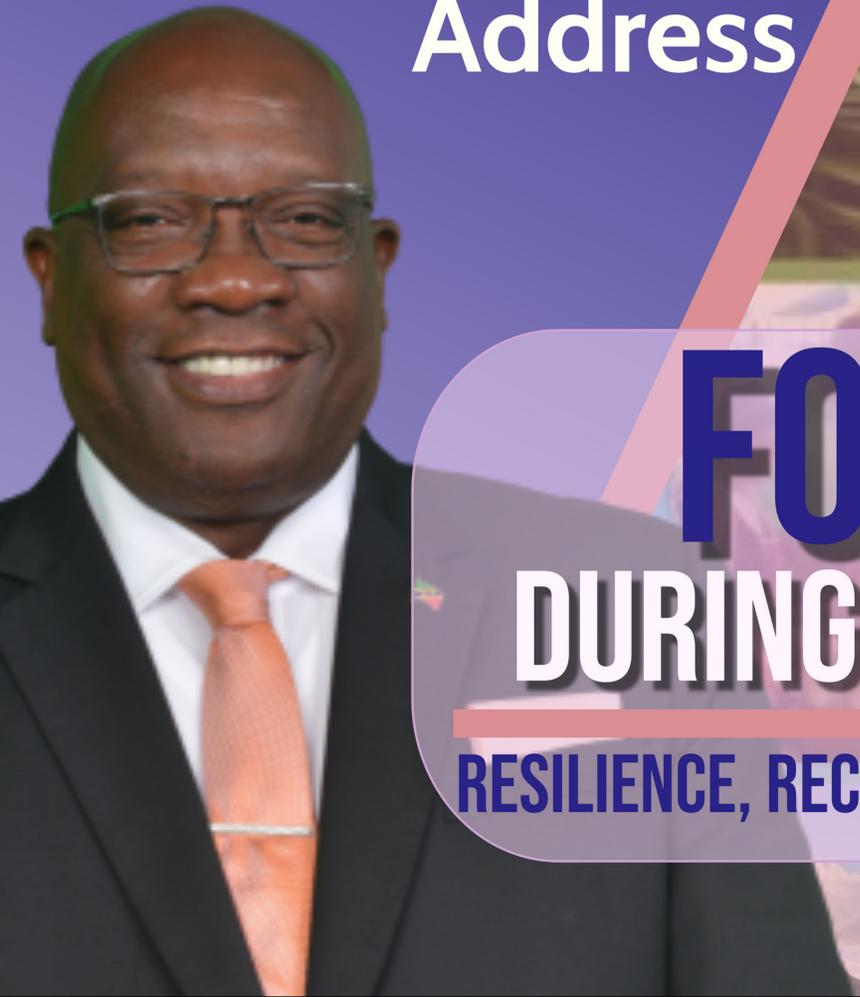




# BUDGET Address



# FORTITUDE DURING THE PANDEMIC:

## RESILIENCE, RECOVERY AND TRANSFORMATION

# 2021

Presented by  
Prime Minister and Minister of Finance  
Dr. Hon. Timothy Harris

**TUESDAY DECEMBER 15TH, 2020**



**ST. CHRISTOPHER AND NEVIS**

**2021**

**BUDGET ADDRESS**

1. Mr. Speaker, I beg leave to move the second reading of the Bill shortly entitled the Appropriation Act (2021), 2020.

## INTRODUCTION

2. Mr. Speaker, 2020 will go down in the annals of our history as an exceptional and memorable year as we have experienced mixed fortunes here in St. Kitts and Nevis. At this time we give thanks to Almighty God for seeing us through a very challenging year thus far. On the positive side of the events that would memorialize 2020 is our resounding victory at the polls and the return of Team Unity at the helm of the Government of St. Kitts and Nevis. My Team Unity Administration is humbled by the overwhelming support and confidence that our people have demonstrated in us, by the tremendous victory, we secured at the polls on June 5<sup>th</sup> 2020. We have been given a clear and even stronger mandate to ensure the continued development of our Federation, and to secure a stronger, safer future for all. We have already begun to deliver on this mandate, and we pledge to work even harder to improve our delivery. This is our pledge to our people, to all who choose to live, work and do business here in our land of beauty. As we seek to honour this pledge, we commit to working with citizens and residents to build out our exciting plans for that stronger, safer future.
3. Mr. Speaker, all of us here in this Honourable House and those listening to this address are well aware that the emergence of the COVID-19 pandemic has impacted every aspect of life across the globe and here in our Federation. It has forced us to confront situations that we never envisioned just a year ago; not even nine months ago. The COVID-19 pandemic has severely impacted our economy as it has that of every other nation. My Government's top priority is to protect our citizens and residents from the deadly Corona virus. In this regard, we have been guided by the advice of our very capable medical professionals and there is no doubt that we have been very firm in our actions to curtail the spread of the virus here in St. Kitts and Nevis. The implementation of the strict COVID-19 protocols has served us very well; so much so that, to date, we have had a relatively low number of confirmed cases of the virus, no community

spread and zero deaths in the Federation. For this we must continue to give thanks and praise to God Almighty.

4. My Government understands the pain that is being felt by some of our citizens and residents. Our Cabinet is determined to do everything that is possible to assist. In addition, we will continue to consult, to listen and to act in the best interest of our people. For this reason, just about two months ago we took the opportunity to engage in dialogue with a wide cross section of our Civil Society partners to exchange views and share ideas so that their input can help to shape the 2021 Budget. We are inspired by the ideas shared by the participants at this consultative session and from other engagements we have had with stakeholders during the course of the year. Considering our experiences during the last eight months and our long term vision for the development of our country, we have chosen to anchor the 2021 Budget around the theme “Fortitude During the Pandemic: Resilience, Recovery and Transformation”.
  
5. As a small nation, we have demonstrated great fortitude in facing the COVID-19 pandemic. Our response has made a tremendous difference in helping to preserve lives and livelihoods. My Government has designed and implemented a comprehensive plan of action to accomplish this objective. In response to the employment challenges caused by COVID-19, my Government lessened the impact of the pandemic on displaced workers by providing income support and other helpful policy initiatives. Businesses were not excluded from the Government’s support. Overall, there has been good success and we take satisfaction in the implementation of our expansive stimulus package which has reached thousands across the Federation. The main elements of our stimulus package include:
  - Provision of income support of up to \$1,000 per month for affected workers through the Social Security Board
  
  - Injection of \$10 million to boost production in the Agriculture Sector and ensure greater food security for the Federation. Hundreds of farmers and fishers received well needed assistance to put their livelihoods back on track.

- Provision of additional funds to support the Poverty Alleviation Programme
- Provision of additional resources to capitalize the Severance Payment Fund
- Provision of \$30 million in funding through the Development Bank of St. Kitts and Nevis for mortgage loans to citizens of St. Kitts and Nevis
- Moratorium on mortgages held with the National Housing Corporation (NHC) and the Development Bank of St. Kitts and Nevis
- Moratorium on payments for electricity services for April to June 2020 by the St. Kitts Electricity Company (SKELEC) and the Nevis Electricity Company (NEVLEC).
- Postponement of the payment of Property Tax from June to September 2020
- Reduction of the Corporate Income Tax rate from 33 percent to 25 percent for the period April to December 2020 for businesses that retain at least 75 percent of their employees
- Reduction of the Unincorporated Business Tax rate by 50 percent (from 4 percent to 2 percent) for the period April to December 2020
- Waiver of payments for consumption of water for April to December 2020 for individuals affected by COVID-19
- Waiver of payments for the consumption of water by farmers for nine months (April to December 2020)
- Removal of VAT and Import Duty on additional hygiene items such as hand sanitizers, disinfectant sprays, rubbing alcohol and latex gloves, and removal of Import Duty and Customs Service Charge on selected food items for nine months
- Continuation of the Fresh Start Programme with an injection of \$5 million to provide access to capital to fund small and medium sized business projects
- Provision of additional financial resources to the Ministry of Health
- Provision of additional financial resources to the Ministry of Education

➤ Provision of additional financial resources to the Ministry of National Security

6. Mr Speaker, Sir, the benefits of implementing this comprehensive stimulus package are clear for all to see. Nonetheless, permit me now to highlight some of the results so far. As at end November 2020, the Social Security Board had provided income support in the amount of \$22.6 million. The Government has also provided direct income support to thousands of recipients under the Poverty Alleviation Programme (PAP). The number of recipients of PAP peaked in May to a total of 4,873. Of this number, 940 households were added as a direct result of the impact of COVID-19 on their livelihoods. Your Government has expended \$28.4 million on the PAP up to the end of November. We anticipate that we would spend a total of \$31.1 million by the end of the year. We have also spent an additional \$14 million on Health, Education and National Security. A total of \$6.5 million has already been invested in the Agriculture Sector. We also estimate that taxes waived, and the impact of deferred taxes would be in excess of \$26 million. The National Housing Corporation provided breathing space for some 171 homeowners for three months to the tune of \$452,682 and the Development Bank of St. Kitts and Nevis assisted 351 of its clients at approximately \$3.8 million. According to the Eastern Caribbean Central Bank (ECCB) a total of 1,717 loan recipients have accessed the moratorium facilities extended by commercial banks operating in the Federation. The value of the deferred loan facilities with commercial banks is in the region of \$511 million. No country in the region has been able to match our COVID-19 stimulus package in its comprehensive coverage and timeliness of response.
7. Mr. Speaker, we have not taken anything for granted. We have been careful and deliberate in taking actions to ensure that we continue to build resilience so that our country can recover in the quickest possible time. One important pillar that will support our resilience and take us successfully through this pandemic is the recent passage of the COVID-19 (Prevention and Control) Act, 2020. This piece of legislation is critically important because it provides a comprehensive framework to support our objective to protect lives and facilitate economic activity in the face of our new COVID-19 environment. I take this opportunity to urge everyone residing here or visiting our Federation to be vigilant about complying with the established COVID-19 protocols. In this fight against a common and lethal enemy, we must foster our basic instincts to protect ourselves and our families. More than ever, we must become our

brother's keeper. We are only as strong as the weakest link amongst us. Our people can be assured that their Team Unity Government will continue to do its part to set the right policies and to provide the legal and regulatory framework to empower our citizens to maximize the opportunities that are presented, even in this period of turmoil and great global uncertainty.

8. Mr. Speaker, taken as a whole, our actions have allowed us to weather the first wave of the COVID-19 storm and demonstrate our great fortitude. My Government is a caring Government and could not allow our people to suffer unduly, not knowing how they were going to provide for themselves and their families. The stimulus package that we rolled out from March this year has assisted individuals and businesses in alleviating the unexpected challenges that were presented by the pandemic. The majority of our people are pleased with the results and have showered commendations on the Government for keeping them safe and for providing them assistance in a critical time of need. The good results are also a huge testimony that this Government is the right team to lead our Federation at this time. Indeed, while we continue to deal with the COVID-19 realities, we must now focus on devising an equally good plan for recovery and continued transformation of our beautiful Federation. The 2021 Budget is therefore one of the key tools that my Government intends to use to continue our legacy of delivery and outstanding performance and set the stage for economic recovery and the overall transformation of our country.
9. To provide further context for our budget plans, I will now take a brief look at the most recent international and regional economic developments.

## INTERNATIONAL AND REGIONAL ECONOMIC DEVELOPMENTS

10. Mr. Speaker, the COVID-19 pandemic has had an unprecedented negative effect on global economic activity over the past year. This downturn has been precipitated by a health crisis which requires behavioural change. The International Monetary Fund (IMF) in the latest edition of the World Economic Outlook (WEO) projected that global output will contract by 4.4 percent in 2020. Some initial positive signs were observed at the end of the second quarter with the reopening of some economies after lengthy lockdowns. However, this was short lived as the most recent resurgence and acceleration of the spread of the virus in some of the major world economies (for example the USA, UK and Italy) have resulted in countries slowing their reopening process or reinstating a second round of lockdowns.
11. As a group, the advanced economies are projected to contract by 5.8 percent in 2020 with economic activity in the United States of America projected to decline by 4.3 percent. Economic output in the Euro area is projected to contract by 8.3 percent as the emergence of a second wave of the virus caused partial lockdowns. This further slowed efforts to reinvigorate economies that had been severely impacted during the first half of 2020. The United Kingdom and Canada will also record contractions of 9.8 percent and 7.1 percent respectively and the emerging and developing economies are expected to contract by 3.3 percent.
12. Tourism dependent countries, including our Federation, suffered from the closure of this very important Sector and the resultant exponential increase in unemployment as direct and indirect jobs were lost. The implementation of physical distancing and lockdowns as critical health measures had severe impacts on traditional key drivers of our economies including our Micro, Small and Medium Enterprises (MSMEs) which depended heavily on in-person interactions in their daily operations. Reduced hours and workplace closures further disrupted supply chains and lowered productivity in the Private Sector.
13. The latest available information from the ECCB indicates that economies in the Eastern Caribbean Currency Union (ECCU) recorded an expansion in real GDP at market prices of 2.8

percent in 2019. The growth rate for the Currency Union is estimated at negative 16.2 percent in 2020 and is expected to rebound to 5 percent in 2021. The economic outturn for 2021 and over the medium term remains contingent on the containment of COVID-19, not only within the region, but across the globe. This is based on initial indications that there would be a combination of a second wave of infection and lingering effects of the first wave in places where adequate steps to control the spread of the virus have not been taken.

14. I will now turn to the Domestic Economy.

## THE DOMESTIC ECONOMY

### Output and Prices

15. Mr. Speaker, according to our Statistics Department, St. Kitts and Nevis achieved an expansion in economic activity of 1.8 percent in 2019. This was indeed commendable as it was on par with the growth rate of 1.7 percent recorded by the advanced economies during that same period. The interconnectivity of our global community has, however, made us all susceptible to the effects of the COVID-19 pandemic. During 2020, the disruptions in travel and trade, and the near halting of productive activity in economies of our major trading partners had an adverse impact on our economic growth rate. Nevertheless, during the first quarter of 2020, the economy demonstrated resilience by achieving positive economic growth of 1.6 percent. This outturn was underpinned by positive growth in the following sectors: Agriculture (15.8 percent); Financial Services (2.9 percent); Transport, Storage and Communications (2.4 percent); Wholesale and Retail (1.9 percent); Construction (1.7 percent) and Tourism (1.7 percent).
16. As COVID-19 quickly spread across the nations of the world, the prospects for growth in our economy took a negative turn in direct contrast to our positive growth recorded in prior years. Our Statistics Department estimates that the economy is expected to contract by 12.5 percent by the end of 2020. These estimates also project that the economy would rebound in 2021 with a positive growth rate of 5.0 percent. These estimates of positive growth for St Kitts and Nevis are broadly consistent with estimates forecasted by the ECCB (6.4 percent) and by the IMF (8.0 percent). This positive outturn in 2021 would be driven by a rebound in the Construction, Wholesale and Retail, Transport, Storage and Communications, and Real Estate, Renting and Business Activities Sectors. We have predicated our budget on the most conservative growth figures (i.e. 5.0 percent growth rate in 2021).
17. Mr. Speaker, in these difficult times we are mindful of the potential impact of any notable movements in prices, especially for persons who are suffering loss of income as a result of the

pandemic. We are keeping a watchful eye on the Consumer Price Index (CPI) which remained relatively unchanged in 2019. During the first six (6) months of 2020, price levels deflated by 1.3 percent. The deceleration in overall price levels was influenced by the decline observed in the Services and Non- Food Indices by 0.7 percent and 0.5 percent respectively. The Food and Beverage Index recorded upward movement of 1.0 percent during the period. This is significantly lower than the 4.6 percent increase in prices recorded in the first six (6) months in 2019. My Government remains committed to the continued advancement of the consumer protection mechanisms which currently exist within the Federation. It is therefore envisaged that 2021 will see the culmination of a lengthy consultative period, resulting in the adoption of the CARICOM model Consumer Protection Bill. This Bill will enhance the rights of consumers and bring about a better standard of behaviour for trading of goods and services.

# **SUSTAINING OUR FORTITUDE AND LOOKING TOWARDS ECONOMIC RECOVERY AND TRANSFORMATION**

## **ECONOMIC EXPANSION**

### **Construction**

18. Mr. Speaker, construction has long been a key driver of growth and development in our economy. The Construction Sector continues to provide employment for many of our citizens and residents. It is the primary source of income for many families. This Sector is quite resilient and my Government will continue to make the necessary investments to further enhance resilience, and transform the economy as has been necessitated by the impacts of the COVID-19 pandemic. In 2019, activity in the Construction Sector grew by 1.8 percent. This growth was primarily due to an increase in the contribution of locally financed construction activity emanating from the Public and Private Sectors. The Government sponsored projects such as the Rehabilitation of the Island Main Road have made significant contributions to achieving this positive growth outturn. Work on Phase 2 of this important Project commenced on schedule in May 2019. Segment 1 of Phase 2 which encompasses the road network extending from Cayon to Saddlers was completed in December 2019. Segment 2 which extends from Saddlers to Challengers, and stretches from the Camps roundabout to the Airport roundabout via Cayon Street and Wellington Road, commenced in March of this year. As at the end of November, approximately 78 percent of the work in Segment 2 had been completed. To date, the investment by the Government on this Project is approximately \$55.0 million. In spite of the COVID-19 setbacks suffered in 2020, work on this Project will be fully completed in the first quarter of 2021. Our major investment in improving our road network brings into perspective my Government's vision of a modern St. Kitts and Nevis and the transformative impact of resilient public infrastructure. The efficiency gains from a reliable road network and the resultant enhancement in the quality of life in our communities are well known.

19. The provision of modern, resilient infrastructure that will ensure a safe environment for motorists and pedestrians is a responsibility my Government takes seriously, and it is the primary objective of our road improvement. An important component of this objective is designing a modern road network that would facilitate the free flow of traffic while improving road safety. The careful insertion of sidewalks and lanes in Cayon, Ottleys and Tabernacle, to name a few, has brought a sense of pride and excitement to our people. In 2018, my Government took the decision to realign a critical segment of the Island Main Road, spanning the length of Old Road Bay. The new road has been designed to eliminate the hazards that have been associated with this area particularly during and after heavy rain, tropical storms or hurricanes. Work on the Project is ongoing and is scheduled for completion in 2021. We look forward to the delivery of these important Projects which form part of our infrastructure development strategy that my Government has so carefully designed to build resilience and deliver the necessary transformation to our country.

20. Mr. Speaker, modern air and seaports are critical infrastructure that are necessary for the transformation of any economy. My Government therefore continues to invest heavily in the upgrade of our air and seaports to facilitate travel as we transform our country and economy. These upgrades are expected to support the ease of doing business and encourage investments. Notwithstanding the challenges faced in 2020, the St. Christopher Air and Sea Ports Authority (SCASPA) worked diligently to complete the rehabilitation works at the Robert L Bradshaw (RLB) International Airport. The completion of the rehabilitation works on the Apron and Taxiway A has resulted in a safer and more resilient facility. This is further evidence that we are already delivering on our promise for a stronger, safer, future. We are setting the stage for the recovery and transformation of our country even in the face of the turbulence caused by the COVID-19 pandemic. In fact, the pandemic has necessitated the retrofitting and reorganising of our port facilities and we have responded accordingly. We have successfully transformed these facilities into spaces, fit for purpose at this time. Although the tourism industry is seriously challenged at present, we continue to invest in order to support recovery and growth in the Sector. Over the last four (4) months, my Government made major investments and worked diligently to ensure that our RLB International Airport remains a safe space for incoming and outgoing travellers as well as airport staff. We invested a total of \$3.0 million to

retrofit the Arrivals Area and to convert the VIP Lounge into a Medical Screening Room in accordance with the standards established by our COVID-19 Task Force. Work was also done in the Departure Lounge to provide the required spacing necessary to facilitate physical distancing.

21. In the near future, my Government will further strengthen the infrastructure as we focus on economic recovery, building resilience and transforming our country. In this regard, with the assistance of the Caribbean Development Bank (CDB), an assessment was undertaken of the coastal roads in Fortlands, the Irish Town Bay Road and New Guinea. The engineering designs have been completed for works which will include construction of revetments, slope stabilisation and sea defence. Progressing with this work would require a significant outlay of funds in the region of \$52.3 million. We are cognizant of the need to strike a balance between prudent fiscal and debt management, and stimulating the economy to support recovery. Therefore, in 2021, we will seek to negotiate with our development partners in order to identify the most practical financing option, to enable the commencement of work on these critical interventions.
  
22. My Government will also continue to provide concessions to bolster the Construction Sector. These will include the attractive concessionary mortgage financing which will continue to be administered by the Development Bank of St. Kitts and Nevis and the NHC. We will also continue to provide the concessions on building materials to first time homeowners. We anticipate that these measures would encourage economic activity in the Construction Sector. Further, investments in public infrastructure, planned private residential developments such as the Kisola Boutique Hotel, Paradise Suites and Dewars Garden, and continued development at the Royal St. Kitts Hotel are also expected to make significant contributions to the growth prospects for 2021 and beyond.

## Agriculture

23. Food safety and food security are important to every country. Agriculture has the potential to generate real wealth and provide decent jobs for our people. My Government therefore has identified this Sector as a major pillar of our strategy for recovery and transformation. We believe that our investment in this Sector is well placed and we hope to obtain bountiful returns, including enhancing food and nutrition security within our borders. Moreover, through our investment in Agriculture, we anticipate success in meeting the targets advanced by the United Nations for Sustainable Development Goals (SDGs) 2, 3 and 12. These goals are Zero Hunger, Good Health and Well Being, Responsible Consumption and Production respectively.
24. Mr. Speaker, while we have received assurances that the supply of food from our trade partners is stable, we are mindful that we import an estimated 80 percent of the food consumed in St. Kitts and Nevis. The Food and Agriculture Organisation (FAO) June 2020 Food Outlook Report provides reassurance that, "...a COVID-19 induced global food crisis is not on the horizon." Nevertheless, as a net importer of food, our country must be cognisant of the risks associated with this level of reliance on external source markets. Sudden and extreme climatic changes or increases in demand in major economies can reduce our access to food. As a responsible Government, we will continue to monitor and assess this situation and strive to reduce our reliance on suppliers of food outside of the Federation. My Government remains committed to accelerating the pace of transformation in the Agriculture Sector in an effort to improve food and nutrition security within the Federation.
25. While we recognise that the Sector will not be transformed overnight, we are determined to achieve a 25 percent reduction in our food import bill within the next three years. Our efforts would be guided by the National Agriculture Plan of Action which was developed by the Ministry of Agriculture with input from farmers and other key stakeholders. We have decided that priority would be given to the cultivation of crops that would be ready for market within three (3) to five (5) months. Approximately \$6.5 million of the additional \$10.0 million provided to the Sector via the COVID-19 Economic Stimulus Package facilitated the purchase of inputs for land preparation, fencing materials, fertilizers, and other supplies at little or no

cost to farmers. Approximately 25 acres have been cultivated and the vegetables that were reaped were more than adequate to supply our local supermarkets. The fact that our farmers were able to produce these crops in excess of our local consumption, supports the view that there is potential for agro-processing activities and export of certain agriculture produce to neighbouring markets. It is anticipated that produce from these crops would be readily available to be included in our Christmas meals. I encourage everyone to use this opportunity to buy and eat local.

26. As we embark on this journey of transformation of the Agriculture Sector, and increase food and nutrition security, we will ensure that no sub-sector is left behind. The management of our marine resources remains critical to our quest to improve food and nutrition security. We also recognise the contribution of this sub-sector to entrepreneurship and job creation. Government continues to provide extensive support to this valuable sub-sector. We allocated approximately \$3 million through the COVID-19 Stimulus Package to provide support to the fisher folk. This facilitated the purchase of fishing gear and equipment which were instrumental in the resurgence in fish landings. We are also heartened to see that in the midst of the downturn in other sectors, our people seized opportunities in the Fishing sub-sector and recognised it as a viable option for a sustainable livelihood. According to the data produced by the Department of Marine Resources, during the period May to August 2020, some 46 new fishers were registered whereas 26 fishers were registered for the comparative period in 2019. Like the other sub-sectors of Agriculture, we recognize the threats that climate change poses to our marine resources. As a result, the development of aquaculture has remained a priority. This segment of the Fisheries sub-sector is considered a viable means of meeting our nutritional needs while contributing to economic growth and development. My Government will therefore continue to explore opportunities for public-private partnerships with local, regional and international investors to utilise this marine management method to increase our food and commercial products, replenish stocks and assist in the repopulation of species that may be under threat.
27. We are determined to use the necessary available resources to improve food security. We propose to invest some \$15.8 million to support the work of the Ministry of Agriculture. An amount of \$3 million would be dedicated to providing direct support to farmers and fishers to

advance the success and sustainability of this Sector. This will expand on the initial stimulus amount which was initiated as part of the comprehensive package announced in March 2020. This, we hope, would encourage our farmers and fishermen to persevere in their trade and instil confidence in the general public that their local produce is just as good as or even better than what is imported. Together our citizens and residents have demonstrated fortitude as we navigate this period of challenge and change. I was heartened to learn that some of our younger citizens are investing their time and talents in the Agriculture Sector and I applaud them for that. They are doing their part to revitalise the Sector. This will certainly assist with our recovery efforts and support our quest to transform our economy.

## Tourism

28. Mr. Speaker, in our quest to transform the economy we will not ignore any of the productive sectors. For many years, Tourism has been the mainstay of our economy. Notwithstanding the obvious need to further diversify our economy, particularly in light of the impact of the COVID-19 pandemic, we cannot overlook the contributions of the Tourism Sector. Prior to the COVID-19 pandemic, development in the Tourism Sector was on an upward trajectory as evidenced by the outturn of the first quarter of 2020. Air arrivals were trending upward recording a total of 31,073 passengers as at the end of February, an increase of 4.9 percent when compared to the performance in 2019. The Koi Resort Curio Collection by Hilton St. Kitts made its debut in February 2020, increasing our room stock by 102 rooms, adding further the appeal to travellers who continue to make the Federation their destination of choice. This new addition was recognized by *Forbes* as one of the eight (8) of the Most Exciting New Hotels of 2020 and one of the ten (10) Best New Caribbean Resorts in 2020 by *Islands Magazine*. The commissioning of the second cruise pier at Port Zante enabled the Federation to welcome four (4) cruise ships simultaneously on December 16<sup>th</sup>, 2019 with the Celebrity Summit and the Seabourn Odyssey docking at the newly constructed pier while the Britannia and the Anthem of the Seas were moored at the original berthing facility indicating prospects for continued growth in the Cruise Sector. St. Kitts added to its growing list of accolades being named Cruise Destination of the

Year by *Caribbean Journal* in its Caribbean Travel Awards 2020 and had welcomed approximately 600,000 cruise passengers during the period October 2019 to March 2020.

29. The pandemic has, without a doubt, negatively impacted global tourism on an unprecedented scale. The border closures, stay-at-home requirements and No Sail orders for cruise ships that were imposed around the world in response to the COVID-19 pandemic, have had a deleterious effect on our Tourism Sector. In August of this year, the World Tourism Organisation reported that globally 100 to 120 million direct tourism jobs are at risk with US\$910 billion to US\$1.2 trillion expected in losses in regard to exports from tourism. As a result of the suspension of international and regional air and cruise travel, and precautionary border closures locally to contain and prevent the spread of the virus, it is estimated that economic activity within the local Tourism Sector will contract by 35.4 percent in 2020 when compared to a positive growth of 7.9 percent in 2019. The negative impact on our citizens and residents who have ties to the Sector was significant as the closure of hotels and tourism support services resulted in approximately 11.6 percent of our workforce being laid off or severed, while others experienced underemployment due to reduced hours.

30. Mr. Speaker, notwithstanding the challenges, there is hope for recovery. My Government recognises that recovery in the Tourism Sector will not happen suddenly. We recognise that COVID-19 has dramatically changed the global sphere in which we are competing. It is therefore necessary that we transform our product. Our approaches at this time must be altered in order to realise our vision for recovery in this Sector as well as related sectors and the economy as a whole. As a result, my Government along with a wide cross section of stakeholders in the Tourism Sector will continue to carefully plan how we will restructure and re-engineer our tourism product so that we produce the best result for our people. Our proactive and aggressive “All of Society Approach” to managing the first wave of the COVID-19 pandemic, received international recognition from key news outlets such as the British Broadcasting Corporation (BBC), Sky News and Tripoto, which named St. Kitts and Nevis among the few countries in the world to have effectively “beat” the virus. Further, according to the United States Centers for Disease Control and Prevention (CDC), St. Kitts and Nevis has been categorized as Low Risk for travel purposes. This bodes well for us as we open our borders

and welcome tourists who are looking for a place to vacation with minimal risk of contracting the virus. If we are to maintain this rating, it is imperative that we all continue to adhere to the COVID-19 protocols. It is our hope that, with the reopened borders, persons who depend on our Tourism Industry for their main source of income will be able to return to work and have some semblance of normalcy in their lives.

31. The resounding endorsements and the CDC's low risk categorization of St Kitts and Nevis now form part of our marketing strategy as it is those countries which are deemed to pose low health risk that will engender visitor confidence thereby allowing the Federation to be competitive and emerge as a first choice destination when international travel picks up. Mr. Speaker, we have been busy planning and implementing practical strategic actions to ensure that our country is ready to support this critically important Sector of our economy. We applaud the Ministry of Tourism, the St. Kitts Tourism Authority and participating stakeholders for successfully rolling out all three phases of the plan to enable a smooth transition to the 'new normal' within the Sector. The first phase of this plan was implemented from May to July of this year and the next two phases are ongoing and would culminate with phase 3 which would end in April 2021.
  
32. We are particularly pleased with the high level of participation in the mandatory *St. Kitts and Nevis COVID-19 Health and Safety Protocols and Travel Approved* workshops. These comprehensive training sessions were made available by the Government to all tourism stakeholders free of cost. After completing the training, the participating businesses received the 'St. Kitts and Nevis Travel Approved' Certification and Seal if they satisfied the criteria upon inspection. The approval programme was developed by the St. Kitts and Nevis Tourism Authority and the Nevis Tourism Authority in order to clearly identify the establishments and operators within the Sector that meet the minimum health and safety COVID-19 protocols in an effort to assure potential customers that they will be safe when patronizing these businesses. The related fees that would have applied to this endeavour were waived considering the current economic climate and the importance of training. This was done to ensure that there was no impediment to stakeholders' participation and that the plan for eventual recovery of the Sector would be effectively implemented.

33. Mr. Speaker, it is being predicted that world tourism, and more specifically tourism in the Caribbean, would not fully recover until some time in 2023. The reopening of our borders in the last quarter of 2020, although promising, is expected to have only a marginal impact on the Tourism Sector given the continued prevalence of the virus within our major source markets. In 2021 tourism is projected to record a moderate recovery. Given the announcement of the roll out of the COVID-19 vaccines we anticipate further growth in the tourism sector. It is also anticipated that the Yachting Sector will be among the first segments to resume travel, therefore, efforts have been intensified to target all segments of the yachting market through digital and print advertising to promote the Federation as a 'must see' or 'return to' destination. As we look to international air travel, we remain cautiously optimistic as a balance between the health risk and economic recovery must be found. The marketing of our Country as a safe destination will be heavily influenced by this balancing of health risk and economic recovery. My Government recognises the fortitude displayed by those who have been engaged in the Tourism Sector and we commend them for their patience and resilience over the past eight (8) months. Through this Budget, we will continue to deliver initiatives that create the best possible outcomes for our people. **Today, I bring a message of hope to all our citizens and residents, particularly those who have been engaged in the Tourism Sector and who have been most affected by the economic fallout from the pandemic. We improved the tourism product before the pandemic so that livelihoods associated with this Sector would be enhanced, and our citizens and residents prosper. My Government has an excellent track record of providing solutions, and we will effectively utilise resources to transform the tourism product and usher in economic recovery that will improve the quality of life for all citizens and residents. The yachting subsector and health tourism will see substantial activities in the near future as we diversify our tourism product. We will also put more emphasis on long stay visitors because of the higher and more inclusive impact they will have on our economy- creating jobs and many opportunities for income generation by our people.**

## Micro Small and Medium Enterprises

34. Mr. Speaker, I am excited about the future prospects for the development of small business here in the Federation. We continue to strengthen the framework to support the expansion of Micro Small and Medium Enterprises (MSMEs). This is evidenced by the number of new businesses established over the last five years and the recent creation of the new Ministry of Entertainment, Talent Development, Entrepreneurship and Communications. This year alone, we have achieved an historic high of over 800 approvals for business licenses. It is envisaged that this new Ministry would work in tandem with all relevant line Ministries and Departments to fulfil our mandate to build a strong, resilient platform for nurturing entrepreneurship and innovation. Opportunities exist for this new Ministry to develop and expand partnerships with other Government agencies such as the Small Business Development Centre (SBDC), the Ministry of Finance and the Intellectual Property Office (IPO) as well as other entities already operating in the Private Sector. Functional cooperation among these entities would definitely help to ensure the continued development of MSMEs which have a pivotal role to play in our outlook for recovery and transformation.

35. Mr. Speaker, we are also excited by the exuberant reception we have received in terms of the mandate given to the new Ministry. This is the main arm of the Government that is charged with responsibility to transform the entertainment, creative and innovative industries through entrepreneurship and economic value creation here in our Federation. We are a forward looking and forward thinking Administration. We recognised the extensive possibilities of building the enabling environment for our talented young people to deepen their creativity to produce innovative content, products and services. The rich nexus of twinning the unique creative and innovative talents of our people with the income generating potential of entrepreneurship is encouraging. It holds great possibilities to create new sources of employment, wealth and sustainable economic activity. We are equally pleased that this concept has been taken on-board by private citizens who share our vision. Generally, participants in the creative and innovative industries are wide and varied in terms of the areas of interests which range from photographers and videographers, literary and performing arts, to application and website developers, robotics innovators, and content creators and managers, to

makeup artistes and nail technicians. I commend the work of the recently established Professional Association for Creativity and Entertainment (PACE) and the Robotics Association in helping to organise the persons operating in the Sector to form non-governmental organisations. These types of organisations are not only useful in terms of advocacy on behalf of their members but by their collective ability to create added value from joint actions.

36. We are off to a good start, formalizing the operations of the new Ministry. This new Ministry will be aptly supported by our Small Business Development Centre (SBDC). We are pleased with the technical support that our SBDC has provided to MSMEs and entrepreneurs. Our SBDC has demonstrated resilience, resourcefulness, and strong commitment to MSMEs in the face of the challenges presented by the pandemic. The SBDC utilized its collaboration with regional and international partners to make webinars on pertinent issues accessible to local entrepreneurs. The SBDC will continue to provide assistance and training to prospective entrepreneurs – especially in preparing Business plans. We are excited about the synergy that will be realized between the Ministry of Entertainment, Entrepreneurship and Talent Development and our Small Business Development Centre. We are confident that this synergy will advance entrepreneurship and improve the quality of life of our citizens and residents.

37. The work of the Intellectual Property Office would also play a critical role in the new Ministry's ability to add value to the creative industries. Close collaboration between these two entities would be necessary as the Office plays a vital role in providing the necessary legal protection for creative work while at the same time helping to improve the ease of doing business for emerging small entrepreneurs. The Intellectual Property Office continues to receive the support of international partners such as the World Intellectual Property Organization and the European Intellectual Property Organization to advance its work in areas such as the review of existing patent and trademark legislation. We are exploring the possibility of introducing new legislation related to Geographical Indications which would provide protection for marks, signs and symbols that indicate which associated goods originate from a specific geographical area or country. Another area for consideration under our legislative agenda for 2021 is an Industrial Designs Bill which would provide protection for the design features of finished articles or products. Through partnership with these international partners, the Intellectual Property Office

is currently participating in regional initiatives that will examine the legal and practical frameworks used in CARICOM to generate royalties for musicians and other artistes, and the viability of a single patent office to serve the member countries of the OECS.

38. Mr. Speaker, there is definitely room to explore our creativity and innovation in almost all spheres of business endeavour. Several businesses are already taking advantage of the opportunities created during the pandemic to advance their individual businesses. The Ministry of Tourism has taken the lead via its '*Faces of Tourism*' platform to facilitate the sharing of strategies for re-inventing and diversifying the products and services offered by small businesses to more readily appeal to the local consumer. I am happy to learn that some of our entrepreneurs have been demonstrating fortitude, practicality and resourcefulness by adopting new business models to meet consumer demand for items that were in short supply or reorienting their marketing strategy and pricing schedule to remain attractive within the local COVID-19 environment. I use this opportunity to commend the producers of Hibiscus Rum for reengineering their business process to produce hand sanitizers. Commendations are also due to our water sports operators who adjusted their marketing strategies to target more local business and our own local designers who brought a unique St. Kitts and Nevis perspective to the creation of face masks. These entrepreneurs saw an opportunity and were brave enough to seize it. The cooperative energies of all key stakeholders would help to strengthen our efforts to support existing entrepreneurs, develop new areas of activity and improve the overall environment for business to flourish here in St. Kitts and Nevis. Our commitment to small businesses is also demonstrated in the tangible financial support provided via our stimulus package where small businesses benefited from tax breaks and access to low cost financing via the Development Bank. To further incentivize the entrepreneurial spirit, my Government will in 2021 make a special tranche of \$5 million available to them at concessionary interest rates through the Development Bank of St. Kitts and Nevis.

## Information and Communications Technology (ICT)

39. Mr. Speaker, Information and Communications Technology will continue to be a key pillar in the recovery and transformation process. Not surprisingly, our vision for transitioning to a digital economy remains a high priority for my Team Unity Administration. During last year's budget presentation in this Honourable House, I shared with you my Government's vision to become a world leader in the delivery of digital services to our citizens, residents and investors. We are therefore utilising our comprehensive Digital Government Strategy to guide the rollout of the digital transformation process in the Public Sector. Earlier this year, we initiated and concluded the foundational work necessary to assist with the selection of an appropriate online payment system for the Government. We are now at the selection stage and would be in a position to implement the online payment system throughout the whole of Government service by the first half of 2021. Therefore, during 2021, clients doing business with the Government will have increased payment options. This will lead to savings in time taken to complete transactions and an improvement in the overall efficiency. It will also bring us closer to the ECCU's goal of a cash society.
40. During the course of this year, the Department of Technology continued the expansion of the Government Wide Area Network (GWAN) to include connectivity to fourteen (14) additional Ministries and Departments. This expansion will provide the secure ICT infrastructure for more reliable network connectivity. It will also facilitate the deployment of Voice Over Internet Protocol telephone services and the delivery of broadband internet and digital services across the operations of the Government. As we integrate more of our operations via the internet, cybersecurity remains of paramount importance. To ensure that the overall cybersecurity posture of the Public Sector is improved, the IT Department has been engaging in discussions to develop a Cybersecurity Framework that will facilitate cyber resilience and allow for real-time threat assessment. We would also develop an action plan for mitigating risks of breaches that could compromise our critical IT infrastructure and services. This work along with the development of a strategy to guide the digital transformation across Government operations would be tackled in earnest in the coming months.

41. Mr. Speaker, many of the ICT initiatives highlighted today commenced prior to the onset of the COVID-19 pandemic. The impact of COVID has led to an increase in demand for the use of digital services to maintain social and physical distancing and enhance business processes within the Public and Private Sectors. As a result, there has been an increase in the use of online collaborative tools for virtual meetings as an alternative to physical engagement. As part of my Government's response to the pandemic, the Department of Technology launched the [covid19.gov.kn](https://covid19.gov.kn) website on April 1<sup>st</sup> to support the Ministry of Health in the delivery of public education about the virus. It also provided a database to facilitate real-time situation reports and statistics on the pandemic from a local context. In addition, a National Emergency Management System was implemented in August of this year to manage the repatriation process of nationals and residents and the mandatory quarantine process in the designated Government facilities thereby enhancing the efficiency of the Federation's COVID-19 response.

42. As part of our e-Government agenda in 2021, particular attention will be paid to enhancing our broadband infrastructure, strengthening cybersecurity and equipping our Civil Servants with relevant digital skills. The successful implementation of digital processes and procedures in the Public Sector will require a focus on people, process and technology transformation. To this end, my Government is committed to empowering the Public Service through the delivery of training sessions aimed at developing digital skills and competencies in the fundamentals of computer systems. This will include the use of Microsoft Office 365 productivity tools including collaborative software and video conferencing such as Microsoft Teams and Zoom, business process re-engineering, and agile thinking to improve operations and productivity. Our investment in developing our Public Servants is aimed at improving the efficiency and effectiveness within the Public Service. Mr Speaker, my Government welcomes the progressive involvement of the private sector in the build-out of our E-society platform. I must commend The Cable's innovation and outreach in the world of E-platforms. Our society at large stands to benefit from The Cable's plans for 2021 including:

- Provision of free Wi Fi Hotspots in **ALL** Community Centres in St. Kitts.

- Offer up to 200 specially developed High Speed Internet Packages to approved entrepreneurs by the new Ministry of Entrepreneurship and Communications. These packages will have internet speeds of 160 megabits per second download and 35 megabits per second upload.
- Commence the deployment of a multi-million dollar Fibre to the Home network upgrade which would result in High-Speed Internet to all households in St. Kitts.

If COVID-19 has taught us anything, it is that we have to innovate at every level and the Government is pleased to support ‘The-all-of-society’ approach to Digitalization. We encourage other major service providers to aggressively match The Cable’s endeavours.

## **Citizenship By Investment Programme**

43. The Citizenship by Investment (CBI) Programme continues to make a real difference in the lives of our citizens and residents. The CBI Programme continued to be one of the major contributors to the economy in 2020. We expect that this level of contribution would be sustained in 2021. Despite some setbacks related to the pandemic, the volume of applications for the year so far has improved. Applications have come from all over the world including the USA, Asia, the Middle East, Europe and Africa. We have become the preferred choice of the discerning investor owing to our high quality of life index, the strength of our passport and the recognition of the St. Kitts and Nevis’ CBI Programme as the Platinum Brand. Our CBI Programme continues to be ranked as one of the best in the industry. The latest Henley and Partners’ Passport Index ranked St. Kitts and Nevis number 1 in the OECS and number 2 in the Caribbean, with visa free access to a total of 156 countries. St Kitts and Nevis also performed well in the 2020 Financial Times CBI Index, again with a perfect score of 10 for Due Diligence, Timeline, Ease of Process, Product Certainty and Mandatory Travel Requirements. The Government continues to ensure that the integrity of the Programme is maintained with a robust due diligence process and changes in legislation. Continued amendments to the Escrow Bill will ensure that clients’ funds are received and ultimately used for construction of relevant projects. This will further enhance the integrity of our real estate market.

44. We expect sales to commence on the New ERA and Seaview Gardens projects. Existing developments, such as Bush Hill Estate in Nevis, Caribbean Dreams Investment Limited, The Galaxy Group and Golden Rock Development will continue to contribute to the economy. With the increases in sales related to land based development projects, we expect construction activity to pick up pace and thereby increase the contribution of the CBI Programme to the achievement of positive GDP growth in 2021.
45. Mr. Speaker, our CBI Programme continues to be a leader in innovation in the international market place. Very recently, my Government took the decision to expand the reach of the Programme by providing the opportunity for private homes to be sold under the CBI Programme. This initiative would create opportunities for our real estate agents, while giving citizens and residents of St. Kitts and Nevis the opportunity to participate in the Programme if their homes meet the value threshold and other appropriate standards. This would also help to create jobs in construction and the maintenance of homes. Our Cabinet has also introduced an Alternative Investment Option to be used for privately supported projects which are in sync with Government initiatives.
46. Mr. Speaker, the CBI Programme is a highly competitive one. We have to maintain our Platinum status and utilize it as an instrument to facilitate economic growth and expand the fiscal and economic space of our country. This programme is a provider of foreign exchange and we can leverage the incredible talented pool of our diasporic community to help meet any skills gaps in our country. Additionally, it can bring new ideas and networks to advance the development thrust that we have determined. In 2021, we will be more deliberate in the following:
- a) Target marketing of the CBI programme in existing and new markets
  - b) Encourage economic citizens to live, work and invest further in St. Kitts and Nevis
  - c) Implement new options/innovations to the Programme such as the inclusion of the Alternative Investment option.

The Alternative Investment option will provide a mechanism to support key priority areas such as financing programmes for youth development, build out of our digital economy, upgrade of our technical and technological skill sets, meeting the huge demand for homes at the lower, middle and high end of the income ladder. We will be alert to reforms and developments in the international market place which may threaten our Platinum Brand. In this regard, we will procure services of intelligence gathering experts and persons of influence who can intervene in the critical market places and capitals so as to promote and/or defend our CBI Programme. We will be more agile in our legislative support for a stronger CBI Programme.

# SUSTAINING OUR FORTITUDE AND CHARTING A PATHWAY FOR RECOVERY AND TRANSFORMATION

## SOCIAL DEVELOPMENT

### Social Services

47. Mr. Speaker, COVID-19 has brought fundamental changes to the way in which we manage our lives and operate as a community. My caring Government has strengthened and expanded a number of our social safety net programmes to lend the ‘hand up’ required by struggling families during this very difficult period. As part of our comprehensive, multi-sector stimulus package, our Poverty Alleviation Programme (PAP) was provided with additional resources to support our citizens and residents who had been significantly impacted by reduced hours of work or were displaced. The Ministry of Sustainable Development reported that the number of PAP recipients peaked in May 2020 with 4,873 households benefiting, of which 940 were added solely as a result of the economic fallout caused by COVID-19. According to the IMF World Economic Outlook for October of this year, research has determined that women are among those who have been disproportionately affected by the pandemic. This also was evident in our local context as 597 females accessed the COVID-19 relief through the PAP compared to 336 males.

48. My Administration recognises the importance of PAP initiative and the need to ensure that it remains sustainable for the benefit of those citizens who require this essential support. I am pleased to indicate that this is a hallmark feature of the 2021 Estimates and we propose that the sum of \$27.8 million be allocated to continue to assist our people who are in need. In 2021, we will take proactive steps to review the procedures for accessing the Programme. This review would be taken with a view to ensuring sustainability and making the necessary enhancements to improve the impact of the Programme on the lives of the most vulnerable families living in our communities. The focus of my Government on continuous improvement within the social

protection system will allow the PAP to solidify its place as a model in social protection intervention within the Caribbean region.

49. Mr. Speaker, our efforts to build a stronger, safer future for our citizens and residents cannot be undertaken without access to current and accurate data. To this end, we remain committed to advancing the implementation of the 2021 Population and Housing Census. This undertaking will facilitate evidenced-based policymaking as we endeavour to provide access to essential services and basic infrastructure. Therefore, I use this opportunity to announce that September 16<sup>th</sup> is designated as Census Day 2021. Enumerators will be collecting data such as the place of residence of all citizens and residents. This information will determine the official record of the population distribution and other socio-economic data across the Federation. This information would be relied upon to indicate in real terms what additional investments may be required to meet the needs of the various communities. I encourage all to cooperate with the enumerators in this undertaking which undoubtedly will redound to the benefit of us all.

## **Skills Development and Human Capital Expansion**

50. My Government salutes our education administrators, teachers, students, parents and caregivers who all made sacrifices to ensure that our Nation's children stayed safe and engaged. This critical process was guided by the Ministry of Education's COVID-19 Response Plan. In order to support self-paced online learning, FLOW Study was selected as the main digital platform to engage students virtually. All public school students in the Federation were assigned a Ministry of Education managed e-mail address to allow access to the platform free of cost. We have never shirked from our commitment to provide a quality education that is affordable and accessible to all.

51. With assistance from the Universal Service Fund, the Ministry of Education was able to secure 400 laptops and 1800 tablets as we sought to ensure that no child was left behind during this challenging period. The laptops were made available to our teachers to facilitate virtual

instruction. Similarly, the Ministry of Education prioritised high school students for the distribution of the tablets, with special attention paid to students at the 5<sup>th</sup> Form level. In April of this year, more than \$1.5 million was invested in the procurement of devices and to ensure general readiness for virtual learning. This will enable the achievement of goals outlined in the Education Sector Strategy 2017-2021 which include the uniform integration of technology in every class, the provision of time for teacher learning and collaboration, and the use of technology regularly by students for online collaboration and cooperative learning.

52. My Government remains committed to the advancement of Technical and Vocational Education and Training (TVET) as it provides the basis from which entrepreneurial skills and career development can be fostered. Indeed, the Ministry of Education has continued to advance the implementation of the TVET Enhancement Project. In August of this year the much anticipated ground breaking for the new wing at the Gingerland Secondary School was held. It is projected that the civil works at this institution will be completed by the third quarter of 2021. During the month of August, work also commenced on the construction of TVET spaces at our five (5) secondary schools on St. Kitts. It is anticipated that all works across these institutions will be completed by the first quarter of 2021. The civil works required at the Advanced Vocational Education Centre (AVEC) and the Charlestown Secondary School will be pursued during 2021. As a result of the imposition of COVID-19 protocols, capacity building sessions had to be postponed. Steps are being taken to advance these activities in 2021. These include the certification of twenty (20) teachers in assessment verification, the training of all Principals and Deputy Principals in TVET leadership. Additionally, the Master Instructor Training at Caribbean Vocational Qualification (CVQ) Level IV is being offered to ten (10) teachers who are engaged in Training and Development. The completion of the verifier training will allow the TVET Council to complete the application, self-evaluation and other pertinent requirements for the TVET quality control and assurance process in order to become a certified CVQ Awarding Body. This would be a historic milestone, and a real accolade to our leadership in purveying quality education in the region.

53. Mr. Speaker, during 2021, the Ministry of Education will advance the implementation of the 2017-2021 Education Sector Plan and try to make up lost ground as a result of the pandemic. The Ministry will continue its efforts to improve the quality and relevance of teaching and learning across the education system. In support of the work anticipated in 2021, it is being proposed that the Ministry of Education would be provided with \$75.2 million in the upcoming fiscal year for carrying out its Recurrent programmes and activities and a Capital Expenditure Budget of \$28.8 million. These resources would assist the Ministry to continue to build the resilience and support systems necessary to improve on the delivery of quality education which will surely help to underpin the recovery and transformation process over the medium term. Given our small population, we need to enhance the quality and excellence of the performance of our people if we are to remain resilient and strong in the face of phenomenal changes taking place around the world and the marginalisation of Small Island Developing States. My Government will continue to support the participation of our citizens in tertiary education enabling them to be better contributors to our society. For 2020 so far, we have expended close to \$10 million to assist our students at UWI, UVI, Monroe College, Cuba and elsewhere in their pursuance of studies. This high level of support will continue in 2021.

54. Mr. Speaker, you are aware that this Government has invested heavily in the development of ICT and its use in the facilitation of some aspects of the Government's delivery of service to the people. This is a worthwhile investment but it would be equally beneficial for the Government to invest in the training and reorientation of the officers of the Public Service to improve their interpersonal and customer service skills to serve the general public with greater courtesy, efficiency and professionalism. The Team Unity Government is committed to putting in place a new paradigm in which all public officers will be given periodic evaluation of their performance on the job, will be required to adhere to the Code of Conduct and the other relevant rules of engagement which are in force to guide their performance. This is in the best interest of the development of the human resource of the Federation. As a result the Government has started work on conceptualization of policies, some already set out above, and to initiate a system of reward and pay for performance for Public Service officers.

## Health Care

55. Mr. Speaker, our health care system has not faced a threat of the magnitude of the COVID-19 pandemic within the lifetime of most persons here today. We appreciate the superb efforts of the Ministry of Health in coordinating the response to the COVID-19 pandemic. The World Health Organisation declared the Corona virus outbreak as a global pandemic on March 11<sup>th</sup> 2020. However, the Ministry of Health, began serious advance preparations for the virus in January 2020. By the time the WHO declared the pandemic we were able to swiftly put our plans into action with the activation of the Health Emergency Operations Centre (HEOC) and the COVID-19 Task Force. This swift and decisive action has elevated St. Kitts and Nevis as a model Nation in the ongoing fight to prevent, contain and manage the COVID-19 pandemic. We are encouraged by and commend the healthcare professionals who have risen to the task of tackling the myriad issues that are associated with the pandemic.
56. In keeping with the motto of the Ministry of Health, ‘People First, Quality Always’, my Government took proactive steps to ensure that specialized care would be available so that the health system could effectively respond to the threat of the pandemic. Through the valuable support from the Government of Cuba, we welcomed thirty-four (34) health specialists from the Cuban Health Brigade of which twenty-eight (28) were deployed on St. Kitts and six (6) on Nevis. These medical specialists have expertise in intensive, critical and pulmonary care and have been mobilized to support our healthcare delivery at the main hospital and community based health centres. I use this opportunity to extend our gratitude to the Government and people of Cuba for providing us with the requisite expertise while we work together as regional partners to preserve the health of our people. The Republic of China (Taiwan) has been a solid source of support throughout this pandemic and I wish to place on record our gratitude to the Government and people of Taiwan for their generosity.
57. Mr. Speaker, the resilience of the health system has been evident over the last eight months and has been facilitated by the hands-on efforts of our medical professionals. Our health system remained strong because it is well supported with adequate financial resources and guided by a robust National Pandemic Virus and Infection Preparedness and Response Plan. As a result of the implementation of this Plan and the extensive collaborative and dedicated efforts of all

stakeholders, St. Kitts and Nevis has been successful in keeping the number of confirmed cases at a relatively low level.

58. Mr. Speaker, we have invested heavily in the Health Sector over the past five years with a special extra budgetary provision in 2020. In addition to the \$62 million allocated in the 2020 Estimates, we have expended an additional \$12.4 million dollars to facilitate the purchase of medical equipment, supplies and vehicles in order to improve the safety of our medical personnel and fortify the COVID-19 health response system. Mr. Speaker, crisis has a way of bringing out the best in our fellowmen. The outpouring of prayers, goodwill and various forms of tangible support was sufficient to convince us that the Government is not alone in this fight. Several members of the community, whether in their personal capacities or as representatives of businesses and Non-governmental Organisations, placed 'Country Above Self' and donated towards the national effort to contain and prevent the spread of COVID-19.
59. Mr. Speaker, we are now aware of the promising news of the approval of a number of vaccines to curtail the spread of the Corona virus. We have been proactive in ensuring that St. Kitts and Nevis is not left behind. We have not only joined the internationally sponsored COVAX Facility but, with the support of our strategic partners in health we have paid the necessary fees to secure access to vaccines. Our early payment into the COVAX Facility will therefore secure our access to safe and effective COVID-19 vaccines. It is expected that the Caribbean region would see the first delivery on or before the second quarter of next year. I use this opportunity to thank PAHO for its continued support in the improvement and protection of the health of the people, not only in St. Kitts and Nevis, but throughout the region. Commendations are also extended to CARPHA, WHO and the European Union for collaborative efforts to ensure equitable access to a safe and affordable vaccine.
60. Mr. Speaker, my Government understands that the maintenance of good health within the population and the control of the virus are inextricably linked. Therefore, the Ministry of Health continues to advance the objectives outlined in the National Strategic Plan for Health (2017-2022). We propose a budget of \$65.9 million to support the Ministry of Health achieving its objectives in 2021.

61. The provision of high quality, modern medical services cannot be effectively achieved without the supporting infrastructure. In this regard, I am pleased to report that in June of this year, our people were able to witness the commissioning of the Sylvia Garnette Primary Health Care Facility. This brand new health care facility serves the community of Tabernacle and the surrounding communities. This facility provides access to a number of primary health care services including antenatal and postnatal services, family planning, diabetes and hypertension management, district medical officer consultations and HIV/AIDS prevention counselling. My Government has continued its commitment to the expansion and modernisation of our primary health infrastructure and related services. This is evident by the ongoing infrastructure projects. We are particularly pleased with the start of construction of the St. Peter's Health Centre signified by a ground breaking in September 2020. Today in this Honourable House, I commit to the people of St. Peter's that by this time next year they would have access to a new and improved health care facility.

## **Public Safety and Security**

62. Mr. Speaker, let me use this opportunity to first thank the different agencies with responsibility for our safety and security for their invaluable contribution to the national effort to control and prevent the spread of the COVID-19 virus. Let us together commend the efforts of the National Disaster Coordinator and his staff within the National Emergency Management Agency (NEMA), the Commissioner of Police and all the ranks of the Royal St. Christopher and Nevis Police Force, the Commander and soldiers of the St. Kitts and Nevis Defence Force, the management and staff of the Customs and Excise Department and the Chief Immigration Officer and her staff. Notwithstanding the efforts placed in the fight against the COVID-19 pandemic, my Government's priorities in regard to safety and security have remained consistent with a focus on the integration of modern processes, procedures and technologies as we invest in training, and equipment, and implement social intervention programmes in order to pursue our plans for economic recovery and transformation of our country.

63. Despite the challenges posed by COVID-19, the Ministry of National Security has remained focused on the achievement of its mission, which in summary, is “to implement strategies and provide resources to improve the National Security Architecture, human capital and resources in order to ensure that the Federation of Saint Christopher and Nevis continues to be a safe place to live, work, do business and to visit.” Major capital investment continued to be advanced as part of the re-prioritised capital expenditure portfolio. I am pleased to report that as a result of the concerted effort of my Government, the construction of a state-of-the art Police Station which will serve the town of Sandy Point and its surrounding environs, is expected to be completed during the first half of 2021. This facility is located in Highpoint Commercial Development and is expected to fulfil its role as a multipurpose complex. It will provide accommodation for the Royal St. Christopher and Nevis Police Force, the St. Kitts and Nevis Fire and Rescue Services, the Customs and Excise Department and a Magistrate Court. My Administration remains committed to ensuring that the safety and security infrastructure on the island of Nevis is modernized. We hope this and other interventions will translate into a high level of morale and a resultant improvement in quality service to the various communities. Substantial resources were provided for the construction of the Newcastle Police Station which was commissioned on December 3<sup>rd</sup> of this year. This facility also provides accommodation for the St. Kitts and Nevis Fire and Rescue Services as we continue our efforts to create multipurpose outposts. We will provide a new Fire Tender for the New Castle Fire Hall and repair and renovate all police stations in our Federation starting with the Charlestown Police Station.

64. Mr. Speaker, in order to enhance our crime detection capacity, my Government has made considerable investment in technology to ensure that our Security Forces remain ahead of the efforts of those who attempt to run afoul of the law. The continued build out of our forensic science capabilities is important. In 2020, we continued to provide the Forensic Laboratory with much needed materials and equipment to scale up its operations inclusive of ballistics testing equipment, sonar equipment, infrared cameras, metal detectors and personal protective equipment. These items will assist personnel in the processing of crime scenes and follow-up testing procedures. In March of this year, the Regional Security System donated materials and

equipment for personal protection, evidence collection and preservation. In 2021, we will procure a specialized Forensic Vehicle. This will allow the Department to securely transport the sensitive forensic equipment and evidence collected, as well as improve access to remote crime scenes. This will further enhance the integrity of the investigative process. Moving forward, the Forensics Department will pursue opportunities for specialization and international accreditation of its staff. We aim to achieve accreditation for the provision of professional forensic services to the wider OECS.

65. The deployment of the Closed Circuit Television (CCTV) Surveillance System across the Federation has proven to be an essential tool in deterring criminal activity. Having completed the installation of over 300 cameras within the Basseterre area in 2018, we embarked on the installation of additional cameras in the rural areas of St. Kitts which total over 400 as at September 2020. Due to COVID related setbacks, the work is not complete, however, we expect this phase of the initiative on St. Kitts to be completed during the first quarter of next year. During 2021, the CCTV initiative will be scaled up on the island of Nevis facilitating the installation of 380 cameras to further enhance the safety of our people. We will also continue the rollout of our E-911 project with Motorola having recently signed a supplementary agreement with Digicel which is designed to enhance the interoperability of the hand-held radios and improve the ability of our Security Forces to gather intelligence, manage response activities and improve efficiency in the performance of essential functions.
66. Despite the challenges posed by COVID-19, training of the Security Forces has continued in collaboration with regional and international agencies, primarily using virtual learning platforms, in critical areas such as Cyber Crime, Firearms Policy and Domestic Violence. Our Forensics staff has received refresher training to continue skills improvement in evidence collection and handling. Additionally, staff within the Immigration Department has benefitted from training in the new protocols for the processing of travellers in context of the pandemic.
67. Mr. Speaker, I am extremely proud of my Government's achievement in the reduction of major crimes in the Federation, particularly gang-related homicides which plagued the Federation for so many years. Statistics show a reduction in all reported major crimes for 2020 compared to 2019, with the single exception of malicious damage. Overall, major crimes in our Federation

have fallen for a third successive year. On this occasion, major crimes fell by 22 percent. The gang intervention programme popularised as the “Peace Initiative” continues to derive benefits for both the young men who are desirous of charting a new course in life and the wider community. Through this initiative, our young men have been provided assistance to start their own entrepreneurial ventures or have been directed to employment opportunities. I use this opportunity to applaud the Police Force, the National Security Advisor, and the community-minded individuals who have been directly involved in the design and rollout of this Programme. More importantly, I want to acknowledge and commend the young men and their families, who have made this life changing decision, for without their commitment, this initiative would not have borne fruit. We are hopeful that the next generation would better cope with feelings of isolation, disaffection and hopelessness. As part of our Community Policing thrust, my Government continues to give strong support for the continued build out and programming of the Explorers Youth Clubs. It is now accepted wisdom that early intervention is key in diverting young people from criminal activity. In addition, regional and international institutions and organizations such as the OECS Commission, through its Juvenile Justice Reform Project, the Centre for Crime and Community Resilience at Northeastern University in Boston, and Georgetown University in Washington, D.C. have expressed strong support and willingness to partner with the leadership of the Explorers Clubs. Such partnerships provide valuable assistance with the development of Community Policing interventions through the Explorers Clubs Model as a diversion programme and to design a proper evaluation framework. I thank the Private Sector partners such as Ross University of Veterinary Medicine, Sun Island Clothes, Windsor University and Karron’s Fabrics for their continued support to the Explorers Clubs and encourage other citizens and residents to join this important undertaking. The support from the clergy for our crime fighting strategies has been most welcome and constructive.

68. The Ministry of National Security will continue to play its vital role of securing a safer, stronger, future for the Federation. The work of this Ministry has been invaluable in fortifying our Nation’s response to the threat of criminal activity and the very real threat of the Corona virus pandemic. The men and women who serve in the various Departments of this Ministry have demonstrated their commitment to the job and have kept us safe. The Government therefore will continue to support the Security Forces, NEMA and the Drug Council. In 2021, it is

proposed that \$63.5 million be allocated for Recurrent expenditure. This represents an increase of 5.0 percent over the 2020 allocation. In addition to the allocation for Recurrent programmes, the proposed 2021 allocation for Capital Expenditure is \$23.7 million. This Budget includes funding to continue training of officers and the upgrade of our security infrastructure. Resources would also be earmarked to assist the Ministry to continue to play its role in the National response to the COVID-19 pandemic.

## **CROSS-CUTTING ISSUES FOR SUSTAINING GROWTH AND TRANSFORMATION**

### **Energy and Water**

69. Mr. Speaker, we are committed to the vision of our National Energy Policy and the Sustainable Development Goal which are congruent with the overarching goal of the provision of sustainable, renewable, clean and affordable energy. We have remained focused on increasing low carbon sources of energy in the Federation. In 2020, we continued the execution of the CDB financed Street and Flood Lighting Retrofitting Project. It is my pleasure to report today that, despite the impact of the COVID-19 pandemic, we have successfully replaced all High Pressure Sodium, Mercury Vapour and Metal Halide street lights on both St. Kitts and Nevis with energy efficient LED lamps. The second phase of this Project would be implemented in 2021 with the installation of 713 LED flood lights at sporting facilities on both islands. It is anticipated that when this Project is completed, energy consumption by the Federal Government and the NIA would decline by approximately 30 percent.

70. In our continued efforts to build resilience in our power supply and transformation of the Energy Sector, SKELEC finalised a Power Purchase Agreement with Leclanché SA in September of this year. This is another decisive step in our efforts to build out a green economy and simultaneously reduce our carbon footprints. Erecting a 35.6 megawatt (MW) solar plant and

44.2 megawatt hour (MWh) battery storage facility in the Royal Basseterre Valley National Park is the first giant step on this journey. Some of the benefits of this new initiative are as follows:

- A US\$70 million investment project within the island of St. Kitts with no capital outlay for the Federal Government or SKELEC
- An expectant \$30 million to be spent on local materials and services
- Upwards of 200 jobs in construction and related areas

71. As steps are taken to facilitate more sustainable sources of energy, we are cognisant that this cannot be achieved without a more resilient infrastructure network. In this regard, SKELEC will commence the underground installation of power lines in 2021 in three (3) phases. Phase I of the initiative is scheduled to begin in the first quarter of 2021 and will include work on the Bayfords Feeder. The placement of power lines underground will lower transmission losses and maintenance costs, reduce electric field emissions and decrease the system's susceptibility to the impacts of severe weather events.

72. Mr. Speaker, SKELEC has used the crisis of COVID-19 as an opportunity to enhance and transform its service delivery. The launch of an Interactive Voice Response System in July of this year allows its customers to receive real time updates about outages and restoration times. The new customer service support portal also provides an additional avenue for customers to inquire about bill balances, make payments, report faults and update contact details via telephone 24 hours each day, 7 days per week. I would like to commend SKELEC for continuing its efforts to transform its business processes for the benefit of customers.

73. Mr. Speaker, the impact of climate change evidenced by extended dry periods has made the availability of water a critical issue in the advancement of our development agenda. We recognise that the lack of access to water poses a real threat to productivity in economic sectors and undermines the attainment of good health and sanitation within our communities. The

advent of the COVID-19 pandemic has further highlighted the importance of a reliable supply of water as we implement the required measures and protocols which emphasise a heightened level of sanitization. My Government is aware that water supply has been unreliable for an extended period in some communities such as Cayon, Lodge and Ottleys. As a result, my Government is undertaking negotiations with Bedrock Exploration and Development (BEAD) to commence drilling in a number of well sites in the Cayon area. The goal of the exploratory work is to produce an additional 500,000 gallons of water per day for use by the residents of Cayon. In addition, efforts will be made to produce another 500,000 gallons per day from a source discovered in the Shadwell area. In order, to facilitate this process the Water Services Department will collaborate with technical expertise from BEAD to undertake the relevant water quality testing to ensure whether it is safe for human consumption. In support of these efforts to identify and add new sources of water into the distribution system, the Water Services Department will continue to undertake upgrades to its infrastructure in order to reduce the level of water loss.

74. To further strengthen the Water Sector, we commenced a pilot initiative in October 2019 with the installation of fifty (50) smart meters in several locations on Port Zante. This allowed the Water Services Department to collect data via radio frequency thereby reducing the level of manpower required. This method of data collection has served the Department well in the context of the COVID environment. Having completed the pilot phase in September of this year, the Department will explore the possibility for the implementation of a larger project to install additional smart meters in residential areas around the island. In addition, the Department will implement a Telemetry System in order to manage water losses thereby achieving long term savings. The System will eliminate manual data collection and allow for safe and reliable access to water data to help inform decision making. Similarly, an Automated Water Chlorination System will also be implemented in order to measure water levels and distribute the requisite amount of chorine needed to ensure consistency in quality and safety of the water supply. These are important developments as we advance the stronger, safer future and continue our hard work to deliver and enhance quality of life for all people.

## Financial Services

75. Mr. Speaker, notwithstanding the challenges posed by the impact of the COVID-19 pandemic, the commercial banking sector remains stable and liquid. As at December 2019, the assets held by commercial banks totalled \$6.8 billion. Deposits rose by 1.1 percent to \$4.6 billion. During 2019, total loans and advances increased by 3.4 percent to \$1.9 billion with the personal loans category accounting for the most significant proportion in the region of 50 percent. In general, the trend in growth of the Financial Services Sector is noteworthy as the Sector recorded positive outturn during the period January to September of this year and a marginal decline of 0.8 percent is anticipated by the end of 2020.
76. Mr. Speaker, in the 2020 Budget Address, I informed this Honourable House of the preparations for the Fourth Round of Mutual Evaluation of St. Kitts and Nevis by the Caribbean Financial Action Task Force (CFATF). While this process began in 2019, the on-site visit by the Assessment Team was scheduled for the first quarter of this year. As a result of the impact of the COVID-19 pandemic, however, this exercise has been postponed until the first quarter of 2021. Notwithstanding this postponement, our technical team has continued working towards our jurisdiction attaining full compliance with international standards, and advancing the fight against financial crimes. This work has been spearheaded by the National Anti-Money Laundering Committee which is chaired by the Honourable Attorney General. We formalized these arrangements in January through the passage of the Anti-Money Laundering National Committee Act, 2020.
77. In January 2020, the Government also published its first National Risk Assessment Report which highlights the various money laundering and terrorist financing threats and vulnerabilities specific to the Financial Services Sector and the Federation as a whole. This risk assessment has been ongoing and has revealed that in a number of areas our jurisdiction is demonstrating a high level of commitment to implement the required standards to combat money laundering and terrorist financing and to strengthen the regulatory and supervisory

regimes in our Federation. Throughout this year, several pieces of legislation have been presented to this Honourable House and have been passed into law as we continue our efforts to meet the requirements of the Financial Action Task Force (FATF) recommendations. More specifically, the Virtual Asset Act that was passed earlier this year now allows St. Kitts and Nevis to remain globally relevant in terms of our efforts to transform the national economic landscape. In fact, we are not only in a better position to fulfil the FATF requirements but have also placed our country in a position to more readily adapt to the rapid changes in the international world of finance.

78. In addition, the Anti-Proliferation Financing of Weapons of Mass Destruction Act was passed to prevent, disrupt and criminalise the financing of the proliferation of weapons of mass destruction. The Proceeds of Crime and Asset Recovery Act has been enacted to provide for the detection, investigation and prosecution of money laundering, and to provide for the forfeiture or confiscation of the proceeds of crime and for treating with persons who benefit from criminal conduct. The Miscellaneous Amendments (Financial Action Task Force) Act was also passed providing for various amendments to facilitate the comprehensive implementation of measures to boost national security, strengthen investigative techniques and to foster greater coherence within the Financial Services Sector. **These legislative enactments indicate the highest level of commitment by my Government to eradicate illicit activities and financial crimes. These clearly will enhance our country's reputation as a responsible and cooperative member of the international community.**

## **International Tax Governance**

79. Mr. Speaker, international good tax governance is an important area where our Federation has continued to win successes and demonstrate great tenacity. We are all aware of the frequent changes to the international standards that help to govern operations in the Financial Services Sector globally and here in the Federation. The challenges to the survival of the Sector are real and varied. However, our jurisdiction has managed over the last two years to navigate successfully through the intricacies of implementing the international standards. I am pleased to report that St. Kitts and Nevis remains in compliance with its international obligations and

commitments. **Your Government continues to build and expand capacity and commit resources in key areas. We are maintaining our focus on the pertinent issues as they arise in order to safeguard the good name of our country against serious reputational damage which can be caused by a lack of compliance with international norms and standards that are continuously evolving.**

80. Mr. Speaker, when countries are blacklisted by the European Union (EU), the impact is felt immediately, as the reputation of the country is diminished internationally. These reputational issues not only impact the country, but affect companies seeking to do business in or through such jurisdictions ultimately affecting the economy of the blacklisted country. This means, Mr. Speaker, that companies may be reluctant to register their businesses, enter into transactions or invest in blacklisted countries. Additionally, based on the structure and composition of the EU, individual Member States may take action against blacklisted jurisdictions. The stakes are too high for St. Kitts and Nevis not to respond appropriately and this Administration is not taking any chances where our reputation and economic survival are concerned.

81. The actions of your Team Unity Government thus far have been sensible, practical and responsible. As a result, the good name of St. Kitts and Nevis has been preserved. We have avoided being listed as either non-compliant or non-cooperative. Mr. Speaker, this is a noteworthy accomplishment! Many of our sister nations, regrettably, are not as fortunate. My Administration adheres to and delivers on the many commitments emanating from membership of organizations such as the Organization for Economic Co-operation and Development's (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and international tax treaty obligations to which St. Kitts and Nevis is a party.

82. The Government of St. Kitts and Nevis has established an International Tax Unit within the Inland Revenue Department to ensure full compliance with our international obligations. This new Unit will advise the Government on how to navigate and respond to the many technically sophisticated issues that arise in this field.

83. Mr. Speaker, as testimony to our ongoing efforts, the European Council in its February 18<sup>th</sup>, 2020 press release confirmed that St. Kitts and Nevis implemented all the necessary reforms to

comply with EU tax governance principles within the agreed timeframe. Additionally, the OECD in its most recent progress report dated October 23<sup>rd</sup> 2020, following the conclusion of the 53<sup>rd</sup> Meeting of the Forum on Harmful Tax Practices (FHTP) concluded that the amendments made to the Companies Act, the Nevis Limited Liability Ordinance, the Nevis Business Corporations Ordinance and the Fiscal Incentives Act are all in line with the relevant BEPS minimum standard. This achievement is highly commendable for a small island nation with scarce resources. The Federation of St. Kitts and Nevis, despite our small size and limited capacity, has managed to meet these very exacting standards, and we stand shoulder to shoulder alongside other nations with far greater resources.

84. Mr. Speaker, my Administration takes pride that St. Kitts and Nevis continues to demonstrate that we are serious and responsible about international good governance issues. We have successfully concluded the review process on matters that could be deemed as harmful tax practices. Therefore, we will now focus on updating our Double Taxation Treaties to deliver on our obligations under the BEPS initiative. We will give particular attention to those that pertain to the prevention of Tax Treaty abuse and the procedures for resolving tax related disputes between jurisdictions. We have made significant strides in large measure because of the extraordinary efforts of officials working assiduously on these issues. We will not become complacent but will continue to build and expand upon our achievements in this area. My Administration will do all in its power to prevent our country from being blacklisted or labelled as a non-cooperative tax jurisdiction by our international partners.

85. Mr. Speaker, I turn now to Public Finance.

## **MEDIUM TERM ECONOMIC MANAGEMENT STRATEGY**

### **Medium Term Fiscal and Debt Outlook and Growth Targets**

86. Mr. Speaker, the fiscal surpluses that have been achieved under the watch of the Team Unity Administration speak volumes for my Government's ability to properly manage the financial affairs of our country. It was the accumulation of those surpluses that enabled us to withstand the devastating impact of the COVID-19 pandemic thus far, and provide the well needed financial support to so many households and businesses over the past months without having to resort to borrowing.
87. The emergence of the COVID-19 pandemic significantly impacted our revenue collections on account of the downturn in economic activity. Additionally, the various forms of tax relief that were granted as part of the economic stimulus package also reduced the Government's inflows. The situation was further compounded by the incurrence of unforeseen expenditure that was related to the Government's response to the pandemic. The consequences of the foregoing is that, for 2020, the projected financial outcomes are for an Overall Deficit of \$71.4 million, a Primary Deficit of \$51.8 million and a Recurrent Account Surplus of \$31.4 million.
88. Mr. Speaker, we were prudent in our actions but very mindful that we had a duty, as a Government, to protect our citizens and our residents during this health pandemic. A duty that we took very seriously. A significant amount of money was therefore expended, among other things, to buy ventilators, personal protective equipment, and also to recruit medical practitioners with the requisite expertise to safeguard the lives and health of our people. This is in keeping with our life first strategy. Save lives, then we can build back better and stronger.
89. Mr. Speaker, the Team Unity Government will make every effort to ensure that our beloved country recovers from this pandemic. In doing so, we have devised a Fiscal Strategy for the

medium term that has three (3) main objectives. Firstly, to stabilize fiscal outcomes by containing and reprioritizing Recurrent Expenditure. Secondly, to facilitate recovery and reignite the economy by adopting a pro-growth approach to the development of our Capital Budget for 2021 and beyond. The third objective of our Fiscal Strategy, and by no means the least, is to manage and maintain the Public Sector debt at prudent levels. We have been doing very well in this regard as evidenced by the fact that at the end of December 2019 our Debt to GDP ratio stood at 55.0 percent. Our ability to achieve and maintain a Debt-to-GDP ratio below the 60.0 percent benchmark and well ahead of the ECCB's timeline of 2030 is commendable. We have given our commitment to our people that we will not let our debt climb to such unmanageable levels as they were ten years ago. We expect that our Fiscal Strategy will allow us to support the most vulnerable and indigent in our society, to expedite our recovery and to transform our country by delivering the stronger and safer future.

90. With respect to our outlook for the 2021 to 2023 period, Recurrent Revenue is projected to be approximately \$724.2 million per annum while the average annual amount for Recurrent Expenditure would likely be in the region of \$642.3 million. Additionally, the medium term Capital Expenditure projections are expected to average about \$122.3 million per annum. It is therefore anticipated that the fiscal operations of the Government would result, on average, in a Recurrent Account Surplus of \$81.9 million, an Overall Deficit of \$25.4 million and a Primary Deficit of \$8.6 million. Based on these projections, it is likely that the potential impact of the pandemic would require the Government to borrow in order for us to achieve our development objectives for 2021 and the medium term. The contracting new debt, coupled with the general downturn in economic activity of about 12.5 percent in 2020 would likely result in the Debt-to-GDP ratio rising to a projected 69.7 percent in 2020 then declining to 65.4 percent in 2021, 61.7 percent in 2022 and 60.0 percent in 2023. The projected medium term fiscal and debt outlook would be largely predicated on the recovery of the economy where real GDP growth is estimated to be 5.0 percent in 2021.

91. Mr. Speaker, this positive resurgence in economic growth would be driven primarily by developments in the Construction and Tourism Sectors. Construction, which is the single largest economic sector, is forecasted to grow, on average, by 4.2 percent over the medium

term. Construction activity is expected to resume on hotel and condominium projects such as the Seaview Gardens Hotel and Condominiums, Hillsborough Residences and Heldens Estate/Ramada Inn. The Public Sector infrastructure developments will also continue with the completion of Phase II of the Rehabilitation of the Island Main Road Project, Road Improvement and Maintenance Project and the Old Road Bay Rehabilitation Project. We would also commence work on a number of projects that we anticipate would move from the design stage to the construction phase. An increase in residential construction is also expected to contribute to the expansion of the Sector.

92. The reopening of the borders at the end of October this year resulted in the resumption of commercial flights including American Airlines, Seaborne, WinAir and LIAT. On account of these activities, the Sector is expected to rebound in 2021 with a projected growth of 8.1 percent and an average growth of 6.4 percent over the medium term. This is something that I am sure all persons whose livelihoods are dependent on this Sector would appreciate. The Yachting sub-sector looks promising. The Ministry of Tourism will aggressively pursue engagement with stakeholders to ensure that projected outcomes in this Sector materialize.

93. It is also expected that other key sectors such as the Manufacturing and Agriculture Sectors would contribute to growth in the economy. Most of our manufacturing plants have resumed their operations following the lockdown period and the Sector is projected to grow by 7.2 percent in 2021. Likewise, the Agriculture Sector is projected to rebound in 2021 at a growth rate of 6.4 percent. The recovery of the Agriculture Sector over the medium term is a direct result of my Government's initiatives that focused on food security and increased local production and consumption of agricultural products by households and other entities.

## **Fiscal Prospects**

94. Mr. Speaker, the cost of responding to the challenges caused by the pandemic have been significant and are rising. This is compounded by the fact that the Government's revenue streams are well below the norm, which is expected given the downturn in the economy due to

the pandemic. We are hopeful that the situation would improve in 2021. We have opted to continue various aspects of my Government's stimulus package to provide critical support to important sectors in the economy. We remain positive as we look towards the future. My Government welcomes further suggestions from the public on how the key sectors can be repositioned to be more resilient, including areas that could be explored, to further diversify the economy.

95. Mr. Speaker, our ability to execute and sustain our various plans to build resilience to exogenous shocks, to ensure recovery from a prolonged pandemic, and transform our economy would be reliant on the collection of projected revenue. In formulating our projections for revenue, we took into consideration the impact of the pandemic on the economy and our expectations for growth over the medium term. We are also very mindful that the fulfilment of our plans would be heavily influenced by the level of compliance by our taxpayers. I therefore strongly urge all taxpayers to abide by the laws of the land and settle tax liabilities as they become due. I call on all employers, including the self-employed, to ensure that every person is registered with our Social Security Board. Employers are required to deduct and pay all contributions due to the Social Security Board within the stipulated time. Delays in transmitting the collections hurt employees' ability to receive their benefits in a timely manner.
96. As we take a closer look at the incoming fiscal year, we are projecting that we would realize a total of \$761.1 million for Total Revenue and Grants, of which Recurrent Revenue would be \$738.9 million. Total Revenue and Grants would be comprised of \$440.8 million from Tax Revenue, \$298.1 million from Non-Tax Revenue and \$22.2 million from Development Aid.
97. Total Expenditure for 2021 has been estimated at \$831.4 million. Of this amount, \$638.2 million would be for Recurrent Expenditure and \$193.2 million would be for Capital Expenditure and Net Lending. Based on the projections for revenue and expenditure, it is anticipated that a Recurrent Account Surplus of \$100.7 million, an Overall Deficit of \$70.3 million and a Primary Deficit of \$52.9 million would be realized for 2021.

## **Fiscal Measures and Other Strategic Interventions**

98. Mr. Speaker, we are guardedly optimistic about the prospects for positive growth in 2021. When we consider the growth prospects for the Federation, we recognise the constructive role both the Public and Private Sectors must play if we are to successfully achieve and sustain positive growth in the economy over the medium term. At this juncture, we must seize the opportunities to work together to identify the economic, fiscal and social policies that could effectively help to drive the recovery of our economy in an equitable and sustainable manner. Some of the ideas shared in dialogue with Civil Society partners have helped to shape the preparation of the 2021 budget. Together we must rise to the challenge of reigniting the economy, and stimulating sufficient economic activity that would move us beyond the economic contraction experienced in 2020.
99. As a caring government, we will continue to look out for the interest of our people especially those who are unable to meet their basic needs. Even though economic activity is gradually gaining momentum, we anticipate that the impact of the pandemic would spill over into 2021. When governments around the world are faced with shortfalls in revenue collection, one of the first areas for expenditure cuts is usually the social programmes. We will continue to deliver the various public assistance initiatives to improve the lives of our citizens and residents. Your Government will continue to offer the full slate of social safety nets to our people who meet the criteria. For example, the 2021 Estimates would provide resources to continue our hallmark income support program delivered via the PAP and the Food Voucher Programme delivered by the Ministry of Social Services. The support to families with school aged children would continue with ongoing support for the early childhood centres, Student Education and Learning Fund (SELF) and School Uniform programmes.
100. In our efforts to help stimulate the recovery and to further minimize the impact of the pandemic on our economy, we are proposing an investment of \$192.7 million in capital projects in 2021. A substantial portion of these resources would be channelled towards the Construction Sector as the Government continues to upgrade and expand the infrastructure of the country.

In addition to this, the Government would extend the period of implementation of certain critical elements of the stimulus package until June 2021. The interventions earmarked for continuation in 2021 include the following:

- Removal of VAT and Import Duty until June 2021 on the additional hygiene items such as hand sanitizers, hand sanitizer dispensing machines, disinfecting wipes, rubbing alcohol, gloves, masks, protective gowns
- Removal of Import Duty and Customs Service Charge until June 2021 on Vegetables, Fruits, Fruit Juices, Cough and Cold Preparations, Vitamins
- Waiver of payments for consumption of water until June 2021 for individuals who have been laid off by businesses or experience a reduction in earnings as a consequence of COVID-19
- 24 percent reduction of the Corporate Income Tax rate from 33 percent to 25 percent until June 2021 for businesses that retain at least 75 percent of their employees
- Reduction of the Unincorporated Business Tax rate by 50 percent from 4.0 percent to 2.0 percent for until June 2021
- Injection of an additional \$5 million stimulus over two years to boost production in the Agriculture Sector and ensure greater food security for the Federation. Overall, this would result in a total stimulus of \$15 million in the Agriculture Sector.
- Waiver of payments for the consumption of water by farmers until June 2021
- Provision of an additional \$3 million above the amount provided in the 2020 Estimates to support the Poverty Alleviation Programme. This would allow us to help an additional 500 persons should their socio-economic situation warrant it.
- Provision of additional resources in the region of \$7.0 million to further capitalize the Severance Payment Fund in 2021 and facilitate the payment of severance claims as they become due.

We believe that the extension of these measures would help to advance the recovery process and, most importantly for my people-centered Administration, is the fact it would extend important lifelines to families and businesses.

101. On the expenditure side, we have been careful to ensure that Government spending does not spiral out of control. Some of the cost containment measures incorporated within the Estimates include containment of new employment, particularly for non-essential posts, 10 percent cut in selected expenditure heads such as supplies and materials, and restrictions on overseas travel that require funding by the Government. Mr. Speaker, it is important for the public to know that the Government has adopted a new ethos regarding the operation of State Owned Enterprises like NHC, SCASPA, SKELEC, etc. We believe that all State Entities should be financially self-sustaining. For some time now, some of the State Entities have become a burden on the Treasury as they are unable to meet the financial outlay required to maintain their operations. It does not make sense for us to carry on with operating entities that have fulfilled their primary mandate. If this situation is left unattended, we run the risk not only of allowing inefficiencies in the Public Sector to persist, but also building up unsustainable levels of public debt. The fundamental position of the Government is that the operations of failing State Owned Entities would be evaluated and a determination made in respect of closure, rationalisation or amalgamation. We also expect the Board of Directors to fulfil their requirements of accountability as set out in the Finance Administration Act and relevant enabling legislation by which they are bound.

102. Mr. Speaker, my Team Unity Administration has been careful over the last five years not to impose any new taxes on the people of this Federation. This is a remarkable feat. For five (5) years in a row, my Government would have managed this country, fulfilling our mandates and increasing the range of support to the Social Sector including Education, Health, National Security, the poor and indigent, our women headed households and at-risk groups. We have done all these things and more without adding one new tax. Indeed, far from adding new taxes, we have been subtracting, reducing and removing extant taxes. For example, we have removed the onerous VAT from food, medicine and educational supplies. In our 2021 Budget, we have extended a reduction on the applicable rate of Corporate Income Tax and Unincorporated Business Tax reducing them by a significant 24 percent and 50 percent tax rate respectively, making St. Kitts and Nevis the country with one of the lowest corporate tax rates in our region. At a time when we could reasonably be asking for shared sacrifice for greater collective national good by imposing new taxes, my Government prefers to waive some of them, apply moratoria and reduce others, all to help our people and registered businesses

successfully overcome the challenges of COVID-19. We are, however, considering the update of a number of existing fee structures for Government services, most of which have not been changed in many years. Further, consistent with our efforts to address the prevalence of non-communicable diseases in the Federation, we would carry out the necessary research to determine whether the timing is right for an increase in the Excise Tax on alcohol and tobacco products. Such legislative enactments have already been adopted in CARICOM Member States like Grenada and Barbados. Government must use all measures at its disposal to spare persons and our country from the harmful effects of their actions and on the health care systems in particular.

103. Mr. Speaker, a new and emerging area of focus for the Government is the build out of the Medicinal Cannabis Industry (MCI). Earlier this year, the pertinent legislation, the Cannabis Act No. 8 of 2020, was passed in this Honourable House. We therefore intend to take additional steps to advance the development of this industry. One important step planned for 2021 is the appointment of suitably qualified persons to serve the Medicinal Cannabis Authority (MCA). The primary function of this new body would be to regulate, monitor and control the cultivation, supply, possession, production and use of medicinal cannabis and for related matters. It also provides for the lawful access to medicinal cannabis as an alternative treatment for persons who are suffering from a qualifying medical condition and for a comprehensive licensing scheme. We are convinced that our people, particularly our small entrepreneurs and farmers could benefit from the development of the local industry here in the Federation. Several indirect benefits such as increasing employment opportunities, reduced crime and incarceration, reduced costs for law enforcement and medical treatment are also anticipated. We will identify suitable lands for allocation to Medicinal Marijuana Crop Farmers. The various types of licenses to be issued and the cost of same will be determined after appropriate consultations and in conjunction with the Board of Directors. My Government will ensure that the people of St Kitts and Nevis benefit from this industry. I record appreciation to the National Marijuana Commission and the Core Implementation Cannabis Committee for their useful work.

## Conclusion

104. Mr. Speaker, given the grave circumstances across the globe, our country has fared well. The global and national challenges have revealed that, notwithstanding our achievements, there remain considerable work to be done. Innovative, forward thinking is required as we chart a new development pathway in a world that we hope would soon be categorised as the post COVID-19 era. The need to build resilience has been a clarion call since 2015 with the adoption of the 2030 Agenda for Sustainable Development. My Team Unity Administration has been given a new mandate in June of this year and we have set the wheels in motion to continue to target all of the critical elements that must be given attention to preserve our continued development and survival. Over the medium term, we would pay attention to re-orienting and accelerating investment in our health systems with special attention paid to the introduction of the National Health Insurance Scheme for the benefit of all citizens and residents. Attention would also be given to food security as we take proactive steps to increase production, storage and distribution of agriculture produce. Priority would be given to the development of our digital economy and the increased use of electronic and digital solutions in the Public Sector, and the general reform of the Public Service.
105. Mr. Speaker, St. Kitts and Nevis has attained a relatively high level of social and economic development through the implementation of important policy initiatives over the years. Threats to this progress have been continuous but at every turn we have emerged more resilient and determined to continue the advancement of our country. At no time in our history have our strength and resilience been tested as during the past eight (8) months of 2020 with the emergence of a once in a century pandemic. The development of global value chains and the technologies which enable us to traverse from one end of the globe to the next in a matter of hours have made the entire world susceptible to the contagion of the COVID-19 virus. As the virus reached our twin island Federation, proactive steps were taken to contain and prevent its spread within our communities.

106. It is anticipated that the need for physical distancing will continue into 2021, but will be reduced over time as vaccines and therapeutics become readily available to the Caribbean and the rest of the world. It is therefore vital that behavioural change in terms of mask wearing at the workplace and other public places, the practice of good hand hygiene, and safety standards be maintained to reduce the spread of the virus here in our Federation. Our borders are now open with an increased risk of imported cases of the virus reaching our shores. I therefore take this opportunity to appeal to all citizens and residents not to let our guard down! The situation remains fluid and would be subject to continuous assessments by our National COVID-19 Task Force. Our foremost priority is the health and safety of our citizens and residents. A Life First Strategy is being implemented. I know we are in difficult times but we are a resilient people and we will get through this together.

107. Mr. Speaker, we are mindful that the reopening of the borders at this time will provide an avenue for the recovery of the Tourism Sector, spurring activity for a vast number of businesses and providing employment for workers. The upside to the challenges caused by the pandemic is that ample opportunities for an increase in entrepreneurial activity have been presented. In recent times, we have seen how innovative our people can be. Many businesses were forced to re-examine their business processes and practices streamlining them to gain efficiencies. Some businesses have had to be more flexible with their operations and find new and varied paths to accomplish their objectives. Opportunities exist out there but some persons may need a little help and guidance to see them through. The establishment of a new Ministry that would focus on entrepreneurship, entertainment and talent development was a deliberate move by my Government. We expect that this Ministry in the medium term would provide much of the support for new and existing entrepreneurs who would contribute to the further development of our beautiful country. I therefore encourage businesses and individuals to become more creative and repurpose existing skills to meet the needs that have emerged since the pandemic. I also encourage our young people to start thinking beyond the pandemic to create the next service or product that can sustain a viable business for self employment and employment of others. My Government stands ready to provide some of the needed support for the establishment of viable businesses, that would ultimately lead to job creation and sustainable growth and development.

108. Mr. Speaker, we are all too aware of how the COVID-19 pandemic has shifted our developmental agenda and distorted our timelines for the delivery of important projects. We want our people to recognise the importance of innovation to ensure continuity in business operations and other aspects of our everyday lives. As a result, we must remain abreast of new and inventive ways of doing business to build our collective competitiveness in the regional and global markets. In my presentation today, I have summarised the aspirations of my Government in the delivery of services to our people in 2021. These actions could easily be taken for granted but it should be understood that these are important elements of our economic framework which are utilizing to build the fortitude and resilience our country needs to thrive and grow. These are the building blocks for achieving a strong and sustainable economic recovery and the ultimate goal of transformation of our country.

109. Mr Speaker, this Government is committed to the rule of law. In this regard we continue to support the work of the judiciary and the Parliament. Our top ranking on the World Justice Project Rule of Law Index repeatedly provides external validation of the excellent state of the rule of law, democracy and good governance in our Country. In this historic and memorable year 2020, the Office of the Attorney General and Ministry of Justice and Legal Affairs carried the herculean responsibility of providing the legal framework to support the efforts of our health professionals and National Security officials as they guided our interventions to keep our people safe from COVID-19. As if that were not enough, the Attorney General and his team rose to the special occasion of providing guidance for the conduct of democratic elections in St Kitts and Nevis amid a dangerous pandemic. On behalf of the Cabinet and country I extend a public thank you to our Attorney General and his team for an excellent job. The Attorney General is given the special honour to elucidate on the deliverables for 2021, having regard to the Budgetary allocations outlined in the Appropriation Act (2021).

110. I take this opportunity to thank the staff of the Ministry of Finance for their hard work and sacrifices, and for the support and advice provided to undergird the work of the Government over the past year and for preparation of the 2021 Budget documents. I must single out the Government Printery for their commitment and dedication in this exercise. The Printer and staff devoted extended hours to the completion of this critical Budget – our statement of accountability. Indeed, Mr. Speaker, I say a hearty thank you to all Public Servants for their support, hard work and contribution to the success of the Team Unity Administration. I thank the Chamber of Industry and Commerce, the Christian fraternity and the ordinary people of this beautiful country for their advice and suggestions, much of which I have taken on board in the finalisation of our Budget. It is my view that this Budget brings a stronger, safer future closer to reality.

111. Accordingly, Mr. Speaker, I so move. Thank you.