



2010

BUDGET ADDRESS



“Reorienting economic activity by fostering a competitive business and investment environment”

By
Honourable Joseph Parry
Premier and Minister of Finance
Nevis Island Administration
Wednesday 9th December, 2009

1. Madam President, I beg leave to move the second reading of the Bill shortly entitled the Appropriation (2010) Ordinance, 2009.

INTRODUCTION

2. Madam President, I present this budget against the backdrop of a severe global recession that has significantly suppressed growth and the standard of living to which most countries have grown accustomed to. The situation in Nevis has become even more acute as a result of the closure of the Four Seasons Resort since September 2008 due to damage sustained from the passage of Hurricane Omar. My government has done everything in its power to persuade the bank and the Four Seasons management to resolve all outstanding issues expeditiously so that the Hotel could begin operation. We have held important meetings with the owners and Four Seasons in New York, Miami and Nevis and have granted significant tax concessions as an inducement to the owner to speed up the process. To date we have not been given a definitive time table for the reopening except a commitment that the reopening will take place in 2010.

3. Madam President, the island of Nevis has an excellent tourism product and so I am very optimistic that the hotel will reopen next year. My government will continue to exert its influence to impress upon the owners the importance of the Four Seasons Resort to the economy of Nevis and will take the necessary action to protect the livelihood of our people.

4. However, we cannot blame the Four Seasons Resort for the predicament that we have found ourselves in. Since the Four Seasons was brought to Nevis by the NRP government in 1991, we have not been able to attract any major foreign investments to diversify the economy and provide alternatives for our people. The CCM led government spent fourteen years in power, from 1992 to 2006 and could not attract one major investor. During the same period, many other islands in the OECS including St Kitts, Antigua, Anguilla, and St Lucia were able to bolster their economies by attracting significant foreign direct investments. The success we have witnessed in Nevis over this period was created by public sector induced growth and an accumulation of debt. In fact, over the years, the revenue generated by the Four Seasons was leveraged to build roads and port facilities; projects that were conceived by the previous NRP government.

5. While the present government undertook several critical capital projects and added to the debt stock, we have not lost sight of the fact that the private sector must become the engine of growth

to ensure sustainability and the maintenance of a decent standard of living for our people. To this end, we must seek to reduce our reliance on the Four Seasons Resort understanding fully the risk associated with the dependence on one sector or business for our livelihood. The top priority of my government is to diversify the Nevis economy to make it more resilient to internal and external shocks. This will require the government taking tangible actions to boost economic output, energize foreign and local investors, and increasing agricultural production. We will also have to continue to focus attention on tourism and financial services as these will continue to be important components of our development strategy. However, we must attract and develop other industries to increase diversification and thus buffer our economy from the vagaries of the international economy. For this reason, I have carefully selected the theme, **‘re-orienting economic activity by fostering a competitive business and investment environment.’** This will be the focus of my government during the next fiscal year and the foreseeable future.

6. Madam President, according to the IMF world economic outlook, global economic activity is expected to contract by 1% in 2009. However, there are signs that the recession is coming to an end and thus the global economy is expected to grow by 3% in 2010 driven by China, India and a number of the emerging Asian economies. Asia’s GDP is forecasted to grow by 5.75% nearly twice that of the global economy. The advanced economies are expected to grow by 1.25% following a contraction of 3.5% in 2009. With such a sluggish growth, unemployment is likely to get worse before improving late in 2010. The United States is expected to grow by 1.5% in 2010 after a contraction of 2.7% in 2009. Growth will be very slow due to the following reasons:

7. Private consumption will remain sluggish as consumers increase savings to improve their balance sheets;

8. Large fiscal imbalances and high debt which will limit the government’s ability to pursue expansionary fiscal and monetary policies;

9. Financial conditions will remain tight as banks become more prudent in lending, and stringent prudential regulations are enforced.

10. The global economic outlook does not augur well for many of the Caribbean countries especially the OECS. As a result of our dependency on tourism receipts and remittances, recovery will be very slow due to high unemployment and low private consumption that will

continue in the United States and other industrial countries to which our economies are linked. Furthermore, many of our countries are burdened with very high debts and thus do not have the fiscal capacity to implement stimulus packages to augment domestic demand and protect vulnerable groups. As a result of these factors, 2010 is projected to be a very difficult year for many Caribbean countries.

11. In fact, I recently attended a meeting of the OECS heads in Anguilla, and all of the OECS islands reported that they are experiencing severe fiscal challenges as they cope with the global recession. It is anticipated that tourism receipts, foreign direct investments and remittances will continue to decline placing greater pressure on our balance of payments. In addition, we have not resolved the British American fiasco which poses a serious threat to the financial system in the OECS. Consequently, most of the islands are planning for deficit budgets that will result in a further escalation of debt in the region.

12. The situation in Nevis is no different. We are expecting negative primary balances and deficits on current account for both 2009 and 2010. We have tried hard to limit capital expenditure and curtail current expenditure, but government will have to intervene in critical areas of the economy to continue to protect the disadvantaged and to stimulate growth. This requires that we increase our borrowing in the short to medium term. However, as the economy recovers, the government will be proactive in implementing measures to reduce the debt burden and in partnering with the private sector to grow the economy and to foster an environment conducive to wealth creation.

13. Despite the Four Seasons closure and the global recession, my government has made significant strides. The poverty rate has dropped from 30% to 16% and abject poverty has been eliminated; We have improved significantly our road network and our school environment; we have provided over 200 affordable homes; we have constructed a drag racing strip to provide activities for locals and tourists; we have injected new life into Agriculture; we have pioneered the homework assistance programme; and we successfully negotiated a loan from Social Security to initiate a stimulus programme aimed at pursuing well targeted capital projects and generating employment. However, there are some downside risks for the Nevis economy revolving around deteriorating fiscal position, the impact of Western Union and CLICO, and any further delays in the reopening of the Four Seasons Resort. Consequently, the next fiscal year is predicted to be

more challenging than 2009, and thus we will have to carefully balance expenditure management and policies to stimulate economy growth to avoid a deepening of this recession.

14. This budget will seek to outline as explicitly as possible the concrete actions that my government will take to address the fiscal challenges, stimulate economic activity, and prepare Nevis to take full advantage of the economic recovery that is expected in 2011.

15. I will now speak to the performance and prospects of the key sectors of the economy beginning with Tourism since this is the most important sector in the Nevis economy.

TOURISM

16. 2009 will go into the history books as one of the worst years for tourism in Nevis. The obvious reason was of course, the closure of the Four Seasons Hotel compounded by the global recession. However, the U.S. Consumer Board of Confidence Index continues to hold steady at just under 50%, thus causing a more favourable outlook for next year as opposed to the same time last year. This cautious optimism has manifested itself in a pattern of slow and late bookings. Locally, a similar mood of optimism holds, at least for some of our stakeholder partners. We checked with a number of them in order to get a reliable assessment of current conditions. We found a similarity in the responses for the most part, which suggested that although times are still tough, the worst may be over.

17. Discussions with key stakeholders revealed a variety of reactions to the situation. One property forecast a 7% increase over 2009, others expect very little change, while another has upgraded its facilities thus showing some confidence in future trends. Others have instituted a program of specials. All, however, are making an effort to maintain a profile in the market until things improve. Overseas, Agency managers have reported that clients are beginning to call again responding to increased levels of confidence in the improving global economy. We will remain in close contact with all of our accommodation stakeholder partners and assist in every way we can until things return to normal.

Marketing

18. Support for the Nevis Tourism Authority will continue both institutionally and financially. The closure of the Four Seasons Resort on Nevis has brought to light an opportunity for the

Nevis Tourism Authority to examine its strategy and take appropriate steps to focus greater attention on our small and medium size properties and other auxiliary services to ensure their viability.

19. Although the usual modes of marketing such as trade shows attendance, newspaper articles and the like, have placed us in good stead in the past, the time has now come to balance that with a modern approach. We live in a brave new world where technology is becoming increasingly more important in day to day decision making. More and more persons are making travel and holiday decisions based on information gained by surfing the web. More and more companies are doing business by advertising on the web. This means that we can easily raise our profile as a destination and do more and cheaper business by using Search Engine Marketing/emarketing as a tool to promote Nevis.

Product Development

20. Our commitment to cruise tourism has led us to collaborate with a New York based company Namdar Brothers Realty, to establish probably the most ambitious development plan ever for the Charlestown Waterfront. This is the Charlestown Redevelopment Project which envisages the creation of a new upscale shopping facility which will offer up market, high end duty free retail shops and restaurants, food and beverage establishments, as well as entertainment readily accessible to cruise, non cruise visitors and residents at all times. Development contracts have been signed already and work is due to start very soon. This development has already attracted interest from two cruise lines that do not currently serve Nevis, namely, Carnival Cruise Lines and Royal Caribbean Cruise Lines. In fact Royal Caribbean has requested a meeting with us in early March 2010. This follows an initial contact between the Ministry of Tourism personnel and Royal Caribbean at the FCCA meeting in St. Lucia in October of this year.

Airlift

21. We continue to be challenged in the area of airlift. The region as a whole has suffered tremendously due to the reduction in airlift, intra-regionally and to Nevis in particular. American Eagle, WINAIR and LIAT have significantly made cutbacks on airlift into Nevis. With the reopening of the Four Seasons in the future, we expect that this will change. However, while we have seen this decline of direct airlift into Nevis, we have also seen a significant increase in

airlift into St. Kitts with the opportunity for easy transfer to Nevis. Nevis now has major connections from London (BA), New York (AA), Atlanta (Delta), Charlotte (USAIR) and Miami (AA) with opportunities for connection from other feeder cities. This great opportunity provides a chance for Nevis to build strong relationships with these partners knowing that a lot of the evidence has shown that most of the first class travellers in these services are bound for Nevis. The introduction in particular of direct British Airways flights to Basseterre has proven to be extremely valuable by removing the frustration, uncertainty and unreliability of getting to Nevis via Antigua, and, with the BA plan to further improve this service by putting on another flight early in the New Year, it gives us another marketing tool to strengthen our thrust towards increasing our European market share.

Sports Tourism

22. Sports Tourism, through the Fishing Tournament, the Annual Triathlon event, Horse Racing and Drag Racing have increased Nevis' visibility regionally and internationally. This certainly puts Nevis in a position to better market itself as a destination with a larger variety of activities and opportunities to have a great vacation. We also want to highlight the input of the Nevis Yacht Club. The financial impact of the Fishing Tournament, has been notable, but their drive in support of marine awareness and conservation will have an even more far reaching impact in the years to come.

Development of the local product

23. Last year's budget mentioned two projects important to the ongoing creation of local activities for our visitors, the "Made in Nevis" Artisan Village and the New River Plantation Yard Museum. Due to the financial situation both projects had to be put on hold. However, I am pleased to say that these projects are back on track. The Artisan Village will open in January 2010 with New River slated to come on stream later in the year.

Tourism Education

24. As part of our human resource mandate to instill in our youths an appreciation of the importance of our tourism product, the Ministry is now including Tourism Education in the curriculum of all of the Public Primary Schools in Nevis.

25. This approach is bearing fruit as our Nevisian students continue to excel in regional tourism contests coordinated by the Ministry of Tourism. This year, Nevis placed 2nd regionally in the Florida Caribbean Cruise Association (FCCA) Environmental Poster Contest, won by Kelsia Liburd of the Joycelyn Liburd Primary School. She received cash prizes of U.S. \$1500.00 for herself and U.S. \$1500.00 for her school.

26. Nevis also placed 2nd regionally in the 2009 FCCA Essay Contest. Chloe Williams of the Charlestown Secondary School was the winning student. Both Chloe and her school received from the FCCA cash prizes of U.S. \$1,500.00. Our students have been blazing the trail of excellence and are increasingly participating in our programmes.

Tourism Youth Council

27. In December of this year, The Ministry of Tourism will launch its first Tourism Youth Council. Through the Youth Council, students attending Secondary Schools and the Nevis Sixth Form College will be engaged in experiential learning in areas such as travel writing, videography, photography, tour guiding, and culinary arts. This will create a cadre of young people knowledgeable in tourism matters, who will then be in a position to serve as goodwill ambassadors for the island.

28. The Ministry also continues to place emphasis on capacity building through training. Earlier this year we partnered with the Organization of American States (OAS) in order to facilitate the following American Automobile Association – (AAA) certified training programmes, namely, the Certified Hospitality Department Trainer’s Workshop, and the Front Office Representatives Skills Workshop.

Sustainable Tourism

29. Community tourism is another area in which the government is seeking to further the development of Sustainable Tourism.

30. The Ministry of Tourism partnering with the Inter- American Institute for Cooperation and Agriculture, (IICA) has launched the Gingerland Agro-Tourism Project, (GATPRO) an initiative aimed at promoting responsible community tourism in the Parish of St. George, through linkages

in Eco-Tourism, Cultural Heritage Tourism and Agriculture. Through this project a number of activities have been held, highlighting resources and skills of the people of Gingerland. It is our aim to repeat this exercise in other parts of the island in the near future.

31. With these programmes, my government is building the foundation to ensure that tourism remains an important industry in Nevis. We are also very optimistic that this sector will rebound by the next tourist season.

FINANCIAL SERVICES

32. Madam President, the financial services industry is very important to the economy of Nevis, contributing over 12% of government's revenue. However, over the past two years the sector has come under severe pressure from external forces such as the Financial Action Task Force (FATF), the Organisation for Economic Co-operation Development (OECD) and the G20, that perceive the sector as a threat to the tax system of their member countries. Consequently, we have had to expend significant time and resources to address the issues raised by these organizations to ensure the viability and sustainability of the sector.

33. With the constant threat of sanctions, there has been a declining trend in revenue since 2007. Between 2007 and 2008, revenue fell by 6.8% and up to November 15 of this year we have collected \$9.5 million which indicate that the outcome for 2009 is likely to show a small drop when compared to 2008.

34. Madam President, the Federation is currently on the OECD "grey list" of countries which means that we have not yet substantially implemented the internationally agreed tax standard. To be in full compliance, the Federation will have to sign at least 12 tax information exchange agreements (TIEAs) with OECD countries. This will ensure that we are able to graduate to the "white list" the criterion being that we have substantially implemented the tax standard. In moving towards this goal, the Nevis Island Administration has given tremendous support to the Federal Government in ensuring the Federation's graduation to the OECD's white list.

35. To date, we have successfully concluded and signed five (5) tax information exchange agreements with the Netherlands, Netherlands Antilles, Aruba, Denmark and New Zealand; and one (1) double taxation agreement (DTA) with Monaco. We are in the process of negotiating

agreements with at least seven (7) other jurisdictions namely: Australia, United Kingdom, San Marino, Liechtenstein, Norway, India and Finland. I am therefore, hopeful that the agreements with these countries would be executed within the 1st quarter of 2010.

36. Madam President, following the Caribbean Financial Action Task Force Mutual Evaluation that was presented in Trinidad and Tobago in May of this year, the Nevis Island Administration has been in collaboration with the Federal Government in ensuring the implementation of the diverse recommendations cited in the said report. This has resulted in the decision to establish a single and integrated regulatory unit to regulate all of the financial institutions in the Federation except class A banks which will continue to be the purview of the Eastern Caribbean Central Bank (ECCB).

37. To this end, the recently enacted Financial Services Regulatory Commission Bill, 2009 provides for the regulation of non-bank financial institutions. It also establishes an operational department in Nevis (currently the Financial Services Regulatory and Supervisory Department), which would continue to process licenses, collect fees, supervise and regulate all providers of financial services in the island of Nevis except for those services covered by the Banking Act. The Commission will be an independent body comprising of members from both St Kitts and Nevis including the two Regulators and Financial Secretaries. Both islands will contribute to the budget of the Commission.

38. Madam President, as a result of the severe pressure being exerted on financial centres, some of the multi-lateral institutions have advised that the situation will get worse and that we should begin to develop alternative industries to sustain our economies. My government is fully aware of the threats but we do not have any intention of giving up. In the future, we intend to shift our focus to markets in Latin America, Asia and the Far East where the demand for our products is growing rapidly. We have already requested the Federal Government to appoint Honorary Counsels in United Arab Emirates and China to facilitate the expeditious processing of document for Nevis entities. My government is also seeking to attract new investments in the sector and thus we are in discussions with a company in Lebanon to promote Nevis in these markets and to partner with us in the management of the Registry. Our intention is to upgrade the technology and provide a top class service to clients all over the world.

TRADE, INDUSTRY AND CONSUMER AFFAIRS

39. Madam President, the government through the Ministry of Trade, Industry, Consumer Affairs, Import and Export Control continued to move towards its stated mission of fostering the growth of Trade, promoting consumer education and protection while creating an enabling environment for the development of small business.

40. Madam President, the Consumer Affairs Unit has started to fulfill its mandate of providing consumer protection and education. However, its full impact is still to be realized as presently rehabilitation work is being done to provide accommodation for the staff. For this coming year with a full complement of staff, it is expected that consumers would experience many of the benefits that a fully functioning unit brings with it.

41. Madam President, the government through the Ministry of Trade and Industry has successfully brought all areas designated as Industrial Site under its domain and therefore has placed itself in a good position to more effectively manage them. This Unit seeks to effectively manage the various Industrial Sites, provide the relevant data and information to those interested in setting up businesses in these areas, and market them to potential investors. We are hoping to attract new industries looking for cheaper and greener energy especially as we are preparing to construct a geothermal plant.

42. Madam President, the International Trade Unit has been established in the Ministry of Trade. Among its goals are liaison relationships with Regional as well as International Agencies, and a partnership with the Federal Ministry of Trade. Through these relationships, we expect to have access to Foreign Direct Investments (FDI), opportunities for export of locally made products to niche markets, and more involvement in international trade negotiations. Adequate budgetary provision has been made to facilitate the operation of this Unit in 2010. These provisions include appropriate human resource allocations, to meet the anticipated challenges of the coming year.

43. The International Trade Unit through its established relationships with the Federal Ministry of Trade has partnered in the establishment of the Coalition of Service Industries (CSI). This

organization, is rooted in the private sector, but has been nurtured and assisted by the Nevis Island Administration (NIA) while still in its infancy. The CSI seeks to facilitate the movement of international service providers across our shores. The NIA's Ministry of Trade and the CSI working together will assure our local service providers the opportunities to sell their services abroad, and will attract much needed foreign capital to our shore.

44. Madam President, ultimately we intend to develop a comprehensive trade, industrial and business strategy to prepare Nevis for the next 20 years in light of plans for geothermal energy, and business development. The top priority is to diversify the economy so that we could reduce the risk of being dependent on any one sector or business to sustain our economy.

PRIVATE SECTOR DEVELOPMENT

45. Madam President, I have said before that the economic growth in Nevis over the years has been government induced and has resulted in a large debt overhang. In addition, the dependence on the Four Seasons Resort has made us extremely vulnerable to the vicissitudes of the global tourism industry. This government will therefore give top priority to private sector development. Our strategies will be as follows:

1. Develop and implement effective private sector strategies and policies;
2. Upgrade the institutional, legal and administrative infrastructure to facilitate private sector growth;
3. Facilitate the access of small and micro businesses to important technical, financial and informational resources; and
4. Provide the necessary tax incentive to facilitate investments.

46. Madam President, through the annual consultations, we have been able to interact with private sector officials and other stakeholders and have gleaned useful information about creating the enabling environment for private sector expansion and economic diversification. I have already outlined in a previous budget address the role that Nevis Investment Promotion Agency (NIPA) will play in facilitating both local and foreign investment. We have already started research work on identifying the impediments to business development and in 2010 NIPA will spearhead the implementation of policies designed to enhance the business environment. We will seek to pass and amend legislation where possible and streamline procedures to improve the

speed at which businesses can be established and transactions undertaken. We will also provide information to potential investors and give advice on business opportunities. The role of NIPA will be expanded so that the organization will have the authority to process alien landholding licenses for approved projects, and manage tax concessions for investors.

47. Madam President, one of the cornerstones of our economy is the small business sector. The Small Enterprise Development Unit (SEDU) has impacted positively in terms of the viability, sustainability and expansion of small businesses in Nevis. Many Small Businesses have benefited from technical assistance such as training workshops, seminars, and one on one counseling on applying proper business practices and procedures. The number of small businesses that have gotten duty concessions has risen sharply as persons have grasped the opportunity to benefit from this service.

48. The Entrepreneur Development Fund (EDF) has contributed significantly in making loans more easily available to small businesses that would otherwise have difficulties in securing them. My government took the bold step to increase the Fund from \$500,000 to \$1 million and expand the range of business activities that could borrow from the fund. Consequently, many more small businesses have been established and existing ones have expanded. My government has already passed a micro and small enterprise development ordinance to focus its attention on the small business sector by defining clearly what is a small business, facilitating registration, and providing tax incentives. The legislation also empowers The Small Enterprise Unit to play an increasing role in fostering a culture of enterprise and in creating an enabling environment for small businesses.

49. Madam President, we are already seeing the results of this government's efforts at empowering the private sector to become fully involved in the development process. In just over three years in office, we have generated significant interest in Nevis, despite the negative impact of the global recession. In addition to the Charlestown development project, which I have already outlined, we are working on several initiatives. The Aman Resort which is proposed for Indian Castle is progressing smoothly. The developer has already signed several agreements including the operating agreement with Aman, the contract for the design of the golf course, and a contract with the architects for the working drawings. The plan entails the construction of about 40 hotel rooms and over 100 villas. In addition, the Palm Hotel at Paradise Estate has already begun

construction with plans for over 25 high class villas, and the Nisbett Plantation hotel is also expected to expand with the construction of 30 condominiums. We are also expecting that the Ocean Reef Resort planned for Herbert Beach will begin construction of 26 villas and 20 condominiums as soon as the global economy is on a more secure path to recovery. There are also ongoing projects including Cliff Dwellers, Live Nevis, Golden Rock Hotel, Hermitage and Mount Nevis.

50. I have just outlined a sample of some of the exciting developments that are planned for Nevis. While we are feeling the pressure of the global recession and the closure of the Four Seasons Resort, the future is very bright as a result of the hard work and dedication of this government in aggressively pursuing development projects for the island. We just need to exercise patience as we navigate the turbulent seas knowing that with proactive and dynamic leadership, we will overcome any obstacle in our quest to make Nevis a prosperous country for the benefit of all of us.

EDUCATION AND TRAINING

51. Madam President, Education and Training will continue to feature prominently in my government policies and programmes to empower our people to become more self-reliant. Consequently, we will continue to fulfill our mandate to provide all Nevisians with opportunities to maximize their potential and to develop skills for lifelong learning.

52. This goal, however, can only be achieved if everyone embraces the vision and becomes totally involved in this venture. My government will do its part by ensuring that the necessary support systems are in place. This would be evidenced by the following:

1. Additional classrooms;
2. Refurbished computer and science laboratories as well the investment of \$500,000 for new computers for all of the schools;
3. Increased number of trained personnel;
4. Expansion of the school meals programme;
5. Upgraded homework assistance programme; and
6. Improved security at all schools.

53. Madam President, a platform has been established over the last three years and encouraging signs have been seen in the improved performance of our students at the Test of Standards, Caribbean Secondary Examination Council (CSEC) and the Caribbean Advanced Proficiency Examination (CAPE).

54. It must be duly noted that Miss Sashia Godet was adjudged to have obtained the best CAPE results and is therefore the 2009 State Scholar. Her achievement has made it three in a row for the Sixth Form College and for Nevis. Mention must also be made that the top three places for CAPE came from the Nevis Sixth Form College with second place going to Michelle Slack and third place to Florelle Hobson. These students must be commended for such outstanding performances. The parents and teachers also deserve praise for their hard work in ensuring the children were well prepared for the examinations. Moreover, I will like to challenge the students at the Sixth Form College to work hard to emulate these students who have made all Nevisians very proud.

55. My government sincerely believes that the implementation of these initiatives coupled with the collaboration and support of social partners will result in the provision of meaningful opportunities for our people to realize their potential and therefore become active participants in the developmental process of our island.

Training

56. Madam President, in 2010 we intend to spend \$2,738,000 on Human Resources Development. As in 2009, some EC\$2,000,000.00 has been budgeted for training which, of course, remains a number one priority for the Administration. Training is crucial to the development of our human resource capital and as such continues to feature as the main activity of the Department. Many Nevisians continue to avail themselves of the opportunities to pursue higher education and the Administration is committed to training even in trying economic times. Over one hundred and fifty (150) persons have benefitted from Government's assistance programme since its inception in 2006. To date, some \$1,524,630.78 has been expended for 2009.

57. We have noted, growing interest in our regional institutions which remain quite reputable and efficient in their delivery of quality education. Currently, at the University of the West Indies three campuses, there are twenty-nine (29) students pursuing studies in Law, Social Sciences, Medicine (including Veterinary Medicine), Engineering, Pure and Applied Sciences and Humanities and Education. More Nevisians are also attending the University of Technology, Jamaica, pursuing the areas of Quantity Surveying, Architecture, Medical Technology and Public Health Nursing. We maintain that we should continue to opt for our regional institutions which are on par with some of the best around the world.

58. In-house training for the Public Service continues to play a tremendous role in fostering efficiency, productivity and professionalism in the work place. Training sessions have been conducted for Office Managers, Heads of Departments, Assistant Secretaries and Junior Clerical Officers in the areas of record keeping, teambuilding, interpersonal relations, Civil Service Procedures and Public Service Orientation. My government intends to continue with this drive to provide training for persons at all levels of the Public Service.

59. We remain indebted to the Governments of Taiwan and Cuba and Organizations such as the Organization of American States (OAS) that continue to provide tangible assistance in the area of human resource development.

HEALTH

60. Madam President, in the midst of the global economic downturn of 2009, the government through the Ministry of Health was able to record a number of successes in the areas of capacity building, intersectoral partnership, outreach, port health development and research. Regional and international cooperation in health was also expanded with new and existing countries.

61. As encouraged by the Pan American Health Organization, the renewal of the primary healthcare system is a priority for the government. This renewal involves a review of the current system in an effort to ensure that core values of health are maintained including equity, solidarity, and the right to the highest attainable level of healthcare. There are many elements essential to attaining these values including:

Prevention

62. As a follow up to the Gingerland Health Centre Men's Wellness Clinic, The Butlers Health Centre launched a men's wellness clinic in 2009. This clinic which is held on a quarterly basis provides health education to men on a variety of topics including diabetes, hypertension, prostate cancer and HIV/AIDS. Chronic disease screening for diabetes and hypertension is also conducted. Health promotion initiatives particularly, the Caribbean Wellness Day Programme held in September 2009 have also resulted in increased health screening for these chronic diseases as well as for cervical cancer.

63. HIV/AIDS promotion activities are expected to result in an increase in HIV/AIDS testing in 2010. As of October 2009, 616 tests were conducted. This amount is just 49 below the number of tests conducted in 2008. The success in getting more people tested is a direct result of this government's initiative to focus greater attention on HIV/AIDS Workplace Outreach Programme which provided HIV/AIDS education to business houses through a focal point, who can then provide in-house training to employees in order to ensure sustainability of a business specific HIV/AIDS education programme and inform and encourage the development of a workplace policy on HIV/AIDS. In 2010, the workplace outreach programmes will be expanded, with more businesses being targeted for education and screening on non-communicable diseases, in an effort to address the high prevalence of these diseases in the country.

Regional and International Cooperation

64. Madam President, the government has facilitated overseas medical care for 16 persons during 2009 at a cost of EC\$ 137,310.90 due to a lack of some critical services on the island. We have to face the reality that in a small island like Nevis, we will not have the resources to provide many of the health care services and thus we have to forge regional and international partnerships to gain access to those services. The government of Cuba provided medical care for 9 persons with varying medical conditions at reasonable costs in 2009. Visiting physicians from the Cuban Medical Brigade namely an Ophthalmologist and Orthopedic Surgeon commenced weekly Clinics during the last quarter of 2009. These specialists are based in St.Kitts and will serve the federation for a two year period.

65. Regional Cooperation in health extended further to the International Hospital for Children, through the government of St.Vincent. This initiative will provide general and pediatric surgical procedures in a variety of areas including neurosurgery, orthopedics, and cardiology.

66. In the area of International Cooperation, we were able to benefit in a number of areas including the following:

- i. The government of Spain donated a colposcope which will enhance cervical cancer diagnosis and treatment services;
- ii. Global Faith Alliance and the United States Agency for International Development donated medical supplies to The Ministry of Health;
- iii. Medical Missions were also conducted by the Taiwanese; and
- iv. The visiting team of ophthalmologists from the USA conducted their usual bi-annual clinics in April and November.

67. Madam President, we will continue to explore opportunities to access critical care by pursuing close relationships with regional and international partners. We cannot afford to meet the cost of sending persons to the United States and thus we will continue to use Cuba as an alternative, especially as the persons who have travelled to Cuba for medical attention are quite satisfied with the quality of care they have received.

Surveillance

68. The monitoring of ports is essential, in order to prevent the introduction of vectors and non-endemic diseases to our shores. The Port Health Programme boasted tremendous success in 2009. The Public Health Team was able to provide consistent coverage at the Vance W. Amory International Airport during the first 90 days of the outbreak of this new H1N1 influenza virus. Cargo Ship boarding also commenced during 2009. Full coverage of cruise ships entering our ports during cruise ship season was also attained.

Infrastructural Development

69. Construction of a new health centre at Brown Hill began in 2009 and is expected to be completed by April of 2010. This new facility is being built in Brown Hill with support from the

Basic Needs Trust Fund. The upgrade of this Community Health facility will provide improved services and adequate space to execute health programmes.

70. Madam President, The Ministry of Health has received assistance from corporate partners throughout 2009. The Hospital Auxiliary and The Bank of Nevis contributed \$45,000 and \$15,000 respectively towards the purchase of an ultrasound machine which cost the government US\$130,000. Mount Nevis Hotel contributed towards the purchase of a sterilizer. Other partners throughout the year included Rotary Club, National Caribbean Insurance, Credit Union, Digicel and LIME. I want to express sincere thanks to all these corporate sponsors for their willingness to invest in the health of Nevisians and I look forward to their continued support in the future.

SOCIAL DEVELOPMENT

71. Madam President, My government through the Ministry of Social Development continues to implement programs geared towards enhancing our social and cultural environment. These programs seek to prepare our youths, elderly, athletes and cultural practitioners to take full advantage of opportunities created in a competitive business and investment environment.

72. Madam President, as you are aware, the Minister of Social Development is an ardent advocate of the belief that government's responsibility is to equip individuals with the skills to help themselves rather than granting handouts. Therefore, through programs like, Helping You Prepare for Employment (HYPE) and Empowering Men for Change (EMC), we continue to provide the necessary condition for social change in our community.

73. Presently, there are eighteen (18) young persons in Trinidad benefitting from the HYPE program, while over forty (40) persons are benefitting from the EMC program. These two (2) social intervention programs target youths displaying socially deviant behaviour and lend themselves to the notion that when an individual is confident and is provided with opportunities to develop him or herself, they would more often or not, rise to the challenges of life and strive to function to their fullest potential.

74. In addition, the Ministry has established an adult education class in accounts, which seeks to assist, school dropouts, single parents and persons from the lower levels of the economic ladder.

This initiative we feel will help the recipients to advance themselves academically and better prepare for the job market.

75. The Community Development Department is an integral partner in the path towards socio-economic stability. Therefore, to carry out this critical role, the department continues to expand existing programs at the community level and will also institute new programs. The homework assistance program which was instituted in 2006 caters to over three hundred (300) children between grades 3-6. The program continues to pay dividend. There is no doubt that the program has helped tremendously in strengthening the learning process of the students. This was reflected in the test of standards results in 2009. The program will continue in 2010.

76. Cognizant of the fact that socially deviant behavior could adversely affect the business and investment climate, the Department of Community Development continues to introduce intervention programs. The Social Assessment of Interaction and Literacy (SAIL) project is ongoing in the two primary schools in St. James Parish. This project assesses youth's behavior and identifies areas of concern. The information collected will be used to develop measures to counteract such behavior. The project will be duplicated in all primary schools.

77. Additionally, a Growth and Development Survey has been conducted in St. John's and St. Paul's parishes to capture information about attitudes of people and issues that affect them. The data will be used to develop and implement new community programs and to establish policies in the future.

78. Madam President, under the Institutional Strengthening for Social and Economic Development Project (ISSED), for St. Kitts and Nevis, the Department has sought to put measures in place to improve our community development efforts. These measures include the creation in draft stage of a policy manual, a handbook for community development officers, and a strategic approach to community development.

79. The communities of Charlestown, Jessups, Cotton Ground, Barnes Ghaut, and Brick Kiln will benefit from the construction of new community centers while existing structures in Fountain and Combermere will be completed and upgraded.

80. In the area of sports, we will continue to focus on the main sports - cricket, football, netball, athletics, tennis cycling, volleyball and basketball and as the interest grows in other sports they will be given the required support. The sports facilities will be upgraded and lighted in order to facilitate increased sporting facilities during the period 4pm – 8pm. In this regard, work is ongoing at the Flats and Brown Hill Recreation Grounds and other facilities will be looked at in 2010. With the support of the private sector, local, regional and international associations, the development of sporting teams at the Under 13, Under 15, Under 19 and Under 23 levels, in all leading sports will continue, while sports at community level will be strengthened.

81. The Gender Division organized a ten-week training programme in democracy and governance for women out of which the formation of a Women’s NGO in Nevis is to be instituted. Meanwhile, the family services division continues to focus on providing support to single parents through training and outreach programs. Collaboration with major agencies and key individuals in Education, Health Services and the Police Force, has intensified in an effort to more efficiently deal with rapidly increasing reports of physical and sexual abuse to the Department. The Family Services Students Assistance Program continues with sixty one (61) children benefitting from this program designed to assist low income and disadvantaged parents with uniforms for their children.

82. Two recreational programs for seniors are ongoing; exposing seniors to a variety of awareness sessions. Despite challenges with staffing at the youth division, every effort was made to maintain its ongoing programs, namely the Summer Job Attachment Program, Boys Choir, Chess Club, the Link Program and Bikes not Bombs, while a new program “Teen Talk” was introduced. These programs will continue and expand in 2010.

AGRICULTURE

83. Madam President, my government has once again made Agriculture a priority in this country after 14 years of neglect. The stage has been set through the efforts of this government for a revival of Agriculture in Nevis. We now have to encourage more of our young people to pursue Agriculture as a career. I believe the time is favourable for investments in Agriculture and thus I intend to use this presentation to highlight the opportunities that exist.

84. Madam President, there is no doubt that the decline in agricultural productivity and the rise in food prices over the last two decades have been as a result of the lack of effective policies and the shift in public and private investment away from agriculture and towards the hospitality and financial services industries.

85. The ongoing global economic crisis which has pushed up the prices of food is forcing us to rethink the role of agriculture in our national economy. Emerging from this reexamination, the government through the Department of Agriculture has crafted a medium term strategic plan which requires that we continue to place major emphasis on the sustainable production of basic foods and value added food products as well as on developing sectoral linkages such as agro-tourism and agro-industry. I will first address the issue of sustainable food production.

Crop Production

86. Domestic production of traditional crops average 25% of national consumption, up 8% from 2006. Already strong consumer preferences for locally produced food coupled with an expected increase in demand due to the growth of the hospitality sector, agro-industrial needs and population growth, create a significant investment environment. Protected Agricultural Systems (PAS) in general and greenhouse technology in particular represent the greatest potential for meeting local demand for certain crops and to do so competitively and consistently. Private investment in hydroponically produced lettuce has already demonstrated the viability of the technology here on Nevis. Nevisian produce (lettuce, tomatoes, bell peppers, cucumber) have been exported to St. Marten, the volume being limited only by our present inability to meet demand.

Livestock

87. Over the past decade, meat prices have increased by an average of 50% and are expected to increase further over the long term. Local producers are encouraged to increase investments in livestock technology (genetics, feeds, husbandry, processing) as well as to construct new arrangements between farmers and processors such as contract farming. Poultry meat production represents the area of greatest investment potential. At present, domestic production is marginal and insignificant, contributing less than 1% of consumption, estimated at 750,000 – 1.25 million pounds/year.

88. Intensive and semi-intensive production systems for mutton, pork and beef will become a necessity, as agricultural lands are diverted for housing, tourism and industrial development. Niche markets for goat milk and goat cheese represent viable avenues for development and investment.

Fishing and Aquaculture

89. There has been an alarming decline in marine biodiversity both in terms of species and biomass over the years. The effect is especially evident in near-shore ecosystems that have been depopulated of reef or pot fish. As with meat, the prices of fish have doubled (partly due to increasing fuel prices) and are expected to increase further in the long run. Policies to enhance biodiversity such as Marine Protected Areas, and strict enforcement of fishing regulations will have to be implemented. There exists considerable investment potential in the offshore fisheries, targeting pelagics such as wahoo, dolphin, marlin and squid. Small scale “Green water” aquaculture producing Tilapia is sustainable and may ease the pressure on near-shore fish stocks.

Madam President, the second important component of the strategy is strengthening linkages with other sectors of the economy.

Agro-tourism

90. Madam President, agro-tourism is the least developed sector and by default, may represent the greatest potential for investment. Marrying these two sectors will create a substantial economic engine capable of driving the economy forward. Organically produced foods and ornamental and cut flower producers will be needed to satisfy the upscale requirements of visitors. The increasing diversity of our population, allows for positioning in niche ethnic markets with particular requirements.

Agro-industry

91. Madam President, the focal point for the agro-industrial sector is agro-processing. Although clearly defined as a cottage industry in its present context, substantial government investment in a new plant promises to change that. To support this sector, we will need a reliable and abundant supply of fruits. There is therefore considerable scope for investment in the development of orchards, product development, marketing and distribution.

92. Madam President, much of the framework required to facilitate investment in the agricultural sector is already in place. However, we will continue to improve infrastructure, particularly irrigation systems, increase access to arable lands, enhance access to research and development, and develop the human capacity to maximize production efficiencies and yield, and thus ensure the sustainability and competitiveness of this sector. My government is confident that Agriculture with the use of modern technology will become once again an economically and financially viable industry, and thus I reiterate the call for our people to invest more in this sector. The government will continue to support farmers by providing technical assistance, access to arable land, access to research and development and tax concessions, but our people must take up the challenge to invest and ensure food security for our nation.

HOUSING

93. Madam President, the area of housing is a major accomplishment of this government and is evidence of our drive to empower the people of Nevis. Under the housing programmes many Nevisians were afforded the opportunity to purchase their own land and their own homes. In just three years this NRP led government have invested \$25 million in the development of (7) housing communities with a total of 248 homes.

94. Under the Civil Servants Mortgage Loan Programme, which is currently ongoing, the initial amount of \$10 million that was provided by the Social Security Board was increased by an additional \$5 million in 2009, due to a high demand for homes. Sixty one (61) civil servants and non-established workers have benefited from the program for the purposes of new construction, purchase of property, renovation of property and refinancing of existing mortgages, with loan approvals totaling \$13,280,226. The benefits of these programmes are also distributed to local contractors, electricians and plumbers who have been employed under this initiative. I must commend these persons and the Nevis Housing and Land Development Corporation for their commitment in ensuring that the houses are built with a high degree of elegance and sophistication.

INFORMATION, COMMUNICATION, AND TECHNOLOGY (ICT)

95. Madam President, in order for Nevis to develop into a modern and competitive economy, information technology and telecommunication must be at the forefront of our development

agenda. My government plans for ICT development relate to the availability of e-government services offered to departments and by extension, the general public, and to making Nevis an ICT centre in the future. In 2010 the primary goals in this context are:

- Launching of an array of electronic services through the website www.nia.gov.kn that will change the way that persons can interact with the government. The site has already been established and during 2010, we will promote and offer the following services:
 - Interactive online forms
 - Legislation
 - Government documents
 - Directory and maps of government department locations
 - Government News
 - List of events
 - Job opportunities within the government

These new services will allow the electronic submission of data that will significantly improve the efficiency of the interactions with the public and the government.

- Continued delivery of a number of training programmes to government employees. Clearly, government is heavily dependent on technology and thus the IT department will continue to deliver courses to government employees that will equip them with the requisite technological skills that will enable them to interact effectively in the modern day business environment.

96. Madam President, more importantly, my government will introduce measures to expand the IT industry on the island. We will be aggressively pursuing investment opportunities in the establishment of businesses such as Data Centres, Call Centres and back office operations. However, we must begin to create the infrastructure to be able to attract these types of businesses. To this end, we will pursue the following:

1. Continue to train our people so that they are able to take up positions in these areas. Consequently, we will give priority to scholarships in the IT field that can be awarded on an annual basis. Students will be encouraged to pursue degrees in Computer Science, Management Information Systems, and Information Technology.

2. We intend to leverage our geothermal resources to attract IT businesses. We are well aware that many large corporations house data centres across the world. The primary overhead of these data centres is power, and hence the availability of affordable and environmentally friendly energy can make Nevis an attractive location.
3. We will work to enhance the availability of the network infrastructure to provide connectivity to North America, Europe and the rest of the world. This will be done by cooperating with the existing companies to increase the available bandwidth to the island as well as encouraging new companies to lay undersea fibre that will increase our capacity.
4. We will seek financial assistance from bilateral sources to create business incubators such as IT Parks that will facilitate the rapid development of IT related businesses.

97. Madam President, we believe that the development of our geothermal resources will give us a definite advantage in this area. In addition, it is an area that is free of pollution and could generate significant employment opportunities for our young people. As soon as construction of the geothermal plant begins, we will launch an aggressive promotional campaign to attract investments. We will also pass legislation to deal with information privacy and protection against crimes committed in the digital domain.

98. Madam President, I will now speak to public finance.

PUBLIC FINANCE

Fiscal Review

99. Madam President, the daunting international economic turbulence and moreover, the devastating effects of the Four Seasons Resort closure have reverberated in government finances creating a decline in current revenue. While the Administration was able to produce a favorable fiscal current account balance surplus in 2008 because of strong revenue growth in the first half of the year, this is not the case in 2009.

100. Accordingly, the activities for the period ended October 31, 2009 has produced a current account deficit and the widening of the overall deficit. However, my Administration has

introduced various initiatives to help buffer these fiscal challenges. We have every intention to strengthen these measures to ensure fiscal sustainability in the medium and long term.

101. Comparisons of 2008 and 2007 revealed a percentage increase of 6.81% in current revenue; which rose to \$112,073,984 in 2008 from \$104,925,833 in 2007. Madam President, in 2008 all major categories of revenue demonstrated increases. Tax revenue grew by 5.52% to \$84,774,524 and non tax revenue by 11.04% to \$27,299,460. Cumulative increases in Water and Supply Office collection, passports and permits attributed to the overall increase in non tax revenue.

102. Meanwhile, larger increases in tax revenues were for Corporate Income and Stamp Duties. These taxes increased by 60% and 26% respectively. Exemplary business activity for the 2007 period was able to increase Corporate Income Tax by \$2,076,223. This is highly commendable. Notwithstanding, my government continues to exert pressure to improve compliance. I once again use this forum to reiterate the need for taxpayers to adhere to the laws of the Federation in paying their necessary taxes, especially professionals and business corporations. Stringent actions will have to be taken in the coming year to ensure that additional pressures are not placed on government to borrow due to the non compliance of taxpayers.

103. Turning to spending Madam President, the total sum in 2008 was \$138,158,355. Current spending, excluding principal repayment, totaled \$101,988,747; producing a current account surplus of \$10,085,237. Heavy spending on the current account continues to be for salaries, wages and debt servicing which was calculated as 67.72% of current expenditure and 70.10% of current revenue.

104. Furthermore, the Administration continues to push its agenda of investing heavily on education and other social programs. The Ministry of Education reported total current spending in 2008 was \$15,421,705.90; with spending on primary and secondary education amassing totals \$5,248,933.62 and \$5,886,555.32 respectively. Subsequently, the average spending per child for the 2007/2008 academic period was \$4,726. Madam President, the fruits are quite obvious, as this year registers the third consecutive year that the Charlestown Sixth Form has won the prestigious national scholar award. In 2008, spending on training at the Ministry of Human

resource amounted to \$1,892,293.76. We recognize that in order to be competitive in a knowledge base society it is imperative that we continue to invest in our people.

105. Madam President, whereas my Administration has worked vigorously to develop the physical infrastructure of the island in the 2006 – 2007 periods, in 2008 much of such new projects were not undertaken. As a result, capital spending was relatively low for the year. The total amount was \$22,146,171 comprising of \$12,040,153 sourced from loans and \$10,106,018 from revenue. The Ministry of Communications and its departments spending was \$15,871,566.22 for which the larger amount was for existing road projects. Other spending was for the purchase of a fire truck and an ambulance.

106. Current revenue was down for the period ended October 31, 2009 and stood at \$70,839,618. The overall decline when compared to October 31, 2008 was 24.50%. As anticipated the most heavily affected areas were Hotel and Restaurant Tax, Stamp Duties and Consumption Tax.

107. Madam President, over the 2009 period measures to invigorate economic activity has intensified especially through tax concessions. These have subsequently affected the robustness of revenue collection. Such measures are indigenous of a government that realizes the urgency of the situation and the need to act to promote entrepreneurship and industry on the island.

108. Reported total expenditure for the 10 months of 2009 was \$106,969,053. The total was broken down as follows:

- Current - \$82,196,907
- Capital – 16,791,620
- Principal repayment \$7,980,526

Fiscal Projections 2010

109. Madam President, some of the obstacles faced in 2009 will undoubtedly continue to confront us in the 2010 period. The projected outlook for overall economic activity in the Federation for next year is less than upbeat. GDP in constant 1990 prices as stated by the ECCB indicate the economy will shrink by 1.68%. This is after a projected decline of 8.03% in 2009.

110. In fact, the Governor of the Central Bank has warned that the ECCU can expect a protracted decline in growth. IMF officials have also concluded that the Caribbean economies which depend on high end tourism are expected to take a longer time to rebound from the present crisis than are economies which depend on commodity exports.

111. In light of such, budgeted current revenue is set at \$101,446,000 for the 2010 fiscal year. From this total; the Ministry of Finance is expected to collect \$84,608,000. This includes \$33,989,000 at Customs, \$38,759,000 at Inland Revenue and \$11,619,000 at Financial Services. Total revenue from taxes is calculated at \$72,341,000 where subsidiary reduction is expected for Taxes on Income. Taxes on Domestic Goods and Services collected at the Inland Revenue Department will continue to suffer from low receipts for Hotel and Restaurant Tax and Stamp Duties. Furthermore, Customs collection for Taxes on International Trade and Transaction will witness a reduction of 11.94% compared to the projections of 2009. Declines in Import Duties and Consumption tax are the major attributors to such reduction. The Financial Services Department revenue is expected to shrink resulting in a decline in total non tax revenue.

112. On the other hand, estimated current expenditure including principal repayment and transfers for 2010 is \$125,830,000. This represents a nominal increase of 6.91% over the 2009 estimates which was \$117,687,000. Madam President, the most noticeable increase in the allotment to ministries was in the Ministry of Finance whose increase is predominantly for debt servicing. The temporary rise in debt servicing is inevitable as it is needed to buttress the short term decline in revenue. Accordingly, it takes up a significant portion of current spending contributing 30.19% of its total.

113. Compensation to employees (salaries, wages and allowances) remain the most significant spending area in Government. Budgeted at \$53.8 million, it is 42.75% of current expenditure. The provision for transfer for the period is \$2,549,700 down from \$2,681,000 in 2009. Moreover, the amount appropriated as pension and gratuities is \$4,500,000

114. Planned capital spending for the period is \$37,717,289. Such capital investment will be financed: \$18,325,473 from revenue; \$17,574,544 from loans; and \$1,817,272 from development aid. Projects such as the Water Network Rehabilitation, Renewable Energy, Police Barracks,

Cotton Ground Police Station construction and St. Thomas's Primary School expansion are included in the capital estimate.

115. With the assistance of BEAD, we have been very successful in exploring for water, and during 2010 the drilling programme will continue to ensure that we have adequate capacity for a growing economy. The Road Improvement and Maintenance of Schools projects will also continue in 2010.

116. Madam President, my Administration is highly committed to providing adequate security for both nationals and residents. To demonstrate such commitment we propose to undertake several projects to improve the condition of law enforcement officers. Combined costs of these projects are \$2,315,070 with estimated spending for 2010 being \$1,948,623. Sequenced according to financial significance these projects include the purchase of land and construction of a new Cotton Ground Police Station, construction of Police Barracks at Belle Vue and the repair of the old Cotton Ground Police Station.

Debt

117. Madam President, due to the changes in economic conditions, the government has had to rely heavily on debt to finance shortfalls in revenue.

118. In analyzing the total public sector debt stock for the 2007 and 2008 periods it was revealed that there was an increase of \$9,065,829 or 2.63% from one year to the next, resulting in an amount of \$353,565,829 at the end of 2008. This amount was further increased to \$393,669,783 by June 30, 2009; 80% of which was the debt stock of the NIA and 20% for Public Corporations.

119. Madam President, the debt stock for the public corporations moved from \$73,449,747 at the end of December 2008 to \$78,843,298 at the end of June 2009. 77.96% of this debt was held by external creditors and the other 22.04% by domestic creditors.

120. The total debt stock for the government stood at \$280,116,082 on December 31, 2008 and at \$314,826,485 on June 30, 2009. The increase of the debt stock was primarily driven by the increased use of the overdrafts and loan facilities. In 2009 the government was granted a loan under the IMF Emergency Assistance for Natural Disasters (ENDA) initiative. There were also new loans from RBTT Bank Ltd. for the purpose of purchasing a fire truck for the island and the

Social Security Board for the purchase of hospital equipment and an ambulance in 2008. In 2009, the government for the first time issued Treasury Bills on the Regional Government Securities Market (RGSM) with a tenor of 365 days. This extended maturity reduces rollover risks and also broadens the investor base as it caters to both local and international investors.

121. Madam President, in previous years, foreign debt outweighed domestic debt. Recently, there has been a general shift in the debt composition with domestic debt being the preferred source of financing. At the end of 2008 external financing amassed \$98,371,594 and domestic debt was \$181,744,488. The first half of 2009 recorded \$107,745,918 and \$207,080,567 for foreign and domestic debt respectively.

122. Debt servicing for 2008 was \$31,042,972, representing a decline of 5% over 2007. \$14,023,437 was paid toward reducing the principal amounts and \$17,019,535 was paid as interest. As a measure of debt sustainability, a debt service ratio (the ratio of interest payments to current revenue) of 15.2% was calculated, which was an improvement to the amount of 16% calculated for the 2007 period. This indicates that measures are being taken to mitigate the advancement of debt and debt service payments. The government will continue in its efforts to carefully monitor and manage public sector debt to ensure that it remains within a sustainable level.

Cash Flow Management

123. Madam President, the challenges that have been imposed on our local economy have reinforced the importance of an effective cash flow management system. This situation is not unique to the island of Nevis, but has become a common element throughout the OECS region and beyond. It has therefore become necessary for the government to implement measures that would encourage efficient cash flow management practices, and ensure economic stability in Nevis.

124. Cash flow management is critical in protecting the financial security of the government. It involves ensuring that there is not too great a gap between cash inflows and outflows through careful analysis, monitoring, forecasting and adjusting of cash flows. The goal is to ensure that the cash flow conversion period is shortened so that financial obligations are met and arrears are minimized.

125. In an effort to address the cash flow situation of the government, Madam President, a Cash Flow Management Committee was recently established at the Ministry of Finance and comprises of the Permanent Secretary as head, the Treasurer, the Budget Director and the two Economists of the Fiscal Policy Unit. These persons meet biweekly to discuss cash flow forecasts and identify cash flow surpluses which could be invested or cash flow deficits that may require short-term borrowing to close the gaps. Effective cash management will also assist in budget formulation and implementation, thereby fostering good governance by improving transparency and accountability.

INFRASTRUCTURE INVESTMENT PROGRAMME

126. Madam President I now give a more detailed account of the major infrastructure investment projects plan for 2010.

Roads Development Programme

127. Madam President, I am pleased to report that National Piling Company Ltd has practically completed the important project to reconstruct and rehabilitate about 4.9 kilometres of roads in the Cox, Montpelier, Chicken Stone and Clay Ghaut areas at a cost of \$17.4 million. This project includes the addition of a playfield at the Flats for the St. Johns Primary School and the St. Johns Community. Over thirty per cent of the cost was used to construct concrete drainage in this road rehabilitation project. Madam President, if you have not done so, I encourage you to take a drive and witness the transformation of the area as a result of this well needed and well deserved project for the people of Cox and surrounding areas.

128. Madam President, let me repeat that this NRP led government is about people empowerment. The people in all parishes and communities will be touched as we continue to roll out our secondary road rehabilitation programme for the months and years to come. This is deliberate Madam President, as we believe that when there is proper infrastructure the appropriate investment and business climate will be cultivated and people will be empowered to start and enhance their business and marketing activities. Furthermore, it means that the relationship among the people in the various communities will improve, the property values in the villages will increase, and the people of Nevis can once again feel comfortable to live and invest in any village and in any community in Nevis. Let me thank the people of Cox, Clay

Ghaut, Chicken Stone, Cole Hill and surrounding communities for their cooperation and understanding during the construction phase. I also appeal to the people in the other communities to be patient. Your needs will be catered to in the future as the economy recovers and the resources become available.

Water Sector Development Programme

129. Madam President, a team from the Caribbean Development Bank (CDB) visited Nevis during the first week in November to conduct an appraisal of the water sector with the objective of developing a project to be presented to the Board of Directors of CDB in December 2009 or March 2010 the latest. The intention is to implement aspects of the Nevis Water Master Plan developed earlier with funding from the Caribbean Development Bank. The Nevis Master Plan showed us that in order to improve the water system on Nevis a number of steps have to be taken including increasing the size of the water mains in various areas, making improvements at pumping stations, the purchasing of certain equipment for the Nevis Water Department and replacing and constructing new reservoirs on Nevis. This civil work component is estimated at EC\$20 million in the first phase. Madam President, this expenditure is necessary for two fundamental reasons. Firstly, no major infrastructure investment was made in the water sector since 1992, and secondly, Madam President, water is an essential product to a booming business and investment climate.

130. This project also has an institutional component that will deal with issues such as how to regulate the water sector, improving customer service, the development of the human resource, financial performance and projections for the water department, the commercial and technical aspects and options available to the Nevis Island Administration with regards to the future of the Nevis Water Department as an entity. Madam President, we will implement these elements overtime because we must provide the correct infrastructural platform for investment on Nevis and ensure that the people of Nevis receive the best service. In the meantime, Madam President, we will start a project shortly to increase the flow of water from Fothergills to Stoney Hill in Gingerland by the laying of a brand new water main. This will in turn enable the system to take more water which will be distributed to consumers on the southern side of the island, positively impacting areas such as Brown Hill, Prospect and Hamilton.

131. Madam President, we must not forget that this Administration made significant investments in water development last year. For example, in Bath Village 1,970 ft of 4” mains were extended with Fire Hydrants in the vicinity of Von Radio; a total of 10,108 ft of 4” and 6” pipes were installed with a complement of 12 Fire Hydrants in the St. Johns road improvement project; and a new pumping station was installed and commissioned at Upper Jessups so as to create an improved distribution system for the village of Barnes Ghaut. Other investments in the water sector are continuing as resources permits.

Energy Sector Development Programme

132. Madam President, the development of the renewable energy sector is an important aspect in re-orienting our economy and providing the appropriate investment and business climate for economic growth and development. The countries in the international community are now focusing on becoming energy independent by expanding existing renewable energy programmes, and seeking new sources of energy. It is generally accepted that if we are going to fight poverty, improve our balance of payments, diversify our economies, provide new jobs and achieve the millennium goals in general, the development and investment in the renewable energy sector is imperative. Moreover, Madam President, with the uncertainty in the upward movement of oil prices and the threats of climate change countries are forced to take drastic steps to reduce their dependence on fossil fuels.

133. Madam President, for us here in Nevis it has always been this government’s goal to diversify our energy sector while making Nevis a green energy independent economy. Towards this end, we have signed two very important contracts with two investors to produce geothermal and wind energy to feed into the electricity grid on the island of Nevis. West Indies Power (Nevis) Ltd. (WIP) is finalizing its negotiations in obtaining its financing to construct a Nevis Geothermal Plant with a capacity of 10 megawatts to supply base load power in Nevis by 31 December 2010. At the same time Environmental Impact Studies are also being conducted and finalized. Madam President, we are well aware that this current global financial climate is hostile to obtaining funding for projects. However, let me assure you that because of the high interest in the Nevis geothermal project, we are confident that funding will be provided and your NRP led Nevis Island Administration will bring geothermal power to the people of Nevis. Madam President, let me further inform you that we have already obtained a letter of intent from the

Federal Government to purchase geothermal energy from Nevis via submarine cables through NEVLEC. We will continue to inform the people of Nevis on the opportunities and activities in the development of this important renewable resource.

134. Madam President, the second investor is a company called Windwatt that has secured financing to develop a wind farm at Maddens Estate on government leased land to supply 1.1 mega watt of wind energy to Nevlec. The wind turbines are being ordered and construction is scheduled to commence in January 2010 with the objective to supply wind power to the grid by July 2010. Windwatt will also submit their completed Environmental Impact Assessment shortly. Madam President, it is important to note that this company consists of both local and foreign investors who have a genuine interest in seeing Nevis developed into a “Green” economy.

135. Madam President, despite these plans NEVLEC must be in a position to adequately supply back-up energy to the Nevis economy in the event of unforeseen circumstances. In addition, there is an urgent need to replace old retired engines at the Generation Plant and to reduce NEVLEC’s dependence on a high speed genertek engine which has become very expensive to maintain and operate. It is important to note, Madam President, that the manufacturer of this engine no longer exists. Therefore, with the assistance of the Caribbean Development Bank a new 2.5 mega watt engine will be purchased and commissioned in 2010. Furthermore, in order to connect the new renewable sources of energy to the transmission and distribution system of NEVLEC, various studies will have to be completed and an investment will have to be made to upgrade the electricity grid.

136. Madam President, when these projects are completed Nevis will be the leading “Clean and Green” economy in the Caribbean. Moreover, the island will experience energy security which will provide the platform for multiple opportunities for local and foreign direct investments. Madam President, we anticipate more jobs and a reduced dependency on tourism to generate the revenue needed for the development of our people and our economy. We will continue to work with our partners in the regional and international community to provide the necessary technical assistance and funding to formulate and implement a Nevis Energy Policy.

Police Barracks

137. Madam President, the Taiwanese Technical Mission will fund the construction of the Charlestown Police Barracks in conjunction with the Nevis Island Administration. At a recent ground breaking ceremony held at the site at Bath Plain the Taiwanese handed over a cheque to the NIA to cover the cost of the project of just under EC\$800,000. The purpose of the project is to reduce overcrowding at the Charlestown Police Station as well as provide additional accommodations for newly recruited police officers. Madam President, the building will be a two storey reinforced concrete structure designed to accommodate sixteen (16) officers; four (4) female police officers and one (1) visiting officer on the ground floor and eleven (11) male police officers on the first floor.

138. In addition, police barracks are also being constructed at Butlers Village on lands donated to government by Messrs Arthur and Ken Evelyn. The project is being managed by Mr. Ken Evelyn and will consist of four bedroom that could house (8) officers. The Evelyns have also agreed to furnish the building and thus the government will meet the cost of construction which is estimated at \$225,000.

139. This is just a continuation of the NRP led government programme to ensure that the island has adequate security personnel, and to improve the general conditions of the police officers of Nevis. We believe, Madam President, that the more comfortable they are the greater will be their productivity. I wish to express sincere thanks to Republic of China (Taiwan) and the Evelyns for their sterling contribution to the peace and safety of this island. I also wish to encourage other donors to assist the police in their effort to fight crime on Nevis.

St. Thomas Primary School

140. Madam President, the NIA is also fulfilling its promise to the St. Thomas Primary School by constructing additional class rooms to accommodate the increase in student population. This project will be done in two phases. The first phase is being executed at a cost of EC\$431,.... and should be completed during the second term of the school year. It consists of the construction of two class rooms with bath room facilities. The second phase will be completed sometime in the future as funding becomes available and would involve constructing two more class rooms on

the first floor. This project is part of the stimulus package of the NIA utilizing loan funding from the St. Kitts and Nevis Social Security Board.

Other Infrastructure Programmes

141. Madam President, we intend to approve the Nevis Physical Development Plan in early 2010 as submitted to us by the Physical Planning Department. This is an important document in light of our thrust to encourage local and foreign direct investment on Nevis. This will help us as we seek to re-orient our economy to prepare for the rebound of the world economy in the future

142. I now turn to fiscal measures.

FISCAL MEASURES

143. Madam President, I am aware that this is the section of the budget that captivates the attention of our citizens. However, I have already outlined that 2010 is expected to be a difficult year and thus the government will not introduce any new taxes. Instead, we will focus on improving the efficiency of the tax system and stimulating the economy. We have already taken several initiatives to alleviate poverty and help businesses. These include the following:

1. Duties were removed on some basic food items to give relief to vulnerable groups;
2. Small business operators are given duty free concessions on vehicles and equipment;
3. Hotels and villas are given duty concession on refurbishment of their properties; and
4. Small hotel operators and restaurants affected by the fall off in tourist arrivals have been given duty relief on the purchase of food and wines.

144. Madam President, we will continue with these initiatives in 2010 as we continue our efforts to alleviate the impact of the recession. However, we will not stop here. Effective from January 1, 2010, we will grant duty free concession on electronic security systems to encourage businesses and home owners to protect their properties from criminals. With the increase in breakings that have occurred over the years, there is need for our people to become more vigilant and install alarm systems and security cameras where possible. This will go a long way in assisting the police in curtailing criminal activities.

145. As part of our long term strategy to promote Nevis as a green destination and to conserve energy, we will grant duty free concession on the importation of solar water heaters and wind turbines. The cost of energy from fossil fuel is expected to rise significantly in the future and thus we must encourage our people to pursue alternative and environmentally friendly sources of energy.

146. We are also working in conjunction with the Federal government to improve the efficiency of the tax collection system. In this regard, we have been exploring the possibility of the introduction of a Value-Added Tax (VAT) which will increase the tax coverage and replace several other taxes including Traders Tax, Hotel Rom Tax, Travel Tax, Vehicle Rental Tax, Insurance Premium Fee, Parcel Tax, Consumption Tax, and Export Duty. By bringing all of these taxes under a single legislative and administrative framework, management and enforcement will be easier and more effort could be expended on collections. Based on the experience of other countries in the Caribbean, the VAT has the potential to generate additional revenues, reduce the cost of living, and bring greater equity to tax assessments on individuals and businesses. Presently, my government has three officers working full time in St Kitts along with officials from CARTAC and the St. Kitts Ministry of Finance undertaking research work and getting a better understanding of the system. When the preliminary work is completed, and the administrative issues between St Kitts and Nevis are resolved, a final decision will be made on the implementation of VAT.

147. Madam President, when a country has very little fiscal space and is facing a recession, the natural instinct is to curtail expenditure. There are different viewpoints on coping effectively with a recession. There are those who argue that government should increase expenditure and reduce taxes to give a boost to the economy and there are others who suggest that government should keep out and allow the natural cycle to play out. Doing nothing is not an option for this government. While we have worked diligently to control current expenditure, we have carefully included projects in the capital budget that will generate jobs and increase incomes. In addition to funding from internal resources and the CDB, the government borrowed over \$10 million from Social Security to undertake a stimulus programme. Some projects have already started and others will be implemented during 2010. The projects include the purchase of land and construction of Cotton Ground Police Station at \$1.2 million; repairs to old police station

\$150,000; construction of the Labour Department office \$250,000; Farm Machinery for Agriculture \$30,000; upgrade of Charlestown Public Market \$295,000; sea island cotton production \$100,000; expansion and upgrade of the Veterinary Clinic \$125,000; upgrade of Cardi Building \$150,000; expansion and upgrade of the Cotton Ground Health Centre \$450,000; New River Estate Museum Project \$79,423; Maritime Museum Project \$200,000; upgrade of Primary Schools (Charlestown, VOJN, and Ivor Walters \$998,821); computerization of schools \$500,000; renovation to Gingerland Secondary School \$205,000; expansion of Charlestown Secondary School \$ 1,000,000; Purchase of land and upgrade of Cotton Ground playfield \$700,000; and construction of community centres for Camps, Fountain, Jessups, Charlestown and Cotton Ground \$2,762,300.

148. These projects are small but will go a long way in alleviating the unemployment situation until the economy recovers.

SUMMARY AND CONCLUSION

149. Madam President, not very long after the NRP was returned to office, we were confronted with a global recession, the closure of our flag ship hotel, the Four Seasons Resort, an economy dominated by one investor, and a serious deterioration of the social fabric of our country. The comprehensive and holistic developmental agenda that we enunciated in our 2006 manifesto became a herculean task to achieve due to fiscal constraints and the downside risks to our economy. We did not despair. We pursued our task with the same fortitude and commitment that energized the NRP when it fought for a better deal for Nevisians in the 70's and 80's. We had the same drive and dedication similar to when we formed the government in 1983 and took on the virtually impossible task to bring about change in an island that had poor infrastructure, high unemployment, and lack of adequate basic services such as water and electricity. We took on the task and liberated the people of Nevis from poverty and engendered a new self confidence, energy and vitality. We started the government with meager resources but with creativity, imagination and will, we were able to overcome the obstacles and improve the roads, water and electricity services, health care, and educational opportunities for the benefit of our people. We built up the institutional structure of government and expanded economic activity by investments in tourism and financial services. Through our efforts we were able to attract the five star four seasons property which is still the life blood of this country.

150. Returning to government after being in opposition for fourteen years, we have found ourselves in a similar situation. We inherited a country with a poverty rate of over 30% and indigence of 15%. Areas such as Social services, Agriculture, and investment promotion were ignored, and the water system was inadequate to meet the demands of a growing population. While the CCM Government was able to complete many of the infrastructural projects started by the earlier NRP government, it was done at great expense to the nation through the accumulation of high debts and the wastage of government's resources. I will not say much about the issue of mismanagement of government's resources since the general public will be able to judge for itself after getting a full account from the Commission of Enquiry. I am not seeking to fault the CCM administration for the high levels of public debt recognizing that debt is sometimes necessary to propel the country forward. However, debt is not sustainable unless the government is able to attract investment capital to grow the economy so that the debt to Gross Domestic Product ratio could fall over time and the servicing cost becomes more manageable.

151. This is the reason for choosing the theme – **'Re-orienting economic activity by fostering a competitive business and investment environment'**. To continue to grow the economy and better manage the public debt, we will have to focus our attention on private sector expansion. Since assuming office, my government has given high priority to this area and we are already seeing signs of progress despite the state of the global economy. The Aman resort is still on track and several other hotel properties are getting ready to begin as soon as the market conditions in the global economy begin to show signs of stability. We expect that construction on the geothermal plant will begin in the latter part of 2010. This project has the potential to revolutionize the economy of Nevis by attracting new industries that are seeking green energy and greater stability in prices. We will also be taking measures to improve the business and investment environment by simplifying procedures and reducing bureaucratic red tape. The Nevis Investment Promotion Agency will play a leading role in this process as we put in place policies and systems to facilitate both local and foreign investment.

152. Despite the challenges, this government will not abandon its mandate of people empowerment. We have already facilitated the training of over 500 Nevisians and this trend will continue as we seek to equip our people with the skills to become self-reliant and to make a meaningful contribution to their country. Even though the poverty rates have declined

significantly, we will not rest on our laurels. We will continue to provide nutritious meals to school children; we will continue to support and expand the home work assistance programme; we will closely monitor the cost of living and educate the public about the best purchasing options to save money; and we will continue the thrust in housing until we are satisfied that every Nevisian has a roof over his or her head. Crime continues to be a major concern and thus the government is spending over \$1 million to construct barracks for the police officers. By providing suitable accommodation for the police, we will be able to increase the number of police officers in Nevis. We will also be seeking financial assistance to improve the surveillance of Charlestown by significantly increasing the number of security cameras in strategic locations.

153. Madam President, this budget recognizes fully the difficult external environment and the challenges that lie ahead. We have restricted current and capital expenditure and have tried hard to limit deficit spending. Revenue is expected to be inelastic and thus we will have to focus on expenditure and cash management. I have already outlined a plan to improve cash management by establishing a cash and debt management committee which will undertake biweekly projections to match revenue and expenditure, and to raise financing to meet shortfall when necessary. During the course of this week a working shop on Public Finance Management is being conducted by the Ministry of Finance and the Caribbean Regional Technical Assistance Centre (CARTAC) to enforce aspects of good public finance management practices in the various departments of government. A total of 36 expenditure managers are attending the workshop.

154. Madam President, the capital projects have been carefully selected to ensure that we focus on critical projects that will generate employment. A significant portion of the capital budget will be financed with a loan from the Social Security Board. I want to take this opportunity to express sincere thanks to this very important institution for demonstrating confidence in the government by its willingness to provide the financing to help stimulate the economy in this very difficult period. We will continue to partner with the Social Security Board to confront the development challenges and to put Nevis and the Federation as a whole on a sustainable path of economic growth and development.

155. Madam President, with the closure of the Four Seasons Resort and the global recession, my government is cognizant of the fact that many of our people are experiencing hardship. Please do

not give up hope. Just like shooting an arrow from a bow, sometimes we have to be drawn back in order to be propelled forward. The present situation is only temporary. It is well established in the economic literature that the economy moves in cycles of boom and bust and thus it is only a matter of time before we experience a change in fortune. There is no time for idleness or procrastination. It is important that we begin to prepare ourselves to take advantage of the opportunities that will abound as the world economy improves. Let us begin to retrain and retool to equip ourselves with the skills necessary to progress in the future. I believe that this is the right time to invest. I commend organizations like the Social Security Board, S.L. Horsfords & Co. Ltd, and Bank of Nevis that are planning to undertake major construction projects in 2010 and I encourage others to do the same. With all the plans, programmes and projects that I have outlined, I believe that Nevis is on the verge of a major transformation that will generate huge rewards for those who are willing to take the risk. The time for action is now.

156. Madam President, our people are no strangers to hardship. We have been through many trials throughout our history, from slavery to independence, and we have triumphed at every stage of the way. We are now going through the worst recession since World War 2 but I am confident that with hard work, determination, and courage, our Heavenly Father will give us the endurance to overcome any obstacle. We also have a group of visionary and dynamic leaders and a party that has brought Nevis through many difficulties, leading the way. The people of Nevis are in safe hands. Let us work together for a brighter future for present and future generations of Nevisians.

157. We must not let the financial and economic turmoil cause us to despair. Instead let us rise confidently to the challenges and embrace the words of Oliver Wendell Holmes, **“I find the great thing in this world is not so much where we stand, as in what direction we are moving: To reach the port of heaven, we must sail sometimes with the wind and sometimes against it – but we must sail, and not drift, nor lie at anchor.”**

158. I wish everyone a happy Christmas season and may God continue to give us the strength to overcome the challenges that lie ahead knowing that a brighter future is on the horizon.

159. Madam President, I so move.