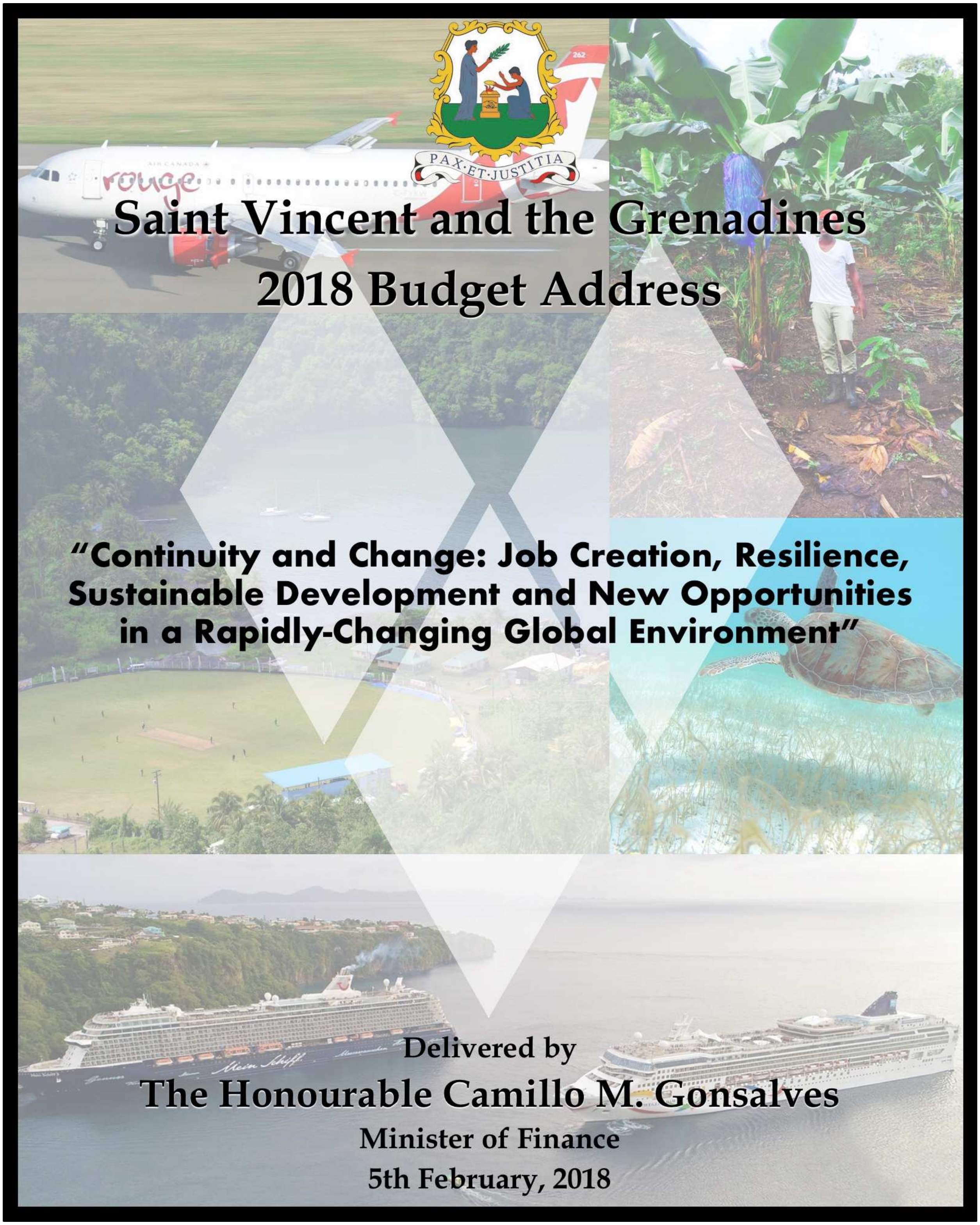

Saint Vincent and the Grenadines
2018 Budget Address

"Continuity and Change: Job Creation, Resilience, Sustainable Development and New Opportunities in a Rapidly-Changing Global Environment"

Delivered by

The Honourable Camillo M. Gonsalves

Minister of Finance

5th February, 2018

2018 BUDGET ADDRESS
CONTINUITY AND CHANGE: JOB CREATION, RESILIENCE, SUSTAINABLE DEVELOPMENT AND NEW OPPORTUNITIES IN A RAPIDLY-CHANGING GLOBAL ENVIRONMENT

INTRODUCTION

Mr. Speaker, Honourable Members, I have the distinct honour and privilege to present my first Appropriation Bill to the people of Saint Vincent and the Grenadines, the 17th consecutive budget of the Unity Labour Party administration. I am doubly honoured to report that, even in the headwinds of global change and uncertainty, this Budget presents tremendous cause for optimism, progress in deepening our people-centred policies, and genuine opportunities for innovation and growth.

It would be unpardonable of me not to acknowledge the giant on whose shoulders I now gratefully stand. The longest-serving Finance Minister in the history of Saint Vincent and the Grenadines: Dr. the Honourable Ralph Gonsalves, who served with distinction, passion and creativity for the past 16 years.

On his watch, and with his wise and creative guidance, his government recorded many landmark achievements, including:

1. There are 6,046 more employees and employers on the rolls of the National Insurance Services;
2. The total number of households/houses increased by 6,300, or 20%, between 2001 and 2012 census periods;
3. Poverty was reduced, and indigence and undernourishment were slashed;
4. Nine new secondary schools were constructed, and Saint Vincent and the Grenadines achieved universal secondary education;10 Early Childhood Centres, 4 primary schools, 13 Learning Resource Centres, and a Modern Library were built; and the St. Vincent and the Grenadines Community College was markedly expanded and renovated.
5. The number of secondary school teachers increased by 300 – from 405 to 704 – an almost 75 per cent increase, and the number of graduate teachers more than doubled;
6. Community College enrolment increased by over 1,200 students per year – a 150% increase over his tenure;
7. Vincentian enrolment at the University of the West Indies more than tripled, making SVG the largest source of students among non-campus territories
8. The Windward Highway, the South Leeward highway, the Canouan Jet Airport, the Argyle International Airport, the Rabbaca Bridge, the Spring Bridge, the Caratal Bridge among others, were completed;

9. Three (3) new polyclinics were built; the Modern Medical Complex at Georgetown is about to be opened; and Milton Cato Memorial Hospital was substantially renovated.

The Honourable Prime Minister also navigated the choppy economic waters that followed the 9-11 terrorist attacks of 2001, the collapse of Colonial Life Insurance Company (CLICO) and the British American Insurance Company (BAICO), the massive erosion of market preferences for our bananas in Europe, and a number of terrible natural disasters. In the midst of the worst global economic and financial crisis in living memory, when debt-to-GDP ratios soared over 100% in many countries, he kept ours within manageable parameters. He has now set our debt to GDP ratio on a downward trajectory, with prudent management and active pursuit of debt forgiveness arrangements.

When neighbouring countries were forced to slash public sector workers and social safety nets, we lost no jobs, and social protections were strengthened. When others had trouble paying salaries on time, ours arrived like clockwork. When countries across our region were forced into painful austerity, he creatively maintained our sovereignty and independence against the dangerous and destructive external imposition of heartless structural adjustment programmes.

When our brothers and sisters in nearby lands had nothing left to trade or sell but their citizenship – the very essence of their nationhood – the Finance Minister rightfully resisted, and by the sweat of our collective brow we continued to eat our bread

In the midst of these global difficulties, we somehow managed to build a world-class international airport, without funding from our traditional multilateral partners, but instead with courage, creativity and a coalition of the willing – cobbled together from the most distant corners of the planet. The completion of the Argyle International Airport stands indisputably as an achievement that would have been impossible without the direct involvement of the Honourable Prime Minister.

This country, this Government, this Parliament owe this Prime Minister an enormous debt of gratitude for the courageous and creative role he has played as the Finance Minister of Saint Vincent and the Grenadines. In particular, his financial stewardship over the last decade of global recession has been exemplary. Indeed, across the Caribbean, only two finance ministers have survived the electoral fortunes of the entire post-crisis decade: the Honourable Roosevelt Skerrit of Dominica and the Honourable Ralph Gonsalves.

In light of these formidable triumphs in the face of daunting challenges, we continue to act upon the Honourable Prime Minister's vision and consolidate the gains achieved thus far. The development thrust of this Government is predicated upon seven broad conceptual pillars, as enunciated by the Honourable Prime Minister:

i) Our people-centred vision; (ii) our social democratic philosophy; (iii) the affirmation that our nation is a dynamic part of our Caribbean civilisation; (iv) our tripartite economic approach by way of the private, cooperative, and State sectors, in the quest to build a modern, competitive post-colonial economy; (v) our fiscal stance grounded in prudence and enterprise; (vi) our commitment to the deepening of regional integration; and (vii) our international solidarity and activist foreign policy.[1]

Within the context of those pillars, the Honourable Prime Minister last year elaborated ten issues for strategic developmental focus going forward. Those cross-cutting and interrelated issues are:

Climate Change and National Disaster Reconstruction/Recovery; Making the AIA Work; Quality Teaching and STEAM; Public and Private Sector Investment and Productivity; Roads and Bridges; Citizen Security; Health and Wellness; Housing and Lands; Energy; and Job Creation, Poverty Reduction and Sustainable Development.[2]

These signposts on our developmental journey, laid down just 12 months ago, remain relevant for our continued quest to shape a more

[1] *See*, Dr. The Honourable Ralph E. Gonsalves, "Budget Address 2017: Fiscal Consolidation and Economic Growth, Job Creation and Sustainable Development in a Vulnerable Small Island Developing State in the Context of a Challenging Global Environment," 6 Feb. 2017, p. 64
[2] *Ibid*, p. 63

resilient, developed and inclusive Saint Vincent and the Grenadines. This Budget will build upon this practical vision for national development. We are embracing wise continuity, settled stability, and sensible change.

Mr. Speaker

In September 2008 the investment banking giant Lehman Brothers collapsed, triggering the worst global financial and economic crisis in almost eighty years. The impacts of the crisis on Caribbean growth and development have been deep and lasting, and include:

- Rapid increases in unemployment, poverty and hunger
- Deceleration of growth, economic contraction
- Negative effects on trade balances and balance of payments
- Dwindling levels of foreign direct investment
- Large and volatile movements in exchange rates
- Growing budget deficits, falling tax revenues and reduction of fiscal space
- Contraction of world trade
- Declining remittances to developing countries
- Sharply reduced revenues from tourism
- Massive reversal of private capital inflows
- Reduced access to credit and trade financing
- Reduced public confidence in financial institutions

- Reduced ability to maintain social safety nets and provide other social services, such as health and education[3]

Much like the Japanese and ASEAN financial crises of 1997, and the consequent Latin American crisis of the following year, the global economic and financial crisis of 2008 produced a veritable "lost decade" for growth and development across the Caribbean. While SVG weathered the storm, economic growth has been modest, at best. However, we are now uniquely positioned to take advantage of the anticipated new decade of growth. We have invested in education and sustainable productive enterprises; sought niche markets and products in agriculture; laid the groundwork for a more productive, more energy-independent, more diversified, more resilient economy; and positioned Saint Vincent and the Grenadines to take advantage of unprecedented growth in tourism.

We have bet on our people and sustainable development, not ill-conceived short-term gimmicks.

2018 is a time for optimism. Cautious optimism, yes. Guarded optimism, leavened by the constant threat of climate events and a number of global uncertainties. But optimism nonetheless.

[3] *See*, United Nations, "Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development," 30 June, 2009, p.9 (http://www.un.org/esa/ffd/documents/Outcome_2009.pdf)

I. REGIONAL AND GLOBAL OUTLOOK

Mr. Speaker,

Two economic features of tremendous significance to Saint Vincent and the Grenadines are: First, the extent to which our country is enmeshed, or integrated in a multiplicity of economic, financial, and trading relations of a global economy that is dominated by monopoly capitalism and its variants; and, second, the huge, and comparatively disproportionate, dependence of our small-island economy on the external trade in goods and services.

The economic well-being of Saint Vincent and the Grenadines depends heavily on the knock-on effects of strong economic performances of the economies with which we are inextricably linked. Concomitantly, job creation and economic growth in Saint Vincent and the Grenadines increases when trade in goods and services are enhanced. To be sure, the domestic market is vital, but it is a reality that a relatively small demand of 110,000 persons is unable to provide by itself the requisite economic propulsion for competitiveness, job-and-wealth creation. This realization is at the core of the establishment of the Economic Union of the Organisation of Eastern Caribbean States (OECS) and the quest for a Caribbean Single Market and Economy in CARICOM; these regional integration efforts effectively enlarge our country's small, domestic, economic space.

Mr. Speaker, in the first three quarters of 2017, the world economy experienced an upswing in economic activity. Global growth was estimated at 3.7 percent fuelled largely by economic recovery in the USA, by strong performances in several other advanced economies, and by the major emerging markets and developing economies, mainly in Asia (including China and India) which racked up an impressive 6.8 percent economic growth.

During the first three quarters of 2017, the economies in Latin America and the Caribbean rebounded to realise 1.3 percent growth compared with a 0.9 percent contraction in 2016. This growth was mainly due to stable performances in Central America and in the Caribbean, as well as recoveries in a few economies, including Argentina.

In the member states of the Eastern Caribbean Currency Union (ECCU) the modest growth momentum of 2016 carried over into the first half of 2017 due to an expansion in tourism and construction. In the second half of 2017, there was a contraction in economic activities mainly because of the impact of two devastating hurricanes, Irma and Maria, which adversely affected Anguilla, Barbuda, Dominica and St. Kitts-Nevis.

Mr. Speaker,

The IMF's latest *World Economic Outlook*[4] ("WEO") forecasts global growth of 3.7 percent, driven largely by better than expected – though still modest – growth in developed countries. Within the Eastern Caribbean Currency Union, the *WEO* predicts growth of 2.8 percent in 2018.[5] I anticipate this projection to be adjusted downwards in the wake of the devastation wrought by Hurricanes Irma and Maria on ECCU member countries.

More recently, in Saint Vincent and the Grenadines, the IMF's Article IV consultation[6] predicted that our 2018 growth would be in the neighbourhood of 2.1 percent, increasing to 3 percent in the medium term. We consider these predictions to be somewhat conservative, but recognise that they depend in part on our ability to improve our productivity and the implementation rate of the public sector capital programme and private sector investments in the real economy. Nonetheless, there are significant risks to even that conservative prediction, including tightening global financial conditions, a rollback in regulatory enhancements to the post-crisis financial architecture, a rise in economic protectionism and anti-migrant

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[4] International Monetary Fund, "World Economic Outlook, October 2017: Seeking Sustainable Growth: Short-Term Recovery, Long-Term Challenges," Oct. 2017 (http://www.imf.org/~/media/Files/Publications/WEO/2017/October/pdf/main-chapter/text.ashx?la=en)

[5] *Ibid*, p. 65

[6] International Monetary Fund, "Saint Vincent and the Grenadines: 2017 Article IV Consultation – Press Release and Staff Report," IMF Country Report No. 17/400, 21 Dec. 2017 (https://www.imf.org/~/media/Files/Publications/CR/2017/cr17400-StVincentBundle.ashx)

attitudes, political shifts in USA, UK and EU, geopolitical tensions and other upheavals; and, of course, the ever-present threat of climate change-related events.

Our largest and more reliable traditional partners in trade, cooperation and migration – the United States and the United Kingdom – are undergoing periods of significant political change that may have exogenous knock-on effects on our own growth and development.

The United States of America has recently withdrawn from the Paris Climate Accord. It has signaled a desire to cut USAID development assistance to Barbados and the Eastern Caribbean to zero dollars. It has sadly voiced its intention to slash funding to the World Bank,[7] which is a major development partner of Saint Vincent and the Grenadines. It has engaged in an unnecessary war of words and expressed interventionist intentions towards Venezuela, a major development partner and a fulcrum of regional integration and south-south cooperation. Additionally, certain ruling elements have been explicit in expressing their desire to curtail migration from within our CARICOM region, and from countries predominately populated by people of colour. I am confident that the majority of Americans and their elected representatives, as a whole, will not cave in to these nativist and un-American sentiments.

[7] *See*, Office of Management and Budget, Executive Office of the President of the United States of America, "America First: A Budget Blueprint to Make America Great Again," 16 Mar. 2017, p. 34 (https://www.whitehouse.gov/wp-content/uploads/2017/11/2018_blueprint.pdf)

However, each of those five policy emphases: anti-climate, anti-aid, anti-development, anti-solidarity and anti-immigrant, have potential direct medium and long-term impacts on Saint Vincent and the Grenadines and our developmental goals and aspirations. The degree to which our superpower neighbour's evolving worldview of important political forces will alter our own developmental trajectory remains to be seen, but requires careful attention and focused advocacy. Still, I reiterate that St. Vincent and the Grenadines is a friend of the United States of America and its people; we are neighbours; our relationship has been mutually beneficial in socio-economic terms; and we share excellent security ties. We remain confident that opportunities exist for strengthened relations.

The United Kingdom is also radically reorganizing its relationship with the European Union and the world. For Saint Vincent and the Grenadines, there are both potential pitfalls and opportunities in this reorganization. The extent to which a post-Brexit United Kingdom may reorient its trading relationships, and the degree to which the European Union may adjust its development cooperation in the absence of UK advocacy for its former colonies, are great unknowns.

Around the world, we are witnessing a rise in insularity and xenophobia, and a reckless retreat from the aspects of globalization that are most beneficial to developing countries like ours. A hasty and irresponsible withdrawal from the post-crisis era of strengthened regulatory oversight of our international financial architecture raises the specter of a return to conditions that precipitated the 2008 crisis. Our remit in this time of volatile and rapidly shifting geopolitical realities is to be nimble and responsive to both the risks and the opportunities that change affords. We must also strengthen our advocacy for positive change and for the recognition of the specificities of Small Island Exceptionalism in the modern era.

Mr. Speaker,

The issue of our trade with Trinidad and Tobago is one for urgent analysis and attention. Further, Trinidad and Tobago, over the last five years, has enjoyed a visible trade surplus, on average, of $149.9 million annually. Over the last five years, Saint Vincent and the Grenadines imported $167.1 million annually from Trinidad and Tobago while exporting an average of $17.2 million to this neighbouring Republic each year.

Saint Vincent and the Grenadines pays Trinidad and Tobago for its imports in hard currency; at the same time our exporters are experiencing tremendous difficulties in repatriating income earned in Trinidad and Tobago. This is negatively impacting our farming community in Saint Vincent and the Grenadines. So, it is not only the traders who suffer, but also their suppliers, the small farmers of Saint Vincent and the Grenadines.

The Government of Saint Vincent and the Grenadines and the Bank of Saint Vincent and the Grenadines have cooperated in devising a short-term foreign exchange solution for these agricultural traders, but a more lasting solution is required. The Government has held several discussions with the Eastern Caribbean Central Bank (ECCB), the commercial banks in Saint Vincent and the Grenadines and other stakeholders, but unfortunately we have been unable to arrive at a satisfactory lasting solution with the Central Bank of Trinidad and Tobago. At a recent meeting with local commercial banks, a proposal was made that payments to Trinidad and Tobago will be conducted in TT$. Once implemented, this measure will bring relief to the situation. The banks have indicated that they will need to discuss the proposal with their head offices.

However, the fate of our farmers and traders cannot wait indefinitely on corporate consensus in far-flung bankers' boardrooms. As such, in order to ensure that our farmers and other exporters receive timely payments for their sales to and from Trinidad and Tobago, I hereby announce that, as of 1 March 2018, the Ministry of Finance will enforce the relevant provisions of the Exchange Control Act[8] with regards to payments in United States Dollars from Saint Vincent and the Grenadines to Trinidad and Tobago. Accordingly, all USD payments to Trinidad and Tobago will require the prior approval of the Director of Finance and Planning. The Ministry of Finance will, of course, be happy to revisit this decision in the future if all parties can

[8] Laws of Saint Vincent and the Grenadines, "Exchange Control Act," Chapter 447

arrive at a less bureaucratically cumbersome solution. It is wrong and unfair for St. Vincent and the Grenadines to be so disadvantaged in this matter.

II. PRODUCTIVE SECTORS

(i) Agriculture

The Honourable Minister of Agriculture, Labour and Industry will no doubt speak extensively on the new opportunities for work and production that now exist by virtue of his exemplary endeavours in the areas for which he exercises ministerial responsibility. This year, we expect to break ground on a new seafood packaging facility in Calliaqua. The lease of existing, state-owned fisheries centres in Barrouallie, Bequia, Calliaqua, Canouan, Owia and Union Island to the private sector and cooperative interests, is expected to unlock the entrepreneurial and business potential of these facilities. The recapitalization of the Farmers Support Revolving Fund – coupled with World Bank and EU programmes to enhance competitiveness, modernize agribusiness infrastructure and secure market access – will undoubtedly create new growth opportunities in this indispensable productive sector. The farmers and the agriculture sector have long been the cornerstone of not only economic development, but social cohesion in Saint Vincent and the Grenadines. This Budget stands as a recommitment to the centrality of farming and fishing in the economic future of Saint Vincent and the Grenadines. The focus of the Honourable Minister of Agriculture on modernization, markets and movement towards value-added agribusiness is nothing short of visionary. It is also jobs-focused. Now is the time for the young men and women of Saint Vincent and the Grenadines to take a fresh look at the new opportunities for work and growth in a modern, diverse and expanding agricultural sector.

Today, global developments and shifting attitudes have presented Saint Vincent and the Grenadines with an opportunity to leverage its home-grown experience and expertise in cannabis cultivation – albeit illicit – into a full-fledged industry that will take advantage of the positive medicinal properties of cannabis and its ability to produce pharmaceuticals that can be used in pain management, nausea prevention, seizure suppression, and in treating anxiety disorders, certain cancers, glaucoma, insomnia, etcetera.

This year, we intend to continue wide and thorough consultations with the Vincentian public to canvass their views on the desirability of a well-regulated, clearly defined, export-oriented, medical cannabis industry in Saint Vincent and the Grenadines. Such an industry, if supported by the public and approved by Parliament, would position our country to take advantage of the economic opportunities presented by the rapidly expanding international market for medicinal cannabis products.

However, we must be clear-eyed and realistic about the potential of this industry, the prevalence and perception of Marijuana in large sections of the Vincentian society, and the status of cannabis in our regional and international context. For example, we must first acknowledge that, despite anecdotal claims of the superiority of locally-cultivated cannabis, there is no empirical evidence to support these assertions. Much of the growth of the illicit trade in Vincentian marijuana is based not so much on its quality, but on our location, terrain, and multiplicity of small cultivators. In short, Saint Vincent and the Grenadines has a competitive advantage in the *illicit* trade in Marijuana – an advantage that does not automatically transfer to legal production of medicinal cannabis. Stripped of its illegality, cannabis becomes just another crop – like a dasheen or a banana. We must contemplate an industry that focusses not merely on the export of a raw cash crop, but rather on value-added extracts and pharmaceutical products.

Second, while there will no-doubt be populist calls to “free up the weed” in its entirety, this Government is not currently prepared to take that step. Unregulated consumption of recreational marijuana poses a number of risks and challenges that we do not currently have the data on which to make informed decisions, or the capacity to manage effectively. Further, our regular scientific polling on this issue shows a deep divergence of views on the issue of recreational marijuana in our society. We cannot responsibly ignore the deeply held beliefs of such a large section of the Vincentian public.

Third, we must recognise that Vincentian cultivators currently produce the majority of their recreational marijuana for export to neighbouring countries in which the recreational consumption of marijuana remains illegal. It would be an irresponsible act to give official sanction to flooding regional markets with a product that remains illegal in those markets. The production and export of cannabis products must be linked to markets that licence and accept them. We are not a bad neighbour. There will be ample space for local cultivators and entrepreneurs in the medicinal cannabis industry.

(ii) Tourism

Hyperbole is the stock in trade of the politician. However, there is one statement that I will make today without fear of contradiction: As a tourist destination, Saint Vincent and the Grenadines is the most beautiful, most diverse, most culturally and historically distinctive, most *special* locale in our region. Our Honourable Tourism Minister, I am sure, will wax far more eloquently that I am capable of doing, on the undeniable tangible and intangible assets of Saint Vincent and the Grenadines as a tourism destination.

2017 has excited the Vincentian imagination about the potential of tourism as never before. The completion of the Argyle International Airport, and its momentous opening event last February, was a signal achievement on our post-colonial development journey. The Argyle International Airport construction confounded the skeptics, who first said it would never happen, and then said not before 2020. They claimed its construction would cost over $1.1 billion, which couldn't be found without bankrupting the country. They suggested that their own wind analysis and expertise led them to conclude that no plane would ever land there. Even days before the 14th February commencement, they were dispatching hurried letters to the Eastern Caribbean Civil Aviation Authority, urging them to delay the airport opening.

In retrospect, we owe the critics a debt of gratitude. Were it not for their constant naysaying and doomsday prophesies, the Vincentian public may not have fully appreciated the engineering and economic miracle of airport construction in a mountainous country in the midst of a global economic collapse.

We are now enjoying our third month of direct, weekly flights of Air Canada from Toronto to Argyle International. This has been supplemented by regular flights on Sunwing Airlines. Today, I am thrilled to welcome the recent announcement by Caribbean Airlines (CAL) that they will begin weekly, direct flights between Argyle International and John F. Kennedy International Airport in New York.[9] Those flights, beginning on our 14th March, National Hero's Day, will add growing capacity to our steadily expanding network of flights, and connect us directly to our large and vibrant Vincy Diaspora centred in New York. I have been advised too, that CAL

[9] Caribbean Airlines, "New Non-Stop Service Between St. Vincent and the Grenadines and New York," 1 Feb. 2018 (https://www.caribbean-airlines.com/#/caribbean-experience/media-releases/58)

intends to put on another flight from AIA to JFK, New York, during the summer of 2018 from July 7th to August 25th.

I can also confirm that the Tourism Authority has finalized the necessary agreements with an additional major carrier from a separate North American hub. As with the Air Canada and Caribbean Airlines announcements, the details of that new route will be made public by the airline in accordance with its own internal marketing and logistical imperatives.

While the Honourable Tourism Minister will no doubt expand on these important developments, I wish to place on record my appreciation for the excellent work being done by him, his ministry and the Tourism Authority in securing these direct flights and helping to make AIA work.

The 2018 fiscal year marks the beginning of a new thrust in the expansion of our hotel room stock to capitalize on the opportunities created by the opening of the Argyle International Airport. Already, hotel expansion and new construction are underway nationwide, and the Minister of Tourism will elaborate on these. In Canouan, the Glossy Bay Marina project continues apace, with shops, restaurants, apartments and ancillary facilities, being added to the existing property. The expectation is for these additional works to be completed by the second quarter of 2018. The Pink Sands Hotel, now under the management of the prestigious Mandarin Oriental brand, will also enjoy its first full year in business.

On the mainland, the Blacksands Resort, a multi-million dollar development in Peters' Hope, has obtained the necessary first-phase, planning permissions and will commence construction this year. The project consists of 40 villas, totaling 160 rooms, and a 200-room hotel. Post-construction, the Resort is anticipated to employ 300 Vincentians when it is fully operational.

The Government has made no secret of its intention to construct a state-owned, private-sector managed hotel or hotels to add 200 – 350 rooms to the current stock of high-quality tourist accommodation. This model is common throughout the region, with the Barbados Hilton, the Trinidad and Tobago Marriott and the Saint Kitts and Nevis Marriott being just a few of the many state-owned facilities that are managed by major international brands. Thanks to a recent fruitful conversation with bilateral partners, I predict that the Government will be breaking ground on a new hotel, hopefully, in the fourth quarter of 2018, that will employ over 200 Vincentians.

The closure of the Buccament Bay Resort has had an undeniably negative impact on tourist arrivals from the United Kingdom, which were flat regionally on Brexit-related concerns. This year, our stay-over arrivals from the United Kingdom fell by 29 per cent, due in no small part to the absence of the Resort. Further, over 200 talented and hard-working Vincentians were forced to find other jobs and endured great difficulty when the Resort was abruptly shuttered. Many of them are still owed wages from their work at the Resort.

Initially, the Government was given unduly optimistic estimates about when the Resort would re-open. Those estimates were based entirely on our conversations with the principals involved in the legal proceedings to navigate the hotel through the bankruptcy and insolvency process. However, today, I can report that the investors and creditors of the Resort, in communication with the Bankruptcy Trustee, have approved a plan for the management of the Resort and are currently fine-tuning the details of management proposals from credible and competent entities with excellent track records in hotel management. The Bankruptcy Trustee has indicated that the final management agreement is expected to be signed in the coming weeks, and that the Resort will definitely reopen in advance of the 2018 tourist season, after a three-month process of rehabilitation to the existing facility.

Mr. Speaker, the opportunities presented by the surge in cruise arrivals, and the projections for further growth in this subsector, provide fertile ground for creative entrepreneurship and steady employment. In 2017, cruise arrivals to Saint Vincent and the Grenadines skyrocketed. Preliminary tourism figures suggest that cruise arrivals are up by a whopping 75% over last year, while the early returns from our primary cruise agent indicate that actual arrivals are in fact up close to 100%, with a 150% increase in capacity over last year.

The total capacity of all ships arriving in Saint Vincent from October 2016 to January 2017 was 52,000. The comparable just-concluded period was 130,000 – a 150 per cent increase. Contrary to what some believe, very little of this increase was due to the hurricane-related difficulties in Dominica, likely less than 10% of arrivals. This spike in cruise ships was anticipated long before the hurricanes that affected Dominica and Antigua and Barbuda, and all indications are that this season's record arrivals rate will be surpassed in the upcoming season. We have all heard the stories of the taxi and tour operators who have done extraordinarily well this cruise season. The truth is that there are many more diverse opportunities a-begging for Vincentians to monetize this upsurge. We can and must do more to entice the visitors from their ships and across the length and breadth of Saint Vincent and the Grenadines. We can and must do more to encourage them to spend their money when they are ashore. In my consultations with the tourism sector in advance of this Budget presentation, I was heartened to hear how many businesses were enjoying significant direct benefits from the upsurge in cruise arrivals. Let us do more to capitalize on this growth.

Similarly, Yacht arrivals are also up a more modest, but still significant 8%. As we do more work to shed the unfortunate reputation created by some high-profile yacht crimes a few years ago, we expect that the yachting numbers will continue to increase, particularly given the increased options to fly into Argyle International and begin your Grenadines sailing experience directly from Saint Vincent, instead of St. Lucia or Grenada.

The growth in yachting creates opportunities for mainland marinas and yacht services, as well as wider spill-over benefits. Many have compellingly argued that Saint Vincent and the Grenadines' greatest natural competitive advantage in tourism lies in the yachting subsector. Now is the time to capitalize.

This year, in addition to expanding air access and expected growth in visitors by sea, the Ministry of Tourism is enhancing the viability of existing local destinations through investments in new facilities at Villa Beach and Brighton Salt Pond; continuation of the Cayo Heritage Village at Argyle; and enhancements to existing amenities at Cumberland, the Botanical Gardens, Walliabou, Black Point, Dark View Falls, Belmont Lookout and the nature trails at Vermont, Trinity, Cumberland and La Soufriere.

A number of infrastructure projects, including, but not limited to the rehabilitation of the Fort Charlotte Bridge and the upgrade of the Montreal Gardens feeder road, have obvious tourism benefits. Additionally, 2018 marks the beginning of a multi-year $13.4 million OECS Regional Tourism Competitiveness project. This World Bank project will upgrade anchorage sites; upgrade and enhance the visitor experience at Fort Charlotte; enhance the Tourism Authority's ICT capabilities and ability to market online; and initiate a Saint Lucia-Saint Vincent and the Grenadines-Grenada inter-island ferry.

Mr. Speaker,

We can all accept that there is ample room to grow and improve tourism in Saint Vincent and the Grenadines. Many of our neighbours have a more mature tourism product and exponentially larger tourist arrival numbers. The reasons for this difference are as obvious as they are diverse – from geography to topography to history to infrastructure to the traditional underpinnings of our respective economies and modes of production.

Nonetheless, there are advantages to our relatively late arrival to the mass-tourism game. We have the benefit of perspective, and the luxury of being able to adopt best practices, while avoiding some of the potential obstacles that have bedeviled other destinations. At the end of the day, tourism must be geared toward growth and economic development of Saint Vincent and the Grenadines, not simply a tally of arrivals. It is worth noting that many regional destinations touting record numbers of arrivals are nonetheless mired in cycles of economic contraction, skyrocketing debt and social challenges such as crime and undernourishment. There are lessons for Saint Vincent and the Grenadines to learn from these contradictory developments – from the optimal mix of local and foreign tourism operators; to the most effective set of incentives and concessions; to the best ways to multiply the local benefits of foreign arrivals. As our investments spur rapid growth and evolution of Vincy tourism, we are determined, in conjunction with our private sector, to craft a product that is uniquely attractive, uniquely beneficial and uniquely Vincentian.

(iii) Information Communication Technology

This Government is committed to utilizing information communication technology ("ICT") to drive and accelerate transformational development in Saint Vincent and the Grenadines. Our ability to create an environment for the productive and inclusive use of ICTs is dependent on (i) expanding and improving ICT infrastructure; (ii) creating the necessary legal, institutional and policy frameworks for effective ICT adoption and use; (iii) expanding the necessary skills within government, the private sector and civil society; and (iv) facilitating the growth of ICT-enabled innovation, particularly among the youth, small businesses and entrepreneurs.

The effective rollout and mainstreaming of ICT solutions is a complex and painstaking business, especially for a Government that sees inclusive ICT access and development as a fundamental pillar in stimulating economic growth and development; and integral to obliterating, rather than entrenching, existing socio-economic inequalities. We seek to advance – within our budgetary constraints – impactful, sustainable ICT strategies that are part of a wider development policy. In a sector that changes as rapidly as ICT, there is often a temptation to drop existing plans in pursuit of the latest shiny gadget or cutting-edge concept, or to pursue a discordant mix of uncoordinated and ill-conceived externally-driven experiments that neither fit our local realities nor our strategic objectives. It is important to keep our eye on the ball: ICT in the Vincentian context is a developmental accelerant, a leveler of playing fields, a means for enhancing new and existing businesses, and an avenue for the delivery of improved services to the Vincentian people.

In 2017, the Government was proud of its best-practice implementation of the Caribbean Regional Communications Infrastructure ("CARCIP") incubation programme. Currently, there are sixteen (16) firms within the business incubation programme. Businesses including manufacturing using wood and metal, development of robotic arm using 3D printing, video and media production, software development, mobile application development and web development. Most of these small businesses have been performing above target and have experienced significant growth. To date, the programme has expended over $1.1 million.

On the training component of the CARCIP programme, approximately 400 persons have been trained in ICT courses such as CompTIA network and security, digital animation, computer fundamentals, mobile application development and web page design. Over $ 1.2 million has been spent on the programme so far.

We have also mandated the inclusion of a job placement component in ICT training activities, and emphasized the creation of local content, rather than the passive consumption of externally-generated material.

The 2018 Budget includes critical infrastructural investments in connecting the Grenadines to our expanding national fibre backbone. $9.2 million will be spent under the World Bank's CARCIP programme to facilitate the process, which will be executed in collaboration with a regional service provider. Such a significant investment in the ICT broadband infrastructure will ensure:

- A full integration of the entire government service and reduction in administrative waste. The expansion of the Government Wide Area Network (GWAN) will connect all government buildings, health centres, the modern medical complex and statutory corporations to a dedicated secure fibre line with high-capacity bandwidth; and
- Access to high-speed broadband at an affordable price with increased penetration rates.

This year, the Saint Vincent and the Grenadines National Centre of Technological Innovation ("SVGNCTI") will conduct ICT readiness assessments for local businesses. These assessments will evaluate the potential of those entities to incorporate ICT solutions in their business practices, and provide the necessary training to improve their tech competency. This initiative can serve as a catalyst for increased private sector investments in ICT as a means of increasing innovation, productivity, competitiveness, and, ultimately, growth.

We expect to see improvements to efficiency and security in the state bureaucracy with the completion of the Taiwan-funded Electronic Document and Records Management System ("EDRMS"). This system, which complements our strategic priority of developing digital government systems to improve administrative efficiency and transparency, implements e-document exchange and public key infrastructure to move paperwork decisively away from the colonial-era system of myriad office attendants trudging around Kingstown with confidential documents in tow. We formally launched this project during last week's visit of the Taiwanese Foreign Minister. I also secured a pledge from his excellency the Foreign Minister for the Taiwanese Government to design and fund a system of networkable closed-circuit television cameras to be deployed throughout Kingstown and at bus stops nationwide. That system is expected to be launched in the fourth quarter of this year.

We also plan to enact comprehensive modern telecommunications legislation this year that will promote net neutrality, facilitate greater e-commerce, and, importantly, give the regulators increased powers to enforce basic customer service and quality standards among our providers. Such legislation is long overdue.

The adoption, penetration and effective use of broadband Internet in Saint Vincent and the Grenadines continues to be constrained by insufficient investment from private sector partners. The competition that we anticipated in the wake of the deregulation of the mobile telephone sector has devolved into a low-budget war of attrition between mobile service operators, with tacit ceding of various subsectors, like cable TV and fixed-line broadband, to monopolies. Meanwhile, oft-promised investments in upgraded mobile broadband and data, have not materialised. While we value tremendously our partnership with the telecom providers, and we recognize that the changing economics of voice and data usage have upended their traditional business model, we intend to use all regulatory and legislative means to secure a better deal for Vincentian consumers.

III. INFRASTRUCTURE

(i) Roads and Bridges

A well-developed road infrastructure is essential for economic growth and sustainable development, and we remain committed to strengthening the road network in Saint Vincent and the Grenadines. Activities continue to focus on (a) climate proofing transport infrastructure by building more resilient roads and bridges; (b) enhancing connectivity in rural areas; (c) building redundancy in the road network; and (d) improving access to agricultural lands.

In 2017 approximately $35 million was spent on the rehabilitation, reconstruction and upgrading of roads and bridges throughout the country. In recent years, the road network especially in the northern parts of this country has been battered by extreme weather events and we have made some progress in rehabilitating these portions of the network.

In 2018 work will continue, and close to $100 million have been budgeted to execute the programme which includes:

1. Commencement of construction of 45 kilometres of secondary and feeder roads financed by Kuwait & OFID;
2. Acceleration of the reconstruction and rehabilitation of roads, bridges and the stabilization of slopes along major and secondary roads with financing from CDB, World Bank, ROC, and from domestic resources;
3. Assessing the feasibility of a by-pass road to ease traffic congestion in Arnos Vale onwards to Kingstown.

(ii) **Seaport Development**

Mr. Speaker, in the National Economic and Social Development Plan, 2013-2025, this administration mapped the path forward for seaport development. Specifically, the Plan emphasizes the modernisation and expansion of the seaport facility, the improvement in the overall efficiency in seaport operations, the enhancement of border security and quarantine measures, and an increase of trade and economic activity.

Port Kingstown has long been our main seaport facility until the Campden Park Container Port displaced it as the principal entity for container shipment. Port Kingstown is some 50 years old and no longer meets the requirements for modern port operations.

In 2012, the government, accordingly, commissioned a Port Rationalisation Study. The Study recommended the construction of a modern port that is technically and economically viable, climate-resilient, socially-inclusive, and provides gender-responsive solutions to the handling of all cargo. A related Master Plan was prepared which provides indicative estimates for the Modern Port Project of US $100 million for implementation over a 3-year period.

During the last quarter of 2017, the tender and short-listing of the design consultant for the project was finalized. Sometime shortly the consulting firm will arrive in Saint Vincent and the Grenadines to begin work on the detailed design for three main components or packages: The Primary Cargo Port; the Intra-regional Cargo Terminal; and the Intra-Island Ferry Terminal.

The government has already secured the equivalent of US $40 million (EC $108 million) in a grant in pounds sterling from the Government of the United Kingdom, through its UK Caribbean Infrastructure

Partnership Fund (UKCIF). Satisfactory negotiations are at an advanced stage with two multi-lateral financial institutions to secure the remainder of the requisite finance to construct this modern, state-of-the-art facility, towards the western end of, Kingstown.

In the 2018 capital budget, the sum of $7.5 million is allocated to finance, design and conduct preliminary works for the modern Port Project. Meanwhile, the Cabinet has approved the project implementation mechanisms to ensure that this project moves forward on time, within the budget, and in accord with the highest professional standards.

Mr. Speaker, the SVG Port Authority, which has responsibility for all seaports in Saint Vincent and the Grenadines, has elaborated broad plans to develop commercially and utilize fully the current space where Port Kingstown is located. Port developments at Canouan, Union Island, and Bequia are also on the cards. So, too, are active plans for further improvements and development of the cruise ship pier.

(iii) **Air Transportation**

Mr. Speaker, four major initiatives in the vital air transportation sector have been delivered by the Unity Labour Party (ULP) government, namely: (i) the establishment of the Eastern Caribbean Civil Aviation Authority (ECCAA), a single regulatory authority for its member states, which has achieved Category I status for this jurisdiction; (ii) Saving, reforming, and sustaining LIAT, the intra-regional carrier of choice; (iii) the construction of the jet airport on Canouan to facilitate, among other things, the phenomenal tourism investments there; and (iv) the building of the historic Argyle International Airport (AIA) on Saint Vincent to enable more efficacious airlift connections internationally.

In the same manner in which the ULP government took the lead regionally to establish ECCAA and to keep LIAT in the air, my government is again leading the way to fashion an updated, more relevant and workable Multi-Lateral Air Services Agreement (MASA) within CARICOM. This reformed MASA will contribute to enhanced regional development of air transport, the airline industry, and travel. Similarly, Saint Vincent and the Grenadines is part and parcel of the on-going effort through CARICOM to take the region to a higher level "ease of travel" and travel facilitation.

Without these far-reaching initiatives by my government, Saint Vincent and the Grenadines would have been in real danger of becoming a highly inaccessible destination; the consequences for the society and economy would have been harsh.

My government built the Canouan Jet Airport at a cost of approximately $54 million; a loan was secured for this project which has already been repaid. All the investors in Canouan affirm that without it the tourism development in the north of the island would have withered; instead it has expanded magnificently in a sustainable manner, including the opening of the top-of-the-line Pink Sands Hotel managed by the prestigious Mandarin Hotel brand. Similarly, the investment in the outstanding Glossy Bay Marina and ancillary facilities inclusive of villas - undoubtedly the best such facility in the eastern and southern Caribbean - would not have happened without the jet airport in Canouan. Since 2001, the estimated foreign direct investment in Canouan has been in excess of US $500 million.

Mr. Speaker, the construction of the AIA has been the realization of a veritable impossible dream made a reality. This facility which was built at a cost of $700 million has been valued in excess of $1.2 billion; truly it is value for money. We owe the comparatively small sum of $320 million, having only recently received debt forgiveness of $81 million on a loan from the ALBA Bank in Venezuela.

Mr. Speaker, so as to ensure that Saint Vincent and the Grenadines is compliant with International Security Standards, the USA Transport Security Administration (TSA) in 2017 concluded a series of security audits at the AIA. New Aviation Security Standards were introduced by the USA on August 29, 2017. This resulted in the AIA, among other things, procuring and installing two pieces of modern security equipment costing US $139,000. Our civil aviation authorities and AIA collaborated in devising a comprehensive Airport

Security Plan; and the Cabinet has approved the National Civil Aviation Security Programme. Our enhanced security procedures have become necessary to address all aviation security threats and to facilitate direct flights from Saint Vincent and the Grenadines to the USA.

I am pleased to reiterate that Saint Vincent and the Grenadines remains compliant with the International Civil Aviation Organisation (ICAO), the Eastern Caribbean Civil Aviation Authority (ECCAA), and the TSA of the USA. ECCAA continues to undertake quarterly visits to Saint Vincent and the Grenadines to ensure that all airports maintain a high level of security and other aviation standards.

A Memorandum of Understanding has been signed with ICAO under the Counter-Terrorism Monitoring Approach (CMA) in relation to the Universal Security Audit Programme for further on-site audits. An ICAO on-site audit at AIA runs from February 5 – 13, 2018. My government takes these matters very seriously. We urge the travelling public to appreciate that AIA's security procedures are necessary to ensure that our country remains compliant with international standards.

The prospect of the AIA's completion prompted investors to build the multi-million Buccament Resorts which is now in bankruptcy and is tentatively scheduled for re-opening by the end of June 2018. It is the imminence of AIA's opening that paved the way for the proposed investment by a Canadian group on nearly 40 acres of land at Mt. Wynne-Peter's Hope. Other tourism investments by local and foreign entities have taken place, are taking place, or are proposed to take place because of the existence of the AIA.

Mr. Speaker, the recent Christmas-New Year season witnessed dozens of private jets coming to, and going from, AIA; the parking area on the airport's apron was jam-packed with private jets. Saint Vincent, Bequia, Canouan, Mustique, and Union Island benefitted immensely from all this activity.

The former E.T. Joshua Airport was frequently bedeviled by cancellation due to weather condition, wind, airlift restrictions, and flooding. These are episodes of the past because of AIA. Further, the carriage of cargo has increased dramatically, from 3 – 4 pallets on the smaller Amerijet cargo planes to 25 pallets or more on the larger aircraft.

AIA has been only operational for just under one year. It is making splendid progress although there are still yet more opportunities to be grasped. In this regard, a group of local pilots and business persons who already operate a small locally-based airline have elaborated plans to expand operations to include the northern Caribbean and extra-regional destinations and airline connections. The Government is supportive, in practical terms, of this private sector initiative.

Mr. Speaker, as this Honourable House is aware, the ULP government has been, and continues to be, committed to making LIAT a self-sustaining entity which operates along commercial lines. Saint Vincent and the Grenadines has been in the lead regionally with this commitment. Currently, Saint Vincent and the Grenadines owns 12 percent of the airline; Barbados is the major shareholder with just under 50 percent; Antigua and Barbuda owns just under 35 percent; Dominica owns a small number of shares, and there are a few other minor shareholders.

Our Prime Minister has been the Chairman of the shareholders since 2002, continuously. During this time, LIAT has completely re-fleeted its aircraft and restructured some of its operations. Nevertheless, there remain many legacy issues to be reformed and more revamping of systems to be done.

Accordingly, at mid-year 2017, the LIAT shareholders on the advice of the Board and other stakeholders, including representatives of pilots, engineers, and other employees, decided to secure appropriate consultants with a wide-ranging remit to improve the airline's operations, ensure its viability and commercial standing. In this process, the Caribbean Development Bank (CDB) was engaged as an active partner. The consultants' report is to be fed into a broad-based task force to refine the recommendations for decision-making by the

Board of Directors and shareholders. The consultants are currently at work, and the formal submission of their final report is imminent.

Mr. Speaker, in the second half of 2017, LIAT faced severe challenges due to the cancellation of over 400 flights due mainly to severe weather conditions. Most of the cancellations were on the routes in the north-eastern Caribbean which normally account for 35 percent of the airline's revenues. As a consequence, losses of $35 million were recorded. In partial response, a US $7 million loan was secured from the CDB as part of a further financing arrangement for the restructuring of LIAT. Saint Vincent and the Grenadines is responsible for US $840,000 or 12 percent of this loan; Barbados is responsible for US $3.72 million, and Antigua-Barbuda, US $2.44 million, of the loan. Dominica has been relieved of assuming a portion of the loan due to the harsh exigencies of Hurricane Maria.

IV. CLIMATE CHANGE AND THE ENVIRONMENT: RESILIENCE, RECONSTRUCTION & CONSERVATION

Mr. Speaker,

The future of Saint Vincent and the Grenadines is "green" and it is "blue." Green, for our firm national commitment to make SVG climate resilient, carbon neutral and ecologically progressive. Blue, for our recognition of the value and wealth that can be generated from our oceans, our archipelagic character, and the possibilities of a Blue Economy.

Since 2010, Saint Vincent and the Grenadines has been struck by several major weather events, resulting in loss and damage amounting to over $700 million. These major events – which include Hurricane Thomas in 2010, the 2013 Christmas Eve floods, and the November 2016 floods – have individually caused loss and damage amounting to between 5 and 15 percent of GDP. Intervening, severe droughts have had similar negative effects on our economic growth and production. Farmers have lost crops and livestock; subsistence fisher folk have lost days and weeks' worth of catch; public infrastructure has been destroyed; and people have been rendered homeless. Tragically, lives were also lost.

The stark realities of climate change have confronted this government almost from the moment it took office. We have endured Lili, Ivan, Dean, Omar, Matthew, Emily and Tomas; the floods of November 2016, Christmas Eve 2013, April 2011, and November 2004; and the droughts of 2003, 2005, 2010 and 2014, which sometimes led to pressures on the water distribution systems. In the aggregate, those weather events since 2002 have caused loss and damage in excess of $1 billion, or more than half of our current nominal Gross Domestic Product. Think about that: We have lost more to storms and droughts than we have spent to build the Argyle International Airport. In a post-crisis decade of low and slow growth, the average annual loss and damage from weather events is roughly 5% of GDP.

Tragically, lives are also lost. We continue to mourn the death of the 13 Vincentians who died during recent weather events. Also, we recall the four deaths caused by Tropical Storm Lili in 2002.

In addition to slowing growth, these weather events have increased our debt. A 2014 IMF paper entitled "*Debt, Growth and Natural Disasters: A Caribbean Trilogy*"[10] pointed out that while both storms and floods have a negative effect on growth, floods and minor storms play a particularly insidious role in increasing the national debt. This is because islands hit by major, headline-grabbing hurricanes are likely to enjoy a greater degree of debt relief and concessional aid than those countries' whose damage is caused by a series of lesser-known and less-reported storms and floods.

Vincentians feel and know this. Although we have thankfully been blessed to escape the crushing blow that Hurricane Ivan inflicted on Grenada, or the full onslaught of Hurricane Maria, which has rendered Dominica unrecognizable, our steady drumbeat of trough systems, floods, landslides, droughts, low-level hurricanes and coastal erosion have added significantly to our debt over the last decade. More than 15 percent of our accumulated debt since 2010 is

[10] International Monetary Fund, "*Debt, Growth and Natural Disasters: A Caribbean Trilogy,*" 16 Jul. 2014 (https://www.imf.org/~/media/Websites/IMF/imported-full-text-pdf/external/pubs/ft/wp/2014/_wp14125.ashx)

directly attributable to post-storm reconstruction, as well as our attempts to "future-proof" our country and people through forward-looking adaptation and resilience-building efforts. Indeed, the international community is beginning to recognise the role that climate change and adaptation costs have on the debt profiles of Small Island Developing States. Saint Vincent and the Grenadines is playing an active role in the emerging global discussions on "debt-for-climate-swaps," which contemplate debt forgiveness in exchange for specific resilience and adaptation investments by island states. We have been selected by the United Nations' Economic Commission for Latin America and the Caribbean as a pilot country to advance these debt-for-climate initiatives. This is an idea whose time has come.

This year, over 30 percent of the 2018 capital budget – a total of $71 million – is allocated to climate change preparedness, reconstruction and renewable energy.[11] That total does not include the $12.7 million that we intend to collect to further capitalize the Contingencies Fund. If ever you needed an indication of the way that climate change has affected the developmental progress of our country, or of the national

[11] RDVRP – 31,145,600; Nat. Disaster Reconstruction Dec. 2013 – 10,400,000; Geothermal – 8,000,000; Nat. Disaster Management and Rehab. – 6,670,000; Housing reconstruction – flood damage – 3,200,000; Nat. Disaster Management and Risk Reduction – 2,409,000; Coastal Protection for Climate Change Adaption – 1,850,000; Solar PV Demonstration Project – 1,500,000; Japan-Caribbean climate change – 1,000,000; Green Climate Fund Readiness – 914,000; Langley Park River Basin – 815,000; Congo Valley Road – 805,000; Rehab of Roads Dec 2013 Floods – 750,000; Spring Village Bridge – 450,000; Vermont River Defense – 400,000; South Rivers River Defense – 385,000; PACES promoting access clean energy – 160,000; Forestry enhancement – 140,000; **TOTAL** – **70,994,000**

commitment to our green goals, look closely at the 2018 capital budget.

Mr. Speaker,

Recent weather events across the Caribbean have vividly illustrated the frequency, and, indeed, the inevitability of catastrophic weather events in this era of climate change. It is not a question of "if" we will be struck, but "when," and how hard. Today's Dominica, Barbuda or BVI can easily be tomorrow's Saint Vincent and the Grenadines. This is a reality that we can neither ignore nor wish away. We must prepare for it.

Last year, the Government introduced measures to provide resources to a disaster-based Contingencies Fund. The cornerstone of this fund is the 1 percent disaster levy on consumption within the State. Over the eight months of its operation in 2017, this levy capitalized the fund in the amount of $6.75 million. This year, in the Contingencies Fund's first full year of operation, we expect to collect $11 million.

In our recent consultation with the IMF, we were commended for the establishment of the Contingencies Fund, and urged to take even greater steps to ensure that sufficient resources exist to respond quickly to disasters or build resilience against their impact. The IMF's Article IV report said that:

The government should increase resources for the Contingencies Fund and implement initiatives to build resilience against natural disasters. The authorities have earmarked revenue for the Contingencies Fund, but the resources are insufficient.

We agree with this assessment. However, the burden that we place on Vincentian consumers cannot be so onerous as to constitute a drag on economic activity. Accordingly, we will take two measures this year to build our resilience cushion: First, we shall implement a nightly $8 levy on hotel, guesthouse and short-term apartment rentals. We anticipate that this measure will generate an additional $1.7million for the Contingencies Fund. This is a 15% increase in the local capitalization of the Contingencies Fund, which is now predicted to accumulate roughly $13 million in 2018.

Second, the Government has earmarked US$5 million of its new US$67 million World Bank International Development Association (IDA) 18 allocation to a Catastrophe Deferred Drawdown Option ("CAT DDO") which is a "*contingent credit line that provides immediate liquidity… in the aftermath of a natural disaster.*"[12] This EC$13.5 million allocation will supplement the local contingency fund capitalization. I wish to point out to Honourable Members and the Vincentian public that this CAT DDO, or indeed the new IDA 18 loan itself, is not reflected in the current Appropriation Bill because final

[12] The World Bank, "Product Note: Catastrophe Deferred Drawdown Option," 26 April 2011 (http://treasury.worldbank.org/bdm/pdf/Handouts_Finance/CatDDO_Product_Note.pdf)

negotiations and signing of the arrangement are not yet concluded. However, the World Bank has already formally indicated the size of our IDA window, and we anticipate the first tranche of disbursements to begin in the fourth quarter of this year.

(i) Geothermal Development & Renewable Energy

Last year, the Honourable Prime Minister extensively discussed the ongoing execution of our plan to install 10 – 15 megawatts of geothermal energy in Saint Vincent and the Grenadines. That process continues. For much of 2017, Saint Vincent Electricity Services Ltd. ("VINLEC") and the Energy Unit, in conjunction with experts provided by the Clinton Global Initiative were engaged in intense and protracted negotiations with Emera Inc., and Reykjavik Geothermal, our partners, over the precise contours of the Power Purchase Agreement ("PPA") and Shareholders Agreement that will govern the extraction and sale of geothermal energy from the consortium to VINLEC. Those negotiations are now complete, and the PPA is expected to be signed shortly; up for signing shortly, too, is an amended Shareholders' Agreement in which the government's shareholding is slated to increase to 49 percent. As a consequence, a total of $8 million in civil works related to the geothermal project is expected to be completed this year, including the roadworks, river damming and training, installation of water lines, construction of a drill pad, and the commencement of drilling activities. We are one step closer to the supply of home-grown, secure, renewable energy in Saint Vincent and the Grenadines, and in radically altering our existing fossil-dependent energy mix. This will go a long way toward meeting our commitment to reducing our greenhouse gas emissions. The Honourable Prime Minister, in his capacity as Minister with responsibility for Energy, will further elaborate our commendable progress on this matter.

Further, on 30th January 2018, VINLEC signed a contract with Akuo Energy Solutions DMCC for the supply of a Solar photovoltaic-battery Hybrid system which will be connected to the Union Island electricity grid and lesser dependency on the more costly fuel generator. The project will install 600-700 kW solar photovoltaic capacity and 600 kWh of battery storage, on 2.7 Acres of land adjacent to the power station. The contract is valued at approximately US$2.3 million and is funded through the UAE-Caribbean Renewable Energy Fund where assistance is provided to the government of Saint Vincent and the Grenadines and other Caribbean territories by the United Arab Emirates. We thank the government and people of the United Arab Emirates for their foresight and cooperation in this important fund, and applaud VINLEC and the Energy Unit for their important work in accessing these resources.

(ii) Environmental Protection and Conservation

Saint Vincent and the Grenadines is proudly in the vanguard of the region’s most ecologically and environmentally progressive nations. We take seriously our role as stewards of God’s creations, and our responsibility to protect, preserve and pass this beautiful nation on to succeeding generations to appreciate and cherish. Also, in this era of climate change caused mainly by the wanton pollution and reckless consumption of other nations, we must send an unmistakable signal that, if a small, poor country like Saint Vincent and the Grenadines can make the necessary sacrifices to protect the environment, then surely the rich and powerful nations should do more to preserve the planet and mitigate the impacts of climate change.

As such, in recent years, we have:

- Banned the hunting of turtles to protect the leatherback, green, and hawksbill turtles that live in our waters. Those three species are listed as vulnerable, endangered, and critically endangered, respectively, by the International Union for Conservation of Nature;
- Banned the hunting of Orcas and porpoises, while preserving traditional whaling and fishing practices in Bequia and Barrouallie;
- Banned the mining of sand at Brighton Beach, and commenced the process of formulating a comprehensive sand-extraction policy for all of Saint Vincent and the Grenadines;
- Provided duty-free concessions for importation of solar PV panels; and
- Raised the import surcharge on older used vehicles, particularly those whose engine size suggest greater fuel usage and emissions.

Last year, we implemented a ban on the importation and use of Styrofoam products. The usage ban took full effect last month. Though not perfect, I am proud of the level of implementation thus far, and I thank the business sector and consumers for their willing acceptance of this measure. The amount of garbage clogging our drains and waterways has been markedly reduced, and the ecological benefits are undeniable. Of course, challenges in the implementation will persist as we all adapt to these new regulations, but I am confident that we will solve these challenges in the same spirit of cooperation and goodwill that we have demonstrated thus far.

This year, we intend to deepen our commitment to environmental stewardship through the following additional measures:

- Severely curtailing the free availability of single-use plastic bags in supermarkets and other retail centers, while promoting the use of reusable or recyclable bags;
- Banning the importation of used automobiles over 12 years old, and increasing the surcharge for vehicles over 4 years old;
- Limiting phosphate run-off by incentivizing the importation of phosphate-free detergents, which is less damaging to aquatic life; and
- Regulating the manner in which refuse and grey water is disposed by businesses and residences, particularly in the vicinity of coastal areas. We are not unmindful of the fact that

the problem of localized sewage disposal in other developed tourist destinations has been sufficiently severe as to prompt various logistical and public relations challenges. We hope, in the development of our tourist product, to pre-empt or minimise some of the unfortunate environmental side effects of mass tourism.

As with our Styrofoam ban, the public and the business community can expect to enjoy sufficient consultation, notice and education on these environmental measures before they are implemented.

V. JOB CREATION AND POVERTY REDUCTION

Mr. Speaker, a central policy plank of our government has been, is, and always will be job creation, poverty reduction, sustainable development, and improving the quality of life for all Vincentians.

For a number of years, the talk of a global post-crisis recovery rang hollow because it took place only on the balance sheets of companies and in the boardrooms of multinationals. Unfortunately, the recovery seemed to elude ordinary people and workers. It was dubbed a "jobless" recovery, because the jobs lost and the wages frozen during the crisis did not return when economic growth turned positive.

Nonetheless, the Census data indicate that the actual number of employed persons increased between the inter-censal years (2001 –

2012) by 5,785 or 14.7 percent, from 35,036 in 2001 to 40,821 in 2012. However, on account of the alterations in the internal composition of the overall population, the percentage of unemployed persons remained basically constant. Significant in this regard have been the 30 percent increase of the population in the age cohort over 60 years and the concomitant increase in the number of these persons employed. This increase is a public policy issue of huge import, particularly in connection with jobs, health, social security, retirement benefits, and citizen security.

It is important to note that the employment data from the 2012 Census are broadly corroborated by the actual number of active registrants at the National Insurance Services (NIS). The NIS data reveal that in 2001 there were 32,064 active registrants (Active Employees: 30,061; Active Self-Employed: 277; Active Employers: 1,726) compared to 38,110 active registrants in 2017 (Active Employees: 34,923; Active Self-Employed: 1,092; Active Employers: 2,095). Thus, in 2017, there were 6,046 active registrants more than in 2001 at the NIS.

The NIS itself estimates that the actual number of persons actively engaged in working amounts to approximately 44,000; thus, there are some 6,000 persons who are actually working as employees and self-employeds but who are not registered at the NIS. This fact is evident from even a cursory look at the NIS data: For example, in 2017 in the agriculture sector there were only 452 workers who were registered at the NIS; in private households there were only 617 employees who are registered at the NIS; and so forth.

The labour force is estimated at just over 52,000 by the Census. Given the NIS data and its estimates referred to earlier, it means that the unemployment rate approaches one-fifth of the labour force.

Mr. Speaker, informed observers of our economy have made the telling point that, historically, the absorptive capacity of the economy for labour has been limited by its very size, structure, infrastructure, skills, and technology. It is precisely for this reason that our government has had to implement the requisite restructuring and developmental measures in several vital areas including education, physical infrastructure, public and private investments, economic diversification, energy, public finance, and technology. It is only through implementation of these measures that the basis can be soundly laid, and enhanced, to create more jobs, including quality jobs.

Mr. Speaker, the splendid record of our government also shows that indigence has been reduced markedly and general poverty declined. Our government has stayed the course on its "War against Poverty" with numerous initiatives in the overall economy and specifically-targeted measures. The most recent creative initiative is the Zero Hunger Programme. All these efforts to fight poverty, indigence, under-nourishment, and hunger are grounded in the framework of the 17 Sustainable Development Goals (SDGs). In 2018, my government will carry out a further assessment of poverty in St. Vincent and the Grenadines to assist in the continued quest of ever more reducing poverty.

Saint Vincent and the Grenadines was blessed to avoid the experience of some neighbouring states that were forced to slash workforces either by necessity or by the mandate of externally-imposed austerity programmes. Indeed, last year we passed the fourth increase in the minimum wage since being elected to office. We also enacted ground-breaking legislation on Occupational Safety and Health, and will spend much of 2018 expanding our institutional capacity to educate Vincentian employers and employees about their rights and responsibilities under the new Act.

Notwithstanding the historical and in-built limitations regarding the absorptive capacity of our economy for labour, 2018 has the potential to be a pivotal year in our collective quest to ensure that more Vincentians have more opportunities to engage in productive, rewarding, quality work. Accelerated hotel construction and expansion will create jobs in both the building and staffing of tourism facilities. Increased air, cruise and yacht arrivals will present opportunities for an enterprising private sector. The myriad new opportunities in agriculture and fisheries have already been discussed and will be further elaborated by the Minister. Our investments in ICT incubation and entrepreneurial support continue to bear fruit.

Further, this year begins the roll-out of a planned $90 million investment in repairing and reconstructing secondary, village and feeder roads in Saint Vincent and the Grenadines. $17 million of that investment will be spent in 2018, in addition to a further $3.6 million road rehabilitation programme that will occur beyond the regular subvention to the Bridges, Roads, and General Services Authority (BRAGSA). This unprecedented investment in road infrastructure, to say nothing of the additional infrastructural investments throughout the 2018 capital budget, will undoubtedly create more jobs in the construction subsector, as is the case with all stimulus spending in infrastructure, the world over.

Mr. Speaker, this government has always placed people at the center of its developmental focus, and consistently prioritized poverty reduction – be it through our investments in education, our work to secure a decent minimum wage, the jobs that we have added to the economy, our emphasis on agriculture and entrepreneurship, or the tireless efforts of our dedicated workers within the Ministry of Social Development.

This people-centred approach on poverty reduction is also apparent in our embrace and active mainstreaming of the 17 internationally-agreed Sustainable Development Goals. The first two of those goals –

"No Poverty" and "Zero Hunger" – have been given voice and life through our implementation of the ground-breaking and innovative Zero Hunger Trust Fund. The Zero Hunger Trust Fund has taken a highly-targeted approach to determining the extent of undernourishment in Saint Vincent and the Grenadines and devising programmes to address its underlying causes. Funded through a levy on mobile calls and data, the Zero Hunger Trust Fund has delivered thousands of food baskets and food vouchers to hundreds of elderly Vincentians; it has engaged in rapid skills training programmes for at-risk youth; it has adopted classrooms nationwide and provided meals and books to the students therein; and it is in the process of improving and upgrading the School Feeding Programme nationwide, through improvements to food, nutrition and equipment. The Zero Hunger Trust Fund has attracted the support of the Taiwanese Government, the Dubai Cares NGO, and a number of Vincentian individuals and businesses who see he invaluable work of this important entity. We expect to expand and deepen the impact of the Zero Hunger Trust Fund in 2018.

VI. CITIZEN SECURITY

Mr. Speaker, the subject of citizen security is of paramount importance to each of us as individuals, as families, as communities, and to the society and economy in their various manifestations. Maintaining and enhancing citizen security is many-sided. Each individual has a role to play; so, too, the family, the school, the church, the community, the civil society organisations, the mass media, the institutions of the State (the Government, the public service, the Police Service, the Prosecution Service, the Law Courts, the Prisons), and relevant regional and international organisations.

Our government, in February 2003, formulated a 14-point strategy to combat crime and the causes of crimes. We have refined, over time, this strategic framework and have been pursuing the programmatic elements within this overall strategy with vigour. Indeed, the Police Service itself has elaborated for implementation, a comprehensive "Crime Strategic Plan 2018-2021". Still, challenges remain especially in arresting serious crimes of violence, including homicides; offences against women; and offences against property. Progress has been made but much more has to be done. I feel sure that the Honourable Prime Minister who holds the portfolio of national security will address this bundle of matters, and more, in respect of citizen safety and security in his contribution to this Budget Debate.

Mr. Speaker, permit me, however, to itemize the resources available in the 2018 Budget for law and order and security-related institutions of the State.

On the recurrent side of the Budget are the following:

1. Police Services	:	$33.10 million;
2. Fire Services	:	$ 3.66 million;
3. Coast Guard Service	:	$ 4.26 million;
4. Prisons	:	$ 5.71 million;
5. Registry and High Court	:	$ 5.49 million;
6. Magistracy	:	$ 1.53 million;
7. Family Court	:	$ 1.08 million;
8. Office of Director of Public Prosecution	:	$ 1.40 million;
9. Ministry of Legal Affairs	:	$ 2.91 million;
Total		**$59.15 million**

On the capital side of the budget in 2018 are the following items of security-related expenditure:

1. Repairs to Central Police Station	:	$0.52 million;
2. Police Sub-stations	:	$0.05 million;
3. Equipment and Furniture	:	$0.22 million;
4. Vehicles	:	$0.20 million;
5. Correctional Facility	:	$0.250 million;
6. Fire Tenders for 2 Police Stations	:	$0.50 million;
7. Legal Affairs	:	$0.64 million;
Total		**$2.39 million**

In all therefore, in the 2018 Budget the sum of $61.5 million is allocated to these institutions and in the areas of law and order and citizen security. This is a huge sum. Indeed, under the Functional Classification category, Public Order and Safety, the allocation amounts to $69.3 million or 7 percent of the total budget.

The manpower numbers are also instructive. In the Police Services, there is a personnel complement of 910, inclusive of 14 Traffic Wardens and 10 Rural Constables; there are 99 Fire-Fighters in the Fire Service; there are 92 Coast Guard Officers; and 137 Prison Officers. This makes a grand total of 1,238 frontline personnel in the security establishment of the State; this, too, is a significant number for a population of 110,000 persons. In this Budget there is an allocation for an additional 50 police officers.

Further, Mr. Speaker, there are regional support security systems such as the Regional Security System (RSS) and the Implementation Agency for Crime and Security (IMPACS) in CARICOM. Additionally, there are many helpful security links with international organisations and governments.

In short, the Budget has an admirable focus on law, order, and security. The socio-economic sectors which assist with tackling the causes of crime are well-funded, too, in this Budget. A cursory look at the Estimates of Expenditure for Ministries such as Education and Social Development attests to all this.

Other, non-budget items testify to our commitment to forging partnerships that advance citizen security in Saint Vincent and the Grenadines. Pursuant to our announced collaboration with the Chamber of Industry and Commence on the issue of closed circuit security cameras, our technical experts are currently reviewing specifications submitted by the Chamber regarding the acceptable quality of the cameras and their applicability to our circumstances. Once the specifications are approved, the Government has committed to allowing the duty-free importation of qualifying CCTV cameras, to increase their use in the fight against crime. Further, in our recent discussions with the Taiwanese Foreign Minister, we have finalized a programme that will establish a number of CCTV stations at bus stops and other locations nationwide, which will be centrally viewable from a command station at the Kingstown Police Station. We expect a pilot programme of this initiative to launch in the fourth quarter of this year, with full rollout expected in 2019.

Saint Vincent and the Grenadines, and other countries in our region, stand at an important crossroads in the fight against violent crime. As criminality increases in the region, fuelled by the demand for drugs and guns to our north and south, illicit products and enterprising criminals will probe our porous borders and overwhelm our security apparatus with new types of crime of increasing frequency and ferocity. That criminal activity is currently of a largely episodic and relatively disorganized nature in Saint Vincent and the

Grenadines, and confined to particular locales. However, in Saint Vincent and the Grenadines, as in other countries in our region, violent criminality threatens to slowly coalesce into a more organized and omnipresent force if it is not addressed forcefully, creatively and consistently by our Police Force and our citizenry.

Mr. Speaker, the Coast Guard has been improving its sea patrol endeavours. This year, we are hopeful of adding a top-class vessel to the fleet from the Damen group. This year, too, $523,000 is budgeting to be spent on repairing the Coast Guard Jetty.

Citizen security is ultimately everyone's business. The rising wave of criminality that threatens to alter the fabric of societies in our region must be confronted frontally by all right-thinking Vincentians. Today, we as a society must choose whether we intend to accommodate ourselves to criminality, while occasionally bemoaning police ineptitude during episodic crime waves; or whether we will stand united against it, with a coordinated response of church, school, family, village and individual that allows no space or safe haven for criminality and lawlessness to take root.

VII. HEALTH AND WELLNESS

Mr. Speaker, the recurrent spending allocated in 2018 to the Ministry of Health, Wellness, and the Environment is $72.5 million. This recurrent spending allocation is exceeded in the 2018 Budget by only two other Ministries: Finance and Economic Planning; and Education.

This huge recurrent budgetary allocation to Health is a manifestation of its priority status to our government. The largest chunk of this $72.5 million is for Hospital Services which is earmarked at $34.4 million and which finances the Milton Cato Memorial Hospital (MCMH), the Hospital Pharmacy, Chateaubelair Hospital, the Levi Latham Health Centre, the Georgetown Hospital, and the Modern Medical Complex, the opening of which is only weeks away.

The MCMH, the premier hospital facility in St. Vincent and the Grenadines, is a veritable industry by itself. It has a staff of 628 or 136 more employees than in 2001. In 2018, there are 86 "Medical Staff" compared to 51 in 2001. And in 2018, there are far more specialists than in 2001. Further, the medical staff are far better paid: The Consultants earn 72 percent more than the fixed annual salary of Consultants in 2001; and Medical Officers are paid 60 percent more than in 2001.

At MCMH in 2018, there are more Nursing Staff and they are better paid than in 2001: There are 317 members of the Nursing Staff in 2018, 93 more or a 40 percent increase over 2001. The Senior Nursing Officer earns today 63 percent more than in 2001; the Nursing Anaesthetists earn, on an average, 85 percent, more in 2018 than in 2001; the Staff Nurses are paid 77 percent, on average, more than in 2001.

In respect of "Supplies and Materials", which includes Pharmaceuticals, at the Central Medical Stores, the sum of $8.087 million was spent in 2016, and $8.3 million is earmarked to be spent in 2018. The comparable sum budgeted in the last year of the NDP administration was $3.75 million or $4.55 million less than the 2018 figure. Even when a generous account is taken of inflation of one third, the increase expenditure planned for 2018 on "materials and supplies" is commendable. Still, operational inefficiencies and waste must be drastically reduced so as to deliver an improved service to persons in the supply of pharmaceuticals and other medical/surgical items.

Mr. Speaker since 2001, significant infrastructural advances have been made in the Health sector, including: the substantial rehabilitation of MCMH including the Pediatric Ward, the Operating Theatres, the Intensive Care Unit, the Female Wards, Diagnostic Services including the CT Scan facilities; the construction of three Polyclinics (Stubbs, Buccament, and Marriaqua); the reconstruction of the Mental Health Centre; the establishment of the MCMH as the Centre of Excellence for critical Pediatric Care, in conjunction with the World Pediatric Project; the Smart Hospital at Georgetown; and the Modern Medical Complex. These are truly impressive additions to our nation's health care infrastructure.

Mr. Speaker, in 2018 there are several initiatives in the capital budget relating to the Health sector, including: (i) the proposed purchase of an incinerator for the disposal of hazard waste for use at the AIA in sum of $400,000; (ii) a capacity-building project for the prevention and control of diabetes to be financed partly by the Government of Taiwan: the project cost is $5,5 million of which $1.8 million is to be spent this year; (iii) the continuation of the EDF-financed project for Modernisation of the Health Sector: the total project cost is $45 million of which $30 million has already been spent, and in 2018 a budgeted sum of $1.8 million is slated to be spent on various project activities; (iv) the $1 million allocation towards activities in the PAHO-Smart Health Care Facilities Project, including at Chateaubelair, the Mayreau clinic, and the Union Island Hospital; (v) the extension, reconstruction and retrofitting of the Nurses Hostel as a temporary facility to house the Lewis Punnett Home as a precursor to the construction of a modern facility for geriatric services; and (vi) the commencement of the actual designs for the Acute Referral Hospital at Arnos Vale under the World Bank's Regional Disaster Vulnerability Reduction Project (RDVRP).

Mr. Speaker, in going forward in 2018, there are at least four qualitative initiatives of relevance to the delivery of Hospital Services: the managerial restructuring of the MCMH; the opening and operationalisation of the Modern Medical Complex and two newly constructed polyclinics; the operationalizing of the Patient's Charter;

and the reform of the system of financing health care, particularly hospital services.

The Honourable Minister of Health would elaborate on these, and other connected matters, relevant to the Health sector, in this budget debate.

VIII. EDUCATION: THE REVOLUTION CONTINUES

This government remains unshakeable in its conviction that education is the safest, surest and most sustainable way out of poverty and underdevelopment. As such, the consolidation of the Education Revolution remains the bedrock of our social and economic philosophy. The scope of our accomplishments in widening access to, and improving quality education of, Early Childhood, Primary, Secondary, Post-Secondary, Tertiary, Technical and Vocational, Special Education, Adult and Continuing Education, and Teacher Education is nothing short of breath-taking. With increased enrolment at the Saint Vincent and the Grenadines Community College, the University of the West Indies, and through aggressive pursuit of bilateral scholarship opportunities and partnership agreements with other Universities, we are well underway to achieving our target of one university graduate per household, on average, by the year 2030. All these initiative in education will continue to be consolidated, broadened, and deepened as the Education Revolution continues.

Just this morning, the Saint Vincent and the Grenadines Community College signed a partnership agreement with Canada's Humber College that allows holders of the Community College's Associate Degree in Business Studies to join the second year of Humber's Bachelor of Commerce Programmes in Hospitality and Tourism Management Marketing, Supply Chain Management, Fashion Mana gement, Management Studies and Digital Business Management. A quick check of the current annual fees for year one international students at Humber College indicates that Vincentian Community College Graduates who skip the first year will save between EC$31,885 and $34,515 at today's exchange rates, to say nothing of living expenses. Students: The next time someone tells you that your Associate Degree isn't worth the paper it's written on, tell them that Humber College, a quality tertiary institution, values that degree at over $30,000. Similar agreements exist with the University of the West Indies, the University of Technology, and Monroe College, among others.

Having entrenched expanded access to education at all levels, the government is focused on deepening the quality of our educational offerings and producing graduates who are well equipped to meet the challenges of a modern economy and the needs of our developing country. Prime Minister Gonsalves has prioritized the subject areas of Science, Technology, Engineering, Arts, (English, Foreign Languages, and History), and Mathematics (STEAM) for focused improvement in teaching quality and student performance. We reiterate that focus today. The modern market for labour, both at home and abroad, demands highly skilled, formally qualified, and innovative workers, with the confidence, discipline and aptitude to perform diverse tasks. That is the student we aim to produce: one fit for the times.

Additionally, this year the Ministry of Education will drastically increase its focus on technical and vocational education, in part through a $14.5 million CDB project that will expand the reach and quality of vocational offerings nationwide. The diverse and in-demand technical skills required by our modernizing society invite the active participation of our talented young men and women. Already, over 250 Vincentians have completed the steps to obtain their Level 1 Caribbean Vocational Qualification – or "CVQ" – in a variety of technical fields. We expect the pace of vocational education – and the size of the market for technical workers with recognized competence – to increase markedly in 2018.

Befitting our claim to be an education government, the functional classification of "Education" commands $134.4 million of the recurrent budget, the second-largest allocation among the various budgetary priorities. As with parents, students and the vast majority of teachers nationwide, we are determined in 2018 to get greater value for this massive investment in our children and our collective future.

Meanwhile, we cannot to value highly our government's partnership with the teachers and their Union in seeking to deliver more than ever continuing improvements in the delivery of quality education.

IX. FOREIGN POLICY

We are a Small Island Archipelago with a tiny population and a limited budget. But ever since the 1770s, when Joseph Chatoyer battled the might of the British Army to a stalemate in the so-called "First Carib War," the inhabitants of this country have never let small size curtail our ambitions or muzzle our voice on the global stage. Saint Vincent and the Grenadines punches above its weight, and has played an increasingly important role in regional and international affairs. This Budget builds upon that proud and beneficial history, and is located squarely within our need to advance "*international solidarity and activist foreign policy*," as mandated by the Honourable Prime Minister.

In 2009, we became the second CARICOM nation to join ALBA. That same year, in the midst of the global meltdown, Saint Vincent and the Grenadines was selected by the nations of the developing world to shape the international response to the crisis as the co-chair of the United Nations Conference on the world financial and economic crisis and its impact on development. In 2010, Saint Vincent and the Grenadines was asked to chair the Ad hoc working group on the revitalization of the United Nations General Assembly, and served as President of the 2011 meeting of the United Nations Convention on the Law of the Sea. Our leadership and voice also earned Saint Vincent and the Grenadines a place as Vice-President of the Coordinating Bureau of the Non-Aligned Movement. Prime Minister Gonsalves is the only living current or former Caribbean Prime Minister to be afforded the honour of addressing the African Union at its Addis Ababa headquarters.

Today, Saint Vincent and the Grenadines serves as a Vice President of the prestigious United Nations Economic and Social Council. We were just elected to serve on the Executive Board of the United Nations Educational Social and Cultural Organisation for the period 2017-2021. Saint Vincent and the Grenadines is a leading voice in the global advocacy related to climate change, and reform of outmoded international architectures, from the Security Council to the Bretton Woods System.

Within the Caribbean Community, Vincentian advocacy on matters related to discrimination against Dominican Republic citizens of Haitian descent; and reparatory justice for slavery and native genocide has played an important role in putting these issues at the forefront of international discourse. Our defence of the rights of the Cuban people, of Taiwanese self-determination, and our advocacy of regional solidarity and integration is well-known and well-respected.

At the Organisation of American States, Saint Vincent and the Grenadines was instrumental in defending the principles sovereignty and non-interference, and in thwarting attempts to justify military intervention in Venezuela. As a result, we were selected as one of six countries, and only CARICOM state among all the countries of Latin America and the Caribbean to facilitate the on-going peace process between the Venezuela government and its opposition.

The Honourable Minister of Foreign Affairs is to be saluted for his sage and principled projection of Vincentian perspectives across the globe; for effectively managing scarce foreign relations resources; and for leveraging our foreign policy, contacts and global respect for the benefit and humanization of the Vincentian people.

This year, Saint Vincent and the Grenadines will step-up its unprecedented pursuit of a non-permanent seat on the United Nations Security Council, the epicentre of the international apparatus in defence of global peace and safety. If elected, Saint Vincent and the Grenadines would be, by far, the smallest nation to ever be afforded the honour, and we would be the first Small Island Developing State to participate in almost 20 years. Our campaign is rooted in our national motto – *Pax et Justitia*: Peace and Justice. It is informed by our conviction that global peace and security in this era urgently requires the perspectives and principles of Island Exceptionalism.

Election to the Security Council is neither assured nor easy. As with any election, much less one of this unprecedented nature, there is no guarantee that we will succeed. Nevertheless, we are seizing this opportunity to use our election campaign as a platform for the type of advocacy on matters related to climate security, solidarity and adherence to international law that will benefit our country in many tangible ways in the coming years. This Budget dedicates resources to our pursuit of this noble endeavour. I wish the Honourable Foreign Minister, and his UN Ambassador, Her Excellency Rhonda King, every success in answering the call of history.

X. PARTNERSHIP WITH THE PRIVATE SECTOR

The Small Island States of the Caribbean are unique in a number of respects. In terms of population, each of the independent members of the OECS are listed among the 30 smallest nations in the world. Various indices that attempt to quantify countries' resilience to economic and environmental shock routinely list our nations as among the most vulnerable in the world. Our presumed advantages of close physical proximity are belied by the in-built challenges of oceans, "islandness" and the use of sovereignty as a wedge rather than a binding tie in the pursuit of deeper political and economic integration.

Nonetheless, despite the difficulties of size, openness, vulnerability and chauvinism, we have crafted in Our Caribbean societies and economies that are relatively well-governed, peaceful, vibrant and developmentally advanced. Our triumphs come from applying uniquely Caribbean solutions to uniquely Caribbean challenges, in exercising Caribbean exceptionalism in exceptional circumstances. It is only when we neglect our uniqueness and apply the ill-fitting external solutions of others that we flounder on the developmental wayside.

One of the essential truths of our small island Caribbean experience is that the State has been, and remains, a force for good, and is required to play an active and entrepreneurial role in small island economies. The limitations of our internal markets upend some of the conventional wisdom about an idealized, minimalist state that cedes all economic activity to a generic, romanticized private sector that bears little resemblance to our local reality.

Nonetheless, the private sector is an indispensable partner in national development and economic growth. The economy of Saint Vincent and the Grenadines can only grow if businesses flourish, and we can only accelerate that growth if the private sector is vibrant, innovative, entrepreneurial and actively investing in the tremendous potential of Saint Vincent and the Grenadines. This budget is replete with examples of our concerted efforts to enhance for the private sector a business and investment climate that is conducive to investment, expansion, entrepreneurship and growth. From reduced taxes and tax incentives; to state investments in ICT; to credit to farmers; to infrastructural investments; to the clean-up of Kingstown, and many more initiatives of this kind.

A greater spirit of entrepreneurship is the ingredient that can be a catalyst to greater economic growth in Saint Vincent and the Grenadines. Narrowly defined, not every new business or small business qualifies as being entrepreneurial. Rather, the entrepreneur is the entity that provides the new product or service or that uses new production or delivery methods to deliver existing products and services more cheaply or effectively. While every new business is important to the economy and lifting individuals out of poverty, it is the entrepreneur that has the potential to radically expand our growth and developmental horizons.

The Government of Saint Vincent and the Grenadines continues to take the policy decisions necessary to facilitate greater entrepreneurship and private sector innovation.

We have:

- established micro-lending and entrepreneurial grants through the Farmers Support Company and CARCIP;
- invested in both wide educational access and deep educational quality at all levels;
- enhanced institutions, the rule of law and protected contract rights;

- promoted innovation in the schools through curriculum enhancements and events such as the NTRC's "I²" competition;
- revised bankruptcy laws and crafted other legislation, such as the Eastern Caribbean Partial Credit Guarantee Corporation Agreement Bill, to enhance the ease of doing business and access to capital; and
- invested in crime prevention and the prevention of property crimes to secure entrepreneurs' capital investments;

This year, we will enhance our procedures to reduce the bureaucratic hurdles to starting a business and improve on existing "ease of doing business indicators," like obtaining planning approval and clearing items at the port. While Saint Vincent and the Grenadines leads the region in the rate at which it attracts foreign direct investment, as a percentage of GDP,[13] we shall also enhance the capacity of the relevant agencies to attract more FDI across a wider range of sectors.

In small economies such as ours, with a limited number of large firms willing to invest in innovation or incubate entrepreneurs, governments must do more than simply facilitate entrepreneurship, we must actively court and support it. This year, we expect to negotiate bespoke partnership agreements with local entrepreneurs involved in hospitality and airline industries. Should the Vincentian public, in its wisdom, agree to the contours of a medical cannabis

[13] *See*, United Nations' Economic Commission for Latin America and the Caribbean (ECLAC), "Foreign Direct Investment in Latin America and the Caribbean, 2017,"

export industry, I have no doubt that we shall also incentivise local entrepreneurial involvement in those opportunities that will arise.

Today, I implore the private sector to take advantage of opportunities in this Budget and in this time of accelerated national development. With the increased connectivity afforded by the AIA; with the growth anticipated over the coming years in key sectors and new industries; with the Government's superlative record in attracting foreign direct investments; and the renewed commitment to public-private partnerships, the Vincentian economy will be more regional, and, indeed, more global than ever before.

Further, the partnership between the Government and the private sector means that it is not only the State that must remove impediments to growth and development, but also our colleagues in the business sector. For example, in recent weeks I called a meeting with the banking community to share my distress that Saint Vincent and the Grenadines remains one of the most cash-dependent economies in our region, with a dearth of automated tellers, credit and debit options at the point of sale, and opportunities to engage in e-commerce or make payments electronically. I cannot accept the argument that Vincentian businesses and consumers are inherently less willing to embrace modernity than the neighbouring islands in with which they do business. Similarly, I have engaged the Governor of the Eastern Caribbean Central Bank on the issue of the multitude of unexplained and rapidly proliferating and seemingly excessive bank charges that are appearing on customers' accounts. I call on the banking sector to work in collaboration with the Government and its clients to improve consumer options and customer service for Vincentians. I am encouraged by their willingness to help Vincentian traders overcome some of the foreign exchange hurdles inherent in doing business in Trinidad and Tobago. This cooperation, if achieved will be a useful template for working together in 2018.

Similarly, eighteen years into the 21st century, much of our economic potential and our ability to attract investment is dependent, in part, on the strength, speed, reliability and affordability of our ICT service and infrastructure. It bears repeating that broadband services in Saint Vincent and the Grenadines – whether mobile or fixed line – remains overpriced, underpowered and unacceptably unreliable. The Government and the Vincentian people have demonstrated tremendous restraint and understanding in the face of geographic and logistical hurdles, as well as corporate restructuring of multinationals that occupy our ICT space. That patience has now worn thin. As a member of the Eastern Caribbean Telecommunications Authority, we have worked collaboratively and in good faith to alleviate the logistical and legislative challenges to improved service. However, if these problems cannot be addressed through private competition and basic values of customer service, we will attempt to rectify them legislatively and through more stringent regulatory oversight. The ICT sector is simply too important to our future for it to languish in the backwaters of corporate indifference.

Mr. Speaker, to facilitate a stronger consensual bond of mature understanding around issues touching and concerning the economy, I intend to implement the idea, hitherto floated by our Prime Minister, among others, to establish an advisory National Economic Council.

XI. FINANCIAL SECTOR DEVELOPMENTS

The latest global economic and financial crises have underscored the importance of strengthening prudential supervision and related information systems to deal effectively with banking risks and anti-money laundering issues. In recognition of this fact, this Government acting in collaboration with the Eastern Caribbean Central Bank (ECCB) and other ECCU countries, has been adopting a number of measures to strengthen standards for banking and bank supervision. The matter of bank restructuring has also become a pressing issue as we recognize that small stand-alone banks find it very difficult to exist in today's globalized financial systems.

In recent years the Government of Saint Vincent and the Grenadines has taken a number of measures to strengthen prudential regulations and supervision of banks and other financial establishments, in order to improve the management of loans and investment portfolio. A new Banking Act was passed in 2015 and other legislative changes were implemented. The Financial Services Authority (FSA) also intervened in the Building and Loan Association to help stabilize that institution, and we have been grappling with a resolution to the BAICO and CLICO debacles.

In 2017, Government reacquired 31 percent of the shares in the Bank of Saint Vincent and the Grenadines (BOSVG) which were held by Eastern Caribbean Financial Holdings (ECFH). This was as a result of differences in perspectives for the future direction of the bank, between the major shareholders. Notwithstanding this development, the BOSVG and the Bank of St. Lucia (BOSL) continue to have excellence relations. Indeed, ECFH remains a major shareholder in BOSVG, with a 20 percent stake and responsibility for the appointment of two directors to the Board.

Further, BOSL and ECFH continue to collaborate and to share common services in a number of important areas including internal audit and compliance, risk management, credit assessment and implementation of applicable International Financial Reporting Standards (IFRS) . BOSVG and BOSL will seek to further strengthen this collaboration in the coming months as both institutions work towards the goal of consolidation of the indigenous banking sector in the ECCU.

In response to the collapse of CLICO and BAICO, the Monetary Council of the ECCB commissioned a project for establishment of a single insurance market within the ECCU. The key features of this are the passage of uniform ECCU insurance legislation and the creation of a single insurance and pension fund regulator for the ECCU. The draft ECCU Uniform Insurance and Pension Bill is now being finalized with technical assistance from the Caribbean Regional Technical Assistance Center (CARTAC).

(i) CLICO AND BAICO

In November 2017, the Judicial Manager for CLICO submitted to the FSA, a copy of the report filed on September 22, 2017 in Barbados High Court. This report outlines the recommended actions on the way forward in respect of CLICO Eastern Caribbean operations.

The Judicial Manager has indicated that a number of actions will be pursued to further implementation of the CLICO's Restructuring Plan in the Eastern Caribbean including:

- Updating and communicating directly with the regulator in each jurisdiction;

- Preparing and filing updated report in each jurisdiction to the High Court and regulators;

- Preparing interim report to the policy holders in each jurisdiction.

The Government is deeply concerned with the lack of meaningful progress on this matter and will continue to pursue through the ECCU this matter in an even more aggressive manner in order to bring some measure of relief to Vincentian policy holders. The prospect of a “Barbados First” solution evolving into a “Barbados Only” solution is unacceptable to member-states of the ECCU.

Meanwhile, progress continues to be made in relation to BAICO but there are still major hurdles to cross including the resolution of certain civil litigation initiatives and the receipt of the long-delayed US $64 million to be paid by the Government of Trinidad and Tobago under an agreement with member-countries of the ECCU.

(ii) Building and Loan Association

The Building and Loan Association continues to be under enhanced supervision by the FSA in order to ensure as far as possible that stabilization measures are maintained. Indeed, several important processes were completed during 2017 including commissioning of an internal audit function and improvements to the IT systems. A full scope onsite examination by the FSA was also conducted.

(iii) Friendly Societies

The FSA conducted a comprehensive assessment of the Friendly Societies sector from September 2016 to August 2017, to obtain full particulars of their operations and determine viability. As a result, the FSA is working with the sector to improve the methods used for data collection and record keeping, as present systems are archaic making it difficult to assure transparency and accountability for members' funds.

Modernized legislation was also drafted and submitted to the Office of the Attorney General. This proposed new Act will replace the Friendly Societies Act of 1842 and would align the operations of societies with current best practices.

XII. PUBLIC DEBT

As at September, 2017 total outstanding public debt stood at $1.685 billion, the equivalent of close to 79.0 percent of GDP, reflecting a negligible increase of 0.2 percent when compared to the figure of $1.681 billion at the end of September, 2016. The total public debt was comprised of domestic debt of $572.6 million and external debt of $1.113 billion. The total d**omestic debt** as at September 30th 2017 fell by 2.2 percent or $12.6 million when compared with the same period in 2016. On the other hand, the external debt registered an increase of $16.6 million or 1.5 percent when compared with the external debt as at September 30th 2016.

Loans outstanding to **ALBA Bank** declined by $88.1 million on account of $81 million of debt forgiveness granted by the Government of the Bolivarian Republic of Venezuela. This loan was contracted for the construction of the AIA. The Government and people of St. Vincent and the Grenadines are extremely grateful to the Government and people of the Bolivarian Republic of Venezuela for this selfless act of kindness and solidarity.

The main components comprising domestic debt include government bonds and notes totalling $293.0 million and loans amounting to $128.0 million. Altogether, these two categories represented approximately 73.5 percent of the total disbursed domestic debt. On the external side, the category of loans amounted to $1.1 billion or 89.8 percent of total disbursed outstanding public debt. The main creditors include:- Caribbean Development Bank (totalling $334.1 million); Republic of China (Taiwan, $110.3 million); World Bank ($89.4 million); International Monetary Fund ($31.5 million); ALBA Bank ($166.6 million) and the Republic of Venezuela ($185.2 million via the Petro Caribe Arrangement).

The bulk of central government borrowing during the fiscal year 2017 was used mainly to finance the Public Sector Investment Programme (PSIP) geared towards providing the impetus for stimulating economic growth. In addition, using the proceeds from a $35.0 million bond, the government took the strategic decision to re-purchase majority shareholding of the Bank of Saint Vincent and the Grenadines from the St. Lucian-based Eastern Caribbean Financial Holdings.

Mr. Speaker, the Government continues to meet its debt servicing obligations on a timely and consistent basis. Preliminary figures for 2017 revealed that debt servicing costs for the year was estimated at $203.4 million, inclusive of interest ($57.7 million), amortization ($121.6 million) and sinking fund contributions ($24.0 million). For the fiscal year 2018, total debt servicing cost is projected at the level of $221.6 million inclusive of interest, amortization and sinking fund.

Mr. Speaker, Honourable Members, you may recall that the Monetary Council of the Eastern Caribbean Central (ECCB) established the Debt-to-GDP target of not more than 60.0 percent by 2030, as part of the effort to achieve debt sustainability over the medium to long-term within the Eastern Caribbean Currency Union (ECCU). The Government of Saint Vincent and the Grenadines is committed to achieving this target by 2030. In this regard, in 2018, the Government will continue to implement policies, within the context of a medium term fiscal framework, aimed at strengthening its fiscal position with the overriding objective being to reduce the overall fiscal deficit; increase the primary surplus; and concomitantly restrict borrowing to within sustainable parameters. Additionally, the Government is actively seeking avenues for further debt forgiveness and debt relief even as measures geared towards strengthening long-term fiscal sustainability are being implemented. In this regard, the Government of Saint Vincent and the Grenadines has received further debt forgiveness of $81 million, this time from the Government of the Bolivarian Republic of Venezuela. This ALBA Bank loan was contracted as part of the financing for Argyle International Airport. Mr. Speaker an additional $100 million of debt forgiveness has recently been approved by the Government of the Bolivarian Republic of Venezuela for loans under the Petro Caribe Agreement. In total, this debt relief amounts to approximately 8 percent of GDP. The Government and people of Saint Vincent and the Grenadines are extremely grateful to the Government and people of the Bolivarian Republic of Venezuela for this selfless act of kindness and solidarity.

Mr. Speaker, the Government consistently pursues the debt management objectives contained in the Debt Management Strategy 2015-2018 which is geared towards influencing borrowing decisions in a prudent and sustainable manner. The sole purpose of which is to minimize borrowing costs, managing interest rate and exchange rate risks. A copy of the Government of Saint Vincent and the Grenadines Medium Term Debt Strategy (2015-2018) is available on the government's website. There are also other analytical tools that are utilized, including the Debt Sustainability Analysis framework that is used to forecast the debt path over a 20-year horizon after consideration is given to certain fundamental macroeconomic assumptions.

XIII. PUBLIC FINANCES

Mr. Speaker, public finances are at the heart of the democratic process. Indeed, there is perhaps no other issue that galvanizes the interests of citizens more than knowing how they will be taxed and what will be made of their contributions to the public purse. This is why the Government has put so much emphasis on improving public finances and ensuring that our fiscal situation is sustainable.

The Government has made considerable progress towards stabilising public finances, following the period of weakened fiscal performance in the aftermath of the global economic and financial crisis. For the last three years (2015 to 2017) Central Government's overall deficit has averaged 0.4% of GDP which is much lower than the deficit for the preceding five-year period 2010-2014, which averaged 3.1% of GDP. Indications are that the overall fiscal balance will improve further over the medium term and will place our debt-to-GDP ratio on a downward path.

Despite a challenging year for the fiscal situation in 2017, the overall performance for the year was commendable; and the public finances remain on a sustainable path. The relative weakening of the overall fiscal accounts in 2017 compared to 2016 reflects the positive effect of one-off revenue items in 2016, namely larger-than-usual dividend receipts and relatively large collections of income tax arrears.

Our fiscal policies will continue to focus on providing a favourable environment for rapid economic growth and development, while ensuring medium-term fiscal sustainability within the context of the Eastern Caribbean Currency Union and protecting the socio-economic advancements realized in the last seventeen years. During this financial year we will:

a) Further elaborate the fiscal consolidation plan;

b) Increase the efficiency of the public service and public-sector investment programme;

c) Further promote education and skills development to prepare the population, notably the poor, to take advantage of new opportunities in the global environment; and

d) Implement measures aimed at strengthening resilience to effects of climate change.

In the plan to achieve these goals, we are at the final stage in preparing a Medium-Term Fiscal Framework for implementation over the three-year period 2018-2020. Our analysis shows that the revenue, expenditure and primary surplus targets implicit in this framework are feasible and can be achieved without any reduction in capital spending. Emphasis will be placed on improvements in revenue and tax administration, new revenue measures, containment of the wage bill, pension reform and debt substitution and reduction.

(i) Pension Reforms

Mr. Speaker, as mentioned in the 2016 Budget Address, the current system for payments of pensions, poses significant risk for both the Government and public service workers. The Government will accordingly pursue the matter of pension reform with increased vigour in this financial year. We will give careful study to the reform options that came out of the 2013 actuarial analysis of the Government of Saint Vincent and the Grenadines Public Service Pension System (PSPS).

The objective of the actuarial analysis is to present alternative reform options for the Public Service Pension System with the goal of reducing Government's long-term financial cost, reducing the combined pensions from the public service and the NIS, and ensuring the sustainability and reasonableness of retirement benefits in the interest of all stakeholders.

The options are as follows: -

Option 1

Change the NIS pension to a maximum of 30% of Annual Insurable Earnings (AIE) for pensionable civil servants but no less than the NIS benefits accrued as of the transition date. No change to the PSPP.

Option 2

Reduce the future benefit accrual rate for the PSPP from 2% to 1% per year. Employees due to retire within the transition period will be grand-fathered and not affected by this change.

Option 3

Increase normal retirement age for civil servants in line with the increase for NIS.

Option 4

Introduce mandatory employee contributions of 5% of salary.

Option 5

Close the PSPP to new entrants after the transition year.

Option 6

Change the salary amount to be used in calculating pensions to the final 5-year average, in all cases.

Clearly, these are not stand-alone options but can be further refined or expanded by combining one or more, or amending certain aspects of each option.

By publishing the full list of recommendations, I am hereby starting in earnest the debate on this important matter. In the coming months Government will hold discussions with government employees, unions and other stakeholders as we seek to have consensus on the matter.

(ii) NIS

Changes will also be instituted at the National Insurance Services (NIS). Notwithstanding the many challenges, the NIS remains in good financial and actuarial health. This is reflected in the continued growth in reserves which increased to $494.4 million at the end of 2017 from $478 million a year earlier. There was also growth in total investment from $430.5 million to $442.6 million, contribution income from $61.8 million to $64.3 million and investment income from $16.2 million to $20.3 million, during the year.

The important Fund Ratio – which is the ratio of reserves to expenditure – continued its downward trend during 2017 and reached 8.6 years at the end of the year compared with 8.7 years at the end of 2016; a reflection of a maturing plan.

The 10th Actuarial Review of the National Insurance Fund as of December 31, 2016 was completed in 2017 and made a number of important recommendations relating to enhancing sustainability, improving administrative efficiency, increasing coverage and making the NIS more relevant to workers and self-employed persons. The recommendations are now being analysed by the Government and the public will be informed of the changes which will be made in due course.

XIV. IMPLEMENTATION

Mr. Speaker, much of a modern budget presentation concerns, centrally, prescription, prediction and aspiration. We prescribe the money we will spend on salaries and recurrent expenses. We predict what we will collect in taxes, grants and other revenue. We spend on the recurrent budget; and we list a series of capital projects that we intend to commence, continue or complete in the upcoming year. Two decades ago, the aspirational elements of the budget were little more than a wish list of projects for which funding was not identified or planning was rudimentary. Prior to 2001, the implementation rate of the capital programme was quite low, often hovering around 20%. This historic problem, though much lessened, is yet to be fully or satisfactorily conquered.

Today, while our rate of implementation has improved markedly, a still too-low rate of implementation remains an unacceptable bottleneck to our developmental aspirations. Our problem today is not so much an absence of resources. Thanks to the tireless efforts of the Honourable Prime Minister and the talented and hardworking professionals in the relevant ministries, there is a substantial amount of available resources to tackle the majority of the projects that form part of the capital estimates. Other resources – like the full $90 million that we have from the OPEC Fund for International Development (OFID) and the Kuwait Fund For Arab Economic Development to repair secondary, village and feeder roads – are accessible today, but we only anticipate spending one-fifth of the OFID/Kuwaiti available resources in 2018.

The implementation and capacity challenges are not unique to Saint Vincent and the Grenadines. Nor do these challenges imply a lack of discipline, proficiency or commitment by our diligent professionals. Instead, they suggest structural and organizational weaknesses; capacity constraints; as well as fundamental disconnects between the administrative requirements imposed by our development partners and local, on-the-ground realities.

Whatever the challenges, we can and must do better. Tens of millions of dollars of crucial and urgently-needed capital projects simply cannot be unacceptably challenged by administrative delay or bureaucratic inertia, on either end of the donor-recipient developmental partnership. In recent weeks I have held meetings with high representatives of the European Union and the World Bank on the issue of improving implementation rates in Saint Vincent and the Grenadines. My staff and I have held similar discussions with officials from the CDB. Within the government, various implementing agencies have renewed their commitment to acting promptly and professionally in the public interest. This year, we intend to actively monitor, more than ever, implementation efforts and to make the necessary structural modifications in pursuit of improvements to the rate at which projects are undertaken and completed in Saint Vincent and the Grenadines. Even a very modest improvement will mean millions of additional dollars spent on important national development projects. I urge professionals not to cover for their colleagues' tardiness on this or that matter; transparency and more fruitful cooperation are requisites in project implementation; so, too, is improved private sector capacity to get the work done.

XV. RESOURCE REQUIREMENTS 2018

The total resource-envelop required to meet the capital and recurrent expenditure programmes of the Government for the 2018 fiscal year is $993.5 million. This is made up as follows:

- Recurrent Expenditure (inclusive of Amortization and Sinking Fund Contributions) of $776.9 million; and
- Capital Expenditure of $216.7 million;

In the 2018 budget, careful attention has been paid to limiting the increases in recurrent expenditure to areas of strategic importance to the development policy objectives of the Government. In this regard, the recurrent budget increases by 3.9 percent or $29.5 million the amount budgeted in 2017. On the capital side, particular attention is being paid to the selection of the various projects to ensure that only those that have had funding identified, are sufficiently ready for any implementation, and are in alignment with the medium term strategic priorities of the Government, are included in the Estimates for 2018. As a consequence, the capital programme for 2018 is 5.6 percent less than that of 2017. Our focus in 2018 is to increase the implementation rate of the public-sector investment programme and not simply to pad the budget with items which are unlikely prospect of becoming reality in the fiscal year.

The growth in the recurrent budget is geared to providing resources to support the expansion of tertiary training opportunities for the many persons who are seeking to lift themselves up through education; to enhance the capacity of the health sector to deliver more and better services across the country particularly at the MCMH, the Modern Medical Complex, the polyclinics in Marriaqua and Buccament, and at the community level; to facilitate economic growth and equity; to bolster public order and safety and to ensure that our debt service obligations are met in a timely fashion.

The Government's investment programme for 2018 is focused on building resilience in the public infrastructure mainly roads, bridges, river defenses, seaports, airports and associated infrastructure;

expanding production possibilities within the economic sectors of Agriculture, Tourism, Construction and Transport; and continue to enhance the ability of the social sectors of Health, Education, Social Services and National Security to deliver these vital services to the populace.

The financing requirements will be raised from a number of bilateral and multilateral sources as detailed in the Estimates which were approved by this Honourable House, last week.

Approximately 76 percent of these resources will flow from external sources. The full details of the sources and types of financing are as follows:

Source of Funds	**Amount**	**% share**
Local Loans	$74.8 m	24.3%
External Receipts	$233.5 m	75.7%
External Loans	$ 73.3 m	23.7%
Other Receipts	$160.2 m	52.0%
TOTAL	$308.3 m	100.0%

Domestic Loans of $74.8 million will be raised mainly from the sale of Government bonds during the fiscal year. $73.3 million of external loans are expected to be contracted in 2018. Of this amount $64.1 million will come from multilateral creditors, while $9.3 million will be raised from bilateral sources. The main multilateral creditors in

2018 are, the Caribbean Development Bank ($23.2 million); International Development Agency ($24.8 million); Climate Investment Fund ($8.0 million); and OPEC Fund for International Development ($5.1 million). Also, bilateral loans will be raised from the Governments of Republic of China on Taiwan ($ 1.0 million) and Kuwait ($8.2 million).

Important external loan flows are anticipated from two multilateral sources, the Caribbean Development Bank $12.4 million and the World Bank $11.7 million. Two (2) loans will also be drawn down from the Governments of the Republic of China on Taiwan $ 11.4 million and the Bolivarian Republic of Venezuela $8.4 million.

XVI. FISCAL MEASURES

Mr. Speaker, I now turn to the package of fiscal measures to be implemented in the 2018 budget. These measures have been judiciously crafted to support the Government's social and economic development agenda over the medium term.

(i) Tax Reduction and Reform

Mr. Speaker,

The Government is committed to reducing the tax burden on Vincentians while simultaneously ensuring that those who flout our tax laws are given an opportunity to choose between regularizing their arrears or facing the full range of legally available enforcement measures. Additionally, we intend to implement a series of legislative and administrative enhancements to our tax-collection apparatus to optimize efficiency and fairness.

I am pleased to announce measures to ensure that Vincentian citizens and businesses keep more of the money that they earn. First, we shall reduce the standard rate of company taxes from 32.5 percent to 30 percent. Second, we shall similarly reduce the marginal rate of personal income tax from 32.5 to 30 percent. Honourable Members will recall that these rates stood at 40% in 2001, when the ULP was first elected to office. Third, the income tax rate for hotels, previously 30 percent, is hereby reduced to 29 percent. This reduction, and the special rate for hoteliers, is a tangible indication of this government's continued prioritisation of local hotel growth and development. Fourth we shall raise the standard deduction for personal income tax from $18,000 to $20,000. This means that the first $20,000 earned by Vincentians will not attract any income tax. Again, Honourable Members will recall that this standard deduction stood at $12,000 in 2001. These measures continue the commitment of this Government to provide economic stimuli via tax reductions and to improve, in practical and tangible ways, the condition of the Vincentian worker. Nationally, the lowering of the tax rate and raising of the threshold will cost the Government approximately $12 million.

Prior to the 2009 fiscal year, the first year of the full-blown global economic crisis, was the last occasion some tax relief was provided for the workers and the private sector in respect of profits and personal income. An internal analysis was conducted and it was concluded that it is time once more to do so. This is assessed to be occasion for this substantial tax relief.

Mr. Speaker, the reduction in the top marginal rate for Personal Income Tax from 32.5% to 30% will result in a revenue loss of $4.2 million;

The increase in the standard deduction from $18,000 to $20,000 will result in a revenue loss of $2.7 million; and

The reduction in the rate of tax paid on corporate income from 32.5% to 30, and the additional relief on hotels' operations, will result in a revenue loss of $5.1 million.

I reiterate, all told, $12 million in revenue will be lost by the generous tax reduction.

However, the Government does not simply intend to forego the $12 million in revenue loss. Instead, I have advised the Inland Revenue Department to pursue tax delinquents with renewed focus and vigour. Today, the Inland Revenue Department (IRD) is owed $169.9 million in unpaid taxes. When penalties and interest payments are included, the arrears balloon to an incredible $300 million, approximately. To put that number in the context of this budgetary exercise, $300 million is over 47 percent the budgeted current revenue, and some 28 percent more than our entire planned capital expenditure for 2018. It is unacceptable that law-abiding taxpayers are being asked to subsidize the cost of such massive noncompliance.

Of particular concern is the failure of businesses and employers to pay over VAT, PAYE and withholding taxes to the Government. Today, outstanding VAT and PAYE amount to $58.2 million. Businesses that charge customers VAT and then pocket it instead of remitting it to the Government, are committing a criminal offence. Further, in illegally keeping VAT monies, essentially as working capital, they are giving themselves an unfair advantage over fellow businesses that submit VAT in compliance with the law. The arguments are similar for PAYE.

In order to give non-compliant taxpayers an opportunity to regularize their status with the IRD, and in pursuit of a fair and inclusive solution to these outstanding debts, I hereby announce the commencement of a three-month tax amnesty window, ending on 15th May, 2018. During the next three months, we are inviting all non-compliant taxpayers to go into the IRD to negotiate payment plans and settlement options, in exchange for a waiver of a percentage of interest and penalties.

At the expiration of the tax amnesty, the IRD will immediately commence collection procedures against those who did not negotiate appropriate arrangements to settle their arrears or those who breach the terms of their payment plan. This Budget provides for the hiring of three additional High Court bailiffs, who will be assigned exclusively to assist the IRD to strengthen their collection efforts. Additionally, where the facts and the law merit, the IRD will not shy away from sharing potentially criminal cases of tax fraud with the Director of Public Prosecutions.

Beyond tax cuts and tax collections, we intend to push through a number of reforms to improve administrative efficiency and equity in our system of taxation. Chief among those is the enactment of a modern Tax Administration Procedures Bill and amendments to the Income Tax Act. These measures will address organizational bottlenecks, close loopholes, clarify rules related to doubtful debts and management charges, and further our objective of halting tax evasion by conglomerates.

Additionally, the capital budget includes a $7.5 million allocation for the purchase and retrofitting of headquarters for the Inland Revenue Department, and other offices. The Budget also makes provision to upgrade equipment and purchase of a vehicle.

(ii) Climate Resilience Levy

In last year's budget, a Contingencies Fund was established and a levy on consumption was imposed by increasing the VAT rate by 1 percent to provide a dedicated source of revenue to capitalize it. Over eight months of operation in 2017, this levy capitalized the Fund to the tune of $6.75m. This year, the Contingencies Fund's first full year of operation, we expect to collect $11 million from this levy. International financial institutions such as the IMF and the World Bank have lauded our decision to establish and capitalize this rainy-day fund. However, they have urged the Government to seek out additional means to increase the inflows to the Contingencies Fund given the country's vulnerability to increasingly intense adverse weather events and the fiscal risks they pose. As a prudent and responsible Government we have heeded this advice.

For this purpose, Mr. Speaker, I propose to introduce a Climate Resilience Levy to be paid by all stay over visitors in hotels, apartments and short-term rentals of EC$8.00 per night. The revenue from this measure estimated at $1.7m in 2018. This will take effect from May 1st 2018.

(iii) Vehicle Surcharge

Over the years, the importation of used cars, older than four years, has increased tremendously. The phenomenon has increased traffic congestion and the number of derelict vehicles left abandoned along the roadways. For some time, we have resisted taking action on limiting the age of vehicles being imported; the time has come to address this. With effect from May 1st 2018, a ban is imposed on the importation of used motor vehicles over 12 years old. Additionally, the vehicle surcharge on motor vehicles older that four years will be increased. The details are provided in Appendix 1. This measure is expected to yield $1.2 million in additional revenue. These increases will also become effective from May 1st 2018.

(iv) VAT on Electricity

Currently domestic customers consuming 200 units (kWh) of electricity or less do not pay VAT on their electricity consumption. This means that less than 23 percent of VINLEC's domestic customer base now pay VAT on electricity. Indeed, St. Vincent and the Grenadines is one of the few CARICOM countries to be so generous on this matter. Most countries in the region either pay VAT on all electricity consumption or on a monthly consumption in excess of only 100 units (KWHs).

As I announced earlier in my address, the Government will be embarking on a tax reform programme aimed at improving efficiency and equity, strengthening various tax laws and procedures to eliminate loop holes and where feasible seek to widen the tax base. Accordingly, with effect from May 1st, 2018 it is proposed to reduce the kilo watt hour threshold for VAT on electricity from 200 kWh to

150kWh. This means that, all VINLEC domestic customers who consume 150 units or more monthly will be required to pay VAT. With the lowering of the VAT threshold to 150 units or more, just 36.0 percent of VINLEC's domestic customers will now pay VAT. This adds only 13 percent or so consumers to the potentially "vatable list". The poor do not consume 150 units (KWHs) per month; so, they would still not pay the VAT. The VAT is payable only on the basic charge, and is not paid on the fuel surcharge.

While this measure is expected to provide an estimated $1.0 million in additional revenue annually, we anticipate that as consumers continue to implement more energy efficient measures in their households the level of electricity consumption would decline thus reducing the number of domestic customers who will fall within the VAT threshold.

XVII. CONCLUSION

The Vincentian economy continues to flummox and frustrate those who try to talk it down. Despite the absence of some of the perceived inbuilt advantages enjoyed by some of our neighbours, ours is an economy that withstood and recovered from the global economic and financial crisis without recourse to austerity programmes or macroeconomic gimmickry or selling of our citizenship and passports.

This Budget, the first of the post-crisis decade, is about setting Saint Vincent and the Grenadines on a path to further prosperity and making the right decisions to secure a better future for all Vincentians.

In this Budget, we make the decision:

- to prioritize the type of economic growth that secures more and better paying jobs;
- to strengthen the social safety nets and services upon which poor and vulnerable Vincentians rely;
- to reduce taxes, allowing families and businesses to keep more of the money they earn;
- to build a country that is green, resilient and responsible in this era of climate change and environmental vulnerability;
- to invest in our future through the construction of new ICT infrastructure, new roads, new bridges, a new port, and a new hospital;
- to advance our role as a principled voice for peace, justice, solidarity and development on the regional and world stage;
- to make the Argyle International Airport work while capitalizing on the opportunities for growth in tourism;
- to confirm our commitment to agriculture and fisheries as a major and indispensable development pillar;
- to make Vincentians feel safer and more secure in their homes and on the streets;

- to consolidate and extend the gains of the Education Revolution; and
- to markedly improve the quality health services.

2018 will be a year of firsts. It will mark the first full year of operations of the Argyle International Airport.

- The first full year of an increased minimum wage and increased occupational safety and health protections;
- The first year of tangible progress towards a new hospital at Arnos Vale and a new cargo port in Kingstown;
- The first year of an operational Modern Medical Complex in Georgetown.
- The first year of the Government as an active partner in the construction and ownership of hotel facilities; and
- The first year of what may be a new industry centered on the export of medical cannabis products.

At the same time, 2018 will consolidate our well-known commitment to tackling poverty and inequality through targeted interventions and strengthening of social services. We shall continue to be a Housing Government. An Infrastructure Government. An Agricultural Government. A Labour Government.

This Budget is responsible and it is honest. It embraces fiscal prudence and enterprise while steering clear of the austerity measures that have devastated the social fabric of other countries. It does not pretend that we can do things with money that we don't have. Instead, we prioritize the projects, actions and interventions that are feasible, impactful and achievable in our current context. It resists the temptation to peddle simplistic or fanciful solutions to complex structural, systemic or social challenges.

The Saint Vincent and the Grenadines that we envisage and collectively work towards is one that puts people at the heart of development. One that has a prosperous, inclusive and sustainable economy, with equal opportunity for all Vincentians. It is an educated nation, populated by skilled, talented and imaginative citizens who position Saint Vincent and the Grenadines as a magnet for enterprise, innovation and the creative industries. It is a nation of strong institutions and good governance, allowing businesses to plan and invest with confidence. One that will stand with vulnerable communities and vulnerable people, and walk with them to more secure lives.

This nation we envisage; this vision that we work tirelessly toward; cannot be achieved overnight. A multi-island microstate on the periphery of the global economy and on the frontline of climate change cannot expect effortless or unhindered progress from one developmental milestone to the next. Nonetheless, the path that we have travelled together, this Government's track record of achievement, and the plans elaborated in this Budget all combine to give us solid cause for cautious optimism in 2018 and in the medium term.

We stand today in a country with a reduced debt burden, a population paying reduced taxes, reduced inequality, and reduced vulnerability to natural and man-made external shocks. In a country of growth, rising wages and rising opportunity. In a country that is tangibly and measurably on the right track, and better than it was yesterday.

Our progress, and our successes to date reaffirm our confidence that the strategic path enunciated over the years by the Honourable Prime Minister is the correct one. The signposts that guide that path are: Climate Change and National Disaster Recovery; Making the AIA Work; Quality Teaching and STEAM; Public and Private Sector Investment and Productivity; Roads and Bridges; Citizen Security; Health and Wellness; Housing and Lands; Energy; and Job Creation, Poverty Reduction and Sustainable Development.

Mr. Speaker, the success of the path that we follow, and the plan that this Budget details, ultimately rests not so much with the policymakers in this House of Assembly, but with the Vincentian people. The central wellspring of optimism that flows through this presentation is my unbreakable conviction that we Vincentians have within ourselves the potential for greatness. Individually, and in partnership with other patriotic, hardworking and focused

Vincentians, we can take this nation to higher heights. In every society you will encounter ne'er-do-wells, or the oracles of negativism for whom finding fault is infinitely more satisfying than finding solutions. But these backward elements are but the smallest sliver of our society, and are significant only to the extent that we allow them to distract the majority from our task of nation building and development.

This year, and, indeed the future of Saint Vincent and the Grenadines, belongs to the committed, disciplined, productive, innovative vanguard of Vincentians who will embrace the possibilities of a rapidly-changing future and invest sweat, talent and intellect in making our country ever greater. This Budget, in building on the solid foundation of previous years and in looking optimistically to what lies ahead, provides that vanguard of Vincentians – wherever they live, whatever their background, whatever their political inclination – an opportunity to play a role in building a better future: for themselves, for their families, and for this blessed nation that we share and hold in trust for our children.

Let us all, together, build that better Saint Vincent and the Grenadines.

Thank you.

APPENDIX 1

Custom Duties Act, Chapter 423

Section 3B of the Customs Duties Act is amended by deleting all the particulars appearing in the columns headed "Heading No." Description of Goods" and "Vehicle Surcharge, vehicle over 4 years old" and inserting the following particulars in appropriate columns-

Heading No.	**Description of Goods**	**Vehicle Surcharge over 4 years old**		
		Existing	**Proposed**	**Change**
87.02	**Motor Vehicles for transportation of ten or more persons, including driver**			
8702.10.20	Other Coaches, buses and mini-buses, of a seating capacity not exceeding 21 persons (including driver)	$4,000	$5,000	$1,000
8702.10.40	Other Coaches, buses and mini-buses of a seating capacity exceeding 21 persons but not exceeding 29 persons (including the driver)	$4,600	5,600	$1,000
8702.10.60	Other Coaches, buses and mini-buses, of a seating capacity not exceeding 21 persons (including the driver)	$5,200	6,200	$1,000
8702.10.90	Other	$5,200	$6,200	$1,000
8702.90.20	Other Coaches, buses and mini-buses of a seating capacity exceeding 21 persons but not exceeding 29 persons (including the driver)	$4,000	$5,500	$,1000
8702.90.40	Other Coaches, buses and mini-buses, of a seating capacity exceeding 21 persons but not exceeding 29 persons (including the driver)	$4,600	5,600	$1,000
8702.90.60	Other Coaches, buses and mini-buses, of a seating capacity exceeding 29 persons (including the driver)	$5,200	6,200	$1,000
8702.90.90	Other	$5,200	$6,200	$1,000
87.03	**Motor cars and other motor vehicles principally designed for transport of persons (other than those of heading 87.02), including station wagons and racing cars**			

8703.21.90	Other	$3,450	$4,450	$1000
8703.22.90	Other	$3,450	$4,450	$1000
8703.23.20	Of a capacity exceeding 1,500 cc but not exceeding 1,800 cc	$3,450	$4,350	$1000
8703.23.30	Of a capacity exceeding 1,800 cc but not exceeding 2,000 cc	$4,000	$5,000	$1,000
8703.23.40	Of a capacity exceeding 2,000 cc but not exceeding 3,000 cc	$4,600	$5,600	$1,000
8703.24.90	Other	$5,200	$6,200	$1000
8703.31.90	other	$3,450	$4,450	$1000
8703.32.20	Of a capacity exceeding 1,500 cc but not exceeding 2,000 cc	$4,000	$5,000	$1,000
8703.32.40	Of a capacity exceeding 2,000 cc but not exceeding 2,500 cc	$4,600	$5,600	$1,000
8703.33.90	Other	$5,500	$6,000	$1,000
8703.90.00	Other	$5,500	$6,500	$1,000
87.40	**Motor Vehicles for the transport of goods**			
8704.10.00	Dumpers designed for off-highway use	$5,000	$6,000	$1,000
8704.21.90	Other	$4,600	$5,600	$1,000
8704.22.90	Other	$4,600	$5,600	$1,000
8704.23.90	Other	$4,600	$5,600	$1,000
8704.31.90	Other	$4,600	$5,600	$1,000
8704.32.90	Other	$4,600	$5,600	$1,000
8704.90.00	Other	$4,600	$5,600	$1000
87.05	**Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire fighting vehicles, concrete mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units)**			
8705.10.00	Crane Lorries	$4,500	$5,500	$1000
8705.20.00	Mobile drilling derricks	$4,500	$5,500	$1000

8705.40.00	Concrete-mixer lorries	$4,500	$5,500	$1000
8705.90.00	Other	$4,500	$5,500	$1,000