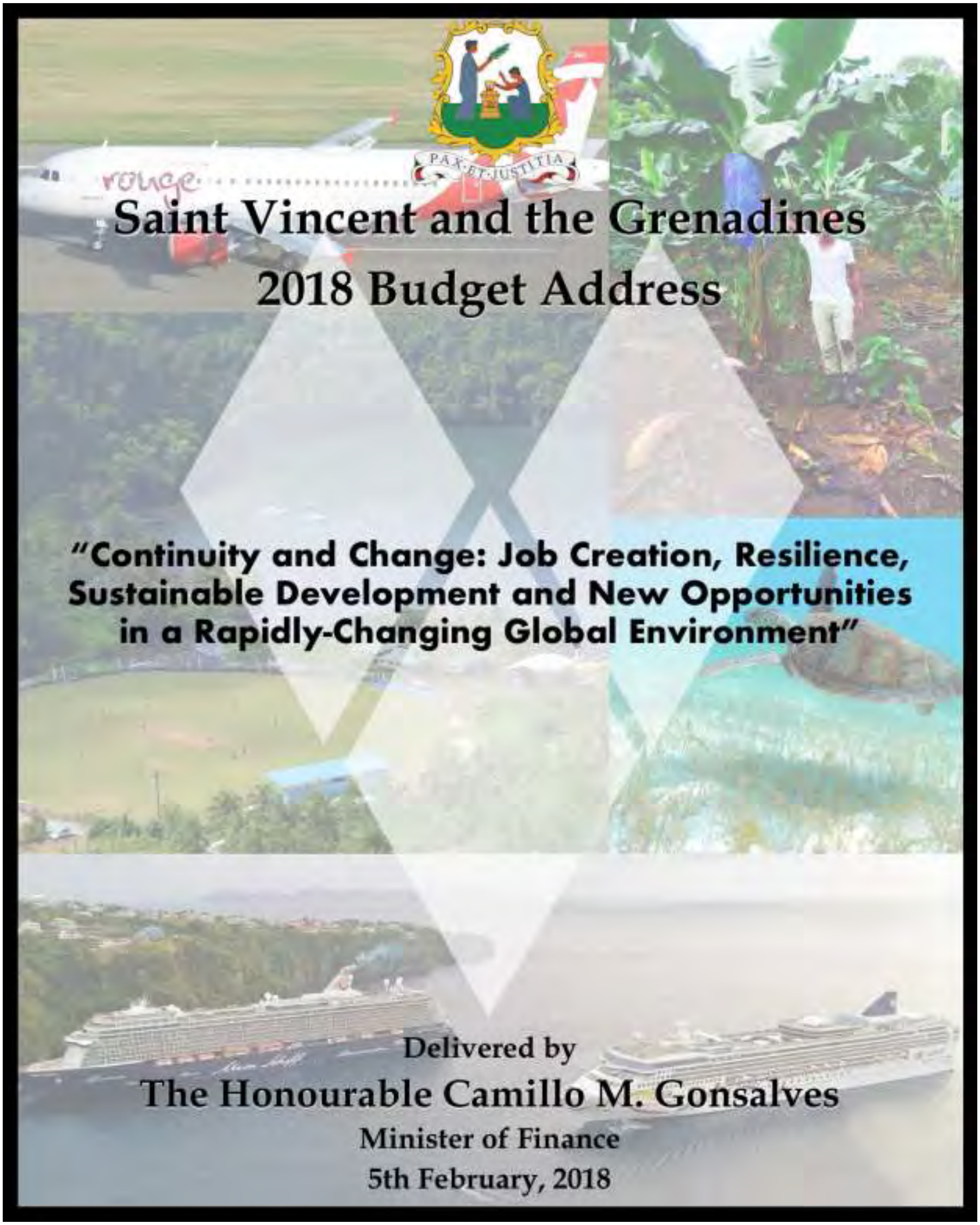

Saint Vincent and the Grenadines
2018 Budget Address

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

Delivered by

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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 acheivements, 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]

[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

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

[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

[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)

Diaspora centred in New York. I have been advised too, that CAL 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 dolar 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.

[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)

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 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

[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;

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 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.

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**

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 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

[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)

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 mimimize 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.