

INDEPENDENT ANALYSIS

2026 National Budget Address

Federation of St. Kitts and Nevis

"Investing in People and Progress"

WITH SPECIAL ASSESSMENT: CBI Revenue Vulnerability & Caribbean Self-Reliance

Presentation to the St. Kitts and Nevis Chamber of Industry and Commerce

C. Justin Robinson

February 2026

Executive Overview: The Federation at a Glance

Total Budget

EC\$1.074B

FY 2026 Estimates

GDP Growth (proj.)

2.8%

2026 projection

CBI Revenue Fall

-48.3%

vs. 2025 target

Overall Deficit

EC\$295.4M

10.2% of GDP

Public Debt

58.7% GDP

Approaching 60% ceiling

Tourism Recovery

102K+

Peak season stay-overs

What the Government Has Delivered

Social investment and human development achievements that deserve recognition

Budget Boost Wallet

EC\$36M invested, reaching 23,000+ people, roughly half the population

Tourism Recovery

102K+ peak-season stay-overs, surpassing pre-pandemic levels

Pension Justice

Coverage extended to all Govt Auxiliary Employees; health insurance upgraded to \$1M lifetime

Minimum Wage

Raised to EC\$500/week, addressing working poverty

Agricultural Gains

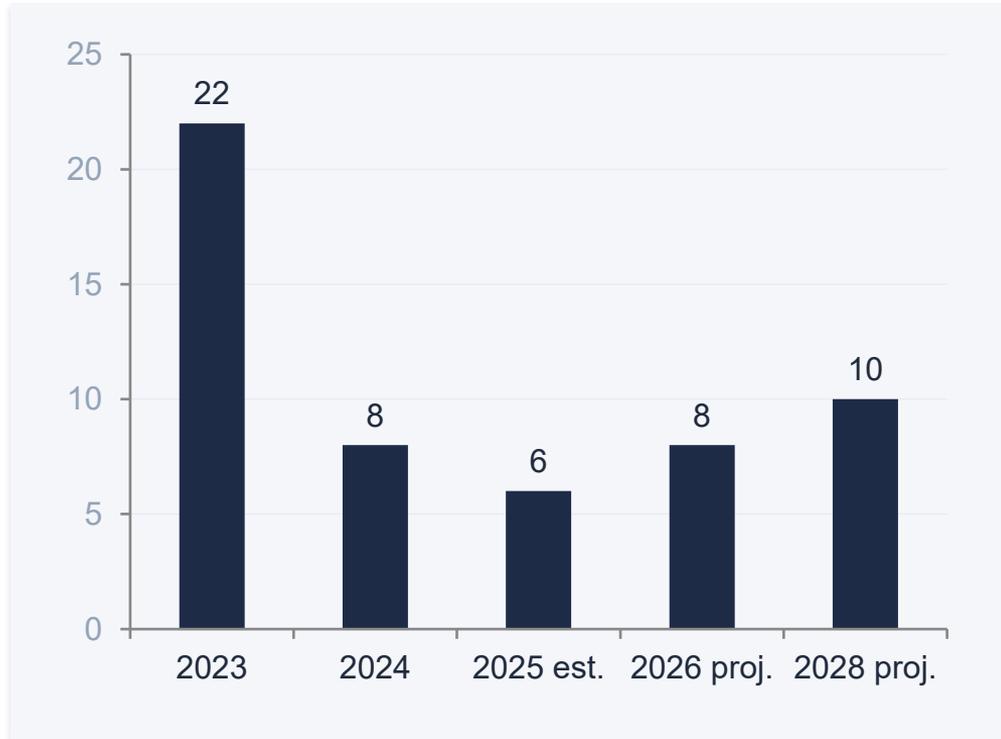
Pumpkin +54%, watermelon +193%, cucumber +142%, cantaloupe +216%

ECCIRA Leadership

Regional CBI regulatory authority enacted into law across 5 countries

These achievements are real and they matter. What follows is not a repudiation of this record — it is an honest assessment of the fiscal and geopolitical risks that now surround it.

CBI Revenue Crisis: The Fiscal Impact



Critical Context

IMF Assessment: CBI revenue decline is "structurally lower", a permanent adjustment, not a cycle

Fiscal Deficit: 11% of GDP (2024), 9% (2025). driven primarily by CBI collapse

Revenue Gap: Non-tax revenue -48.3% below target in 2025

Recovery Risk: 2026 revenue projection (+22%) rests on CBI assumptions now under threat from US and EU action

International CBI Threat: United States Action



Impact on St. Kitts and Nevis

Chilling effect on demand: Applicants valuing US visa access, a premium market segment, will reconsider all EC CBI programmes.

Clear trajectory: The US views Caribbean CBI as a security concern and will use visa restrictions, financial system access, and diplomatic pressure to reshape or eliminate these programmes.

International CBI Threat: European Union Escalation

EU Commission Position (Dec 2025)

"The operation of such programmes constitutes, in itself, a ground for suspending visa-free status"

Key facts:

- 100,000+ CBI passports issued across 5 EC states
- Rejection rates flagged as low: Antigua 1.7%, St. Lucia 5.3%, Dominica 6.5%
- **Language: "pending the discontinuation of those schemes"**

ECJ Malta ruling (Apr 2025):

CBI = "commercialisation of nationality" , incompatible with EU law

ETIAS (late 2026):

Infrastructure for case-by-case screening of CBI passport holders

What This Means

- **The EU's goal is elimination, not reform**
- Schengen visa-free access is now conditional on programme closure
- Georgia precedent shows EU will activate the visa suspension mechanism
- UK already revoked Dominica's visa-free entry (July 2023)
- Regional reforms (ECCIRA) are commendable but may buy time rather than resolve the fundamental tension

The Recurring Pattern: Caribbean Economic Vulnerability

1990s

Bananas & Sugar

WTO pressure dismantled preferential trade; US championed large Latin American producers

2000s

Offshore Finance

OECD blacklists and FATF grey-listing; same jurisdictions that created global tax avoidance branded Caribbean as the problem

2020s

CBI Programmes

Coordinated US/EU pressure; golden visas in Portugal, Greece, Spain faced comparatively less hostility

Ongoing

Climate Finance

Paris commitments barely delivered; loss and damage funded in fractions of need

"A revenue model built on instruments that can be unilaterally curtailed by foreign governments is, by definition, a model of dependency, not sovereignty."

Sectoral Allocations and Budget Priorities

Sector	Recurrent	Capital	Key Initiative
Education	EC\$108M	EC\$14.8M	CWIT, NVQ, new Basseterre High School
Healthcare	EC\$83.8M	EC\$15M	New JNF Hospital, Universal Health Insurance
National Security	EC\$84.1M	EC\$13.2M	125+ personnel recruitment
Tourism	EC\$53.2M	EC\$4M	Airlift expansion, 450 cruise calls
Agriculture	EC\$14.6M	EC\$6.7M	SKN NATURE, National Planting Programme
Digital	EC\$16.3M	(combined)	e-ID, SKN-IX, data protection legislation
Energy Transition	—	~EC\$300M	100% renewable by 2030, grid modernisation

Positive: Education, healthcare, and energy allocations reflect genuine strategic ambition. Tourism recovery is built on effective public-private coordination.

Question: Agriculture allocation (~2% of Budget) does not yet match the "cornerstone sector" ambition. Energy transition financing plan not yet published.

What This Budget Means for Business

Translating the macro picture into firm-level impacts

Labour Costs Rising

COST

Minimum wage to EC\$500/week + NHI employer contributions (rates unknown). Hospitality, retail, and construction face margin pressure.



Energy Transition: Cost Before Savings

RISK/OPPORTUNITY

EC\$300M grid modernisation means disruption during transition. Commercial rates during changeover unclear. Long-term savings significant.



Data Protection Compliance

REGULATORY

New legislation coming SME compliance burden undefined. Must accommodate local capacity, not import EU-scale regulation.



Tax Reform: Direction Unknown

UNCERTAINTY

Government says 'not tinkering at the edges' but has not specified VAT or corporate tax direction. No timeline. Private sector must demand a seat at the table.



Construction Boom & Labour Squeeze

PRESSURE

Hospital, high school, solar facility, marina, housing all simultaneous. Wage inflation in skilled trades likely. Work permit framework essential.

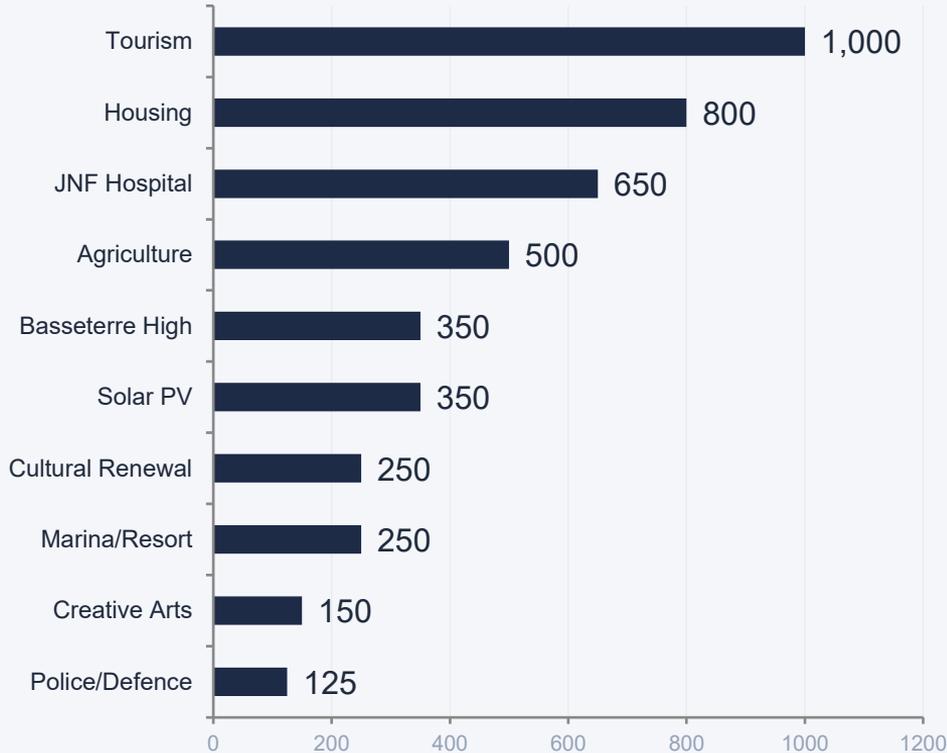


Procurement Opportunities

OPPORTUNITY

EC\$300M+ in capital spending. Local contractor participation unclear. Chamber should advocate for transparent local procurement targets.

Jobs and Employment: Ambition and Realism



Assessment

Total: ~4,425+ jobs
in a labour force of 25–28K

Credit: Commendable that the Government quantifies employment targets this improves transparency

Concerns:

- Many are temporary construction jobs
- Risk of double-counting across projects
- Workforce availability for simultaneous execution
- No distinction: gross vs. net new jobs

Recommendation: Publish a Labour Market Impact Assessment for 2026–2028

The Business Environment Gap

Fiscal discipline is necessary but not sufficient , the environment for business must be actively built

What the Budget Doesn't Address

- ✘ No Doing Business improvement targets or benchmarks
- ✘ Customs and port efficiency reforms not mentioned
- ✘ Access to credit for SMEs unaddressed
- ✘ No commercial court or dispute resolution improvements
- ✘ Building permit and land registration streamlining absent
- ✘ Regulatory burden on small firms not quantified

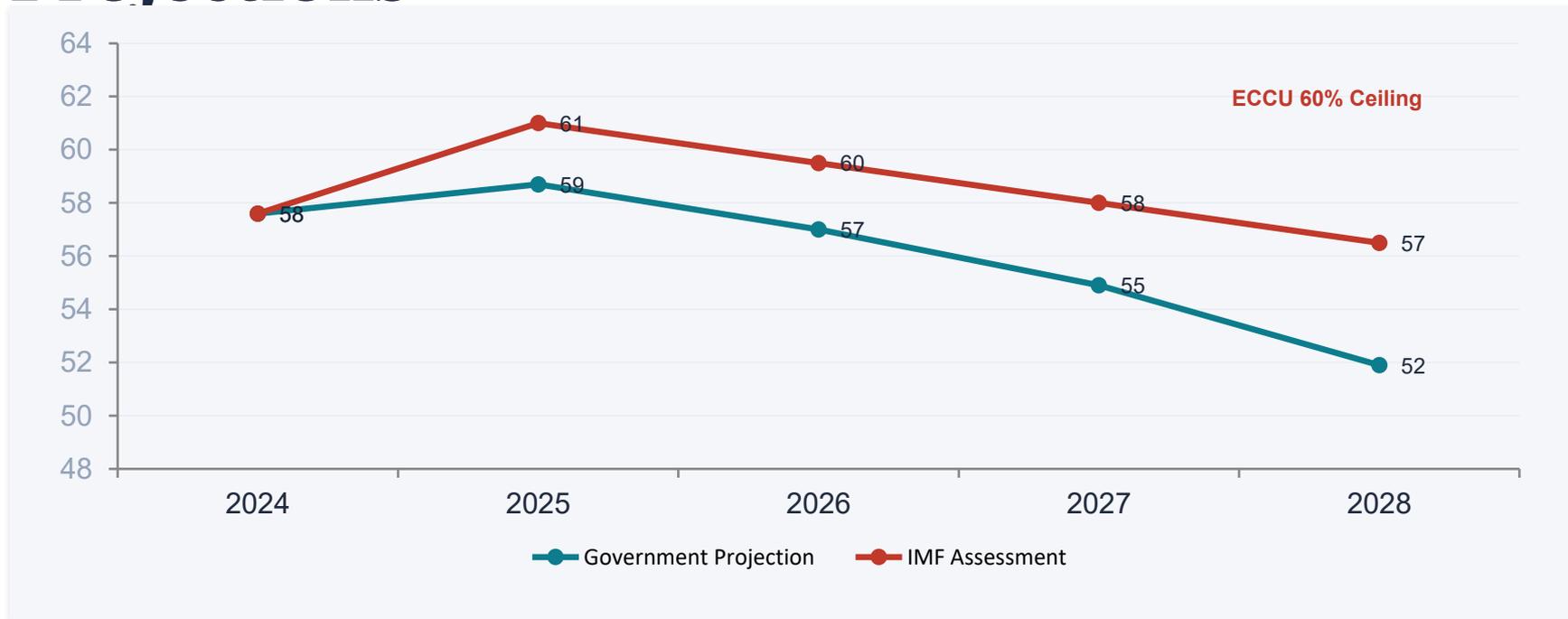
The Idle Capital Problem

Extraordinary amounts of private capital sit in financial institutions, not productively deployed, while governments borrow externally.

The opportunity:

- ✔ Development bonds for domestic investors
- ✔ Community equity instruments , citizens invest in national projects
- ✔ Pension fund co-investment in infrastructure
- ✔ Reduces external borrowing, deepens local ownership
- ✔ Creates constituencies with direct interest in governance

Debt Sustainability: Government vs. IMF Projections



Key divergence: The Government projects debt declining below 52% by 2028. The IMF projects it breaching 61% in 2025 before a slower decline. The difference is largely CBI revenue assumptions. The international environment documented in this analysis supports the IMF's more cautious assessment.

Structural Reforms: The Right Direction, Details Needed

Tax Reform

Credit: Government committed to "not tinkering at the edges" welcome and necessary

Detail needed: Direction of VAT and corporate tax reform unspecified; no timeline; private sector consultation essential

Universal Health Insurance

Credit: Potentially the most consequential structural reform and the Government's most enduring legacy

Detail needed: Financing mechanism, contribution rates, benefit package, and role of private providers not yet specified

Energy Transition

Credit: 100% renewable by 2030 is exactly the kind of structural reform that builds sovereignty

Detail needed: EC\$300M grid modernisation financing plan not published; regulatory framework for IPPs and net-billing outstanding

Digital Economy

Credit: e-ID, SKN-IX, cybersecurity training, essential foundations for competitiveness

Detail needed: Data protection legislation must accommodate SME capacity; broad public consultation needed before enactment

Beyond CBI: Diversification the Private Sector Can Lead

Industrial policy for micro-states what the OECS Budget Watch analysis identifies



Digital & Knowledge Services

Software, fintech, AI training, remote professional services. Estonia (1.3M people) built a global digital identity. SKN can do the same at smaller scale.



Niche Agriculture & Agro-Processing

High-value crops, organic produce, specialty rum, cocoa. Grenada's nutmeg model shows it works. Budget allocates only 2% , private sector must fill the gap.



Climate Adaptation Services

Caribbean's lived experience of climate vulnerability converted into exportable expertise: resilient construction, coastal engineering, disaster preparedness.



Creative & Cultural Industries

Music, film, gaming, visual arts, cultural tourism. Caribbean talent already competes globally but without institutional support or IP protection.



Maritime & Ocean Economy

Vast exclusive economic zones. Sustainable fisheries, marine biotech, blue carbon markets — underexploited resources that require strategic development.



Regional Services Hub

Financial services (BVI model: US\$263.6M), professional services, and education exports. Position SKN as an Eastern Caribbean centre of excellence.

The Macro Context for SKN Business

What's changing that affects YOUR business:



US Trade Policy Uncertainty

Tariffs, sanctions, and "America First" policies can disrupt supply chains overnight



Currency & Financial Access

Correspondent banking relationships under pressure; USD access may tighten



Tourism Volatility

Visitor arrivals can swing 20-30% based on US/UK economic conditions and travel policies



Supply Chain Fragility

80%+ of goods imported; any disruption = immediate impact on inventory and costs



Labour Market Shifts

Migration valve closing means talent stays but also means wage pressure rises

DISRUPTION

Supply & Trade Shocks

- US tariffs on key inputs
- Shipping cost spikes
- Supplier country sanctions
- Currency volatility

CONTRACTION

Demand Decline

- Tourism downturn
- Remittance reduction
- Regional recession
- Consumer belt-tightening

OPPORTUNITY

New Openings

- Import substitution gaps
- Regional market access
- Diaspora connections
- Digital service exports

Smart businesses prepare for all three simultaneously

Sector-Specific Implications

Sector	Risk	Key Implications
Retail & Distribution	HIGH	Import cost volatility, inventory management critical, USD access pressure
Tourism Services	HIGH	Visitor volume swings, airlift uncertainty, need to diversify source markets
Professional Services	MEDIUM	Opportunity for regional/digital expansion, but client base may contract
Food & Agriculture	MEDIUM	Import substitution opportunity, but input costs (fertilizer, equipment) rising
Construction	MEDIUM	Material cost volatility, but local infrastructure needs remain
Creative Industries	LOW	Digital export potential, diaspora market, lower import dependence
Tech & Digital	LOW	Significant export opportunity, remote work enables global clients

What Business Should Demand

From Government and Support Organizations

Trade Intelligence

Real-time alerts on tariff changes, supply chain disruptions, new market access opportunities

Group Purchasing Power

Government-facilitated bulk purchasing for inputs (packaging, shipping, insurance)

Simplified Regional Trade

Fast-track CSME benefits, reduce paperwork for inter-island commerce

Digital Infrastructure

Affordable high-speed internet everywhere, digital payment interoperability

Access to Finance

Working capital facilities that don't require 150% collateral

Skills Pipeline

Technical training aligned to SME needs, not just academic credentials

Organize. Advocate. Hold them accountable.

The Required Mindset Shift

"Business as usual"



"Constant adaptation"

"Wait and see"



"Prepare for scenarios"

"Compete alone"



"Collaborate to win"

"Local only"



"Regional and digital"

"Minimize costs"



"Maximize resilience"

The businesses that thrive will be those that adapted before they had to.

Recommendations: Addressed to the Entire Federation

CBI Contingency & Diversification

Contingency plan with 3 scenarios (moderate / severe / zero); Economic Diversification Strategy; Sovereign Wealth Fund; National dialogue on post-CBI models

Fiscal Transparency & Planning

Publish revenue assumptions & sensitivity analysis; Debt Sustainability Analysis with scenarios; Quarterly public fiscal updates

Tax Reform Engagement

Formal representation: private sector, labour, civil society; Published discussion papers before legislative changes; Impact assessment on households and businesses

Labour Market & Skills

Labour Market Impact Assessment for 2026–2028; Private sector advisory for CWIT; Managed temporary work permit framework

Structural Reforms: NHI, Energy, Digital

Publish NHI actuarial report with broad consultation; Energy Transition Financing Plan; Cultural Economy Strategy linked to tourism and digital

Civic Participation & Institutions

Quarterly Public-Private Dialogue; Doing Business Improvement Plan; Town halls, digital platforms, diaspora engagement for national economic conversation

A Call to Action for the Chamber

The private sector cannot afford to be a spectator in this moment

1

Demand a Seat at the Tax Reform Table

VAT and corporate tax changes will reshape the business environment. The Chamber must secure formal representation before legislation is drafted, not after.

2

Establish a CBI Contingency Working Group

Model the business impact of moderate, severe, and zero CBI scenarios. Prepare your members for a post-CBI economy the timeline may be shorter than anyone expects.

3

Advocate for a Doing Business Improvement Plan

Specific, measurable targets: customs clearance times, permit processing, commercial dispute resolution. What gets measured gets done.

4

Lead on Domestic Capital Mobilisation

Champion development bonds and community equity instruments. Ordinary citizens investing in national projects builds ownership and reduces external dependency.

5

Push for Quarterly Public-Private Dialogue

Institutionalise structured engagement not ad hoc consultations but regular, published, accountable dialogue on economic strategy.

Building an Economy We Choose

The Government has delivered genuine achievements in social investment, tourism recovery, and institutional reform. These deserve recognition.

And yet the honest assessment is that CBI revenue, the fiscal foundation of the past decade, is under existential threat from coordinated international action. No amount of domestic reform can fully control this external reality.

No one is coming.

That is not a tragedy. It is cause for clarity and a responsibility.

The responsibility lies with all of us — Government, private sector, civil society, diaspora, and every citizen.

"We must build an economy our people choose — not one they endure."

C. Justin Robinson • February 2026