

ST. CHRISTOPHER AND NEVIS

2016

BUDGET ADDRESS

1. Mr. Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation Act (2016), 2015.

INTRODUCTION

2. Mr. Speaker, on the 16th day of February, 2015 the people of St. Kitts and Nevis made it clear that they were eager to embrace change in the interest of moving this country forward and upward under the leadership of a Team Unity Government. Although I had the privilege to present the budget in 2009, I must admit that on this occasion I am deeply humbled that I can now rise in this Honourable House as Prime Minister and Minister of Finance to present a budget specifically designed to usher in a new era of positive change and transformation in the lives of our people. For this I say thanks and to God be the glory. This is indeed an awesome responsibility. Coming from the back lands of the country village of Tabernacle, my upbringing has predisposed me to ensure that the decisions of the Government are targeted at empowering the vast majority of our people who have been previously left out. As I canvassed the country, there were far too many people who were of the view that they were living a life of hardship; too many persons were crying out for help. The Team Unity Government takes very seriously its mandate to bring those people into the mainstream of the economic life of the country as productive actors.

3. The policies of my new Government will instil in our people, particularly those who are marginalised, a new sense of hope and confidence that they too can move from very humble circumstances to achieve great things. They too can rise from a life of poverty to one where they are the creators of and partners in enterprises. There are sufficient examples of persons who have accomplished this through industry and hard work. I speak about the man who from even further back in the country started out as a small mechanic and rose to become a leading entrepreneur in this our beloved Federation; the woman who left St. Kitts as a young lady trained as a nurse in the UK and now owns and operates a world class facility providing health care services for the elderly and employment for others; and the list goes on. These people have demonstrated that

the possibilities are endless and I encourage all of our people to emulate such good examples in our society, to take inspiration from these successes and create their own space, their own opportunities. We hope that this first budget of the Team Unity Government would help to enable and empower many of our Nationals to improve their lot and elevate themselves to a higher position to contribute to building this great Nation of St. Kitts and Nevis.

4. Mr. Speaker, it was the support of the ordinary citizens and the citizenry in general that propelled Team Unity to a well-deserved victory at the polls. We can confidently affirm the pledge of the new Cabinet of Ministers that Team Unity will put the needs of the people of this Nation first, above all other competing interests. From the date we took office we have been working assiduously. It is a pleasure to report that we have covered much ground and are now in a position to lay the foundation in this 2016 Budget to deliver on some of the remaining elements of the Team Unity's commitments to the people of this great Nation. The firm resolve of the Team Unity Administration has already been tangibly demonstrated when we moved quickly and decisively to remove VAT from all food, medicine and funeral expenses. We recognised that this action was implemented with downside risks for Government's revenue, but considering that the alternative was to continue to inflict a heavy tax burden on the poor ordinary man, the working class family, the female head of households, the vulnerable and indigent, we chose to give the masses of the people a fresh start towards improving their lot. This decision was based on the determination that the lives of our people can be changed and must be changed for the better. In the end, there was only one right decision and that is why within two months of taking office, we took the bold decision to remove VAT from all food items intended for human consumption. We brought relief to the poor who struggled to bury their loved ones, burdened with an additional 17% VAT. We are offering better policies to improve and change the lives of our people for the better.

5. A top priority for my Administration is to ensure that this VAT reduction initiative of the Government is not squandered and that the people are the true beneficiaries of the tax relief measures. Some callers to radio programmes have claimed that some businesses are attempting to profit from the VAT initiative at the expense of consumers. I want to encourage all those who are tempted to try to cheat consumers, to resist the temptation and give our people a chance to realize the benefits of a reduced tax burden. During the coming months, the Government, working

through the Department of Consumer Affairs, will develop and implement a strategy to address the issue of price gouging by businesses, to enhance consumer protection and ensure that persons receive their fair share in the market place. In 2016, the appropriate Ministry and the Office of the Attorney General will review existing policies and legislation and make proposals for the strengthening of the Consumer Affairs Act (2003) and supporting regulations.

6. Mr. Speaker, as a new Government it was important for us to immediately make good on our commitment to pay a gratuity to former sugar workers. We were compelled to find a workable solution in favour of the many former sugar workers who were aggrieved over the arrangements made for compensation in 2005 when the sugar industry was precipitously closed. In this regard, the Sugar Workers Restoration Fund (SWRF) was established with a grant from the Government of the Bolivarian Republic of Venezuela in the amount of EC\$16 million. The Fund was ably managed by the Sugar Workers Restoration Fund Committee, a special Committee commissioned by the Government. This Committee comprised of seventeen members drawn from the Public and Private Sectors and Civil Society. The beneficiaries of this initiative have laboured long and hard in the single most important industry which was responsible for building the foundation of the now thriving modern country, St. Kitts and Nevis.

7. It is expected that 2,311 applicants will benefit from this initiative. This more than doubles the 968 persons who benefitted from the compensation package offered in 2005 and therefore provides a fair share for those who were previously left out. As at 3rd December 2015, the Sugar Workers Restoration Fund Secretariat settled a total of 1,813 claims and disbursed approximately \$12 million to qualifying applicants. There are still a number of claims remaining to be settled and these consist primarily of applications on behalf of deceased persons. In the interest of transparency and fairness, the Secretariat is supported by four legal professionals who are ensuring that persons claiming on behalf of the deceased are legally entitled to do so. Further, the recent amendment to the Administration of Small Estates Act would also greatly assist with expediting the processing of claims related to the estate of the deceased. Therefore, payment of the outstanding amounts will be done expeditiously after the required documentation is received verifying the legitimacy of the persons claiming benefits under the programme. The Team Unity Government has delivered on its promise to the people and it makes no apologies to those who oppose this action. We are proud of this initiative and the efficiency of our delivery. I take this

opportunity to thank all those who worked with my Government to make this commitment a reality. In particular, our Cabinet records our enduring gratitude to President Nicolas Maduro, the Government and the People of the Bolivarian Republic of Venezuela, Maria Colmenares of PDVSA St. Kitts and Nevis, the SWRF Committee and Secretariat and the Accountant General's Department of the Ministry of Finance.

8. Mr. Speaker, we are proud of the legacy that is being created with the new sense of unity between the Federal Government and the Nevis Island Administration (NIA). Advancing the development of both islands makes good sense and would redound to the benefit of the people of our twin island Federation. The Federal Government will therefore continue to work closely with the NIA in a spirit of mutual respect and cooperation. In keeping with the new spirit of responsible cooperation, neither entity should become a financial burden on the other. It is important for the Nation to understand that under past Concerned Citizens Movement (CCM) led Administration, Nevis had a proud history of responsible fiscal management and demonstrated the capacity for self-sufficiency in financing the operations of its local Government. Since coming into office, very tangible assistance in the amount of \$20 million has been provided to the NIA in support of its budgetary operations for 2015. It is therefore anticipated that the Federal Government will continue to work with the NIA to strengthen the foundation for self-financing. To this end, we will continue to share expertise across both islands and ensure that we adopt a harmonised approach to the development of fiscal policies and the administration of the tax regime, revenue collection and expenditure control.

9. Mr. Speaker, the choice of the theme for this 2016 Budget was inspired by the strong belief of Team Unity that our Nation must begin to chart a new course of direction in order to achieve sustainable development, people-centred growth and prosperity for all. Simply put, we need a fresh start that brings a new focus on people. Consequently, we must change our approach and the existing mind-set that attaining high rate of growth in Gross Domestic Product (GDP) is sufficient. People must be placed squarely at the centre of our efforts to grow and develop this blessed land that is the dearest and the best. This is why, Mr. Speaker, we maintain that there is need for a Fresh Start. In order to change the lives of our people for the better, we need fresh approaches to the challenges that continue to confront us, a fresh start towards sustainable development, growth and prosperity.

10. The Team Unity Government is humbled by the fact that we have been chosen to lead the way over the next five years, to move this Nation to new heights of human development, and to create new opportunities for a better standard of living for all citizens of the Federation. Our Prosperity Agenda has been developed on the premise that our people should be able to derive maximum benefit from the implementation of public policy, public sector investments, and their individual efforts. Our message to the people is that we have come to Government at this time to work on your behalf to make things better. We are encouraged that our people understand that the damage done over 20 years of maladministration cannot be undone in 20 months. We are also encouraged that a recent poll by Don Anderson revealed a 68% favourable rating of this Government's exceptional performance. We pledge to our people that we shall continue "Working for You".

11. Mr. Speaker, we operate in an economic system that is influenced by developments around the world. Therefore, recognizing that reality, I will now present a snapshot of the recent economic developments on the international and regional scenes which could affect our own development thrust.

INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

12. Mr. Speaker, we have observed for some time the impacts that war, civil unrest, volatility of money markets and depreciating commodity prices have had on the larger members of the global community. We have also seen the negative implications of these events on Emerging and Developing countries across the world. The International Monetary Fund (IMF), in its October 2015 edition of the World Economic Outlook (WEO), reported that the prospects across countries and regions remain uneven with respect to economic performance. Relative to the performance in 2014, growth in advanced economies is expected to increase slightly while declining in emerging and developing economies. In light of these performances, global output for 2015 is projected at 3.1%, a decline of 0.3 percentage points when compared to 2014. The emerging and developing economies are projected to expand by 4.0% in 2015, 0.6 percentage points lower than 2014. The advanced economies continue to record slow but steady growth with economic output projected to expand by 2.0% in 2015 after recording a growth rate of 1.8% in 2014.

13. Economic activity in the United States economy is projected to expand by 2.6% in 2015, a slight improvement when compared to 2.4% in 2014. The recovery has been supported by lower energy prices, supportive monetary conditions and improvements in the labour market. This was evidenced by increased job numbers and a declining unemployment rate which was reported at 5.0% in October 2015. Economic activity in the United Kingdom is projected to expand by 2.5%, a falloff of 0.5 percentage points. Notwithstanding a slight dip in output, the positive performance was supported by capital gains from low oil prices and continued recovery in wages. The Euro Zone is also expected to experience an increase in growth in the region of 1.5% in 2015 compared to 0.9% in 2014. Even though this appears to be a small gain in terms of growth, it is a welcome outturn in light of the negative developments in some parts of the Euro Zone. Further, the Greek financial situation and the recent influx of refugees and economic migrants present new challenges for a number of Euro Zone countries. Like many other nations around the world, we look on from a distance and entertain hope for rapid resolutions to these problems because, if left

unchecked, they could trigger a trickledown effect and quite possibly affect economic performance here in the Caribbean.

14. Closer to home, the wider Caribbean Community continues to struggle with the difficulties in achieving a strong recovery as individual countries try to implement policy changes intended to address a variety of challenges brought about by internal and external factors. The economy of Trinidad and Tobago expanded by 0.9% in 2014, a slowdown when compared to 2.1% recorded in 2013. Economic output in Jamaica expanded by 0.4%, a very small increase when compared to growth of 0.2% in 2013. The Barbados economy recorded weak but positive growth as real output remained flat in 2014 when compared to a contraction of 0.2% in 2013.

15. The economies of the Eastern Caribbean Currency Union (ECCU) recorded an expansion in economic output of 2.9% in 2014 when compared to 1.7% in 2013. This performance can be attributed primarily to improved output in the Tourism, Wholesale and Retail Trade, Transport, Storage and Communication, and Agriculture Sectors. Value added in the Tourism Sector expanded by 5.3% in 2014 when compared to economic output of 2.6% during 2013. The Wholesale and Retail Sector rebounded when both periods were compared recording a growth rate of 3.9% after having contracted by 1.0% in 2013. Economic activity in the Transport, Storage and Communications Sector increased by 4.2% in 2014 when compared to 3.1% in the comparative period. The Agriculture Sector continued to show a strong performance recording an expansion of 7.2% in 2014 when compared to 5.3% in 2013. Preliminary data for the period January to June 2015 indicated that economic output within the ECCU expanded by 2.0%.

16. Mr. Speaker, we will continue to keep abreast of the developments in the regional and international communities and hope for better results in 2016. Permit me now to give due attention to the Domestic Economy.

THE DOMESTIC ECONOMY

Output and Prices

17. Mr. Speaker, notwithstanding the mixed performance of the global economy, we are pleased with the good news that St. Kitts and Nevis is on a positive growth path with strong performances in a number of key sectors. In 2014, the Gross Domestic Product (GDP) of St. Kitts and Nevis grew by 6.1%. More importantly, over the period January to June 2015 GDP expanded by 7.1%. The increase was attributed to the buoyancy of the Construction Sector, fuelled by the Citizenship by Investment (CBI) Programme, as well as the recovery of the Tourism Sector. As at the end of June 2015, growth in the Construction Sector was estimated at 12.3%. The performance of the sector was attributed to the ongoing construction work on two major private sector hotel and condominium developments coupled with public sector related projects such as the Upgrade of the Dr. Kennedy Simmonds Highway and the construction of roads in new residential areas. There was also a continued drive in residential construction.

18. Economic activity in the Tourism Sector was estimated to have increased by 8.4% in the first six months of 2015. This development reflected a significant increase of 11.5% in the number of stay-over visitor arrivals in the first quarter of 2015 as a result of Nationals returning to the Federation to exercise their franchise during that period. Visitor arrivals also increased by 4.4% in the second quarter relative to the comparable period in 2014. Stay-over visitor arrivals from all of the major source markets recorded increases, primarily Canada (8.1%), the United States of America (6.5%) and the United Kingdom (6.2%). The number of cruise passengers increased considerably by 82.9% to 506,768 passengers consistent with a 25.2% increase in the number of cruise ship calls.

19. Additionally, growth in the Transport, Storage and Communications Sector was estimated to have increased by 16.7%, mainly as a result of the positive impacts from the increase in tourism and construction activities. Improvements were also recorded in value added from a number of other sectors including Wholesale and Retail Trade (10.9%), Financial Intermediation (4.8%) and Real Estate, Renting and Business activities (3.5%). Developments in the real sector were partially moderated by a decline of 1.7% in the Manufacturing Sector. Beverage production

declined by 15.0% in the first half of the year as the short term contract to export alcoholic beverages expired. We are heartened that during this quarter the Carib Brewery has regained a contract to supply the foreign market. This has resulted in increased employment at that plant. Exports of electronic components increased slightly by 0.2% relative to the comparable period of 2014. In connection with this, it is worthy to note that the foreign trade statistics from the United States Census Bureau indicates that St. Kitts and Nevis remains the leading exporter of goods to the United States from the Organization of Eastern Caribbean States (OECS) recording a total value of US\$33.3 million as at June 2015. During the first six (6) months of 2015 the Agriculture Sector recorded a 27.9% decline in crop production as a result of the prolonged period of drought that has continued to impact our Federation. This outward manifestation of the effects of climate change provides a clear indication of the vulnerability of the sector and the need for a change in the development strategy. My Government will provide a number of special incentives to the Agriculture Sector. These will be announced after our consultations with the stakeholders is complete.

20. The outlook is for the economy to continue to achieve positive growth with a projected growth rate of 6.7% for 2015. According to a recent IMF publication in October 2015 entitled “Jobs, Wages and Latin American Slowdown”, this outturn can possibly be recorded as the highest in the Caribbean and second in the Latin American region only to Panama. The prospects for further expansion of the national economy are contingent on accelerated growth in advanced economies, especially the Federation’s major trading partners and progress of the existing CBI related real estate projects.

21. Our surveillance of movements in prices in the Federation has revealed that we experienced deflation of 2% over the first six (6) months of 2015. This is the remarkable effect of our VAT initiative mentioned earlier. Most notable is the 9.5% decline in prices under the Food and Non-Alcoholic Beverages category of the index during the first half of the year. This means that the Team Unity Government has increased the purchasing power of our citizens, increased the capacity for the most vulnerable persons to meet their basic food requirements and reduced the operating costs of businesses that operate in the food and beverage industry. We are walking the walk – we are putting our people first.

The External Account

22. Mr. Speaker, preliminary estimates for 2015 indicate that the transaction balance in the Capital and Financial Account was equal when compared to that on the Current Account. Therefore, there was no surplus or deficit on the Balance of Payments Account. This outturn can be attributed to the inflows of Foreign Direct Investment (FDI) for equity development and land sales under the Citizenship by Investment (CBI) Programme. The Goods and Services Account recorded a narrowing of the net import position by 2.7% to \$221.4 million or 9.7% of GDP as a result of an expansion in the merchandise trade deficit of 8.1% to \$632.6 million or 27.8% of GDP. The surplus on the Services Account is expected to increase by 14.9% to \$408.3 million or 17.9% of GDP in 2015. This outturn can be attributed to an expansion in travel receipts directly associated with the increase of stay-over arrivals to the Federation. The domestic economy continues to perform in a manner which makes it possible to cover external purchases. This demonstrates additional evidence of the economic viability with the ability to provide resources to cover about 7 months of imports of goods and services. This Team Unity Government will not be complacent but will continue to maintain this position to ensure an accumulation of a surplus on a routine basis.

Performance Review 2014 Fiscal Operations

23. Mr. Speaker, for the 2014 fiscal year, the Government's Recurrent Revenue was \$767.9 million. Of this amount, \$383.7 million (50.0%) was derived from taxes while \$384.2 million was generated from non-tax revenue. Most of the non-tax revenue was derived from fees from the Citizenship by Investment (CBI) Programme which heavily influenced the fiscal performance for 2014. Revenue from Taxes on International Trade and Transactions, however, fell below the budgeted amount by 3.1%.

24. Recurrent Expenditure for 2014 amounted to \$482.6 million, 7.9% over the approved budget and 8.0% more than expenditure in 2013. The overages were reflected in Personal Emoluments, Wages and Allowances which surpassed the budget and expenditure in 2013 by 6.0% and 9.4% respectively mainly on account of the bonus salary that was paid in December

2014 and Transfers which were over the estimated amount and the previous year's expenditure by 7.3% and 57.1% respectively. The amount that was spent on Goods and Services also exceeded the estimates by 17.4%. This included \$82.3 million in over expenditure in 2014 that we had to bring to account by Appropriation Warrants in 2015.

25. Mr. Speaker, with respect to Grants, an amount of \$67.6 million was received in 2014 which was 22.7% below the estimate and 51.4% less than the amount received in 2013. Budgetary Grants were derived mainly from the European Union and represented 47.8% of the total Grants received. Capital Grants, on the other hand, accounted for 52.2% of Total Grants. The main source of funding for the Capital Grants was the Sugar Industry Diversification Foundation (SIDF) which provided support for several capital projects such as the Dr. Kennedy Simmonds Highway and other road improvements.

26. The combined effect of the Government's Recurrent and Capital activities resulted in an Overall Surplus of \$235.2 million and a Primary Surplus of \$280.8 million. The Overall Surplus in 2014 was 6.9% below the Surplus that was achieved in 2013. Similarly, the Primary Surplus in 2014 was lower than the 2013 Primary Surplus by 11.4%.

CONFRONTING THE CHALLENGES - MAXIMISING THE OPPORTUNITIES

Stimulating Economic Growth

27. Mr. Speaker, there are numerous threats to the survival and economic progress of our small Nation operating in a global environment that is constantly changing. Admittedly, our challenges include small size, openness of our economy, low productivity and low job creation. In addition to these are the ever pressing need for structural adjustment emanating from external shocks, vulnerability to natural disasters and climate change. The forecast for low growth and continued volatility within the economies of our main trading partners over the medium term makes it imperative that we keep our fiscal house in order. We are also fortunate to be in a position where we have built a fairly good understanding of the vulnerabilities of our Federation and have garnered a strong foundation to support our progress to the next stage of our development. We therefore can continue to develop and implement the right mix of policies, programmes and projects to mitigate any foreseeable negative effects of the forces that may come against us. Our unwavering point of view is that our strategy for stimulating growth must be guided by the objective of making positive changes in the lives of the citizens and residents of the Federation. This will be our focus as we make a fresh start to plan and devise strategies that will achieve our goal of stimulating a sustainable people centered growth and prosperity for all citizens and residents.

28. Over the last several years, the Citizenship by Investment Programme has been an important pillar supporting growth and development in the Federation. We are all aware that even though the CBI Programme is a major contributor to the national economy, it was allowed to fall into disrepute and earned itself and the Federation much negative publicity. The angst of the US Treasury Department was felt in the FinCEN Advisory of May 2014 in which the most powerful nation on the earth, USA, warned the world that the former administration had allowed illicit actors into the Programme. Further, we were told that the Government of the USA no longer trusted the former administration. Those familiar with diplomacy know that such outright condemnation, public and strong as it was, only come after quiet diplomacy has failed. We saw, too, the quick and firm rebuttal from Mark Bysfield, US Consul General in a press release issued

on 16th July 2014 to the then Press Secretary's false statement that the US Government had approved the removal of the country of birth field from our passports. The existence of the FinCEN Advisory represents a dark and bothersome stain on our country and our financial space and has elevated our risk profile. Our Government pledges to do all in its power to correct this serious problem which we inherited. We wish we could have solved it overnight but it will take dedicated and concerted action. We are pleased to announce that the Cabinet has approved the retention of the professional service of Lanny J Davis and Associates to assist us in more effective engagement with the US Government. More information will be provided on this in the new year. Suffice it to report that this engagement of Mr. Davis comes at no cost to our Government.

29. We promise to leave no stone unturned to undo the reputational damage to our country by the callous actions of our predecessors. We are off to a fresh start. A promise made; a promise kept. Our CBI Programme lost much but our people lost even more when the Government of Canada withdrew our visa free access to that country in November 2014, again over identity management issues. Another friendly government publicly told the world it could not endure a relationship that had become risky to its national security interests. This is the story of dry bones which we inherited. Every thinking citizen knew by November 2014 that it was only a matter of time before the CBI would have breathed its last breath under the former regime. But to God be the glory; on 16th February 2015 the people voted to redeem our country and with it, the CBI Programme.

30. The reform work we have completed to date and improvements to the operations at the Citizenship by Investment Unit (CIU) holds much promise to give our CBI Programme a Fresh Start. To date, my new Government has worked assiduously to restore the integrity and reputation of the Programme by rebuilding the relationship and confidence of all at home and abroad. We are a Government that listens to our industry partners and have progressed from simply talking about reforms to the implementation of concrete initiatives. Staffing at the Unit has been upgraded to include qualified and well trained personnel with years of experience in Immigration, Financial Services operations and Anti-Money Laundering principles and procedures. I am also happy to report that we have expanded access to the CIU, through the introduction of a new Case Management System, which gives 24/7 access to Service Providers.

This new system was unveiled in October 2015 after months of careful planning. It is expected that the system would, in future, add much value to the functioning of the Unit by expediting the processing of applications and improving the responsiveness to applicants. Local Service Providers who once were so negative about the CIU are now singing its praises for the quality of work and efficiency in its delivery.

31. The implementation of the recommendations of the well-respected firm, IPSA, has also given much comfort to our international partners and dispelled some of the serious concerns about the operation of the St. Kitts and Nevis CBI Programme. These actions would help to enhance our due diligence process, greatly improve risk management and thereby boost our continuing efforts at recalibrating and repositioning the Programme in the global market. We are closely monitoring global events and occurrences and we would be nimble in our response to protect our Programme and Federation from the fall outs occasioned by such events.

32. Over the past year, the Programme continued to show great resilience in responding to the tough times. During the course of 2016, we will continue to be vigilant in ensuring that the programme can take advantage of its inherent strengths so that it can continue to yield benefits to the country well into the future. My Government also intends to continue its advocacy for a more collaborative regional approach to development and management of CBI Programmes in the region. We believe that there is more to be gained from regional countries working together rather than blindly competing against each other and running the very high risk of winning the race to the bottom. Our patrimony is worth more than to be traded in a market for lemons or like black pudding on a weekend day.

33. Mr. Speaker, in reviewing the CBI Programme we are left with the conviction that we must do a better job of ensuring that the continued operation of this Programme delivers full benefits to our people. The Team Unity Fresh Start and Prosperity Agenda emphasizes growth that is job rich and ensures that our people are given first preference for filling the jobs that are created as a result of the CBI Programme and other investment programmes that are supported by the healthy concessions regime offered by the Government. We want only the best for St. Kitts and Nevis. A discerning investor with an enduring interest in working with us to make our St. Kitts and Nevis the best.

34. Mr Speaker, one of the Team Unity Government's manifesto promises was the replacement of the Sugar Industry Diversification Foundation (SIDF) by a new entity that complies with the provisions of Section 69 of our Constitution. Such compliance is inclusive of full transparency, with its revenue being deposited into the Consolidated Fund. Early in 2016, our Team Unity Government intends to fully transform the SIDF in keeping with our unequivocal manifesto commitment to bring accountability, bold public scrutiny, and financially prudent investment of the SIDF's resources in the interests of national development and sustainable human development endeavours. These initiatives will auger well for the good governance agenda that is a hallmark of our Administration's approach to national transformation and public sector management.

35. We concur with the Chamber of Industry and Commerce that it is time to diversify away from CBI. We cannot place our focus for the growth and development of our country on a single industry over which we have restricted control. We cannot return to the sugar plantation model of over dependence on a monocrop. We make it clear, we will actively participate in the CBI Programme for the foreseeable future. We will continue to strengthen it and nurture it. While we appreciate the large investments in the accommodation segment of the Tourism Sector, we would also place emphasis on other areas of development that can contribute to the diversification of the economy. In particular, renewable energy, agriculture and manufacturing would be critical for driving Private Sector led growth over the medium term. Equally, we need to promote our arts, culture and history and thereby promote greater opportunities and resources for our talented youths to make a success of their lives. We will therefore emphasise awareness of these types of investments to encourage local and foreign investment in these and other areas.

Building Competitiveness

Energy and Water

36. Mr. Speaker, at a time when the effects of climate change continue to have serious impacts on Small Island Developing States (SIDS) it is important for us to be more proactive in the development of the Energy and Water Sectors. More specifically, we must accelerate the

pace of integrating renewable energy sources and securing sustainable supplies of water within our Federation.

37. My Team Unity Government has evaluated the progress made in regard to renewable energy. We are still some distance away from creating the energy self-sufficiency needed to make a notable reduction in our dependence on fossil fuel consumption and the high cost of electricity. Therefore, after careful consideration, we have decided to expand the exploration of geothermal energy to include the island of St. Kitts. This approach is not designed to slow or compete with developments on the island of Nevis but rather to complement and, quite possibly, expand the overall renewable energy resources of the Federation. It is in this context that the Federal Government signed a Memorandum of Understanding (MOU) with Teranov, a Guadeloupe based engineering group. Teranov has a sterling reputation which builds confidence that we can achieve success in establishing a public-private partnership in renewable energy development with the ultimate goal of establishing a geothermal power plant in St. Kitts. The current plans anticipate that the work will be done using a phased approach and the process will take about five years to complete. Exploration activities would take place in the Sandy Point area as part of the first phase. Based on the success of Phase One, the process will progress to the next phase in 2017 with the launch of a commercial size demonstration well, followed by the final geothermal assessment, the construction of a power plant in 2018 and the operationalization and commissioning of the plant by 2020.

38. In order to step up the pace of diversifying the renewable energy sector, my Government has taken the decision to move ahead with development of wind energy exploration on St. Kitts. A review of the proposal presented by North Star (St. Kitts) Ltd. has been undertaken and significant changes have been made to ensure that there is room for competition in the market. These changes were necessary as we are a Government that believes that there should be a level playing field allowing for a fair share to all desiring to participate in the wind energy business. I am pleased to report that the negotiations are in the final stages and it is anticipated that during the coming year work will commence on this important initiative to advance the sector.

39. Mr. Speaker, water is a vital element to the sustenance of life. Although roughly 71% of the earth's surface is covered with water, unfortunately approximately 96% of that coverage

consists of oceans and seas making it unavailable for immediate consumption. This year the challenge of access to clean potable water became more apparent to residents in the Federation, particularly those living on St. Kitts. We have been experiencing the effects of a prolonged drought that has resulted in a rainfall deficit of 50% and significant depletion of our freshwater reserves. The initial response of the Water Department was to initiate a water rationing programme and outreach to consumers to encourage water conservation at the household level.

40. My Team Unity Government has no intention of allowing this issue to continue unaddressed as it has serious implications for health and hygiene, productivity and sustainable growth and development. In this regard, the Ministry of Public Infrastructure has examined the situation and has determined that, in conjunction with the rationing and conservation approaches, a number of additional measures and critical investments would be necessary in order to protect this precious resource. The short, medium and long term plans would be further developed in 2016 to provide welcome relief from the water shortage situation and to ensure continued reliable access to households and businesses. Going forward, the strategy will include (i) the ongoing well drilling programme; (ii) consideration for the repositioning of a number of existing wells closer to the source of the supply of water for the Basseterre Valley Aquifer; (iii) stricter enforcement of the protection of aquifer and watershed resources; and (iv) construction of new reservoirs in water stressed areas and new communities. We would also explore the possibilities of introducing desalinization in the public water supply and encourage major developers to include water supply as an important aspect of their design of new development projects. Only on Friday, the Honourable Minister with responsibility for utilities, the Honourable Premier of Nevis and the Honourable Foreign Minister expounded and elucidated on our alternative energy programmes for St. Kitts and Nevis; therefore, I will not get into a more detailed exposition.

Doing Business

41. Mr. Speaker, the Ministry of International Trade, Industry and Commerce plays a vital role in terms of providing oversight for the trade and business environment in the Federation. We are keenly aware of the challenges faced by small economies such as ours as we strive to be taken seriously in an evolving global business environment. In this regard, this Team Unity

Government has taken steps to strengthen its operations through changes in organizational structures and improved human resource capacity. These changes were found to be necessary as we take steps to advance the coordination and implementation of several trade agreements including (i) the World Trade Organization (WTO) Trade Facilitation Agreement which we hope to ratify in January 2016; (ii) the obligations under the CARIFORUM-EU Economic Partnership Agreement (EPA); (iii) the Free Circulation of Goods within the Organization of Eastern Caribbean States (OECS) Economic Union; and (iv) the Brazil-Guyana-St. Kitts and Nevis Partial Scope Agreement (PSA). As the number of trade agreements continue to expand, it is important that the Ministry is placed in a position to ensure that maximum benefits can accrue to our manufacturers, businesses and consumers. The end result should be increased positive economic growth, a steady rise in the creation of jobs and greater earning power of workers.

42. As we pursue these opportunities, we must also address what may hinder us in 2016. The World Bank Doing Business Report ranked St. Kitts and Nevis one hundred and twenty-four (124) out of one hundred and eighty-nine (189) economies assessed. This is clearly unacceptable to my Team Unity Government. It is time for decisive action and therefore this Government, through the Ministry of International Trade, Industry and Commerce, will coordinate the implementation of the recommendations outlined in the “Strategic Plan to Improve St. Kitts and Nevis Doing Business Ranking”. The Strategic Plan includes a framework and action plan for improving our performance in areas that remain a challenge namely; Registering Property, Getting Credit, Enforcing Contracts and Resolving Solvency. I call on our partners in socioeconomic development, particularly the Chamber of Industry and Commerce, to work with us to bring well needed positive changes to our doing business environment.

43. In our attempts to address the issues related to property registration, steps will be taken in 2016 to modernize the Land Registry. It is proposed that this Budget would provide the necessary resources to facilitate the establishment of a dedicated Land Registry that would greatly improve the efficiency of processing property registration documents and other land related matters. We are actively involved in the Eastern Caribbean Currency Union (ECCU) efforts to develop a harmonized approach to addressing the issues of access to credit, contract enforcement and foreclosure. Additional support will be sought from regional and international agencies to

enable our country to meet its obligations and derive maximum benefits from the various agreements and so improve the ease of doing business in the Federation.

Micro, Small and Medium Sized Enterprise Development

44. Mr. Speaker, Team Unity is committed to supporting the Private Sector as the engine of growth in the St. Kitts and Nevis economy. According to statistics from the Social Security Board (SSB), the number of registered businesses is on the rise. During the first six months of 2015, a total of 304 new businesses were registered with the majority comprising of small entrepreneurs. Undoubtedly, the promotion of micro, small and medium sized businesses would remain an important element for the development of our economy and our society. Collectively, these types of businesses are known to be very powerful players in the creation of employment and steady income generation for both the business owners and employees. Over the medium-term, my Government therefore will focus its attention on facilitating entrepreneurship and development of small businesses. In particular, emphasis will be placed on areas such as manufacturing and services.

45. The work in building entrepreneurship and small business development has already started as the Team Unity Government, under the umbrella of the Development Bank of St. Kitts and Nevis, recently launched the Fresh Start Project for Small and Medium-Sized Enterprises (SMEs)-From Poverty To Entrepreneurship. This was made possible through assistance provided by the Government of the Bolivarian Republic of Venezuela's joint venture company through its Petr6leos de Venezuela S.A. (PDVSA) St. Kitts-Nevis Limited in the form of a US\$5 million loan. These funds have already provided just under 200 persons a fresh start at developing enterprise and entrepreneurship. We are building a new entrepreneurial class through the disbursement of concessionary loans to operators of micro, small and medium sized businesses operating in the Federation. The initiative has already benefited young and industrious persons from both St. Kitts and Nevis who have started businesses in a range of areas including tourism, law, public transportation, fisheries, agriculture, retail and wholesale. This initiative of the Team Unity Government is positively impacting persons who may otherwise be marginalized in terms of their ability to secure the necessary capital from the commercial banking system. We are

negotiating a further support from the Government of Venezuela to meet the overwhelming response of our young people to our Fresh Start Programme.

46. In March 2015, the Ministry of International Trade, Industry and Commerce recruited a consultant to advance the formulation of the regulations to facilitate the seamless implementation of the Small Business Development Act (2009) which is intended to support small businesses and entrepreneurial development. This was made a priority in our Prosperity Agenda as we strongly believe that the full activation of the provisions of the Act would make available numerous opportunities and protections for the benefit of existing and new entrepreneurs. I am pleased to report to this Honourable House that the draft regulations have been completed and just a few weeks ago were submitted for review by the Ministry of International Trade, Industry and Commerce and the Attorney General's Chambers. This document will be submitted to the Cabinet shortly and upon approval the provisions would be subsequently brought into effect in 2016. In the interim, over the last nine months, my Government has re-affirmed its commitment to our micro, small and medium-sized enterprises (MSMEs) with the approval of fiscal incentives to many qualified businesses. The duty-free concessions were to beneficiary enterprises which have demonstrated strong potential for expansion and employment generation.

Public Sector Efficiency

47. Mr. Speaker, Woodrow Wilson in his article entitled 'The Study of Administration' stated that, "...the object of administrative study to discover, first, what government can properly and successfully do....secondly, how it can do these proper things with the utmost possible efficiency and at the least possible cost either of money or of energy." This captures the objective of the partnership of the Government of St. Kitts and Nevis with the World Bank in the Enhanced Public Sector Governance and Efficiency Project. The project is intended to increase the quality of expenditures and public efficiency, and promote a fiscally sustainable and more equitable system of pay and employment which would generate the right incentives to improve Public Sector performance. The Team Unity Government is pleased to report that the modernization of the Public Service will be guided by the documents produced from this important initiative which include the findings of the functional reviews of three (3) Line Ministries namely; the Ministry of

Health, the Ministry of Public Infrastructure, Posts, Urban Development and Transport, and the Ministry of Education as well as the Human Resource Management Department (HRMD). The related document has highlighted the strengths as well as areas that require improvement to enhance efficacy in service delivery. It will serve to inform similar assessments and reform actions in other Ministries, Departments and Public Agencies over the medium to long term.

48. Complementary work was undertaken to facilitate the formulation of a new Policy Framework for Public Sector Modernization and Human Resource Management and Action Plan. Work was also done with respect to the conduct of a Payroll Audit, the formulation of a related Action Plan which outlines activities to further improve the payroll system, the development of a Payroll Tool and Remuneration Strategy and Action Plan. In order to provide practical experience in the execution of important skills and competencies that would facilitate effective management, fifteen (15) public officers from the Line Ministries and Departments in which the functional reviews were conducted received training in the development of job descriptions. In addition, a total of eighteen (18) public officers from the Ministry of Finance, specifically the Budget Division and the Accountant General's Department, the HRMD, the Ministry of Health, the Ministry of Public Infrastructure, Posts, Urban Development and Transport, and the Ministry of Sustainable Development were trained in the operability of the Payroll Tool by the Red Centre Consulting Limited consultancy team. In 2016, steps will be taken to commence the pilot phase of the decentralization of the human resource management function in order to enhance efficacy in the system. We will continue to explore opportunities for increased investment in the modernization of the Service ensuring improvements in both human and technological capacity. In 2016, the Communications arm of the Ministry which is responsible for Information and Communication Technology (ICT) will aggressively continue various initiatives aimed at placing St. Kitts and Nevis on the cutting edge of technology. We are a small Nation with limited resources; however, the deployment of appropriate ICT would enable us to compete globally in the provision of various digital products and services. It would also enable Government as a whole to provide more efficient services to the populace and to make these services more accessible.

49. Mr. Speaker, as my Government seeks to turn the page from excessive reliance on Government and the damaging effects of record-high Current Account deficits and cumulative

Public Sector debt, attention must now be directed to living within our means. This can best be achieved by improving efficiencies through enhanced productivity and work effort. Performance-based incentives and rewards, or what has come to be known as “Pay-For-Performance” have become the driving force in influencing productivity and work effort across organizations both in the Private and Public Sectors. What was once a well-entrenched practice in profit-maximizing Private Sector entities is increasingly being adopted in modified form among many Public Sector organizations. These enhanced efficiencies are critically important for achieving the desired performance levels that are required for fulfilling the strategic vision of my Government’s Prosperity Agenda.

50. Recognizing and rewarding the outstanding performance of individuals or groups who play a leading role in achieving pre-established goals and mission objectives of their Ministries can serve as a powerful incentive that fosters the creation of new ideas and superior work effort. These incentives seek to enhance an individual’s self-worth, leading to a more productive work force and may also serve as an important tool for attracting and retaining top talent. The benefits may take varied forms. They may include pre-established performance-based cash awards, time-off from duty and other forms of recognition. The intent is to motivate individuals to perform at their optimal levels with the expectation that commensurate rewards will result from their work effort. At the outset, a pilot programme will be considered that carves out a modest allocation of funds from existing programmes to finance an incentive-based programme that rewards outstanding work effort.

Challenges and Opportunities

Banking and Finance

51. Mr. Speaker, this Government recognizes the importance of a strong financial system that performs a vital role in driving economic development. We are therefore pleased with the strong position of the domestic banking system. As at December 2014, Total Assets held by the commercial banks was \$6.7 billion, an increase of 11.7% when compared to the same period in 2013. Deposits also increased totaling \$4.8 billion, an increase of 12.5% when compared to the

previous period. However, Loans and Advances decreased by 6.4% to \$1.7 billion when compared to 2013.

52. We are aware that while our domestic Banking Sector remains in very good standing, there are challenges facing the wider banking system of the Eastern Caribbean Currency Union (ECCU). The Government is committed to ensuring that the banking system remains stable and financing is available for transacting various forms of legitimate business. In this regard, we have been proactive in ensuring that the new Banking Act (2015) was passed as a matter of priority soon after taking office. The new Banking Act seeks to mitigate the major threats to the ECCU financial system and to ensure that the system remains strong and resilient. I am pleased to report that all sovereign States in the ECCU have passed the new Banking Act. In the aftermath of the global financial crisis, we now operate in a different world especially in terms of finance and banking. The Eastern Caribbean Central Bank (ECCB) has therefore devised a comprehensive strategy to address the structural deficiencies in the ECCU financial system. This strategy includes: (i) measures to stabilise intervened banks in Anguilla and Antigua and Barbuda; (ii) legislative reforms; (iii) enhancing financial safety nets; and (iv) considerations for amalgamation of the national banking sector in the Currency Union. The Government will therefore remain engaged with the ECCB and help to guide the deliberations of the Monetary Council on these very important reforms in the Financial Sector.

International Standard for Automatic Exchange of Information

53. Mr. Speaker, based on a mandate from G20 members, the new thrust of the Organization for Economic Cooperation and Development's (OECD's) Global Forum on Transparency and Exchange of Information for Tax Purposes is automatic exchange of financial account information. The United States of America (USA) led the way with its requirement to exchange information automatically through the implementation of its Foreign Account Tax Compliance Act (FATCA), albeit that the USA has not agreed to reciprocal exchanges with all jurisdictions with which it has an Inter-Governmental Agreement. As of October 2015, 97 jurisdictions, including St. Kitts and Nevis, have committed to implementing the new international standard for automatic exchange of information. The new standard is called the Common Reporting Standard

(CRS) but, unlike FATCA, is reciprocal in all cases. A group of 56 countries, referred to as the Early Adopters, will implement the CRS by 2017 while 41 other jurisdictions, St. Kitts and Nevis included, will commence the automatic exchange of information in 2018. In order for the Federation to implement the CRS within the committed timeframe, a number of steps will have to be taken including the passage of the requisite legislation within the first half of 2016. The Global Forum Secretariat is assisting with the drafting of the legislation which will be brought to this Honourable House after consultation with the relevant stakeholders.

54. In our attempt to ensure that there is an understanding of the CRS, the Government arranged for representatives from the Global Forum Secretariat to meet with a cross section of the financial industry in October of this year to give an overview of the CRS and to advise of some of the policy choices that would have to be made. Further consultations will be arranged during the upcoming year as we endeavour to ensure that both the Government and the financial industry are adequately prepared to implement the new standard. It is our desire that we not only play our part in the global thrust to fight tax evasion but that we address emerging issues in the international arena in a proactive way thus providing no excuse for Developed Countries to sully the name of our beloved Federation through the inclusion of our country's name on their blacklists or through issuance of further advisories. Our Federation's name has been sullied enough. Thankfully, on 16th February 2015 our people delivered us from that road to Damascus.

55. In June of this year, St. Kitts and Nevis was among 30 jurisdictions that were named by the European Union (EU) Commission as being non-cooperative jurisdictions that were featured on the national lists of at least 10 EU member states as of December 2014. The EU listing was formulated despite the fact that a number of listed jurisdictions', including St. Kitts and Nevis', legal and regulatory frameworks and implementation of the international standard for exchange of information were assessed by the Global Forum and were rated as being either Fully or Largely Compliant. Most of the countries that were listed by the EU Commission had also committed to the implementation of the new standard for automatic exchange of information. Both the OECD and the Global Forum Secretariat spoke out about this listing noting that the only agreeable assessment of countries' cooperation is made by the Global Forum. This matter was also discussed in depth at the recently held Global Forum Plenary meeting as it is recognized that such listings could have a major negative impact on the economies of countries that are considered to

be Financial Centres. It has since been determined that the list was erroneous and the EU Commission has subsequently updated its website. One country, Estonia, on whose list the name of St. Kitts and Nevis appeared, has since removed all jurisdictions from its national list. We continue to engage the other countries that have named us on their national lists with a view to the removal of our name from such lists. On the margins of COP21, I met with the Deputy Secretary General of the OECD, Mr. Douglas Frantz, and encouraged the OECD to do more to ensure that the EU Member States respect the legitimacy of the Global Forum as the only international body charged with evaluating tax cooperation by countries.

MAJOR PROGRAMMES AND POLICIES

BUILDING SOCIAL CAPITAL

Social Development

56. Mr. Speaker, improving the wellbeing of our most vulnerable citizens is a moral and constitutional obligation of my Team Unity Government. Improving the lives of Kittitians and Nevisians for the better is the cornerstone of our social development and poverty reduction efforts. In reflecting on our Fresh Start and Prosperity Agenda, I am reminiscent of Ashley Montagu's mantra which states that "By virtue of being born to humanity, every human being has a right to the development and fulfillment of his/her potentialities". Therefore, as we pursue our vision for sustained socio-economic development in St. Kitts and Nevis, it is imperative that we ensure that the most vulnerable families and individuals among us are assisted to elevate themselves from the grip of intergenerational poverty. We have a duty to help our most vulnerable citizens to achieve their individual life goals and maximize their potential as productive contributors to nation building. Our vision would be realized with the successful modification and execution of several ongoing social protection interventions spearheaded by the Ministry of Community Development, Gender Affairs and Social Development during 2016. These include the following: (i) the establishment of the National Single Household Registry; (ii) the completion of the work to develop an appropriate Proxy Means Test to objectively target the

most vulnerable families and individuals; (iii) the development of a Management Information System (MIS) to effectively manage data; and (iv) the expansion of the Mold, Empower, Nurture and Direct (MEND) Families Programme from 21 families in 2015 to coverage of 42 families in 2016.

57. Mr. Speaker, this Government will strive to create an enabling environment that promotes and protects the rights of all vulnerable groups including women, children, the elderly, and persons living with disabilities. To achieve this goal, it is imperative that synergies are created to ensure the implementation of the Child Protection Protocol and the Gender Based Violence Protocol which provide systematic guidelines and procedures for addressing incidences of child abuse and gender-related mistreatment respectively. Capacity building exercises will be undertaken in 2016 to appropriately equip key implementing agencies to execute their duties in an efficient and professional manner. As part of our commitment to protect and promote the inherent dignity, worth and the inalienable rights of our differently-abled citizens and residents, steps will be undertaken to facilitate the ratification of the United Nations Convention on the Rights of Persons Living with Disabilities in 2016. During my outreach efforts as leader of Team Unity, I met with Mr. Anthony Mills of the St. Kitts and Nevis Association for People with Disabilities. He reported that adoption of the Convention was critical and he lamented the non-action on this matter by the former regime. The leadership of the Ministry of Community Development, Gender Affairs and Social Services is cognizant of the importance of ratification and implementation of this most meaningful Convention. It will ensure that attention is given to these individuals and open new avenues for them to effectively contribute to the social and economic advancement of our society without undue discrimination on the basis of physical disability. It is time for a fresh start. A citizen is a citizen and our differently abled citizens must no longer be treated as outcasts.

Skills Development and Human Capital Expansion

58. Mr. Speaker, this Team Unity Government is a firm believer that there is always room for improvement in our approaches to the development of the Education Sector. In light of the three years of troubles experienced by teachers, students and parents of the Basseterre High School, my

Team Unity Government is committed to giving the school a Fresh Start with the construction of new facilities. This commitment we hold sacred and therefore we have proposed an allocation of \$10 million to initiate the construction of the new school in 2016.

59. Additionally, one of our main objectives over the next three years would be to review our approach to Technical Vocational Education and Training (TVET) and the establishment of appropriate qualification standards. These are important initiatives for building capacity, promoting seamless educational and higher advancement, and ensuring that our nationals remain competitive amongst their regional and international counterparts. We have started some work in this regard in 2015 and to date the Ministry of Education with the support of the European Union (EU) has developed and approved an integrated, internationally comparable credit and standards-based National Qualifications Framework (NQF). The new framework has been long in coming to fruition. It is tailored to meet the needs of our education system and the ongoing demands of the labour force. The NQF represents the consolidation of the education and training qualifications under a single framework that establishes clear learning and career paths thereby making it less challenging for learners to enter and progress both horizontally and vertically within the education system and advance in the workplace. Work has also commenced on the establishment of quality assurance policies, procedures and guidelines to support the efficient and effective implementation of the NQF beginning in 2016. An implementation plan and communication strategy will also be developed to guide its system wide implementation over the next five (5) years.

60. Coupled with the achievement of this crucial milestone, the Ministry of Education facilitated the attainment of Level One Caribbean Vocational Qualifications (CVQs) which is designed to equip candidates with entry-level skills to enter the labour force. Notwithstanding this progressive step, it is insufficient in preparing trainees to perform with the level of competence to satisfy our local and regional labour market conditions. Efforts have also been channeled towards facilitating the readiness of TVET institutions to provide demand-driven Level Two training. This would help to improve the competitiveness of our workers as entry-level workers are prepared to become supervised skilled workers. To advance this objective, the Government partnered with the EU to recruit the services of the HEART Trust National Training Agency (NTA) in Jamaica to execute the instructional and practicum components of the training for

education professionals which has resulted in the award of certifications in Assessment and Verification training in order to facilitate the delivery of Level Two CVQ skills training in key areas such as hospitality and construction.

61. Mr. Speaker, as we consider the issue of skills development and human capital expansion we must consider the current situation of the People Employment Programme (PEP). There is no doubt in our minds that this Programme needs a fresh start if it is to continue to make a sustained and meaningful impact on the lives of participants and the society at large. The most recent statistics indicate that there are 2,680 persons registered under the PEP, 2,380 on St. Kitts and 300 on Nevis. The data revealed that these individuals are deployed in both the Public and Private Sectors, with 1,625 persons working at various Government Entities and 1,055 individuals working in 380 private enterprises across the Federation. The participating businesses cover a wide range of activities including construction, law, cleaning, retail, child care, farming and manufacturing.

62. Mr. Speaker, Team Unity was one of the first to observe and sound the alarm that the current programme is unsustainable. Therefore, to continue to yield the intended benefits of a Programme like the PEP, we need a fresh start. We have started along a credible path to refocus the Programme, with the establishment of a new Oversight Team, in October 2015, to lead the reform process. The Team comprises of representatives from the key Federal Government agencies, the Nevis Island Administration, the Private Sector, and the youth. In 2016, the plans for reforming the PEP will be finalized and implementation initiated. We have already started a process of consultation on two fronts one with the business representatives, mainly the Chamber of Industry and Commerce, and the other with two important Development Partners, the Caribbean Development Bank (CDB) and the International Monetary Fund (IMF). The initial assessment done by the CDB indicated that as at July 2015, the skills training and entrepreneurship component of the PEP only involved 130 participants. This is an indictment on those who engaged in an election act of profligacy which to date has cost the country over \$160 million. Some trainees have been in the Programme for over two and a half years without any certification. Importantly, many are being exploited. PEP was not a blessing. The CDB preliminary report has provided the impetus for us to design a more comprehensive technical assistance initiative to facilitate a full assessment of the Programme during the first half of 2016.

Therefore, with the support of the CDB and the IMF we will continue the review of the PEP in order to determine the way forward for its restructuring into a responsive, viable, sustainable and cost effective Programme that provides value for money.

63. We want to commend several businesses which as a result of our intervention have acted to bring some of the PEP workers on to their permanent work force, thereby upgrading their status and relieving the burden on the State. We urge the Chamber of Industry and Commerce to continue to partner with the Government to ensure that those persons who are working in the various establishments, particularly those working in excess of two (2) years, are seriously considered for permanent employment.

Health Care

64. Mr. Speaker, my Team Unity Government is committed to ensuring that our citizens are provided the most cost-effective access to quality health care. We live in an environment where the high cost of health care can have devastating effects on the financial stability of both individuals and families. The reality is that this continues to be the plight for many of our citizens particularly those who suffer the pains of major illnesses. Our Fresh Start and Prosperity Agenda includes quality health care for all. Our immediate plans for the health sector involve improvements to existing services and diversification of services while providing compassionate care. We are also excited about the prospects for the evolution of the Health Sector to be used as a viable base to support economic growth and development. We will explore the possibilities for expanding health and wellness services in the not too distant future.

65. In 2016, we will introduce new oncology services through the creation and resourcing of an Oncology Unit at the Joseph N. France General Hospital. This would be pursued as a means of addressing the plight of an increasing number of citizens who fall prey to cancer. The financial burden of caring for cancer patients is overwhelming for many of our citizens who are forced to travel overseas to seek treatment. Even those who are fortunate to have insurance run the risk of exhausting their life savings and that of their families. It is fortunate for us that, at this time we were able to form a synergistic partnership with the OECS Eastern Caribbean Cancer Centre which was opened in our neighbouring state, Antigua and Barbuda in June of this year. Further, in an effort to reduce the cost of health care in the Federation, this Government remains

committed to the implementation of a National Health Insurance Scheme. We have established the Commission for Universal Health Care which will oversee the work required to complete preparations for the implementation of the Scheme and the efficient delivery of this important service to our people. Our Ministers with portfolio responsibilities for health will elaborate on these critical positive developments and more.

66. As part of our holistic approach to improving health care delivery, significant resources have been allocated to the construction of a Mental Health Day Treatment Centre that is currently under construction in Lime Kiln, Basseterre. This important initiative was designed in collaboration with the CDB under the Basic Needs Trust Fund (BNTF) to provide effective treatment to individuals who have been diagnosed with mental illnesses. The underlying objective of this timely intervention is to optimize independent living skills and offer treatment in areas of drug intervention, personal care and hygiene, and occupational therapy and skills development within a therapeutic environment. These efforts will fulfill our commitment to protecting the rights of mentally ill persons who usually struggle with stigma and discrimination. The new approach would enable those affected to fulfill their potential and preserve their dignity as human beings and as valued members of our society. In order to ensure that residents are treated with the utmost respect and dignity, resources will be provided to build the capacity of medical personnel and auxiliary staff who would be engaged in the daily management and operation of the facility. We are proud of the progress achieved to date and eagerly look forward to the completion and operationalization of this facility in 2016. To those who longed wish for such a facility, Team Unity is pleased to usher in this new Centre.

Housing and Human Settlements

67. Mr. Speaker, permit me to share at this point some interesting developments as they relate to housing construction and human settlements. We are committed to providing affordable houses in 2016. As part of our Fresh Start and Prosperity Agenda, the services of the NHC have been enlisted to spearhead the implementation of a housing assistance programme targeted at the most vulnerable in our society including the elderly and individuals living in poverty. Through this initiative, persons may access a \$10,000 grant to improve their living conditions through the

upgrade of their homes. Special emphasis is being placed on the removal of pit latrines wherever they still exist in our communities. Team Unity is determined that these types of facilities should be a thing of the past in a modern St. Kitts and Nevis. I am pleased to report that, that programme is supported by a strong community spirit through volunteerism where a number of persons provide labour and, in some instances, building materials at their own cost to complete the renovations in several instances. To date, nine (9) applications have been approved for the Cayon, Keys and Conaree communities and work has commenced. Continuing in 2016, this Government intends to expand the programme to all eight (8) constituencies on St. Kitts.

68. In addition, this Government is taking steps to revamp the existing housing schemes at NHC and decrease the number of non-performing land loans. Investigations of complaints by homeowners have revealed structural deficiencies in some properties. We will take the construction of homes under the Corporation in a new direction through the use of new and improved architectural designs and improved standards while maintaining their affordability. Some of these changes will include the requirement that no room in the homes provided by the NHC should be less than 12 feet by 12 feet in size and that the wastage on roofing material be minimized through the use of more sustainable and durable alternatives. To advance this process, the Team Unity Government commenced discussions with the three (3) major building material suppliers to negotiate an affordable rate for bulk purchases of building materials. Naturally, this would help to reduce the cost of construction and enable the NHC to possibly offer cheaper mortgage rates and or generate resources to expand the housing programmes. The negotiations should be completed by March of next year to facilitate the start of construction on the improved, spacious and affordable homes.

69. Complementary actions have been taken by allowing an amnesty period on arrears to all recipients of land through NHC or any other Government Agency. The amnesty programme provides for the waiver of interest for persons who complete payment on the principal value of the land before 31st December 2015. This makes it possible for prospective land owners to complete payment for their land while allowing them to save the amounts that would be otherwise paid as interest. The savings in turn can be used by the proud land owner to fast track the construction of a home.

Safety and Security

70. Mr. Speaker, of paramount concern to the Team Unity Administration is the safety and security of the people of St. Kitts and Nevis. The people of this country must feel free and unencumbered in their daily lives and business endeavours. This Government will spare no effort in ensuring that there is a safe and secure environment in which all can prosper. Equally important is for our security forces who are charged with the responsibility of keeping us safe to know that they are strongly supported in performing their duty to serve and protect. Upon taking office, the Team Unity Government, in accordance with its vision for a holistic approach to safety and security, re-established the Ministry of National Security. As simple as it may seem to some persons, this move has allowed for the consolidation of resources and management of the various arms of the national security apparatus namely, the Royal St. Christopher and Nevis Police Force (RSCNPF), the St. Kitts and Nevis Defense Force (SKNDF) and the St. Kitts and Nevis Fire and Rescue Services, along with the related ancillary services of Her Majesty's Prison, Immigration Department, National Emergency Management Agency (NEMA) and the National Drug Council. The new configuration of the Ministry of National Security provides for greater synergies and formulation of comprehensive strategies in addressing national security issues inclusive of relevant changes in regard to criminal justice reform.

71. Despite the challenging crime environment, this Team Unity Government will not waiver and will continue to vigorously pursue strategies to reduce the incidence of violent crime in the Federation. During 2015, the RSCNPF launched a Six Point Plan of Action with the main objective of enhancing public safety and security within the Federation. This Plan outlines focused activities in Crime Prevention, Intelligence Led Policing, Targeted Policing Operations, Engagement of Stakeholders, Collaboration with other Agencies, and Continuous Improvement and Administration. As a result of the proactive and intense efforts of the joint security forces in the execution of this Plan, I am pleased to report that major crimes declined by 14.3% during the period January to November 2015 when compared to the same period in 2014. This Team Unity Government by no means view this as mission accomplished but a positive indicator of what can be achieved by the consistent and focused implementation of the Six Point Plan of Action. The

Action Plan is only one part of a comprehensive Strategic Plan that has been developed for implementation over the period 2016-2018. The Strategy would facilitate the transformation of the Security Sector from a legislative, social and institutional perspective. There are also plans in place for improving service delivery in the Police Force. We have re-established the Criminal Justice Strategic Board, including all of its subsidiary committees. Proposals for the establishment of the National Crimes Commission and the St. Kitts and Nevis Defense Council have already been approved by the Cabinet of Ministers and will be activated in 2016.

72. Mr. Speaker, ongoing development of our security personnel is vital to achieving the development objectives of the Government. As such, we have invested in attracting credible technical expertise through the contracting of Bramshill Policing Advisers, a United Kingdom (UK) based company comprised of highly trained former police officers. Over the past six (6) months these consultants have worked closely with the Violent Crimes Unit providing assistance in Crime Scene Investigations, executing intensive training in investigative techniques and assisting the Police Force and the Ministry of National Security in the elaboration of strategic initiatives to improve the criminal justice system. The assistance provided by these experts has proven vital in the achievement of key milestones to date and with the support of our development partner, the Republic of China (Taiwan), we will be able to benefit from their knowledge and skills for an additional six (6) months in 2016. This technical support will complement the move to implement the recommendations outlined by the experts recruited under the 10th European Development Fund (EDF) Safety and Security Improvement Programme (SSIP). The wide ranging reforms outlined in the various documents that were developed over the last several months would be instrumental in addressing issues related to transparency in promotions and transfers, job descriptions and related Performance Development Reviews (PDRs), greater accountability of officers, and general motivation of staff and measures to improve morale.

73. This Team Unity Government recognizes that crimes committed through the use of firearms remain a challenge which is greatly exacerbated by the reluctance of witnesses to come forward to provide evidence. As a result, witness protection has become a very expensive necessity. It is therefore essential that alternative evidentiary strategies be explored including the use of technology and forensics. I am pleased to report to this Honourable House that the installed

Closed Circuit Televisions (CCTVs) are now being monitored on a 24-hour basis. Further upgrade of the system will be made in 2016. Similarly, in an effort to improve the radio communication capacity across our security forces and complementary services, in October 2015, this Government contracted Zenitel Caribbean BV, a St. Maarten based company, to undertake the installation of the required equipment in strategic positions to provide the necessary coverage across both St. Kitts and Nevis. In 2016, Zenitel Caribbean BV will collaborate with its affiliate, Motorola Radio Communications, to provide the requisite programming services. Our investment in law enforcement in the short 9 months in office is a proud scorecard.

74. In July of this year, this Government made an important investment in a Comparison Microscope as the first step towards improving the capacity of the RSCNPF Forensic Lab to better examine markings on bullets and firearm casings. Through the support provided by a local security entrepreneur, SECURGARD, the Police Force has presented to the general public the Guardian Emergency Alert GPS Web Tracker which complements the services provided through the 911 system. Among other features, this new system provides a web portal through which information can be anonymously shared with the police through a mobile application. Additionally, in collaboration with 633 Media Technologies, a United States based company, we are in the process of creating a Technology Operations Department within the Police Force, with the potential to expand its services to other Departments within the Ministry of National Security and Government Agencies. This Department will be charged with the task of integrating numerous different communication systems within the Police Force thereby providing a modern internal police system that will be compatible with other systems across the Government service. Additional support to enhance the technological capacity gained by this partnership will be facilitated through the provision of network, surveillance and monitoring equipment under the 10th EDF Safety and Security Improvement Programme in 2016.

75. Mr. Speaker, access to vehicles remains a challenge for the Security Sector. This Team Unity Government will provide the needed assistance to our security forces to enhance the fleet of resources while emphasizing the need for strengthened management and maintenance systems. Complementary to the efforts of this Government, we continue to benefit from the support of Development and Private Sector partners in the procurement of vehicles. In September, the Coalition of Support for St. Kitts and Nevis Security Initiatives donated two (2) SUVs to the

RSCNPF. I use this opportunity to express our sincerest appreciation to our partners for their unwavering support. Equally, I must thank the Government of the Republic of China (Taiwan) for financing six (6) vehicles for the Ministry of National Security, the Ministry of Foreign Affairs and the Office of the Prime Minister. These vehicles are expected shortly.

76. Mr. Speaker, it is important to ensure that vital equipment is available to address criminal activity from both a security and rehabilitation perspective. A critical component to reduce recidivism by persons convicted of criminal offenses is a relevant and dynamic rehabilitation programme. In this regard, the introduction of new and the revitalization of current rehabilitation programmes will be undertaken at Her Majesty's Prison to ensure positive personal development of the convicted and their readiness for reintegration into society. To support these efforts, the Prison will be resourced with rehabilitative tools and equipment to foster skills development through the Safety and Security Improvement Programme.

77. In addition, measures have been proposed that would lead to a reduction of the prison population and the reform of the entire criminal justice system through the implementation of alternative sentencing and focused and integrated actions by the Private Sector, Non-Governmental Organizations (NGOs) and Community-Based Organizations (CBOs). We intend to implement the recommended systematic programme of curriculum development and improved training programmes, as well as broad based human resource management reforms within the Police Force, Her Majesty's Prison and other security related agencies in 2016.

78. Mr. Speaker, we inherited law enforcement agencies with low morale, divisive and operating in silos. We inherited dilapidation in every agency of law enforcement - Police, Prisons, Coast Guard, Fire and Rescue. Systems and procedures were awry. We inherited crime statistics that were unacceptably high. Conversely, the detection rate was unacceptably low. Indeed, by 22nd February 2015 when our Government was formally presented to the people, the country already had eight (8) homicides. The unacceptable situation will not change by osmosis. That is why we have worked so hard and consistently to invest now for returns later. We have a Plan. We have a Strategy. We are investing in people, in equipment, vehicles, in foreign expertise, in buildings, etc. We are optimistic that a brighter day is coming. We mourn the loss of every life by criminal elements and we pledge, with God's grace, to consecrate the future.

Economic Expansion

Agriculture

79. Mr. Speaker, over the last nine (9) months the Team Unity Government has taken stock of the state of affairs within the Agriculture Sector. There is much to be achieved as we make a fresh start in the development of the Agriculture Sector. Ten years have elapsed since the closure of the centuries old Sugar Industry and we are still some distance away from transforming the Agriculture Sector into a viable pillar for growth and development. The United Nations 2030 Agenda for Sustainable Development articulates a number of Sustainable Development Goals (SDGs) and have placed the end to hunger, the achievement of food security and improved nutrition, and the promotion of sustainable agriculture as a priority. It is therefore our intention to develop strategies that will bring fresh ideas and resources to the advancement of the Sector. We are convinced that a core objective must be to increase agricultural output and the effective linking of production to market demand and food security. This Administration is of the firm belief that with the application of the right strategic interventions and relevant techniques our agriculture and marine resources can be developed to the point that the Sector can become a greater contributor to the socioeconomic wellbeing of our Nation. Indeed, the Sector still holds the potential to create jobs, improve income generation, support food security, reduce the high food import bill and facilitate national development while protecting the natural environment.

80. As part of our strategy for the development of the Agriculture Sector, the Department of Agriculture will focus on collaborating with relevant experts who can help to drive a programme of research and development that would enhance the outputs of the Propagation Units at La Guerite, Fahies and Tabernacle. The Department is also cognizant of the need to build resilience in the Agriculture Sector particularly in light of the potential negative effects of climate change on food production. With the support of the Global Environmental Facility (GEF), we plan to develop a climate change adaptation programme tailored specifically for the local Agriculture Sector.

81. Scientific data and analysis will be a vital component in securing the prominence of this important Sector. In February 2015, the Ministry of Agriculture signed off on the ‘Soil Fertility Map Project’ facilitating our partnership with the Kingdom of Morocco to create soil fertility maps for our agricultural zones on both St. Kitts and Nevis. This initiative will be implemented over a four (4) year period and will provide a profile of the nutritional content of our soil to ascertain where there are deficiencies to enable the respective Departments of Agriculture to select the optimum fertilizer composition based on crop and location. The update and re-design of the relevant maps is scheduled to take place in 2016.

82. Mr. Speaker, the sustainable management of our marine resources is a priority for the Team Unity Government and as such we have quickly taken steps to address the compliance of St. Kitts and Nevis under the Law of Seas and Illegal, Unreported and Unregulated (IUU) fishing rules. With assistance from the Food and Agriculture Organization (FAO) we have undertaken the initiative “Strengthening Fisheries Legislation in St. Kitts and Nevis – focus IUU” in order to strengthen the fisheries legislation and the development of a national plan to address IUU fishing. A series of consultations were held with key stakeholders from all levels of society during the period of April to August of this year. The objectives of the consultations were two fold, that is, to raise awareness of the importance of combating IUU fishing nationally, regionally and internationally and to share information on the comprehensive legislative framework that would provide the legal parameters for combating IUU fishing. As a direct result, a Fisheries, Aquaculture and Marine Resources Bill has been drafted with the support of our Ministry of Justice and Legal Affairs and legal experts from the FAO.

Tourism

83. Mr. Speaker, as part of our Fresh Start Agenda, my Team Unity Government will work to implement dynamic and innovative projects and programmes to raise the standard and quality of the Tourism Sector. We know that more effort is needed to attract increasing numbers of high-end visitors but we are even more emphatic that our efforts must be concentrated on developing a product that will yield maximum benefits for our people. This is the only guaranteed way that we can successfully use the Tourism Sector to provide a Fresh Start for scores of Kittitians and

Nevisians who try to eke out a living from the limited opportunities that currently exist in the sector. We maintain that the Sector must be developed in such a way that it adds value to our quest for sustainable development and true enrichment of the lives of our people.

84. We are encouraged by the fact that the Tourism Sector continues to show resilience as the economy rebounds from the difficult days of the global financial and economic crisis. Stay over arrivals from our major source markets, cruise ship passengers and related calls, and our yachting sector all show positive outturns for the year so far. Our carefully developed niche marketing programme has begun to yield positive returns. This year, the Federation ranked 4th in the List of the Best Beach Honeymoons in the World and 3rd in the List of the Best Caribbean Honeymoons by U.S. News and World Report for 2015. The New York Times has named St. Kitts and Nevis among the ‘52 Places to Go’ in 2015 while USA Today Travel has highlighted ‘*Seven Sensational Reasons to Visit St. Kitts*’.

85. This Administration is cognizant of the value of high-end real estate development to satisfy the needs of our visitors. Therefore, we are heartened by the show of commitment and support by both local and foreign developers who continue to undertake a number of projects which will transform the landscape of this country and further stimulate the economy.

86. Christophe Harbour opened its mega-yacht marina. Upon completion, the marina will include three hundred (300) berths, of which sixty (60) would be able to accommodate the world’s largest super-yachts which extend up to 300 feet. As at May 2015, 134 yachts of more than 100 feet visited the Federation’s waters, matching the anticipated 20 percent year-over-year growth of the super-yacht industry in St. Kitts and Nevis. This Government gives its commitment to provide a facilitating environment that will enable these investments to come to fruition while providing a level playing field for new investments over the medium to long term from which our people can significantly benefit.

87. Mr. Speaker, as the allure of St. Kitts and Nevis increases as a first class tourist destination we have not only undertaken steps to ensure the availability of improved accommodations in both quantity and quality but have expanded our strong relationship with top carriers from key source markets. This was evident by the announcement by this Team Unity Government in August 2015 of the addition of a weekly non-stop service which will be operated

by United Airlines from its East Coast hub at Newark Liberty International Airport commencing 19th December 2015 through 30th April 2016. The addition of this new service means that the Federation is now served non-stop by three (3) of the four largest US airlines namely; American Airlines/US Airways, Delta and United Airlines. This Government also recognizes the importance of stay over arrivals which originate within the Caribbean whether for business or pleasure. In this regard, we are pleased that in July 2015 the Leeward Islands Air Transport (LIAT) added a direct flight from Barbados to the Federation complementing not only existing LIAT connections from Antigua and Barbuda and St. Maarten, but the services provided by Windward Island Airways International (WINAIR) and Seaborne Airlines. In November, WINAIR expanded its partnership with St. Kitts and Nevis with the addition of a twice daily flight from St. Maarten to St. Kitts connecting with our sister island of Nevis and most recently added a daily midday flight. These new regional options provide an opportunity through the codeshare or interline arrangements between WINAIR and major international carriers such as Air France, Virgin Atlantic and Copa Airlines to provide another means of access to and from the Federation.

88. We have reason to be positive about the returns on our investments in infrastructure and airlift. The partnership recently forged with the Golf Association of Ontario in the promotion of St. Kitts and Nevis as a golf destination to players within that Province is evidence of the potential of our investments in the Sector. As a result of this collaboration, our Federation recently hosted the St. Kitts Two (2) Ball Shootout where teams of two (2) competed in a fifty-four (54) hole gross and net better ball competition at our own Royal St. Kitts Golf Club. It is anticipated that in May 2016 we will host the LINKS Magazine St. Kitts Couples Invitational which is a new event on the roster of golfing events.

89. In addition to growing our air arrivals, we have simultaneously expanded the cruise tourism sector at an impressive rate. During this tourist season, we are projecting an increase in cruise passenger arrivals of a record 1.2 million passengers. In order to ensure that adequate berthing facilities are available with the capability to accommodate the world's largest cruise ships, this Team Unity Government is committed to the construction of a second cruise pier utilizing best practice in Public-Private Partnership (PPP) arrangements.

90. In building the necessary infrastructure and providing the appropriate amenities to our discerning visitors, we are cognizant of the impact of climate change on both islands particularly in regards to coastal erosion. In an effort to ensure the sustainability of our natural assets, this Government has undertaken steps to source the necessary expertise and funding to facilitate the replenishment and nourishment projects that will address the challenges with erosion at Frigate Bay and South Friars Bay Beach. To complement the revitalization of the beach facilities, we are in discussions with the CARICOM Development Fund (CDF) and have contracted the services of local expertise, utilizing a phased approach to enhance the aesthetics and ambiance of the area commonly known as ‘The Strip’ inclusive of provisions for enhanced safety and security and recreational facilities.

91. Mr. Speaker, sustainable growth and development cannot be realized without the input of our people. To this end, this Team Unity Government has endorsed the partnership between the Ministry of Education and the Ministry of Tourism to launch a Tourism Education Programme. The Programme will be rolled out in January 2016 as a pilot programme in Basseterre High School and two (2) primary schools which will be selected after further consultation with the Ministry of Education. This Programme was developed with the objective of further sensitizing students and, by extension, their families to the benefits of the Tourism Sector. The Programme would also be used as a mechanism to highlight the employment and career opportunities that the Sector provides to residents.

Manufacturing

92. Mr. Speaker, the Manufacturing Sector remains crucial to improving our export potential and employment generation as it continues to provide notable levels of employment opportunities for our working population, particularly our women folk. Currently, the Government, through the Development Bank of St. Kitts and Nevis, is facilitating the expansion of Harowe Servo API Plant in Sandy Point. This should boost production and increase employment opportunities at the Plant for fifty (50) additional persons. The project will come on stream early in 2016. In light of the positive prospects and the benefits that can be derived from the growth and development of this small but important Sector, the Team Unity Government has determined that the necessary

steps will be taken to activate plans for the establishment of the National Manufacturing Competitiveness Council (NMCC). This Council will serve as the official oversight body with responsibility for the implementation of the policies, tactics, goals and objectives outlined in the National Manufacturing Strategy 2014-2020. It will be comprised of a broad cross-section of stakeholders such as, the Ministry of International Trade, Industry and Commerce, the Manufacturers Association, representation from workers' organization, the St. Kitts-Nevis Small Business Forum and representatives from the local cottage industry. This is a unique opportunity to enable the charting of a new course in the development trajectory of the Manufacturing Sector. During 2016, NMCC is expected to address a variety of issues of concern to manufacturers. These include the high cost of energy, and certification and licensing for manufacturing businesses. My Government looks forward to engaging with the members of this new body to discuss proposals for intervention and expansion of the Sector. Meanwhile, the relevant Government Agencies will continue to pursue opportunities for technical support to facilitate the continued strengthening and competitiveness in all aspects of the Sector.

MEDIUM TERM ECONOMIC MANAGEMENT STRATEGY

Medium Term Fiscal Outlook and Growth Targets

93. Mr. Speaker, by the end of 2015, we expect to realize a Recurrent Account Surplus of about \$222.1 million, 16.4% above the estimate. The Surplus will be derived from the net of anticipated Recurrent Revenue of approximately \$733.3 million and projected Recurrent Expenditure of \$511.2 million. Non-Tax Revenue is expected to be the main contributor to the favourable outturn when compared to the budget as fees from the CBI Programme will most likely surpass the estimate by 42.3%. I take great joy in repeating that CBI revenue for 2015 is expected to surpass the budget by 42.3%. Far from being destroyed by Team Unity, we adduce incontrovertible evidence that we have rescued the CBI Programme from the ICU ward where it languished at the actions of the Douglas regime and ostracized by our international allies. To God be the glory. It is also anticipated that improvements in the administration of our tax regime will result in Taxes on Income and Taxes on Property surpassing expectations by 22.5% and 28.8% respectively. Taxes on Domestic Goods and Consumption and Taxes on International Trade and Transactions are, however, expected to fall below the targets reflecting the impact of the initiatives that were introduced to remove Import Duties from certain food items and VAT from all food, medicines, funeral expenses and other basic necessities. A promise made; a promise kept.

94. We also upheld another promise, this one to the people of Nevis, when we provided budgetary support to the tune of \$20 million to the Nevis Island Administration. Additionally, a dividend guarantee that was paid to one of our creditors was \$7 million more than anticipated. Expenditure on Goods and Services is also expected to exceed the allocation by approximately 12.4% primarily as a result of the need to settle various Claims Against Government. It was haemorrhaging of the public purse and less than satisfactory outcomes at trial plus a constitutional anomaly that caused my Government not to continue its relationship with the former Director of Public Prosecutions.

95. Expenditure categories that are expected to fall below the budgeted amounts are Interest Payments which will be approximately 16.1% lower than anticipated and Personal Emoluments,

Wages and Allowances which is projected to be 1.1% less than the estimate. The level of Grants, in particular Capital Grants, and consequently Capital Expenditure are also anticipated to be below the budget by 50.0% and 22.3% respectively. After taking into consideration all of the Government's Recurrent and Capital activities, we are projecting that, for the 2015 fiscal year, we would realize an Overall Surplus in the region of \$139.9 million, 1.0% above what was originally estimated and a Primary Surplus of around \$172.7 million which would be 2.8% below the budget for 2015.

96. The Primary Balance is an indicator of the funds that are available to the Government to meet its debt obligations. Mr. Speaker, the effective management of the Public Sector debt remains, of course, a core feature of my Government's agenda. Since we came into office in February of this year, our actions have been consistent with the Medium-Term Debt Management Strategy which, in summary, is to continue to reduce the stock of debt, to further decrease the debt service cost and to minimize the risks associated with having high debt. We recognize that the level of debt is still too high, \$1.8 billion or 76.9% of GDP at the end of December 2014, but we are encouraged that it is moving in the right direction. In fact, at the end of September 2015, the total Public Sector debt stood at \$1.7 billion or 66.5% of GDP and we expect that it will be further reduced to \$1.6 billion or 64.1% of GDP by the end of 2015. The decline realized during the 2015 fiscal year was, in large measure, due to our attempts to further tackle the debt overhang by accelerating some debt payments in keeping with the recommendation of the IMF. That, Mr. Speaker, is a clear signal that debt management is a top priority of my Government's agenda. Over the medium term, the Public Sector debt is expected to contract even further to reach \$1.5 billion or 57.6% of GDP by the end of 2016, 52.1% of GDP by the end of 2017 and 47.2% of GDP by the end of 2018. If all turns out as expected, then we will meet the ECCB's target of 60% of GDP by 2016 – 14 years ahead of the 2030 revised timeline.

97. Mr. Speaker, as a result of our assessment of the prevailing macroeconomic conditions and the medium term fiscal outlook my Team Unity Government has adopted a Medium Term Fiscal Framework that is technically sound and allows for the Central Government to continue to play a role in stimulating growth while maintaining fiscal prudence. Real GDP growth is estimated at 4.6% for 2016. In this vein, we have adopted two main overarching objectives to guide the preparation and execution of the 2016 Budget. Our objectives are: i) to continue the

reduction of the Public Sector debt stock; and ii) the achievement of a sustainable level of growth. These objectives are consistent key policy priorities that emanated from the IMF's first Post Programme Monitoring review and 2015 Article IV Consultation that were conducted during the period 8 to 19 June 2015. Among other things, we are committed to securing fiscal and debt sustainability, further strengthening in the management of the Citizenship by Investment Programme, preserving financial stability in the Banking Sector and implementing policies aimed at enhancing growth. Although the Monetary Council of the Eastern Caribbean Central Bank (ECCB) earlier this year extended the timeline for achieving the debt target of 60% of GDP to 2030, we are committed to the plan for attaining the target well ahead of the original timeline of 2020. We are also committed to keeping the debt stock at sustainable levels subsequent to achieving the upper limit of 60% of GDP in 2016. The country can count on this Government to avoid squander mania. We eschew the courting of a parasitic oligarchy which fattened its nest under a past dispensation. A Fresh Start has come.

Fiscal Measures and Other Strategic Interventions

98. Mr. Speaker, on behalf of Team Unity, I am pleased to reaffirm the commitment we gave at the National Consultation on the Economy just two months ago, that is, there would be no new taxes as part of the package of measures for the 2016 Budget. However, in support of the fiscal policy stance to keep the public debt on a downward trajectory and to protect the fiscal gains from the past sacrifices, we have identified a number of areas where there is need for the realignment of certain policies, administrative reforms and strategic interventions. The anticipated fiscal actions would principally involve administrative changes intended to facilitate closure of loopholes so that the tax regime could be made more efficient and effective.

99. Further, in accordance with the Government's Medium Term Fiscal Framework, we will adopt measures to reduce concessions by the equivalent of about 0.5% of GDP and limit the expenditure of CBI-related revenue at a level that will not exceed the equivalent of 2.0% of GDP. Both of these measures would be critical in assisting the Government to ensure the maintenance of an overall fiscal surplus position and to keep the debt on a downward trajectory. The impact of the policy measure related to concessions is expected to have a positive effect on the performance

of our key trade taxes namely, the VAT, Import Duty and Customs Service Charge. In 2016, technical experts from the IMF and the Caribbean Technical Assistance Centre (CARTAC) will assist us with undertaking a comprehensive review of the concessions regime and the development of a more comprehensive reform strategy. The time has come for us to revisit the notion that every idea for a new development must be granted concessions or subsidies by the Government. The practice of requesting extensions of previously granted concessions would also be considered as part of the review exercise. I am also pleased to inform this Honourable House that we intend to consult with the Private Sector and other key stakeholders on this matter so that their views can help to shape the reform process. We are hopeful that as a result of the review, the Government would be placed in a better position to operate a more transparent and equitable concessions regime that can benefit both local and foreign investors and ensure that all investors can operate on a fairer and more level playing field.

100. Mr. Speaker, the business environment in which we operate is dynamic and therefore from time to time we would be required to assess aspects of the tax regime to ensure that it is performing within the norms of good practice and established regional benchmarks. In this context, the Ministry of Finance through the Inland Revenue Department (IRD) continues to assess existing legislation and internal practices in administering the tax system. As a result of this work, it has been determined that attention needs to be directed to our Withholding and Corporate Income Tax regimes. The current Withholding Tax and Corporate Income Tax systems are vulnerable to abuse by taxpayers who use transfer pricing and other similar earnings-stripping techniques to avoid payment of the rightful amount in our jurisdiction. This is not a situation we would wish to see continue as we believe that all parties should pay their fair share of taxes. There should be no single group of taxpayers that is unfairly treated or overburdened. In our efforts to limit the potential for erosion of the tax base, we would make appropriate adjustments to the Withholding Tax Act to clarify tax allowances vis-à-vis Branch and Head Office arrangements and to explicitly define the scope to the tax and its application to gross payments and accruals. The potential for abuse through the use of transfer pricing techniques not only affects the Withholding Tax regime but the Income tax system as well. For this reason, in 2016 the definition of transfer pricing expenses as outlined in the Income Tax Act will be revisited so that it is clear that such expenses would include royalties and recharges. Further, work will continue to find the best solutions to ensure a comprehensive update of the Withholding

Tax and the Income Tax regimes to reflect current realities of corporate transactions and to fulfil our commitment to operate a tax regime that is based on modern legislation.

101. Mr. Speaker, at the risk of repeating myself, I want to make it clear that the changes to the tax system that are proposed here are not new taxes, but rather reflective of the our administrative focuses on removing tax loopholes, modernizing the laws, broadening the tax base and simplifying the process of determining the taxpayer obligations. These types of actions are important to build good taxpayer relations by providing clear rules which reduce cases of possible dispute between taxpayers and the Inland Revenue Department.

102. Mr. Speaker, the IRD has reported that a number of business owners have expressed a desire to see some changes to the existing Business and Occupation License system with a special focus on the way licenses are issued. The current system requires every individual or business entity who is desirous of carrying on a business, occupation, profession or trade to acquire a license prior to the commencement of operations and the license should be prominently displayed in the business place. The Government recognizes that the current licensing system may not be adequate for all segments of the business community, particularly the growing number of professionals, tradesmen and other service providers who may require a more durable and manageable form of official certification. Therefore, starting in January 2016, the IRD will introduce a card version of the Business and Occupation Licence to satisfy the demands of the emergent business community. All registered businesses would still be issued with the traditional paper certificate version of the license but they would also have the option to obtain a new card version for a small fee. The Business Licence Card will carry the same expiration date as the Business Licence Certificate. The added benefit of this option is improved compliance of licence holders and protection of customers who may find it difficult to verify whether they are doing business with bona fide persons who are licensed by the State to carry out a particular service.

103. Mr. Speaker, the Administrative reforms related to the Ministry of Finance have not been restricted only to the tax regime. In 2015 we commissioned an exercise to review the operations of the Centralized Purchasing Unit (CPU). The CPU has been in operation for over fifteen years and the scope of its services has expanded to provide a wide range of goods and materials including office supplies to Government Ministries and State-Owned Corporations. Therefore, in

keeping with good corporate governance and business principles, the main areas of the review include: assessing the adequacy of the organisational and managerial structures, cost effectiveness of the operations, inventory controls, analysis of supply chains, and procurement practices. It is anticipated that the findings of the assessment would be used to reform the operations of the Unit so that the Government can maintain value for money and provide more efficient services to the various Public Sector Agencies.

104. Mr. Speaker, the Team Unity Government takes seriously all of its responsibilities including the protection of public assets. We are dissatisfied with the state of management of Government assets, especially Government owned buildings. We are further dissatisfied with the level of resources that is expended on rental of office space while Government's buildings are left in a state of disrepair. It is known to all that Government has ownership of several buildings, some of which were recently acquired to improve accommodation for the staff working in the various Ministries and Departments. We believe that the Government owns sufficient property in and around Basseterre to adequately accommodate all of its Agencies. We have therefore commissioned a Committee, led by the Ministry of Finance, to coordinate the development of a Plan for the cataloguing of all Government owned buildings. The Committee will indicate the condition of each property and make recommendations for repairs where necessary. The work of this Committee would also produce recommendations on future use or disposal of these properties. Meanwhile, the 2016 Budget provides resources to support the upgrade of several buildings including the building currently housing the Accountant General's Department on Church Street, the former John Gumbs Building on the Bay Road, and the former CLICO Building located on South Independence Square Street. We would also advance plans for the upgrade and expansion of Government Headquarters. By the end of 2016, we should realize notable improvements in the accommodation of Government Agencies. The end result would be improved efficiency and productivity in the Public Service and cost savings from rental of office space. These works would have the added benefit of uplifting the physical environment of historic Basseterre. Mr. Speaker, we look forward to and welcome these changes.

105. Mr. Speaker, our vision is for a highly productive and results oriented Civil Service. We expect a fair day's work from all Civil Servants. We expect to pay a fair day's pay also. Speaking of pay, I can now announce that the Team Unity Government will in January 2016

accord our Civil Servants, auxiliary workers and pensioners an increase in personal emoluments, wages and retiring benefits of 3%. Further, the Ministry of Finance will be commissioned to work with the Human Resource Management Department to develop proposals for a new wage policy and appropriate remuneration package for Civil Servants covering a three year period, 2017 to 2019. The new wage policy would be informed by the consultants' recommendations under the World Bank supported Enhanced Public Sector Governance and Efficiency Project. The days of frozen increments are behind us and therefore those Civil Servants who have worked and proven themselves worthy of this merit-based increase in pay can rest assured that they too will continue to receive their increments. My Government welcomes the hard work of our security officers. Many of them work beyond the call of duty to keep us safe. We recognize their contribution in pursuit of the Six Point Plan and today I am also pleased to announce that additional resources would be provided in the 2016 Budget to facilitate a 20% increase in risk pay for our security forces. Increased risk pay will be paid to the Police, Prison, Defense Force, Coast Guard, Fire and Rescue Services – all will be given a Fair Share. We promise to review these at periodic intervals. Further, additional resources have been provided to support payment of a special allowance to the men and women who go way beyond the call of duty to risk their lives on a daily basis to keep us safe.

Conclusion

106. Mr. Speaker, the attainment of sustainable growth and development, and the prosperity of our people are inextricably linked to the achievement of overarching goals such as poverty eradication, quality education, good health and well-being, gender equality and decent work. In September of this year, the 193 members of the United Nations General Assembly, including St. Kitts and Nevis, adopted the 2030 Agenda for Sustainable Development. This new call to action outlines the Sustainable Development Goals (SDGs) which will now build on the achievements of the past Millennium Development Goals (MDGs). The United Nations Secretary General, His Excellency Ban Ki-moon, stated that, "It is an agenda for people, to end poverty in all its forms...for the planet our common home. An agenda for shared prosperity, peace and

partnership. It conveys the urgency of climate action...rooted in gender equality and respect for the rights of all.”

107. In this regard, the work has already commenced at the international level with the convening of the 21st Conference of the Parties for the United Nations Framework Convention on Climate Change (UNFCCC) which was held in Paris recently. This meeting has successfully achieved a legally binding and universal agreement on climate change to reduce global warming. As part of this process, each Party to the Convention, including our Federation, has articulated its Intended Nationally Determined Contributions (INDCs) which declared specific actions to address climate change through the reduction of emissions and adaptive measures, and the related financial support requirements. It is anticipated that this new agreement will mobilize resources of \$100 billion from Developed Countries to Developing Countries including Small Island Developing States (SIDS), such as St. Kitts and Nevis, as these are the most severely impacted by the effects of climate change. The most developed and wealthy nations have given a commitment to individually and collectively reduce their carbon emissions. Even with these commitments at the international level, we must activate our own national mechanism to chart the way forward for our Federation to effectively manage our response to climate change which is already a factor in the changing circumstances of our lives. We simply cannot afford to wait for others to act on our behalf but rather we must develop the appropriate strategies to meet our national needs while contributing to the wider global objectives.

108. Mr. Speaker, the challenges facing the Federation in sustaining robust growth and development and bringing about meaningful change in the lives of our people must be frontally addressed. Our pursuit of the ideals articulated in the 2030 Agenda for Sustainable Development and our Manifesto 2015 - 2020 must therefore translate into tangible benefits for our people. To this end, my Government will develop and implement the necessary socio-economic policies and strategic interventions to accelerate the transformation of St. Kitts and Nevis. Structural reforms remain an important element in this process therefore, focus would be given to actions that raise productivity and remove bottlenecks to production in order to strengthen growth prospects over the medium to long-term. Building resilience would also be treated as a common thread in developing our sustainable growth and development strategies.

109. In 2016, we intend to maintain our vigour to transform the legislative landscape within the Federation. Therefore, the Freedom of Information Bill introduced in this Honorable House in September of this year will be presented to the public in a series of national consultations to increase awareness and garner feedback. The presentation and debate of legislation related to data protection will also be prioritized as supporting components to the freedom of information regime as well as the enactment of corruption prevention laws in keeping with the United Nations Convention Against Corruption. A suite of good governance legislation will be brought to Parliament in keeping with our mandate to promote transparency and accountability in Government.

110. Mr. Speaker, my Team Unity Fresh Start and Prosperity Agenda will emphasize growth that is job rich. We are encouraged by the impressive GDP growth rate during our first months in office, but we will not sit on our laurels. The challenge is to translate these growth numbers into jobs, into sustainable development of our Nation, and into prosperity for all. To achieve this, we must take a critical look at how policies are developed and implemented, how our laws are crafted and enforced and how we prepare our people to seize the opportunities that are created as a result. The attainment of these good governance ambitions also requires that our public sector is re-engineered into a well-oiled mechanism that is far more service-oriented, knowledgeable, professional, accountable, productive and responsive to the needs of our taxpayers who pay our salaries. We have now entered on the threshold of an era when productivity, performance and pay systems are inextricably linked. The age of entitlement is long past and a public sector operated on the system of meritocracy is a requisite for national competitiveness at the socio-economic level. This first budget of my Team Unity Government is designed to empower our people to seize all opportunities that could transform their lives so that they in turn may help others to truly reap the benefits of a fresh start. We are determined that our Fresh Start and Prosperity Agenda will yield better results for the people of this Federation.

111. In our work, others shall come to define us as a Government steeped in our commitment to improve the lives of our people. Progressive in our outlook, revolutionary in our actions to shake the shackles of perennial poverty and deprivation from our people, committed to help the young generation achieve more than their parents did in all things worthy of human endeavor. Because we care, 2016 shall see policy actions that differentiate our approach to property

ownership and land and housing programmes, in particular. We shall transform the people's health delivery making it better and more efficient. Education and training shall focus on empowerment of youth and adults alike. Development shall start and end with people because there is no meaningful development unless our people experience improved salaries and wages, more wealth, comfort and happiness. Our people must feel empowered enough to tackle the challenges, seize the opportunities and take our beloved country to the next level of growth and development. This shall be the legacy of the people's Team Unity Government.

112. Mr. Speaker, I so move.

ST. CHRISTOPHER AND NEVIS

2016

FISCAL PROSPECTS

1. Mr. Speaker, the Team Unity Plans and Proposals for the 2016 Budget have been carefully prioritized and programmed to ensure that the various line Ministries would be provided with the necessary resources to assist the Government in the delivery of its mandate for changing lives, increasing growth, sustaining development and prosperity. The economy is now on a path of positive growth and economic activity has begun to return to normal levels after being severely impacted by one of the worst global recessions which took a toll on our economy. During the Budget preparation process, we have been careful in determining new areas to be supported during the upcoming fiscal year. We are confident that we have taken the necessary time to consider the various proposals for new initiatives and the decisions taken as a result will help to move this country closer to achieving its objectives in several areas. We are also confident that the Government would be able to raise the necessary revenue to fund critical areas such as education, health, security, social services and infrastructure development which have a direct bearing on the quality of life of the citizens and residents of our beloved Federation.

2. Recurrent Revenue for the 2016 fiscal year is projected to be \$608.3 million. Taxes on Income are expected to generate \$102.8 million which would be in excess of the 2015 Estimate by \$16.5 million or 19.2%. Taxes on Property are expected to reach \$14.8 million. Also, we are anticipating that Taxes on Domestic Goods and Consumption would be \$98.8 million while Taxes on International Trade and Transactions, the largest tax revenue contributor would generate \$185.8 million. Non-Tax Revenue which is expected to be driven by CBI fees is projected to be \$206.1 million for 2016. Additionally, a total of \$86.2 million is estimated for Budgetary and Capital Grants which is expected to be higher than the 2015 Estimates by \$5.2 million or 6.4%.

3. All of these categories are expected to yield Total Revenue and Grants of \$694.5 million. On the expenditure side, an amount of \$489.2 million is proposed for Recurrent Expenditure for 2016, a moderate increase of 4.8% over the 2015 Estimate. This would result in a Current Account Surplus of \$119.1 million for 2016. A total of \$127.7 million is also being proposed for Capital Expenditure and Net Lending in 2016. An Overall Surplus of \$77.6 million and a Primary Surplus of \$106.7 million is anticipated for 2016. Volume II of the 2016 Draft Estimates provides comprehensive details of all the programs and activities

that would be carried out by each Ministry and the details of what are to be achieved in 2016 given the respective budget allocations. It should be noted that the proposed allocation for some Ministries is influenced by the realignment of portfolios based on the current structure of the Government and the assigned Ministerial responsibilities. I will now therefore highlight some of the major programmes and activities for the various Ministries.

4. Mr. Speaker, the Ministry of Justice, Legal Affairs and Communications would be allocated \$10.1 million in 2016 for its recurrent activities. This represents a significant increase of \$1.0 million (10.5%) over what was allocated in 2015 and is indicative of the additional activities that the Ministry would be carrying out in 2016. An amount of \$1.9 million would also be allocated for Capital Expenditure for 2016. These resources will enable this Ministry to continue its very important mandate in the maintenance of peace, order, good governance and protecting the fundamental rights of citizens and residents. To this end, 2016 would witness the implementation of a number of initiatives aimed at developing good governance. These include: i) the establishment of an additional criminal court to address the current backlog of cases; the refurbishment of the Judicial Complex; the modernization of the file management system for the Courts to improve efficiency in the administration of justice; and iv) the establishment of a modern Land Registry. The amount provided would also support the refurbishment of the ICT Centre and the work of the IT Department which now forms part of this Ministry.

5. Mr. Speaker, the Office of the Prime Minister would be allocated \$40.6 million for 2016 Recurrent Expenditure representing a \$1.9 million or 4.9% increase over the 2015 Estimate. The major portion of these resources would be utilized in the management and ongoing reforms of the CBI Programme. The rebranding of the CBI Programme will continue in 2016 with a view to restoring the integrity and reputation of the Programme. Work will also continue in terms of updating the relevant legislation to buttress the Programme and thereby contribute to its stability both domestically and internationally.

6. It is proposed that the Ministry of National Security be granted \$47.6 million to carry out its recurrent activities and \$15.4 million for capital projects in the upcoming fiscal year. The allocation for Recurrent Expenditure represents a \$3.8 million or 8.7% increase over the

2015 Estimate. The Ministry understands its role as it relates to the issue of crime and national safety and as such will continue its crime fighting efforts by implementing its existing Police Six Point Plan. A portion of the resources would be used to support training, expand the use of Closed Circuit Televisions (CCTVs) and upgrade equipment in the Police Forensic Lab and Crime Scene Unit. It is anticipated that the use of such technology over time would help to reduce the high costs associated with the protection of witnesses. Taken as a whole, Mr. Speaker, I am confident that the investment in the proposed activities of the Office of the Prime Minister and the Ministry of National Security would reap dividends for the Federation.

7. Mr. Speaker, the Ministry of International Trade, Industry and Commerce would be allocated \$3.6 million for Recurrent Expenditure and \$0.3 million for Capital Expenditure. The proposed resources for Recurrent Expenditure represent an increase of \$0.1 million or 4.2% over what was provided in 2015. The Ministry will continue to play a pivotal role in the implementation of our trade policy. Focus will be placed on advancing the country specific issues related to the CARICOM Single Market and Economy, the implementation of the Economic Partnership Agreement with the European Union, and the ratification of the Brazil-Guyana-St. Kitts-Nevis Partial Scope Agreement. After ratification of the Partial Scope Agreement, the Ministry will play an essential role in providing guidance to exporters in gaining access to the Brazilian market.

8. The Ministry of Community Development, Gender Affairs and Social Services would be provided with \$7.4 million to carry out its recurrent activities in 2016. This allocation equates to \$0.4 million or 6.0% above the 2015 Estimate. Also proposed is an amount of \$6.1 million for capital projects to be undertaken by the Ministry.

9. Mr. Speaker, the Ministry of Finance would be granted the largest allocation for 2016 in the amount of \$167.0 million for Recurrent Expenditure and \$12.7 million for the implementation of capital projects and Net Lending. The allocation for Recurrent Expenditure is \$1.3 million or 0.8% below the amount that was provided in 2015. The estimate for capital projects and Net Lending is also below the 2015 budgeted amount by \$1.1 million or 8.0%. The Ministry will use a portion of its resource allocation to meet

Government's obligations with respect to interest payments on the public debt which is projected to be \$29.2 million for 2016. This amount is \$9.8 million (25.2%) below the 2015 Estimate. Additionally, during 2016, the Ministry will make pension and gratuity payments to retired Civil Servants in the amount of \$34.6 million, and pay \$10.5 million in premiums for medical insurance for Civil Servants and insurance on Government's assets. The consumption of electricity by Government Ministries and the cost of street lighting are estimated to be \$16.0 million representing a \$2.0 million decrease from 2015.

10. The Ministry of Agriculture, Cooperatives, Human Settlements and Environment would be allocated \$8.5 million for Recurrent Expenditure in 2016. This represents an increase of \$0.5 million or 6.4% over its 2015 allocation. The Capital Budget for this Ministry for 2016 is estimated at \$4.2 million. During 2016, the Ministry will continue its drive to promote agricultural diversification with the goal of reducing the food import bill. In this regard, special focus would be on increasing output in the production of selected crops including onions, cabbage, broccoli and cauliflower as well as the continued promotion of breadfruit and breadnuts. In the area of fishing, attention would be paid to improving fishing techniques, fish aggregating devices, habitat enhancement and value added fish processing all with a view of increasing output. A number of Capital Projects would be undertaken during 2016 to improve infrastructure in agriculture and fisheries.

11. Mr. Speaker, it is proposed that an allocation of \$22.0 million be set aside to support the relevant activities of the Ministry of Tourism. This represents a \$3.1 million or 16.5% increase over the budget allocation for 2015. It is also proposed that an allocation of \$5.7 million be provided to this Ministry to facilitate a number of capital projects that would enhance the products that we offer to our tourists and Nationals alike. We have attained the goal of exceeding one million cruise ship visitors and expect this growth to continue. We also wish to expand the land based tourism business and therefore special emphasis would be placed on increasing the number of stay over visitors. In recognition of this, the Ministry has been given a significant increase in resources to carry out its programmes and activities for 2016.

12. I now turn to the Ministry of Public Infrastructure, Posts, Urban Development and Transport. This Ministry's recurrent budget for 2016 is estimated at \$20.2 million, representing an increase of \$1.0 million or 5.1% over the allocation for 2015. The Capital allocation proposed for 2016 is \$23.0 million. During 2016, this Ministry will move more aggressively to promote "Green Growth" through the development of renewable energy in the areas of wind, solar and geothermal. Resources would be allocated to establish an Energy Unit and an Urban Development Unit within the Ministry. In the area of transport, the Ministry would embark on the construction of an East Line Bus Terminal and the upgrade of the Ferry and West Line Bus Terminals to provide a more aesthetically pleasing and comfortable environment for persons who utilize the public transportation system.

13. Mr. Speaker, the Ministry of Education would be provided with \$69.4 million for the 2016 Recurrent Budget, an increase of \$3.2 million or 4.9% over the 2015 Budget. A total of \$15.6 million, \$6.7 million or 74.6% more than 2015, would also be provided for Capital Expenditure. These increases represent one of the largest increases in terms of dollar amounts to any Ministry and signify my Government's commitment to the development of our people. We recognize education as one of the most effective tools for changing lives for the better. Education has enormous power to change people's situations moving them from poverty to acceptable standards of living. We are therefore providing the additional resources to prepare our people to take advantage of the various opportunities that would emerge as a result of economic growth and development.

14. In 2016, the Ministry of Education would concentrate on improving our education system ensuring that all of our children continue to receive a good quality education. More specifically, the Ministry would be completing work on a new Education Sector Strategic Plan and commence the implementation of a TVET Development Project in collaboration with the CDB. The Ministry would also increase its focus on maintenance of schools and the upgrade of educational institutions for which it is proposed that an amount of \$0.7 million be provided in the Capital Budget. In addition to this, the Ministry would commence the construction of the new Basseterre High School during the upcoming fiscal year. As such, an amount of \$10.0 million would be provided in the Capital Budget to undertake Phase One of this important project. Another major Manifesto commitment is unfolding.

15. Mr. Speaker, the Ministry of Health would be allocated \$46.1 million for its Recurrent Budget for fiscal year 2016, reflecting an increase of \$5.5 million or 13.6% over the 2015 Budget. A total of \$14.9 million would also be provided for Capital Expenditure. During 2016, the Ministry of Health will continue to emphasize health promotion and education of the public regarding healthy life style choices. The upcoming fiscal year would see the establishment of a new Oncology Unit and the implementation of a number of information technology solutions to various activities at the hospital, health centres and Government pharmacies.

16. The Ministry of Youth, Sports and Culture would be allocated \$6.4 million for its 2016 Recurrent Expenditure, an increase of \$0.5 million or 8.9% over the 2015 Budget. This Ministry has a crucial role to play in implementing programs and activities that would steer our young people towards positive life styles and re-directing those who are tempted to choose the wrong path. In this regard, the Ministry will be forging stronger relationships with the Ministry of Community Development, Gender Affairs and Social Services during 2016 with the intention of assisting youths at risk. In 2016, the Ministry will be also collaborating with the Ministry of Health to promote sports as a means of inculcating healthy life styles for our young people in particular. With regard to culture, the Ministry will improve its efforts to preserve our cultural art forms and heritage sites, and foster the development of the latent potential of our creative industry. To assist the Ministry with the execution of its mandate, it is proposed that a total of \$10.0 million be provided for Capital Projects. These would include hosting of the CPL Games, the further upgrade of sports facilities and the upgrade of Carnival Village.

17. Mr. Speaker, I now turn to the Ministry of Sustainable Development which would be allocated \$5.2 million for its Recurrent Expenditure, \$0.3 million or 6.4% above the 2015 Budget. A further \$8.5 million has been provided for Capital Expenditure. In 2016, the Ministry would continue to focus on initiatives that promote economic growth and development.

18. The Ministry of Foreign Affairs and Aviation has been provided with resources in the amount of \$18.6 million to carry out its recurrent activities for 2016. This amount represents

an increase of \$0.6 million or 3.4% over the previous year's budget. One of the priorities of the Ministry is to increase diplomatic relations with as many Member States of the United Nations (UN) as possible.

19. Mr. Speaker, it is proposed that the Office of the Attorney General be provided with a budget of \$11.6 million for 2016, representing a \$1.5 million or 14.8% increase over the 2015 allocation. This Ministry has a pivotal role in the administration of justice and the maintenance of the rule of law in the Federation. During 2016, the Office of the Attorney General would lead the Government's efforts in regards to electoral reform. Particular attention would be paid to hosting consultations with stakeholders and the upgrade of both hardware and software in the Electoral Office to ensure enhanced security, reliability and efficiency of service.

20. Mr. Speaker, a new Ministry of Nevis Affairs, Labour, Social Security and Ecclesiastical Affairs has been created and would be allocated \$1.3 million to carry out its recurrent activities for 2016. One of the main thrusts of this Ministry would be to foster greater relations between the Federal Government and the Nevis Island Administration, targeting synchronization of policy and other important areas that are critical to the development of the Federation. The Department of Labour would continue to perform the role of vanguard in fostering harmonious work relationships through the application of international best practices and judicious resolution of labour disputes. The Department will focus on Occupational Health and Safety in the workplace and embark on the promotion of a Health and Safety Culture. In relation to Ecclesiastical Affairs, the Ministry would seek to establish a partnership to forge closer working relationships with various religious organizations in order to achieve more harmonious communities in St. Kitts and Nevis.

21. Mr. Speaker, I have provided the broad parameters for the estimated revenue the Government intends to raise and the envelopes for expenditure to be provided in support of the successful implementation of our stated goals and objectives for 2016. It is not possible for any budget that covers a period of 12 months to provide all the resources for a Government to fulfill a mandate that was given for five years. We will however use this first

budget to advance delivery of our commitments in respect of giving our people a fresh start towards prosperity for all.