt St. Kitts. Once the negotiation process is finalized, the Department of Agriculture will undertake the development of planting schedules for the various commodities.

29. Mr. Speaker, in furtherance of our efforts to build on the partnership between agriculture and tourism we acknowledge that in order to meet the high demands of the hotels we must establish an ethos of excellence in agricultural production. To achieve this goal, work commenced in March of this year to re-design the structure of the Capisterre Farm to promote a private management structure. This is being done by sub-dividing the Farm into plots of a size of twenty (20) acres which will be rented to farmers who will specialize in the cultivation of crops that are not traditionally planted on a commercial scale. An Expression of Interest was issued in June 2017 via several media houses and to date a total of five (5) farmers and one (1) farmers' group have indicated interest in pursuing crop production at the

Farm. A four (4) member committee comprising of experts from the Department of Agriculture has been established to oversee the process.

30. The goal of the veterinary services in the Department of Agriculture is to provide technical support to the Livestock Sub-sector through animal health, regulatory and animal disease surveillance, with the view to maintain healthy herd populations and prevent the transmission of animal borne diseases to the human population. In order to build resilience in this area, my Team Unity Government will commence construction of a state of the art veterinary laboratory in 2018 to develop the diagnostic capacity to support the livestock programme and the national agriculture health and food safety coordinating mechanism.

Tourism

31. Mr. Speaker, we want the world to know that the Federation of St. Kitts and Nevis is open for business. The tourism plants on St. Kitts and on Nevis are in a state of readiness to welcome guests from near and far. Notwithstanding the impact of Hurricanes Irma and Maria, efforts are continuing unabated to ensure that St. Kitts and Nevis is established as a premier destination with a superior tourism product. We continue to develop and leverage Events and Sports Tourism as a means of growing our stay over visitor arrivals in the low season. Further, we expect that our efforts and the investments made by our Private Sector partners would translate into positive returns as the 2017/2018 tourist season progresses. We continue to build an enviable track record in the regional and international tourism market space which is supported by the implementation of appropriate sustainable product-development strategies by key stakeholders in the Sector. As a result, the Federation continues to attract high acclaim in top travel magazines and achieve high marks in destination survey rankings. We take pride in the accolades received thus far and with careful planning this Team Unity Government will continue to re-invent, revitalize and refine our tourism infrastructure, products and services.

32. Positive developments continue to be derived from efforts by this Team Unity Government in improving our major airlift arrangements to enhance ease of access to the Federation whether it is for work or leisure. During 2017, United Airlines increased its flights by 50% between its Newark hub and our Robert L Bradshaw International Airport, over a longer period extending from winter through summer. In addition, Delta Airlines has announced the addition of a weekly non-stop flight which will operate on Saturdays to St. Kitts from John F Kennedy International commencing December 23, 2017; ideally timed to support the peak season. The Airline has also announced the addition of a second weekly non-stop flight for two rotations originating from its Atlanta hub. These flights will operate on Wednesdays during the peak holiday season and will commence operations on Tuesdays during the period January 9th to March 27th, 2018 complementing the current Saturday direct flight from that city.
33. Mr. Speaker, the good news is that our economy is poised to gain further momentum from a steady flow of high end discerning visitors as a result of the wonderful partnership between the Public and Private Sectors. Just over two weeks ago, we witnessed the grand opening of the newest piece of prime real estate that will provide premier accommodations that meet the needs of a discerning group of high net worth travellers. I speak of the Park Hyatt St. Kitts which has successfully increased our room capacity by an additional 126 luxury rooms. We have made history here, Mr. Speaker, with the opening of the first Park Hyatt in the Caribbean. It is worth repeating that this hotel has raised the profile of our country as a premier tourist destination in a highly competitive global travel market. This augurs well for the sustainability of our tourism industry and our country as a whole. My Government gave strong support for the successful completion of the Park Hyatt because at the heart of this development are the benefits for hundreds of Kittitians and Nevisians. During the construction phase, employment peaked at over 800 persons against a modest seventy-seven (77) in 2014. Now that the hotel is operational, the benefits will be sustained through the direct employment of approximately 320 persons of which a solid 93% are citizens of St. Kitts and Nevis. The benefits would also be multiplied as our citizens take advantage of the opportunities to provide ancillary services for the hotel.

34. Mr. Speaker, our Yachting Sector continues to make remarkable progress, with the destination already receiving rave reviews regarding continued improvements at the Christophe Harbour Marina. In order to fully develop this Sector to achieve its potential, a National Yachting Advisory Committee was established in February of this year. A five-year Yachting Sector Strategic Plan and an Implementation Plan were formulated and will guide the development of the Sector over the period 2017-2022 through investment in infrastructure, capacity building and the provision of support services. The Yachting Sector in St. Kitts and Nevis continued to grow, expanding by 22.5% in the first half of 2017 compared to the same period in 2016. Some positive trends are being observed in the Sector in particular at the Christophe Harbour's state of the art marina. These include in season repeat visits and an average length of stay of four (4) nights. The prospects for these trends to continue over the medium to long term are anchored in the provision of modern yachting facilities which boast an onsite fuel tank with a storage capacity of 48,000 US gallons. This is the largest re-fuelling station dedicated to a marina in the Eastern Caribbean. The shore-side Marina Village which currently offers a variety of retail operations continues to expand with the Custom House commencing operations during the 2017/2018 yacht season. This facility will offer a crew lounge, fitness centre, Real Estate Discovery Centre along with additional dining, shops and complimentary service options. The expansion of the Yachting Sector bodes well for the development of small businesses to provide support services to the vessels, crew and passengers thereby translating into positive economic and social returns.

35. With respect to the Cruise Sub-sector, we are aware that there were initial concerns regarding the impact of Hurricanes Irma and Maria on the Sub-sector. I am pleased, however, to inform that an ongoing assessment has revealed that the anticipated stellar performance for the 2017/2018 season will hold true. The world's largest cruise ship, Harmony of the Seas, included St. Kitts as a port of call in its inaugural Caribbean visit for the 2016-2017 season making regularly scheduled visits from May through August 2017. Additionally, the luxurious new Viking Star also included St. Kitts as a port of call on its maiden Caribbean voyage; subsequently scheduling additional visits throughout the season. Noteworthy is the fact that St. Kitts is the only destination on the ship's itinerary where it facilitates an 11 p.m. departure. This enables passengers to enjoy both day and evening activities on island, ultimately providing more economic opportunities for local businesses.

We have further enjoyed the benefits of a record-breaking summer cruise season from June through September; a period traditionally considered as our low season. In July 2017, a total of eleven (11) cruise ships docked at our ports carrying an unprecedented 52,343 passengers. The current 2017/2018 cruise season is projected to record a total of 432 cruise ship calls including eight (8) inaugural visits carrying over 1.2 million passengers. An important point that should not go unnoticed is the opportunities that would be created to touch the lives of our residents and citizens. These include taxi and tour operators, craft vendors, hair braiders, shops, jewellery stores, restaurants and bars.

36. I am pleased to report that as a result of our unwavering efforts in promoting and advancing a sustainable superior tourism product and destination stewardship, St. Kitts and Nevis has been selected for the Caribbean Tourism Organization (CTO) 2017 Excellence in Tourism Award. The official awards ceremony is scheduled to be held here in St. Kitts next week at the Marriott Hotel. The event which was originally scheduled for September this year was postponed on account of the passage of Hurricane Irma. We recognise that for our tourism product to be sustainable, we must educate, train and involve our youth. In an effort to provide the younger generation with knowledge about our heritage and opportunities for employment and/or business development in the Sector, several programmes are being implemented by the Ministry of Tourism to expand the youth outreach initiatives. These include the Tourism Youth Congress, the Tourism Education and Awareness Programme being piloted in four (4) schools and the inaugural 2017 Green Tourism Summer Workshop which attracted over fifty (50) participants primarily from the rural communities. The sustainability of the tourism product remains at the forefront of the Development Agenda of my Government. With pioneering programmes such as The Heart of St. Kitts Foundation and Sustainability Charter, St. Kitts and Nevis already serves as a model of excellence in destination-driven, sustainable tourism development, setting high standards and implementing best practices that can be replicated in other Caribbean islands.

Financial Intermediation

37. Mr. Speaker, our financial system has been assessed as being stable and resilient. As at December 2016, the total assets held by the commercial banks totalled \$7.1 billion, representing a 1.0% increase compared to the same period in 2015. During the year under review, deposits grew by 0.4% to \$4.7 billion when compared to the previous period and total Loans and Advances also increased to approximately \$1.8 billion or by 1.0% when compared to 2015. Meanwhile, over the past year, stakeholders in the Banking Sector have been preoccupied with a number of issues including the impact and possible solutions for de-risking, changing reporting standards and credit in the current macro-environment. It is important that the Government and the general public remain vigilant in order to preserve the gains that have been achieved in building a strong Banking System. My Government has remained engaged at the regional and international levels advocating for the development of lasting solutions to the important issue of de-risking. Overall, the Banking Sector issues remain a priority and my Government will continue to be an active participant in the various forums and organizations within the ECCU and the wider Caribbean in order to ensure that our citizens and residents reap increased benefits from a liquid and stable Banking Sector.

38. Mr. Speaker, the member states of the ECCU and regional institutions such as the Eastern Caribbean Central Bank, the Eastern Caribbean Securities Exchange (ECSE) and the Eastern Caribbean Securities Regulatory Commission continue to collaborate to develop the money and capital markets within the Eastern Caribbean. As at the end of June 2017, there were 131 securities listed on the ECSE. This comprised of thirteen (13) entities with a total market capitalization of \$8.2 billion, and 118 debt securities with a nominal value of \$2.9 billion. Five (5) of the thirteen (13) listed companies on the Exchange are domiciled in St. Kitts and Nevis namely, Cable and Wireless St. Kitts-Nevis Ltd., S L Horsford & Co Ltd, St Kitts-Nevis-Anguilla National Bank Ltd, St. Kitts Nevis Anguilla Trading Co. Ltd. (TDC), and The Bank of Nevis Ltd which together represent 38.5% of total equities listing. The number of listed securities increased by 19 instruments or 16.9% from the beginning of the year, resulting mainly from the robust activity on the Regional Government Securities Market.

Information Communication Technology (ICT)

39. Mr. Speaker, my Government recognizes the vital role of technology in increasing efficiency in the Public Sector as well as the resultant need to secure electronic information and data. As a result, a major initiative advanced by the Department of Communications and Technology has been the Information Security and Enhancement Project. The objective of this Project has been to protect against malware and other cyber-attacks on Government's servers, desktops and mobile devices. A state of the art security suite was piloted in August of this year and the upgrade of IT assets throughout the Public Service to improve device monitoring is nearing completion.
40. The development and expansion of our IT infrastructure requires collaboration across the Public Service in order to ensure the establishment of a robust e-Government system. This has been a priority in 2017, evidenced by the partnership between the e-Government Unit within the Department of Communications and Technology and the Ministry of Sustainable Development to facilitate the development and launch of a Land Application Management System that is aimed at enhancing the management of the Land Application process as well as improve the recording of land payments. Similarly, the Citizenship by Investment Unit continued to benefit as additional enhancements were made to the Citizenship Application Management System in an effort to further enhance the efficiency of the process, confidentiality of client information and the preservation of integrity in the process from application submission to archiving. Renovations of the ICT Centre at the C.A. Paul Southwell Industrial Park have been completed and I am delighted to say that it is once again home to the Department of Communication and Technology. Going forward steps will be taken for the Centre to again become a Pearson VUE testing centre thereby facilitating certification training in various areas of expertise.
41. In the first quarter of this year, my Team Unity Government marked a milestone with the simultaneous launch of five (5) e-government, interactive mobile applications created by our very own young talented people. The mobile applications are intended to empower our citizens, create awareness, foster transparency and improve information sharing. The SKN Shopper Application allows our citizens to compare costs across the Federation

highlighting the most competitive price of selected goods. The St. Kitts and Nevis Information Service (SKNIS) Application is the portal to Public Service information, news and Government information and notices while the Government Directory Application allows persons to easily find contact information for our Ministries and their respective Departments. I would want the listening public to pay special attention to the Crime Reporter Application which was developed to provide persons with an easy method through which they can report offences to the police. The Government Events Application caters to those who are interested in staying current with the calendar of National events. These applications were created with our citizens in mind, ensuring that the power to investigate, communicate, compare and access information in a timely, cost efficient, convenient and transparent manner is literally at their finger-tips.

42. The Police Force also changed its digital footprint with the introduction of a new Vehicular Registration System. This is a multi-layered system that could be accessed by the Inland Revenue Department, the Courts and other relevant authorized agencies. The new System provides information pertaining to vehicle ownership, license registration, and insurance within the various police stations on both St. Kitts and Nevis but can be remotely accessed by Officers requiring information to assist in the efficient execution of their work. This System would also help to improve the way we do business by transforming the way in which car dealerships and car rental companies interact with the Traffic Department as temporary drivers' licenses and police reports for motor vehicle accidents can now be expedited and reports easily generated. This is a clear example of how we have reaped major benefits through efficiency, accuracy and transparency attained from our investment in ICT.

Micro, Small and Medium Sized Enterprise Development

43. Mr. Speaker, during 2017 the Ministry of International Trade, Industry and Commerce continued to focus on the development of entrepreneurs and Small and Medium Enterprises (SMEs). This is an important aspect of my Government's Development Agenda as we firmly believe that a strong presence of thriving SMEs in our business community would redound to positive economic returns and the advancement of our people. The National Entrepreneurial Development Division (NEDD) has remained active in devising new

opportunities to strengthen the development of SMEs. Recently, a Memorandum of Understanding was signed between the Government of St. Kitts and Nevis and the Organisation of American States to formalize the commitment to establish a Small Business Development Centre. The signing signalled the Federation's entry into the network of Small Business Development Centres across the Americas. Through this arrangement, local small businesses will benefit from the invaluable and extensive network support, critical management and technical assistance through one-on-one, long term professional business advice, training, and other specialized services.

44. The NEDD is also collaborating with Compete Caribbean, a Private Sector development programme, to provide technical assistance, grants and investment funding to support Micro, Small and Medium sized Enterprises (MSMEs) in a number of countries across the Caribbean region. The various dialogues that occurred in 2017 highlighted innovation as a means of increasing competitiveness for MSMEs and identified a number of Private Sector based development projects that could be supported by the Compete Caribbean programme.

45. Mr. Speaker, the Development Bank of St. Kitts and Nevis continues to contribute to the overall development of the Federation by helping to advance the agenda for financial inclusion particularly in the area of access to credit. Over the years, the Bank has provided an important conduit for improving access to credit for people who would not ordinarily qualify to access credit to start up or expand their small businesses. As at August 2017, 735 loans with a total value of \$49.0 million were approved. During the period January to August 2017, \$32.0 million was allocated to agriculture, industry and commerce, \$8.4 million to personal development, \$5.9 million to mortgage financing and \$2.7 million to higher education. As of August 31st 2017, the Development Bank of St. Kitts and Nevis had a total loan portfolio of \$309.2 million with \$109.6 million dedicated to agriculture, industry and commerce.

BUILDING SUSTAINABILITY

Challenges and Opportunities

46. Mr. Speaker, building sustainability of our small open economy presents numerous challenges but it also comes with endless opportunities and possibilities. Certainly, it will require us to work together to create an environment where innovation and creativity can flourish, where productivity and competitiveness are promoted and where Public Sector policies are designed to support private enterprise development, the efficient provision of public goods and services and guaranteed social protection of the most vulnerable citizens. This is a formidable task but we posit that our people have chosen a Government that is up to the task. In this regard, careful attention is being paid to the formulation of a number of policies that would help to mitigate some of the challenges that come with the small size of our economy and country and the geographic location of our two islands. Over the past year, we have been busy engaging with our regional and international partners to enhance public policy with a view to building resilience in the Public Sector and of the country as a whole. To advance these objectives, my Team Unity Government requested assistance from the European Union to conduct a Vulnerability Assessment for the Health, Education and Public Infrastructure Sectors and development of a National Housing Policy and a Land Use Policy for St. Kitts. The Vulnerability Assessment commenced in July 2017 and will facilitate the conduct of field investigations and a disaster vulnerability assessment which will inform planning, mitigation, response and recovery activities in the sectors in the event of natural or man-made disasters. The deliverables of the assignment will include hazard-zoning and hazard intensity maps and a Report on the Disaster Vulnerability Assessment and a Comprehensive Hazard Profile. The documentation of hazards and hazard prone areas will also serve to inform the development of the National Housing Policy and the Land Use Policy as the identification of hazard prone areas will influence the design and location of housing settlements and the designation of land for other purposes.

47. Mr. Speaker, the Government is cognizant that, as a Small Island Developing State, St. Kitts and Nevis contributes less than 1% of greenhouse gas emissions which is minor in comparison to larger industrialized nations. However, the accumulated effects leave us vulnerable to the impacts of climate change. In this regard, my Government, through the Department of Environment, utilized resources provided by the Global Environment Facility (GEF) to develop a Climate Change Policy. This document outlined vulnerabilities in sectors such as forestry and terrestrial eco-systems, coastal ecosystems, water resources, human settlement, agriculture, tourism, and human health. The overarching approach regarding how climate change mitigation and adaptation measures can be undertaken to address the risk in these critical sectors was outlined in the Draft Policy. Emphasis was placed on a sustainable, consultative, multi-sectoral, evidence-based approach and the importance of addressing the needs of the most vulnerable groups in society. To facilitate the implementation of the Climate Change Policy, a National Climate Change Adaptation Strategy is also being drafted. It is anticipated that the first draft of the Strategy would be presented in the first quarter of 2018.

48. The work that we have completed to date is a good example of the depth of the partnerships and collaboration that are required between the Public and Private Sectors and with our regional and international partners. Whether we are dealing with the effects of climate change, the issues related to de-risking, anti-money laundering (AML), countering the financing of terrorism (CFT) or international tax cooperation, it is absolutely necessary to build and maintain very strong partnerships with all stakeholders. In this regard, we have been working to build a stronger partnership with the Private Sector and the general public. It is important for all of us to understand that the Government has been working to keep the Federation up to date with a number of international obligations which have so far enabled St. Kitts and Nevis to be considered as a cooperative and compliant jurisdiction. For example, we cannot overemphasize the importance of complying with the international standards as they relate to AML/CFT. Our efforts to maintain a robust legal and regulatory framework have helped tremendously in protecting our businesses and people from the far reaching negative fallout suffered in some jurisdictions that are not considered compliant with international standards. The truth is that the standards are forever changing and at times seem pretty onerous for a small independent country. We must, however, rise to the challenge

every time because in the international arena there are no considerations for size and we dare not revert to the days of blacklisting.

Tax Transparency and Exchange of Information for Tax Purposes

49. Mr. Speaker, you would recall that since taking office in 2015, my Government has brought various pieces of legislation to this Honourable House as we took steps to uphold our commitments to the international community, specifically with respect to transparency and exchange of information for tax purposes. The last piece of legislation that would have been passed by this House in this regard was the Common Reporting Standard (Automatic Exchange of Financial Account Information) Act which provides the legal framework for the automatic exchange of information with selected jurisdictions from around the world. As of October 2017, 102 jurisdictions had made a commitment to implement the Common Reporting Standard (CRS). The first exchanges of information under the Standard would have taken place around the end of September this year by those jurisdictions, commonly referred to as the Early Adopters, that committed to a 2017 timeline. St. Kitts and Nevis' commitment, along with 52 other jurisdictions, was for the first exchanges to take place by September 2018. The information that will be exchanged will be for persons who are residents of countries other than St. Kitts and Nevis and will be sent in accordance with established rules that preserve confidentiality.

50. In addition to the implementation of the CRS, the Federation is preparing for the next round of Peer Reviews by the Organization for Economic Co-operation and Development (OECD) Global Forum Peer Review Group. The Peer Review is expected to be officially launched later this month and will once again examine the Federation's legal and regulatory framework for exchange of information that is requested for tax purposes and the effectiveness of exchanging such information in practice. The matter of availability and accessibility of beneficial ownership information, which was not assessed in previous reviews, will be a feature in this round of reviews.

51. One other topic that has the attention of the OECD is Base Erosion and Profit Shifting (BEPS) practices – that is, the use of tax planning strategies, mostly by multinational companies, to artificially shift profits from the location where the main activity is undertaken to jurisdictions where little or no value is created. This is a practice that is discouraged as it is believed that companies that function in various jurisdictions and engage in such activities would have a competitive advantage over those entities that operate solely in the local arena. The concern is that the tax liability for those companies that use such tax planning strategies would be reduced as a direct result of their BEPS practices or there may be situations where the entities pay no taxes at all.
52. In its efforts at ensuring that the global tax architecture is equitable and fair, the OECD spearheaded a BEPS Project which has been endorsed by the G20 Leaders. It is intended that the Project would facilitate a coordinated approach at the international level that would reinforce actions to protect tax bases.
53. Mr. Speaker, the Federation of St. Kitts and Nevis was invited to join the BEPS Inclusive Framework, a project that is expected to last until 2020. This is a matter that was seriously considered by my Government given that the EU has listed the implementation of anti-BEPS measures as one of the criteria that it will consider when establishing its list of non-cooperative jurisdictions for tax purposes. It is most unfortunate that some bodies continue to cite the names of jurisdictions as being non-cooperative based on an ever changing set of criteria. We are nonetheless cognizant of the impact that such listings may have on our Financial Services Sector and indeed the people that depend on that Sector for their livelihoods. It is not our intention to take any actions or lack thereof that would destabilize a well-established industry. My Team Unity Government therefore joined the Inclusive Framework on BEPS last month having the interests of our people first and foremost in mind as we gave consideration to this matter. Our joining the BEPS Inclusive Framework brought the total membership to 106.
54. Mr. Speaker, as I indicated earlier the challenges of pursuing sustainable development in the context of a Small Island Developing State are many but we have chosen to focus on a number of areas that hold promise to help us achieve our goals while at the same

time seizing the opportunities to bring meaningful changes to people's lives. Members of this Honourable House, permit me then to highlight some developments in the areas of energy and water, education and skills development, healthcare, housing, and public safety and security. All of these are seen as critical pillars for building a sustainable St. Kitts and Nevis.

Energy and Water

55. Mr. Speaker, our objective in the Energy Sector is to make St. Kitts and Nevis a frontrunner in the integration of renewable and energy efficient technology. So far, we have done a good job in terms of the development of the relevant policy and legislative frameworks to support this transition. Now we must get on with the business of ensuring that we make a successful transition in the shortest time possible. In this regard, geothermal remains the number one option that can guarantee the Federation's access to a clean, sustainable, renewable source of energy. I am pleased to report that the technical team completed the final series of exploratory drilling on St. Kitts in July of this year. Assistance has been sought through the Renewable Energy and Energy Efficiency Unit at the CDB to collaborate with our local experts at the St. Kitts Electricity Company (SKELEC) and the Energy Unit within the Ministry of Public Infrastructure et al to review the business plan that would govern the development of this important resource. A Memorandum of Understanding has been drafted and is now being revised. It is anticipated that in the near future we will begin to see tangible results. In addition, geothermal exploration on the island of Nevis has recommenced with Nevis Renewable Energy International having conducted the drilling of a new test well in October.

56. I use this opportunity to encourage our people across all age groups to see these ventures as opportunities to expand their knowledge and skills and become engaged in these emerging sectors. The exploration of renewables opens the door for persons not only to be employees but to establish viable businesses in the installation, maintenance and supply of solar panels and wind turbines and the supply and maintenance of drilling equipment for

geothermal exploration. In order to advance this objective, my Government is providing support to the Education Sector evidenced by the enhancement of the engineering programme at the Clarence Fitzroy Bryant College (CFBC) which now includes extensive training in renewable energy. In order to build additional capacity, a request was recently made through the Energy Unit to the Energy and Climate Partnership of the Americas to facilitate capacity building in geothermal energy in the Federation. Again, I encourage our citizens to avail themselves of these opportunities in order to be ready to access the employment opportunities that will emerge from the expanding field of renewable energy and energy efficiency.

57. Mr. Speaker, even as we forge ahead with our plans to become energy efficient and safeguard our country's Energy Sector, we continue to make improvements to the existing electrical grid to ensure that customers continue to receive a high quality service. Cognizant of the fact that routine maintenance is required to ensure longevity in the use of the present plant, SKELEC has procured two (2) 2 megawatt generators to improve reliability of the supply to residents particularly during the periods when segments of the plant are taken offline for maintenance. With the passage of Hurricanes Irma and Maria, we recognize the need for a more robust system. In this regard, SKELEC would be focusing on expanding the fuel storage facility from ten (10) days to twenty (20) days. This investment will improve our energy security and ensure that we are better equipped for possible events that may cause a temporary disruption in the supply of fuel to the island. In order to make the electrical grid more resilient my Government took the decision to create a link between the Canada and Frigate Bay feeders. Work will commence shortly and will be completed over a one (1) month period providing SKELEC with the flexibility to switch between feeders if there is an outage or if maintenance is required. The distribution lines in these areas will also be upgraded to further build resilience in that connection. Work is also scheduled to be undertaken on the substation between St. Paul's and Newton Ground to facilitate the ease of delivery of electricity to both the Cayon and Sandy Point feeders. This upgrade will allow for a timely restoration of power to either side of the island when outages occur.

58. Mr. Speaker, the initiatives undertaken by my Government to combat the effects of climate change in the Water Sector have helped to build resilience in the Sector allowing for the discontinuation of island wide water rationing. I use this opportunity to commend the

management and the staff of the Water Services Department for the excellent response to restore water to all consumers in quick time after the passage of Hurricanes Irma and Maria. The efficient management of our water resources is one area where my Team Unity Government is committed to work assiduously to ensure a sustainable supply of potable water. We are cognizant of the fact that several challenges remain. Therefore, over the past year, the Water Services Department has been working with Bedrock Exploration and Development Technologies (BEAD) to identify additional sources of water. This initiative has been successful with two (2) wells having been completed in the Shadwell area with a combined supply of 1.5 million gallons of water per day. This success is another indicator of how far we have gone to provide the people with better access to a critical resource. In the rural west, drilling activities have begun in the Stonefort and Old Road areas and are expected to be completed by the end of the year. Ocean Earth Technologies also remains a viable partner with my Government in the provision of additional water. To this end, it is anticipated that drilling under this initiative will commence in 2018. To ensure that this precious commodity is managed efficiently, my Government has procured and installed water monitoring devices for our wells and aquifer. These devices will help the Water Services Department make better assessments of water levels as well as improve the identification of any potential risks to the water resources including overflow, drought and salt intrusion.

59. Restorative work has already been undertaken to renovate the generator buildings, the water treatment plant and the pipeline connecting Wingfield and Basseterre. My Team Unity Government will continue to build resilience in the water distribution system through the purchase of standby generators under the Water Resource Management Project to facilitate the timely resumption of water supply during a power outage.

Social Development

60. Mr. Speaker, without a doubt many of our most vulnerable households are today reaping the invaluable benefits of significant socio-economic development milestones

achieved since our independence over three decades ago. Notwithstanding the progress we have made in alleviating poverty and advancements in living standards, there is much work to be done to lift more of our people out of a state of poverty and indigence. My Team Unity Government remains steadfast in our commitment to improve the design, implementation, monitoring and evaluation of its social and economic policies and programmes. This must be done to enhance living conditions and harness the full potential of our most vulnerable citizens. This is in keeping with the Sustainable Development Goals under the Post 2015 Development Agenda's theme: "Transforming our world: the 2030 Agenda for Sustainable Development" to inter alia, promote and support the achievement of poverty alleviation, good health and wellbeing, quality education, decent work and economic growth.

61. In an effort to create an equitable pathway for our most vulnerable population to become self-sufficient and productive citizens and residents, a number of critical interventions were pursued during the course of this year. Some of the initiatives undertaken include: the planning and launch of the Country Poverty Assessment, the update of the National Household Registry for social protection which now includes a "Linkages and Referral" component, and the internal review of the social assistance programmes. Also included are the re-introduction of satellite offices in community centres, the renovation of the Saddlers Home for the Elderly, and the development of a National Special Needs Policy.

62. Given the multidimensional nature of poverty, the Enhanced Country Poverty Assessment is being implemented using the CDB model which is comprised of four (4) components namely: the Survey of Living Conditions/Household Budget Survey, the Participatory Poverty Assessment, the Institutional Assessment and the Macro Social and Economic Assessment. I am highlighting this important initiative for two main reasons. For one thing, it helps to drive home the point that this Government cares about helping people especially the less fortunate citizens. The true sustainability of our country can only be safeguarded if all our people can enjoy a decent standard of living. Equally important is that it helps to demonstrate the fact that this Government is committed to developing policies based on facts derived from scientific data. We are determined to do what is possible to lift our people higher. The collection of data is scheduled to begin in January 2018 and I use this opportunity to solicit the cooperation and support of individuals, households, communities

and agencies in providing the required information to ensure that the data generated upon conclusion of the exercise is accurate and reliable to effect change for the betterment of us all. I also use this opportunity to thank the CDB, the OECS Commission, the World Bank, the UNDP, the National Assessment Team and all other partners for the invaluable support that has been and will continue to be provided to ensure the successful implementation of the Enhanced Country Poverty Assessment.

63. Mr. Speaker, consistent with my Government's agenda to promote prosperity for all, efforts continue to be directed towards revamping the design of social protection programmes. During 2017, the Ministry of Community Development, Gender Affairs and Social Services reviewed the social assistance programmes under its responsibility. The primary objective is to improve service delivery to the disabled, the elderly, needy children and indigent families. The results of the assessment will be used to guide reforms to the system. The changes to be introduced in 2018 include guidelines supporting increased visits to clients' homes, preparation of case management plans, and increasing the frequency of food voucher distribution up from once every two months to once per month. Emphasis will also be placed on improving access to adult education as part of the holistic intervention to equip vulnerable households with the tools necessary to become more self-reliant and productive. Additionally, the Ministry will commence the implementation of a decentralized client-oriented approach to social development with the re-introduction of service satellite offices in community centres throughout the island. This initiative is being executed based on a rights-based approach towards providing the most vulnerable residents with a more direct access to the offices and services offered by the Government.

64. For the first time in the known history of our country, we witnessed a record of fifteen (15) centenarians in a given year. This is undoubtedly a noteworthy achievement that is demonstrative of the strides we have made as a Nation with respect to increasing longevity through improved access to healthcare and wellness services. As we celebrate this accomplishment, we are mindful of the growing number of elderly persons whose rights and dignity need protection and enhancement. My Government will always be vigilant on issues affecting our senior citizens. In this regard, the Ministry of Community Development et. al. commenced renovation works at the Saddlers Home for the Elderly. This will help to

improve the environment at the facility and the delivery of care given to the seniors living there.

65. Mr. Speaker, the Cardin Home facility has historically served as the bedrock of public led elderly care. Many decades after opening its doors to the public in 1927, it has become a national institution that provides care for our most vulnerable and incapacitated elderly and mentally challenged citizens. However, over the past decade, there has been a shortage of physical space to adequately meet the demand for the care required by our aging population. In response to this need, I am pleased to report that my Government has allocated resources in 2018 to facilitate the refurbishment of an existing building in Sandy Point which will provide for the expansion of service by the Cardin Home to accommodate up to ten (10) persons. The anticipated extension of the Cardin Home service and the renovation of the Saddlers Elderly Home undertaken this year are sound testament of my Administration's vision to eliminate barriers to achieving the "longevity dividend", which is the invaluable social and economic contributions that healthy seniors make to a country's development. We congratulate the management and staff of the Cardin Home on the achievement of its 90th anniversary milestone in May of this year.

66. Mr. Speaker, notable advances continue to be made in enhancing the integration and coordination of support for our citizens and residents living with disabilities. In August of this year, technical assistance was sought and obtained from the European Union to develop and implement a Special Needs Policy with a view to eliminating discriminatory practices and enhancing the living standards of the disabled. In congruence with the goals and objectives of the National Social Protection Strategy and Action Plan 2012-2017, the Policy will be completed during the first quarter in 2018 on the basis of a highly independent, participatory and consultative process that allows for the empowerment of persons with disabilities, their families and care-providers. We expect that the Policy would help to advance the movement towards the full integration of persons living with disability into mainstream society. This initiative includes the development of a National Registry of disabled persons that would enable the Ministry of Community Development, Gender Affairs and Social Services to improve its targeting and outreach mechanisms to engender greater inclusion and enhancement in the quality of life for persons with special needs. All these

initiatives reflect our inclusive approach to development and our compassion and strong support for our vulnerable groups in particular the elderly and disabled.

Skills Development and Human Capital Expansion

67. Mr. Speaker, our society is faced with complex challenges that require a mix of innovative solutions to achieve social and economic sustainability. We believe that a focus on education, skills development and human capital expansion in particular, is one of the single most powerful tools that our country can use to overcome many of the challenges we face. A highly successful education system can help to eliminate intergenerational poverty and increase equitable opportunities for citizens, foster social inclusion, economic competitiveness, economic growth, peace and prosperity. Therefore, my Government will continue to invest in the provision of quality and affordable education for all. To advance my Government's vision to provide access to lifelong learning for all citizens and residents, the Ministry of Education launched the implementation of the newly-formulated 2017-2021 Education Sector Plan in November 2017 under the theme '**Education for All: Embracing Change, Securing the Future**'. With the technical support provided by the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Education Sector Plan builds on the work previously pursued under the White Paper on Education Development and Policy and presents a strategic road-map to improve the provision and administration of quality education over the next five (5) years. It represents a paradigm shift in the approach used in the management and delivery of education services and is guided by three (3) overarching policy goals, namely: i) improving equitable access to and participation in education at all levels; ii) strengthening the quality and relevance of education at all levels to improve learning outcomes; and iii) enhancing governance planning and management to improve efficiency and effectiveness throughout the Sector. An Annual Performance Plan is being prepared and this document will outline the targets to be achieved on a yearly basis.

68. The Government remains committed to the modernization of the existing TVET system including achieving greater alignment with the Caribbean Vocational Qualification

system of certification. This will underpin our goal to place Kittitians and Nevisians in a more advantageous position to become self-sufficient and contribute meaningfully to the growth and development of the Federation. Therefore, as part of the five-year TVET Enhancement Project, a number of initiatives will be pursued in 2018 to address structural deficiencies that limit access to quality, relevant and gender-responsive TVET programmes. They include the development of a strategic plan for TVET, the conduct of Competency-Based Education and Training for TVET providers, civil works at the Advanced Vocational and Education Centre (AVEC), and the construction of technical wings at the Charlestown and Gingerland Secondary Schools. We envision that the deliverables achieved under the TVET Enhancement Project would help to improve capacity within the education system to produce increasing numbers of skilled and well-rounded persons to satisfy the requirements of the labour market.

69. Mr. Speaker, the Ministry of Education is taking a rational approach to the structuring of existing and new education and training qualifications. Technical support was received from the EU starting in August 2017 to develop a National Qualifications Register. Following its completion in 2018, the Register will be a centralized database used to provide critical information to employers, trainers and trainees within the Federation, regarding training opportunities, assessment and certification services in technical and vocational education and training. The Register is intended to facilitate access to and retrieval of information on learning resources, achievement in assessment of vocational competencies, and the recognition of vocational qualification within the recently-developed National Qualifications Framework.

Healthcare

70. Mr. Speaker, the maintenance of good health is considered the world over as the foundation of life and productivity. As Winston Churchill said, “Healthy citizens are the greatest asset any country can have”. The importance of healthcare becomes even more

profound when one considers the fact that health is not just the absence of an illness but rather a state of physical, mental, emotional and spiritual wellbeing. Without good health, we would not be able to make meaningful contributions to nation building and live fulfilling lives. Cognizant of these sobering facts, my Team Unity Government is committed to accelerating our efforts to safeguard the health of all citizens and residents which would yield dividends in our pursuit of sustainable development.

71. One of the greatest health challenges which accounts for approximately eight-three (83) percent of all deaths in the Federation and has the potential to undermine productivity is the high rate of non-communicable diseases (NCDs). In an effort to reduce the incidence of these diseases and their resultant effects, the Ministry of Health has been working assiduously towards finalizing the development of a new multi-sectoral Plan of Action for the prevention and control of non-communicable diseases. The document will focus on four (4) NCDs, namely: cardiovascular diseases, cancer, chronic respiratory diseases and diabetes which are the largest contributors to the morbidity and mortality rates in the Federation. In addition, attention will be given to four (4) shared behavioural risk factors which are tobacco use, unhealthy diet, physical inactivity and harmful use of alcohol. It will represent a comprehensive approach to encouraging healthier lifestyles, including community-based programmes, investment in healthcare systems, and developing monitoring, reporting and accountability mechanisms. A participatory approach has been employed in the development of the Plan of Action for NCDs and it is anticipated that the document will be completed in 2018. These efforts to address the NCDs and their effects will be buttressed by the five year National Strategic Plan for Health which will be launched in 2018. This provides the overarching approach that will be used by the Ministry of Health to bolster promotion and provision of healthcare services in eleven (11) priority areas including: chronic NCDs, Mental Health and Substance Abuse, Health policy/legislation, Human Resource Development, and Health Financing.

72. It is the belief of my Team Unity Government that our health facilities remain a key component in ensuring the delivery and equitable access to primary healthcare services across the Federation. Therefore, resources will continue to be channelled towards upgrading public healthcare facilities and give credence to the Ministry of Health's motto "People First,

Quality Always”. In 2018, my Team Unity Government will commence the reconstruction of the Tabernacle Health Center which, due to the dilapidated condition of the existing structure, was relocated in January 2014 to the basement of the Tabernacle Day Care Centre. The current arrangement has proven to be untenable in the provision of effective and efficient primary healthcare services to clients in the Tabernacle and neighbouring communities. Consistent with our focus on putting people first and ensuring sustainability, my caring Team Unity Government has decided to put the people of Tabernacle and the surrounding communities first in the delivery of primary healthcare services. The Ministry of Health has embarked on the construction of a modern spacious facility that would be more suitable for efficient and effective delivery of healthcare. In the coming year, a number of improvements will be made to other health facilities to address matters that impact upon service delivery at the community level.

Housing and Human Settlements

73. Mr. Speaker, we are putting people first in the Housing Sector as well and building a foundation for sustainable human settlement here in St. Kitts. My Team Unity Government has risen to the challenge of meeting its goal for the NHC to provide 300 homes. During 2016 and in 2017, the NHC invested approximately \$11 million to construct 127 homes for low and middle income families under Phase One of the Unity Housing Solution Programme. Phase Two of the Programme commenced in September of this year and will facilitate the construction of an additional 114 homes island wide for a total of 241 homes either completed or at various stages of completion. In 2018, we expect more persons to benefit from the housing solutions being provided by my Government. I am pleased to report that NHC has spearheaded the design of the first home in the Federation that will provide access for alternatively able-bodied persons. In the past, people living with a disability would have borne the cost to retrofit their homes in addition to paying the original mortgage. In keeping with our focus on people, we recognised the added burden on these persons and my Government made the compassionate decision to provide the needed assistance to this special

group of citizens who apply for housing through the respective NHC programmes. We are putting policy into action. Construction has begun on the first of this type of home which will be built on a needs basis. The bathrooms, bedrooms and doorways have been designed to provide the space required for ease of movement thereby providing better physical access and comfort.

74. Progress has also been made under the Home Improvement Loan Programme (HELP) and the Funding for the Realization of Economic Empowerment through Subsidized Housing (FREESH) Programme. The FREESH Programme facilitated the construction of forty-three (43) homes through the concessionary interest rate Programme provided through the St. Kitts-Nevis-Anguilla National Bank. The HELP Programme has been largely successful in providing housing related assistance to over 200 persons. To keep this Programme going, my Government intervened and requested the assistance of the SIDF to replenish the facility which the Foundation graciously approved in an amount of \$2 million. As the lack of basic amenities in the home is one indicator of poverty, these resources will be used to construct modern kitchen and bathroom facilities as part of this Administration's efforts to reduce poverty and upgrade living standards. Citizens who have needs in these areas can contact the NHC for further information and apply for the assistance where applicable. Moreover, since taking office, my Government has supported the construction of new houses under the First Time Home Owners Initiative. This programme has provided support to approximately 300 property owners. Across all Government supported home ownership initiatives, a record of 784 persons have benefitted. A proud record of service to our people.

Public Safety and Security

75. Mr. Speaker, my Team Unity Government has taken bold decisions that will enhance the capacity of our law enforcement agencies to address with better precision the challenges faced with administering law and order and citizen security. The landmark

investment in the Security Sector has begun to pay significant dividends evidenced by several positive indicators related to crime prevention and detection, the higher level of morale of the Security Forces, and rebuilding of the confidence of our communities, youth, civil society and our Private Sector partners. This major investment was appropriated to facilitate the development and implementation of a comprehensive strategy that is multidimensional in its outlook and action oriented in its approach to implementation. The Strategic Plan 2016-2019 and the Service Improvement Plan for the Royal St. Christopher and Nevis Police Force have provided the necessary direction and guidelines that include increased security operations and visibility of the Security Forces which have curtailed major criminal activity over the past nine (9) months. These strategies have made our primary law enforcement agency a more structured, responsive and results oriented organization with new skill sets and resources mobilized to reduce crime. As we continue to expand our security apparatus, which now includes the Criminal Justice Strategic Board, the National Defence Council, the Anti-Gang Task Force and the appointment of a National Security Advisor, the Team Unity Government is confident that the Federation will continue to reap the benefits of this holistic approach.

76. The strides made during the course of 2017 have resulted in an increased interest shown by young persons in building rewarding careers in service with the security agencies. During 2017, approximately 100 young recruits were welcomed into the Security Forces, including over thirty (30) from a neighbouring Caribbean country. These law enforcement personnel are currently providing support in citizen safety operations which include increased vehicular checkpoints around both islands. These agencies, along with the Customs and Excise Department, have collaborated in the execution of special security operations including searches of abandoned properties in known crime hotspots, the seizure of illicit drugs and firearms, and the interdiction of illegal activity in our coastal waters. The increased use of intelligence has resulted in targeted operations that are more precise and effective, as evidenced by the record thirty-nine (39) illegal firearms taken off the Federation's streets as at September 2017 in comparison to twenty-four (24) for the same period in 2016. Under the newly established Anti-Gang Task Force, the Police Force will continue to work with the Defence Force and Customs and Excise Department to formulate a strategy for the engagement, disruption and displacement of gangs, supported by the expertise of the National Security Advisor who has already engaged stakeholders both on St. Kitts and

on Nevis and presented a Draft Strategic Framework for Addressing the Security Challenges to the country. In 2018, this Framework will be used to develop and implement a functional National Security Architecture for St. Kitts and Nevis with six (6) key objectives: (i) removing the profit from crime, (ii) reforming the justice system, (iii) ensuring policing by consent, (iv) dismantling gangs, (v) protecting the vulnerable by focusing on the at-risk population, and (vi) strengthening the governance and oversight structures.

77. Mr. Speaker, the infusion of new knowledge and skills into our security agencies has never been more critical to sustain the advances made in maintaining law and order. In February of this year, we recruited a competent forensic expert to lead and transform our Forensics Unit into a world class operation. To ensure basic levels of competence and to improve forensic awareness among personnel, officers assigned to the Unit were exposed to training by a team from Trinidad and Tobago and Cellmark Forensic Services of the United Kingdom. These initiatives, combined with the Government's investment in appropriate technology such as the Comparison Microscope procured in 2015, have yielded positive results as we have seen the homicide detection rate improve to 44.4% as at September 2017 compared to 20.8% during the same period in 2016. To further improve the detection rate, Police Officers and civilian technicians assigned to the Closed Circuit Television (CCTV) programme have received training both locally and in Taiwan exposing them to some of the best practices in CCTV management anywhere in the world. The challenge remains the translation of the detection rate into successful prosecutions, therefore, our Police Prosecutors continue to be exposed to training opportunities in the United States and elsewhere. Border security continues to be a pillar of our law enforcement strategy. As such, training was conducted for Immigration and Customs Officers in passenger interview techniques in light of the implications of the Advance Passenger Information Act passed this year. In 2018, the Federation will host the 34th Annual Trade Winds Exercise which will expose our Security Forces to contemporary training in areas such as disaster relief, emergency response, responding to land and marine threats including the illicit trafficking of drugs and firearms, marksmanship and weapons handling skills, and military support to law enforcement. Discussions have also been initiated with the Guyana Defence Force with the aim of establishing a formal relationship for greater collaboration in training and similar exercises with the St. Kitts and Nevis Defence Force.

78. Mr. Speaker, this Team Unity Government is also making substantial investments in the upgrade of technological capabilities of the Security Forces which is vital to ensuring that the Security Forces achieve their mandate. The Motorola Digital Radio Project has been a success with radios procured for use by the Police and Defence Forces, Fire and Rescue Services, Her Majesty's Prison and the Customs and Excise Department, which has dramatically improved coordination, response times and detection capabilities. The system will be further enhanced through the addition of a Global Position System (GPS) and Automatic Vehicle Location (AVL) system which introduce technology with the capability to track all security vehicles and thereby enabling a more effective deployment and monitoring of the vehicle resource. The importance of CCTV in crime detection cannot be overemphasized. In this regard, we would like to extend our appreciation to the Republic of China (Taiwan) for the commitment of over EC\$5 million to Phase One of the nation-wide CCTV Programme. In 2018, Phases Two and Three will be implemented in the rural communities on St. Kitts and on the island of Nevis. This initiative will be further supported by investment in Drone Surveillance Technology and will advance the objective of this Team Unity Government to deter and detect criminal activity wherever it rears its ugly head.

79. The Team Unity Administration continues to support the Security Forces with vehicles to facilitate mobility which is key to improving the performance of the Security Officers. Over the last two years, the security agencies have been outfitted with significant upgrades in vehicles. During 2017, my Government made further investments in vehicle assets through the acquisition of a new Fire Tender which will be used at the Robert L Bradshaw International Airport to meet International Civil Aviation Organization standards. In addition, through the use of Government resources, a second Police Mobile Command Unit has been procured which will add further support to the current mobile unit. This will further enhance surveillance in areas identified as crime hotspots and during major national events. These investments underscore this Administration's commitment to providing the necessary resources to strengthen the Security Sector and protect our people.

80. Mr. Speaker, the Team Unity Administration remains committed to ensuring that the appropriate infrastructure is in place to support the systemic reforms being undertaken in the Safety and Security Sector. Phase One of the refurbishment of the Coast Guard

Barracks is advanced and includes the construction of barracks for ordinary ranked male Officers, general office space, kitchen, and canteen and dining/mess hall facilities. Provision is also being made for stores for weapons and general items, and a workshop to facilitate vessel and vehicle maintenance. Phase Two of this initiative will be pursued during the course of 2018 to provide barracks for senior commissioned and non-commissioned Officers and ordinary ranked female Officers and Reserves as well as additional office space and a lounge. Vital to the establishment of coordination of policing at the community level is the establishment of modern police stations. Unfortunately, for many years, there has been the deterioration of these critical infrastructure and several recommendations were made for the closure of the facilities in St. Paul's, Sandy Point, Old Road and New Castle. The Team Unity Government has taken the proactive steps to increase patrols in the communities served by those stations. The modernization of stations will continue in 2018 as work is well advanced in the drafting of working drawings to facilitate the construction of a new facility in Sandy Point.

81. Serious efforts are being undertaken to progressively move forward with the plans for the construction of a new correctional facility to be located at Estridge Estate. I am pleased to update this Honourable House and the Nation that the design phase commenced earlier this year and is nearing completion. The relevant Environmental Impact Assessment has been completed and it is anticipated that during the first quarter of 2018 the final documents including the Bill of Quantities would be submitted for consideration by the relevant authorities within the Government structure. An important consideration would be the identification of financially viable options for the actual construction of the facility. In the interim, the Government has facilitated the renovation of Her Majesty's Prison in order to accommodate new administrative offices, barracks, a computer lab, library and laundry. We have the interests of law enforcement Officers at heart and have catered to their comfort and well being.

82. There is a preponderance of research that confirms that social intervention programmes are equally as effective as enforcement actions in curbing gang development and gang-related violence in communities. With this in mind, the Team Unity Administration in 2017 embarked on a campaign targeted at more direct engagement of communities.

Throughout 2017, there was extensive interactions with students, teachers, parents, residents of Her Majesty's Prison and the New Horizon's Rehabilitation Centre, and numerous community groups, with presentations based on the slogan '**Stop 'n' Think Before you Proceed**'. These activities culminated in two (2) school rallies on both St. Kitts and Nevis, involving nearly 3000 young persons. Our social intervention programme is already showing positive results. We are encouraged by the establishment of the 'MolPhill Explorers' community group which comprises over 100 young persons ages 5-19 from the Molineaux and Phillip's Village areas. These young persons will be engaged in community development and social and educational activities. The Strategy has also facilitated the establishment of several other groups including a 'Men of Integrity' movement which has mobilized men across several communities to be mentors in order to guide young persons away from gangs and drugs. We welcome the renewed efforts at community policing. This initiative seeks to interrupt the formation of gangs, identify and reduce risks in highly vulnerable groups, and change community norms. These activities are generating positive feedback from within the communities. We commend the introduction of the Teens and Police Service (TAPS) Academy, TAPS Clubs and the re-introduction of the Cadet Corp in all secondary schools.

83. Mr. Speaker, I cannot overemphasise the continued commitment of my Administration to strengthen the Security Sector and to build lasting relationships with our partners in the Private Sector, civil society and at the community level. It is only through recognizing our collective responsibility to our community that we will be successful in making sustainable strides in stemming criminal activity. There is much more that can be said about the achievements and plans related to safety and security but I must move on to highlight some issues relevant to the Medium Term Economic Management Strategy as this budget presentation would not be complete without such a discourse.

MEDIUM TERM ECONOMIC MANAGEMENT STRATEGY

Medium Term Fiscal Outlook and Growth Targets

84. Mr. Speaker, with respect to the anticipated fiscal outturn for 2017, based on information that was available at the end of October 2017, we are projecting that Recurrent Revenue will be about \$600.4 million of which Tax Revenue is expected to be \$391.4 million while Non-Tax Revenue is forecasted to be in the region of \$209.0 million. The outturn of Non-Tax Revenue will reflect, in part, inflows from the CBI Programme, proceeds from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) following the passage of Hurricane Irma and Dividends from the St. Kitts-Nevis-Anguilla National Bank Limited. Recurrent Expenditure for 2017 is projected to reach \$520.5 million.

85. We anticipate that Capital Expenditure for this fiscal year will be about \$50.6 million of which \$16.4 million will be financed by Capital Grants. Infrastructural works continue apace in the following areas: upgrading our roads, facilitating housing developments and improving our water system. Projects associated with conserving our environment, enhancing the South Frigate Bay Beach area and renovating buildings to house Government offices were also undertaken.

86. Based on the data that we had at the end of October 2017, we are anticipating that, for the 2017 fiscal year, we would realize a Recurrent Account Surplus of about \$79.9 million, an Overall Surplus of \$46.4 million and a Primary Surplus of \$71.4 million. The projected Overall Surplus would be 38.8% above what was budgeted while the projected Primary Surplus would be 22.5% in excess of the approved budget. Mr. Speaker, the fiscal performance that we anticipate would be realized for 2017 is consistent with the objectives of our Medium Term Fiscal Framework which promotes prudent fiscal management of the Government's resources by enhancing the administration of our tax regime, controlling Recurrent Expenditure and further reducing the Public Sector Debt while accelerating Public Sector Investments that would support sustainable development and inclusive growth.

87. Mr. Speaker, my Government remains resolute in its efforts to reduce the Public Sector debt stock to a level that is sustainable for a small economy such as ours. We are on the right path in this regard as evidenced by the \$52.6 million (3.3%) decline in the Total Public Sector debt at the end of December 2016 relative to the end of the previous year. At the end of the 2016 fiscal year, the Total Public Sector Debt stood at \$1.55 billion or 64.5% of GDP. Of this amount, \$0.9 billion was contracted by the Federal Government, \$0.4 billion by the NIA and \$0.3 billion by Public Corporations on both St. Kitts and Nevis. Domestic creditors remained the primary holders of the Public Sector debt with \$1.0 billion of the total debt while external creditors held \$0.5 billion of the debt. The contraction in the debt stock was mainly the result of scheduled repayments to the IMF, CDB and bondholders.

88. We, of course, have to balance competing priorities as they relate to maintaining appropriate debt levels while attending to the needs of our people as we pursue the sustainable development of our country. During 2017, the Team Unity Administration continued to empower our nationals through the provision of housing solutions for those who were desirous of owning their own homes and were in need of assistance to achieve their dreams. Loans were contracted by the NHC and the Nevis Housing and Land Development Corporation (NHLDC) from the Social Security Board for this purpose. We have also secured financing from the CDB to enhance the TVET Programme and to improve street lighting on both islands. These are two critical projects that we believe will redound to the benefit of the people of our Nation. Mr. Speaker, we cannot emphasize enough the importance of providing a solid education for our youth; not only in academics but technical and vocational skills as well. The loan that we have contracted for the TVET Enhancement Project is testament to this fact. Likewise, the execution of the Street Lighting Project would benefit the people of the Federation, improving visibility and augmenting the security measures that are in place. These loans, coupled with the reclassification of fuel arrears from budgetary arrears to debt, will lead to minimal change in the Debt to GDP ratio which is likely to be 64.6% at the end of 2017.

89. Next year, the St. Christopher Air and Sea Ports Authority (SCASPA) will commence the construction of a second cruise pier which will be financed through a syndicated loan arrangement with 4 of our local institutions. This is a major project that will

have a positive impact on our people and will contribute, in a significant way, to economic growth and the continued development of our beloved Federation. Despite the contraction of new loans, we project that the downward trajectory of the Public Sector debt will continue. The debt ratio is expected to decline over the medium term to 62.4% in 2018, 59.0% in 2019 and 53.6% in 2020. By 2019 we would therefore be 1.0 percentage point below the ECCB's 2030 target of 60%. These projections are evidence of my Government's steadfast efforts to efficiently manage the Federation's finances and minimize the risks associated with unsustainable debt levels. Moreover, they are consistent with the overall objective of our 2018 - 2020 Medium Term Debt Management Strategy which aims to ensure that the financing needs of the Government are met at the lowest possible cost with an acceptable level of risk. The Strategy covers a new 3-year cycle and builds on the 2015-2017 Strategy that was previously laid before this Honourable House. The 2018-2020 Medium Term Debt Management Strategy will be brought to this House shortly.

90. The promotion and facilitation of sustainable and inclusive growth continues to be one of this Administration's priorities. Our latest estimates indicate that Real GDP growth will be about 2% for 2017. Over the medium term, the economy is forecasted to expand on average by 3.5%. This positive projection will be driven by continued developments in the Construction and Tourism Sectors as well as the Transportation, Storage and Communication, and Financial Services Sectors. We anticipate that the Construction Sector will remain robust with an increase in residential construction as a result of private investment, initiatives undertaken by the NHC, and a new Civil Servants Home Mortgage Scheme to be unveiled next year. In addition, a number of investments in public infrastructure and work on on-going and new hotel and condominium developments such as T-Loft/Radisson, Koi Resort, Kings Pavilion Hotel and Royal Ltd will further bolster the performance of the Sector. The Tourism Sector is expected to show positive returns with the opening of Park Hyatt St. Kitts and increased airlift. The Tourism Sector will also benefit from expansions in cruise ship calls and increased passenger arrivals as the Federation continues to attract ships with larger carrying capacity. These developments will have spill-over effects in other sectors such as Transportation, Storage and Communication, and Wholesale and Retail. The Financial Services Sector, on the other hand, is anticipated to expand in congruence with the upward trend in business activity and increased employment opportunities in our expanding economy.

The prolonged level of growth that our Federation is experiencing is evidence of the strength of the macroeconomic framework and the resilience that my Team Unity Government has fostered in our economy.

Fiscal Prospects

91. Mr. Speaker, Recurrent Revenue for the 2018 fiscal year is projected to be \$655.4 million. Taxes on Income are expected to generate \$130.7 million which would be in excess of the 2017 Estimates by \$11.6 million or 9.7%. Taxes on Property are expected to reach \$13.4 million. Also, we anticipate that Taxes on Domestic Goods and Consumption would be \$98.7 million while Taxes on International Trade and Transactions, the largest sub-category of Tax Revenue, would generate \$189.5 million. Non-Tax Revenue, which is expected to be driven by CBI fees, is projected to be \$223.2 million for 2018. Additionally, a total of \$45.8 million is estimated for Capital Grants and \$5.8 million for Budgetary Grants. All of these categories are expected to yield Total Revenue and Grants of \$707.0 million. On the expenditure side, an amount of \$516.8 million is proposed for Recurrent Expenditure for 2018, a moderate increase of 1.5% over the 2017 Estimates. This would result in a Recurrent Account Surplus of \$138.7 million for 2018. A total of \$147.5 million is also being proposed for Capital Expenditure and Net Lending for 2018. An Overall Surplus of \$42.7 million and a Primary Surplus of \$66.9 million is therefore anticipated for 2018. The 2018 Draft Estimates provides comprehensive details of all the programmes and activities that would be carried out by each Ministry and the details on what we expect to achieve in 2018 given the respective budget allocations. I will now highlight some of the major programmes and activities for the various Ministries.

92. My Team Unity Government places great emphasis on good governance and transparency. An important element of achieving this is a well-functioning National Audit Office. We have given strong support to the audit function including the establishment of and

provision for the Public Accounts Committee. Our people deserve the assurance that monies spent are in accordance with law and provide value for money.

93. In our efforts to promote greater accountability in the Public Sector, we are seeking to strengthen the National Audit Office by increasing the allocation of resources. This will in turn help to raise the profile of the Audit Office so that it can successfully fulfil the important mandates established under the Constitution and the Audit Act. In this regard, an increase in the resource envelope is being proposed for the upgrading of the National Audit Office. The 2018 Estimates contemplates a total allocation of \$1.3 million to the National Audit Office which represents a significant 19.3% increase over its 2017 allocation. A major portion of the additional resources would be used to support training and capacity building, as well as upgrades to the staff complement to improve the quality of the services delivered by the Office. In respect of training, the Office intends to strengthen collaborations with other Public Sector based audit institutions such as the Caribbean Organization of Supreme Audit Institutions (CAROSAI) and the International Organization of Supreme Audit Institutions (INTOSAI).

94. Mr. Speaker, the Ministry of Justice, Legal Affairs and Communications would be allocated \$11.8 million in the 2018 Estimates to support the implementation of its recurrent activities. This represents an increase of 3.4% over the 2017 allocation. The establishment of a second Court is already having a notable impact in terms of improving the efficiency with which the Court can schedule cases and reduce the backlog of cases. It is said that justice delayed is justice denied. We are therefore pleased that our policies and programmes are yielding results on behalf of our people who deserve a proper functioning justice system. The resources programmed for 2018 would enable the Ministry to continue the reform process and make additional enhancements to our legal system to further improve its efficiency and effectiveness.

95. The Ministry of Justice, Legal Affairs and Communications would also be provided with \$4.0 million for the implementation of Capital Projects including the Government of St. Kitts and Nevis Enterprise Cyber Security Project, the Judicial Residence Acquisition Project and the Judicial Services Expansion Project. Additionally, in 2018, the Ministry plans to

commence the construction of a building to accommodate the Land Registry and a Mediation Centre. This new facility would provide appropriate space to undertake court mandated mediation which is usually a precondition in most court matters prior to the scheduling of a legal proceeding. An Intellectual Property Administration System (IPAS) would also be introduced to enhance the management of the Intellectual Property Office particularly as it relates to the processing of patents and trademarks applications. This system would also enable the public to access patent and trademark information online.

96. Mr. Speaker, the Office of the Prime Minister would be allocated \$33.8 million for Recurrent Expenditure and \$2.5 million for Capital Expenditure for 2018. The Ministry will continue its efforts to modernize the Public Service to make it more efficient and responsive. In 2017, the Human Resource Management Department (HRMD) trained 400 persons in various areas including proposal writing, conflict management, effective communication, professionalism and work ethics. During the upcoming year, the Department will continue to focus on training of Public Servants with a view to increase their capacity, productivity and performance. Additionally, the People's Empowerment Unit will be collaborating with a number of Public and Private Sector stakeholders including the Ministry of Community Development, Social Services and Gender Affairs and the Chamber of Industry and Commerce to implement programmes and projects that would positively impact the lives of persons in various communities, especially our youth.

97. One of the main functions of the St. Kitts Investment Promotion Agency (SKIPA) is to attract Foreign Direct Investment to the Federation. In 2017, SKIPA facilitated investments valued at approximately US\$550 million for large scale projects both on St. Kitts and Nevis. The implementation of these projects are expected to create about 1,800 jobs over the next two (2) years. This is evidence of investor confidence in the Federation and in my Team Unity Government's ability to create jobs which would enable more of our people to earn a living and enjoy a better quality of life.

98. The Capital Projects that would be implemented by the Office of the Prime Minister in 2018 include the completion of works at the National Heroes Park, Renovations of Government Headquarters and the acquisition of a Document Management System.

99. Mr. Speaker, criminal activity is a major threat to the economic and social sustainability of our twin island Federation. This is an untenable situation that we are determined to reverse. My Government will therefore continue to prioritise the allocation of resources necessary to aggressively address crime, particularly violent crimes. The Recurrent Budget allocation for the Ministry of National Security for 2018 is \$56.9 million, which reflects an increase of 8.0% over the 2017 allocation. A substantial portion of these resources would be used to support the hiring of additional manpower for the Police Force and the Defence Force. Additionally, a total of \$18.7 million is proposed for Capital Projects resulting in an overall expenditure of \$75.5 million or a 5.3% increase over the allocation for 2017. We have been taking a multi-pronged approach towards crime fighting including increased police patrols and presence in communities. In addition, a National Security Advisor has been recruited to work with the now re-activated National Defence Council. The initiatives implemented in 2017 are already yielding positive results and during 2018, we expect that the security apparatus would exceed the performance in 2017. It is hoped that the implementation of the following initiatives would help to make this possible:

- Social intervention programmes under the Enforcement, Diagnosis, Education and Rehabilitation Framework.
- Utilize the Anti-Gang Crime Reduction Training and Employment Programme to engage police in renewed and re-directed community policing initiatives to reduce the risk of gang violence.
- Increase visibility of police patrols.
- Expand the deployment of Technology such as drones and surveillance network Closed Circuit Television (CCTV) in various parts of St. Kitts and Nevis. I am happy to report that the CCTV Unit has been successful in delivering the expected outputs.
- Install and make the Containerized Forensic Unit operational in the first half of 2018. Officers have already been trained in Crime Scene processing and to operationalize the Forensic Unit. This is expected to improve detection rates and lead to more successful prosecutions.
- Foster more private partnership and increase collaboration with CARICOM countries and international institutions for training in areas such as cyber security.

- Increase the complement of Police Officers.
- Procurement of more vehicles to facilitate community patrols.

100. The Capital Projects to be undertaken by the Ministry of National Security in 2018 include the purchase of an additional Border Management System to be installed at New Guinea, Refurbishment of the Fire Services Building, Construction and Refurbishment of Police Stations and Camp Springfield Barracks and the Upgrade of the K-9 Unit. Funds are also being provided to procure the Containerised Forensic Unit that I mentioned earlier. We invest in security because the security of our people matters. A safe and secure environment is a sine qua non for our people to fulfil their dreams, realize their expectations, and contribute to peace and prosperity of our Federation.

101. Mr. Speaker, the Ministry of International Trade, Industry and Commerce would be provided with \$3.8 million to carry out its recurrent programmes and activities in 2018. This represents a 4.4% increase over the allocation approved in 2017. The Ministry will focus its attention on major trade agreements that have the potential to open new markets for products and services produced in St. Kitts and Nevis. Special emphasis would be placed on facilitating trade emanating from the Manufacturing and Agriculture Sectors.

102. The Ministry of Finance would be provided \$166.2 million for Recurrent Expenditure. This represents a 3.8% decrease when compared to 2017. The reduction is primarily the result of a lower allocation for Grants and Contributions as the funds that were provided in the 2017 Estimates for the Government's one time contribution to the Eastern Caribbean Partial Credit Guarantee Scheme have been removed from the Ministry's resource envelope. A portion of the resources allocated to the Ministry of Finance would be used to meet the Government's obligations with respect to retirements benefits estimated at \$40.0 million and debt interest payments of \$24.2 million. The Ministry would also be expected to pay \$15.0 million for the provision of electricity services and \$14.7 million in respect of the Government's Group Health Insurance Scheme and property insurance policy. A total of \$12.3 million is being proposed to facilitate Capital Expenditure and Net Lending in 2018. The major Capital Projects proposed for implementation in 2018 include the Construction of a

Printery Building, the Upgrade/Rehabilitation of Government Buildings, the Purchase of Pallet Scanners and the completion of the Customs and Excise Department Building.

103. The Ministry of Social Services, Community Development and Gender Affairs would be provided with \$18.2 million in Recurrent Expenditure. This represents a dramatic increase of 123.7% over the allocation for 2017. I will expand on this further a little later in my presentation.

104. Mr. Speaker, I now direct my attention to the Ministry of Agriculture, Human Settlement, Cooperatives and Environment. Agriculture is an important pillar of our strategy for economic development and we continue to seek new ways to promote development of the Sector. In this regard, the Ministry would be provided with resources in the amount of \$9.2 million to carry out its recurrent programmes and activities in 2018. This amount represents a 5.8% increase in Recurrent Expenditure over its 2017 allocation. Capital Expenditure has been provided in an amount of \$2.4 million. The main Capital Projects would include the Rehabilitation of the Old Road Fisheries Complex, the Renovation and Upgrade of the Agro Processing Unit, and the Construction of a Veterinary Laboratory.

105. Mr. Speaker, Tourism continues to make a significant contribution to employment in our economy. Given the Tourism Sector's key role in contributing to the achievement of our sustainable economic development goal, we are proposing that the necessary resources are provided to further develop the Sector. It is therefore proposed that the Ministry of Tourism be provided with an amount of \$24.4 million to support recurrent programmes and activities in 2018. This represents an increase of 4.4% over 2017. Additionally, an amount of \$3.2 million would be allocated for Capital Projects. Some of the projects to be implemented include the further development of Black Rocks with the construction of five (5) additional chattel-house style vendors' booths, the conduct of studies to facilitate the replenishment of beaches at Frigate Bay and Friars Bay and the Refurbishment of the Pelican Mall to allow for office space for the Ministry.

106. Mr. Speaker, I now turn to the Ministry of Public Infrastructure, Post, Urban Development and Transport. The 2018 Recurrent Budget for this Ministry would be \$21.1 million while the Capital Budget is proposed at \$51.8 million. The major Capital Projects

include the Rehabilitation of Old Road Bay, the Upgrade of the Island Main Road and the Construction of the East Bus Terminal. These are significant Capital Expenditure items that would bring a better quality experience to commuters and road users and enhance the visitor experience and the modernity of our country not just in the Peninsula but in the rural areas.

107. Mr. Speaker, Education continues to be a top priority of my Government due to its potential to empower people and transform lives. The Ministry of Education would be allocated \$71.7 million for its Recurrent Expenditure and \$20.1 million for its Capital Expenditure. In 2018, the Ministry of Education will implement the 2017-2021 Education Sector Plan. The implementation of the Technical and Vocational Education and Training (TVET) Enhancement Project, funded jointly by the Caribbean Development Bank (CDB) and the Government of St. Kitts and Nevis, will continue in full force to achieve its desired objective of developing a high quality TVET system that is demand driven and gender responsive. This project seeks to respond to the demand of our labour market for skilled workers. In 2018, under the TVET Project, the services and programs of Project Strong, the National Skills Training Program and the Advanced Vocational Education Centre (AVEC) would be consolidated into the National Training Institute to bring about greater efficiency and improved delivery of skill training.

108. In addition, resources have been allocated for the construction of the new Basseterre High School. By building the new school we are putting the students and teachers first by ensuring that the students can access quality education and teachers can work in a modern facility that is conducive to teaching. We are offering a more student and teacher friendly environment in which students can learn and excel. We believe in the empowering nature of education in creating a responsible and productive citizen. Those who oppose this investment on the grounds of cost must appreciate that it costs more if we keep our children ignorant.

109. The Ministry of Health would be allocated \$49.9 million in 2018 to support its recurrent programmes. This amount is 3.5% more than the allocation in 2017. The Ministry would also be provided with \$7.2 million for Capital Expenditure which includes the continued construction of the new Tabernacle Health Centre and the commencement of the JNF General Hospital Phase III Project. In 2018, the oral health program would be expanded

to include a Dental Clinic at the Mary Charles Hospital and the Mental Health Day Treatment Centre would be made fully operational. The Ministry of Health would also continue its efforts to expand diagnostic and other critical services such as MRI, CAT-Scan and Haemodialysis. We will also advance our National Health Insurance Scheme in 2018 with a view to offer protection to vulnerable citizens in our Federation who are unable to afford the cost of healthcare and/or insurance.

110. Mr. Speaker, the 2018 Estimates propose an allocation of \$7.0 million to the Ministry of Youth, Sports and Culture for Recurrent Expenditure, an increase of approximately 9.0% over the previous year. An additional \$7.7 million is also proposed to execute the Capital Projects for that Ministry. The Youth Strategic Policy identified four (4) areas of concern expressed by our Nation's youth namely: violence, gang recruitment and involvement, unemployment and social engagement. In an effort to address these issues, the Ministry, through the Department of Youth, plans to complete and launch the National Youth Strategic Plan in 2018. In the upcoming fiscal year, the Department of Sports will also launch a community sports project that embraces the younger age groups and create "golden leagues" to include the elderly. Another initiative that would be implemented by the Ministry is preparation of a National Sports Policy.

111. Mr. Speaker, the Ministry of Sustainable Development would be allocated \$6.1 million for its Recurrent Expenditure in 2018, an increase of 10.4% over the 2017 Budget. Additionally, a further \$10.2 million would be provided to support ongoing and new Capital Projects. As mentioned earlier, one of the important projects to be undertaken in 2018 is the Enhanced Country Poverty Assessment which is critical for our economic planning processes as it provides the statistical basis for making policy decisions.

112. The Ministry of Foreign Affairs and Aviation would be provided with resources in the amount of \$18.7 million to execute its recurrent activities for 2018. The Ministry will continue its work in the regional and international for a in promoting, protecting and advancing the strategic interests of St. Kitts and Nevis with emphasis on development. In 2018, the Ministry intends to continue to expand its diplomatic reach by engaging in non-traditional geographical regions such as Sub-Saharan Africa. It is the view of the Ministry

that forging stronger ties with such nations would increase opportunities for trade and investments.

113. Mr. Speaker, the Office of the Attorney General would be provided with \$11.8 million for its recurrent activities in 2018. There is also a provision of \$500,000 for the Electoral Reform Project. The Attorney General's Chambers plans to continue to build capacity of its staff to enable them to function more efficiently in applying the tenets of transparency, accountability and rational application of the law.

114. The Ministry of Nevis Affairs, Labour, Social Security and Ecclesiastical Affairs would be provided with \$1.8 million for Recurrent Expenditure, a significant increase of 37.6% over its 2017 allocation. A further \$5.1 million would also be provided for Capital Projects, of which \$5.0 million would be used to reduce the severe shortfall in the Fund for Severance Payments and Long Service Gratuities. The allocated resources would be applied to capacity building through recruitment and training. Particular attention would be placed on the establishment of a modernized and automated Labour Market Information System that would produce real-time labour statistics and information. The completion and passing into law of the new Labour Code for the Federation of Saint Christopher and Nevis and the establishment of an Occupational Health and Safety Policy would be given special attention in 2018.

Fiscal Measures and Other Strategic Interventions

115. Mr. Speaker, there are many things to be considered in determining the size and composition of the Estimates of a small country that is striving to do what is best for its people. It is important that this process is managed in such a way that balance is achieved between the demands for expenditure and our ability to collect revenue. My Government does not take this responsibility lightly. That is why my Cabinet relies on a technically sound Medium Term Fiscal Framework that is designed by the hard working team of professionals

at the Ministry of Finance. The current Fiscal Framework spans the period 2018 -2020 and identifies the parameters within which key policy decisions can be made. By adopting the Framework, we have been able to create a viable Budget for 2018 while at the same time ensuring the sustainability of the Government's fiscal house.

116. Mr. Speaker, in the context of the Fiscal Framework established to guide the 2018 Budget, we expect to conduct the affairs of the Government in a manner that would ensure that we record at least a balanced fiscal position by the end of the year 2018. I also bring tidings of good news in that we do not contemplate the imposition of any new taxes. The current regime is deemed sustainable once the planned reforms are implemented and we are able to increase compliance among the different taxpayer groups and put more Government services on an improved cost recovery basis while delivering enhanced quality of service to the people. Moreover, my Government is giving serious thought to St. Kitts and Nevis becoming a more competitive tax jurisdiction. In this regard, we will evaluate the possibilities for further reducing Corporate Income Tax from 33% to around 30%. We expect to be in a position to make a further statement during the course of 2018.

117. As part of our dialogue and partnership with the IMF, we have discussed a number of areas that my Government is interested in exploring and/or implementing as part of our drive to strengthen the fiscal framework and safeguard macroeconomic sustainability over the medium to long term. We have requested technical assistance from the IMF in a number of important areas including the establishment of fiscal rules, the establishment of a framework for determining public wages, a comprehensive review of the tax incentives regime and the establishment of the Growth and Resilience Fund which my Government is still very committed to implementing. We have decided to work with the IMF in these four areas because they involve very deep and complex matters that would require careful study and in-depth analysis in order to develop robust yet realistic policies. At this time, we were hoping to be much further along with these initiatives, however, some delays in procuring technical personnel to perform the assignments were experienced. We therefore expect to commence work in all four areas early in the new year.

118. Mr. Speaker, I wish to say a little more on at least two of the areas earmarked for technical assistance because we would like to encourage wider public discussion on matters of national interest. Depending on the outcomes of the studies, members of this Honourable House may also eventually get the opportunity to engage in extensive debate on the specific proposals. According to an IMF publication, a fiscal rule can be defined as a binding criterion that “imposes a long-lasting constraint on fiscal policy”. Such a rule can be enshrined in national legislation to assist with its enforcement and general effectiveness. The idea of a country adopting fiscal rules is not new. In fact, various countries around the world have been using fiscal rules as part of their toolkit to define the boundaries of fiscal policy development. A little closer home in the Caribbean, countries like Anguilla and Grenada in the ECCU and Jamaica in the wider CARICOM group have adopted fiscal rules that are enshrined in legislation. These rules are established and implemented for a variety of reasons, chief among which is to instil a high level of discipline in the fiscal management of the State. In recent times, issues related to fiscal rules have been discussed at the level of the ECCB and during our 2017 Article IV consultation with the IMF. These initial discussions have paved the way for further in-depth study and consultation, hence the proposed technical assistance being sought from the IMF. The technical assistance with respect to developing a fiscal rule and the one looking at establishing the Growth and Resilience Fund are closely interlinked, therefore we anticipate that these linkages would be explored when the actual studies are undertaken in 2018.

119. Mr. Speaker, all members of this Honourable House are aware that in Small Island Developing States like St. Kitts and Nevis, the Public Sector wage bill absorbs a large share of budgetary resources and can place significant pressure on the fiscal situation through demands for increased spending on wages. We recognise that the issues related to Public Sector employment and wage policies constitute areas of importance to all of us. These policies have implications for the efficient delivery of public services, the competitiveness of our economy and the prosperity we are seeking to build into our society. We therefore, need to establish a more transparent and predictable Public Sector wage determination system that is compatible with the Medium Term Fiscal Framework and upholds the objective of delivering public services that are efficient and sustainable. Plans are already in motion to

access technical assistance from the IMF to establish the framework for determining public wages and this would be completed in time for the Government to give due consideration in the 2019 Budget.

120. In the interim, my Government has determined that there are a number of areas where we can update a few policies to improve the level of benefits accruing to Public Servants. We have listened and heard the cries coming from the Government Auxiliary Employees (GAEs) who lost the benefit of an honorarium being paid to them at the end of each year. The practice of making this payment was discontinued with the reform of the Government's pension provisions which introduced the idea of establishing a Contributory Pension Scheme. Mr. Speaker, all that has taken place to date was the passing into law of the Pensions (Amendment) Act of 2012. The GAEs have not been able to benefit from the new Scheme but the honorarium was stopped. My Administration does not support the termination of the honorarium before the new Contributory Pension Scheme becomes operational. We believe in treating people with fairness. Therefore, in a spirit of fairness and in recognition of the services provided by the men and women who serve in various Departments of the Government service, my Government will reinstate the payment of the honorarium in 2018 provided that the Pension Scheme is not implemented. Further, during the course of 2018, efforts will be made to establish the Pension Scheme by 2019. This would enable the affected persons to start reaping the intended benefits and they would be able to enjoy the peace of mind that comes with the security of a retirement plan.

121. Mr. Speaker, any plans and discussions related to wage packages must also include issues related to productivity which is critical to our pursuit of sustainable development. This is a matter that can hamper our progress. We cannot afford to miss out on the opportunity to become a more productive people as our level of productivity would determine the output and outcomes for our Nation. Therefore, we must find ways to ensure that workers in both the Public and Private Sectors make positive shifts in attitude, adopt better standards of work ethics and make a commitment to become more productive. The harder we work the more the businesses and the Government can achieve. This will create a win, win situation for workers, for employers and the country as a whole. My Administration believes in the principle of rewarding people for excellent service. Therefore, in 2018 we will

introduce a pay for performance initiative that will be piloted in three Ministries and spearheaded by the Human Resource Management Department. We also invite institutions in the wider Public Sector and employers in the Private Sector to focus some attention on productivity and create programmes to boost productivity in your own organisations.

122. Mr. Speaker, we are concerned about the ability of many Civil Servants who have worked in the service of the Government for 10, 15, 20 years and over and are still not in a position to acquire their own homes. Several of these persons have purchased land from the Government but do not fit the criteria for assistance from the NHC and find it difficult to meet the stringent requirements of the commercial banks to contract a mortgage. In keeping with our commitment to put people first, my Government is motivated to institute the appropriate policy by taking action to increase the opportunity for Civil Servants to access mortgages at reasonable interest rates. In this regard, my Government will invest in the region of \$10 million in the Development Bank of St. Kitts and Nevis to facilitate the introduction of a special Civil Servants Home Mortgage Scheme. This will facilitate access for qualifying Civil Servants to obtain financing at reasonable rates for the construction of new homes or the upgrade of existing ones. More information will be provided at the time of the launch of this initiative.

123. Mr. Speaker, earlier I indicated that the recent hurricanes seriously impacted the Agriculture Sector. The farmers are reeling from the devastation of their crops, livestock and infrastructure. We are concerned that the damaged sustained would reverse the good trend in terms of the positive growth observed in the Sector over the first eight months of the year prior to the impact of the hurricanes. We are determined to bring relief to the farmers and increase the contribution of Agriculture to the economy reinforcing its contribution to food security and reducing the high level of food imports. Therefore, an Agriculture Support Fund is being established at the Development Bank where the Government would invest \$1.5 million to provide support to farmers. The Fund will facilitate low cost loans to farmers to assist them in replenishing stock, purchasing of inputs, replacing livestock, repairing shade houses and other infrastructure, and purchasing implements for land preparation. In 2018, this support will continue to enable farmers to return to full operation.

124. Mr. Speaker, my Administration is serious about putting people first. During our campaign to win the trust and confidence of our people, we were repulsed at the reality that despite the advances made in our country there were still so many households that were falling below the poverty line. It is equally troubling today to face the reality that many of these households constitute the phenomenon of the working poor in our Federation. We were given a mandate to do something to help to correct this situation and we are determined to fulfil this mandate. Therefore, in 2018 my Team Unity Government will introduce a liveable wage initiative which will provide support for households with a gross income of below \$3,000 per month. Prospective beneficiaries would be subject to the required registration and verification processes to ensure the integrity of the Programme. Earlier I mentioned the proposal for an extraordinary increase of 123.7% in the allocation to the Ministry of Community Development, Social Services and Gender Affairs. The increased allocation will enable the Ministry to implement this very important flagship initiative of my Team Unity Administration. Mr. Speaker, this is what we are about. We have come to this high office to ensure that people centred initiatives can become a reality so that vulnerable families living across the length and breadth of St. Kitts and Nevis can be lifted out of poverty and indigence. Our people can count on my Administration to always put them first. This is certainly a clear example of a promise made by Team Unity and a promise kept by Team Unity.

Conclusion

125. In concluding, Mr. Speaker, we are made sober by the many challenges that confront us but we are also encouraged by the opportunities that await us in the new year and beyond. The plans for 2018 and prior actions of the Government demonstrate the care and dedication we are taking to ensure that the impact on the lives of our people is the first consideration to determine policy and design of the relevant interventions. What we are certain of is the fact that we would continue to face the challenges in the new year but we must press forward with pursuing the opportunities that are already known and to create other opportunities using our own creativity, industry and innovation. We can assure this Nation that the Government is prepared to continue to update its own fiscal toolkit as indicated by the current policy

announcements and our agenda for the development of new tools to strengthen the fiscal framework.

126. In charting the way forward for building the sustainability of our Nation, there is no doubt in our minds that our people must be the primary beneficiaries of development. Building partnerships with a wider cross section of our population and with the wider international community will become even more important for building resilience and attaining sustainable development. We are not satisfied with the status quo therefore efforts will be made to consult more with people regardless of their view points, age group, gender, religious or political persuasion. This approach will enable us to tap into the creativity of our people and assist with designing policies for the future sustainability of our country. Similarly, efforts will be made to extend our international reach by forging partnerships beyond our borders. In this regard, the Government, led by the Ministry of Foreign Affairs, has embarked on a strategic plan to expand the diplomatic footprint of our country beyond the traditional friendly states. My Government is also keen to more fully embrace the St. Kitts and Nevis diaspora including our economic citizens. We are convinced that our diaspora can serve as a rich source of talent, financial and other resources necessary to help this country grow and develop into a model sustainable twin island state. Therefore, plans are in motion to expand our outreach with the convening of a diaspora conference in 2018.

127. Furthermore, the existing forms of partnership between the Public Sector and the Private Sector need to begin to transcend the traditional norms of simply talking to each other at intervals and move towards more strategic engagement. I am encouraged by the most recent dialogue with Private Sector and Civil Society representatives because we struck an important cord of understanding that we must improve the dialogue and increase the opportunities for us to work together. We intend to formalize a number of areas in which we can cooperate with our Chamber of Industry and Commerce partners for the mutual benefit of our country.

128. In the final analysis, we are confident that the prospects for growth in 2018 are promising with the expectation that investments in private development projects would exceed the levels realised in 2017. A number of large scale projects have already obtained the

necessary approvals to commence construction and some others are at various stages of review by the relevant Government agencies. The continued investor confidence in St. Kitts and Nevis and this Team Unity Government should not go unnoticed by our people. Judging from the achievements in 2017, even in the face of the impact of hurricanes and the plans outlined for 2018, it is clear that we are a country that is moving forward. Given the dynamic nature of the policy and legislative agenda for 2018, we envisage that there will be ample opportunities for citizen engagement to fully ventilate and discuss with relevant stakeholders over the course of the coming months.

129. It has been an honour for me to continue to serve our people from this side of the House. By our many accomplishments to date, which include ending the shift system at our High Schools in Basseterre, expanding haemodialysis, enhanced response to cancer via the establishment of the Oncology Unit, improved capacity to care for the mentally ill and elderly, the wide array of housing solutions, our support to our farmers and fishers, support to former SSMC workers and renovation of our recreational grounds, we have secured a better quality of life for our people. I say to God be the Glory.

130. Mr. Speaker, I so move. Thank you.