

**SURMOUNTING  
TODAY'S  
CHALLENGES  
FOR A BRIGHTER TOMORROW**

**BUDGET ADDRESS  
NEVIS  
2004**

BY

**HONOURABLE VANCE AMORY**

**PREMIER & MINISTER OF FINANCE  
NEVIS ISLAND ADMINISTRATION**

**18<sup>TH</sup> DECEMBER, 2003**

# **NEVIS ISLAND ADMINISTRATION**

## **BUDGET ADDRESS**

By

The Honourable Vance Amory, M.N.I.A.

Premier and Minister of Finance

On

December 18, 2003

1. Madam President, I beg leave to move the second reading of the bill shortly entitled the Nevis Appropriation (2004) Ordinance 2003.

### **INTRODUCTION**

2. Madam President, the preparation of the annual estimates is perhaps the most arduous and difficult task in the budget cycle of any government. In Nevis, the situation is not any different. There are many competing demands for the very scarce resources of the government and, consequently, careful planning and analysis have to be undertaken to ensure the optimum utilization of these resources.

3. Madam President, the last Two and a half (2½) years have not been easy. The whole world has been affected by September Eleven (11) and subsequent terrorist activities. The war in Iraq also created great uncertainty and negatively impacted capital flows. The people in small island states all over the world have been extremely vulnerable to these external shocks and some of these economies have been teetering on the brink of disaster. We in Nevis have experienced a weakening in fiscal performance due to the fact that revenues have not kept pace with the growth in expenditure, and

debt levels have increased significantly. However, I have been heartened by the resilience shown by the people of Nevis during these difficult times. We have not been the recipient of much financial aid and budgetary support but we have withstood the test of time. Our people have felt the pain of adjusting to external shocks, but we have grown stronger and more determined to advance our political and economic interest in the wider world.

4. The budget that will be presented today is one which recognizes the realities of the present times, but is one of hope for a brighter future, and represents a clarion call for every Nevisian to play his or her part in nation building. I am confident that we have the capacity and the will to overcome the challenges that lie ahead and this budget is presented as a practical tool to achieve the short term objectives on which to build long term goals of prosperity and stability for our people.

## **EXTERNAL ECONOMY**

5. Madam President, the weakening of the fiscal performance of the Nevis Island Administration over the past four (4) years has occurred as a result of the sluggish growth in the world economy. According to the International Monetary Fund (IMF) data, world output increased by 2.4% in 2001 and 3.0% in 2002 which were well below the growth rates achieved in the 90's. The global recovery was expected to resume by the first half of 2003 and pick up to about 4 % in 2004. However, data for the second quarter of 2003 were lower than anticipated as a result of the slowing of industrial production and trade growth. The uncertainty created by the war in Iraq and the volatility of the equity markets were certainly reflected in the poor performance in the international market place.

6. The Euro area forecast was significantly reduced to 0.5 % in 2003 and 1.9% in 2004 as result of continued depressed domestic demand and the appreciation of the Euro. The German economy in particular has remained very weak with growth forecasted at 1.5% in 2004. However, the UK economy grew by a faster rate than expected during the third quarter of 2003 and growth is expected to increase to 2.4% in 2004.

7. Of particular interest to us in Nevis is the fact that the US dollar continues to depreciate against the euro reflecting a combination of low interest rates and expectations that the deficit will increase.

This occurrence should make the Caribbean more attractive for tourists from Europe in the future. In addition, oil prices appear to have stabilized. After a peak of US\$34 per barrel before the war, prices fell sharply to below \$30 in April and subsequently rose to \$34 in August. While the oil prices are expected to remain relatively high during 2003, they are projected to drop to about \$26 per barrel in 2004 as supply increases.

8. Madam President, I am happy to report that there are growing signs of recovery led by the performance of the US economy despite high unemployment. With the low interest rates and the fiscal expansionary measures implemented by the US, current data are showing growth in consumption and investment. This augurs well for the rest of the world which is in urgent need of the stimulus that a US recovery could provide. Despite the poor performance of the world economy in the second quarter of 2003, the forecasted global growth for 2003 and 2004 is attainable and may even be surpassed assuming of course reduced geopolitical uncertainties, decline in oil prices as forecasted, and the stabilization of the equity markets.

## **DOMESTIC ECONOMY**

9. Madam President, I am cognizant of the fact that there are concerns being expressed about the slow down of the Nevis Economy in the last two years, and the increase in the level of debt. This administration has no apologies to make for the debt that has been incurred. We recognized the need to lay the foundation for future economic growth and consequently a deliberate decision was taken to embark on a policy of infrastructure led growth. Over the last five (5) years we have witnessed a very aggressive and ambitious capital infrastructure development program; which has resulted in the upgrading of the airport, development of Alexandra Hospital and upgrading of the road network. With this significant investment, the quality of the physical infrastructure has surpassed many islands in the Caribbean and a number of countries in the developing world.

10. However, Madam President, I would be remiss if I were not to provide for this assembly and the people of Nevis, an evaluation of the fiscal performance experienced by the Nevis Island Administration over the past five years. During this period, overall deficits were realized for each of the five years from 1998 to 2002, and in two of the years, namely 2000 and 2001, deficits were actually realized on

the recurrent budget. As a result of these deficits the debt level also increased significantly to approximately EC \$150 million by the ending of 2002 resulting in a debt service to revenue ratio of 28.4%.

11. Madam President, during the last five years, just as the Nevis Island Government had committed to and undertaken a massive capital project development, the entire world economy deteriorated. The reality is well documented for all to understand. To redress these unforeseen conditions, the Administration has been forced to adjust its capital expenditure policy while holding expenditure on social projects stable to maintain the fiscal balance of the government.

12. However, our performance has not been as a result of poor planning but rather a reflection of many factors outside of our control. We have had to incur huge capital outlays as a result of the cumulative effects of hurricanes, which have negatively affected a number of countries in the region. Many of us have retained vivid memories of the destruction caused by hurricane Luis in 1995, Georges in 1998 and Lenny in 1999. We have also witnessed a decline in the United States economy and the world economy as a whole, which has resulted in reduced tourist arrivals for the Caribbean. Our problem has also been compounded by the attack that was launched on offshore financial centers by the Organisation for Economic Cooperation and Development (OECD) and the Financial Action Task Force (FATF) resulting in significant revenue loss for the island of Nevis.

13. As a result of these external shocks, tourist arrivals to the island reduced from 40,526 in 2001 to 40,324 in 2002 representing a small decline of 0.5%. Employment also declined from 5,551 in the first quarter of 2002 to 5,395 in the first quarter of 2003. The sectors affected most significantly were Financial, Commercial, Construction (with the completion of the RIMP project), Restaurants, and Hotels and Guest Houses to a lesser extent. In 2002 the number of buildings started was 98 and up to the ending of October 2003 it was 82, a decline, but still a fairly buoyant sector under the circumstances. The offshore sector appears to have stabilized with the registration of 2068 new entities up to November of 2003. While the growth is not as robust as past years, it is still significant when taking into consideration the wider global context. The small business sector also continued to grow. During 2002, ninety-five (95) new businesses were registered and up to the ending of November 2003, ninety-three (93) new businesses have already been registered.

14. Madam President, there is no doubt that the Nevis economy has been affected by the depression in the world economy combined with the terrorist activities and the war in Iraq. However, it was not Nevis alone that suffered. In fact, the fiscal situation of the OECS as a whole has deteriorated because of the factors already outlined. As a result of large overall deficits over the years, the total disbursed outstanding debt of the OECS increased from \$2.8 billion in 1997 to \$6.4 billion by the ending of 2002. Most of the islands have incurred deficits on their recurrent account since 2001 and debt service payment has increased to over 25% of revenue, which is above the threshold of 15% established by the Central Bank.

15. However, the outlook for the future is bright. The economy of Nevis like other countries in the Caribbean is linked to the performance of the global economy especially the USA, Canada and United Kingdom. With the projected increase in global growth, depreciation of the dollar, and the reduction in the price of oil, the Nevis economy is likely to recover significantly in 2004. Already the hotels have recorded an increase in bookings for this tourist season, and there is heightened optimism that 2004 will be a turning point for Nevis tourism. With the projected increase in tourist expenditure, we also anticipate increases in employment, consumption, and investment, which will give a much-needed boost to the economy as a whole.

## **FISCAL REVIEW**

16. Madam President the actual outturn for fiscal year 2002 realized \$67.29 million in recurrent expenditure and \$64.31 million in recurrent revenue thus showing a deficit on the recurrent account of \$2.98 million. This performance represents an increase in recurrent revenue of 7.4% over fiscal year 2001 and an increase in recurrent expenditure of 6.8% when compared to the same year. This indicates that the recurrent deficit for 2002 declined by 4.3% when compared to 2001.

17. The actual recurrent revenue outturn for 2002 fell short of its target of \$68.96 million by 6.8% or by \$4.65 million. The actual recurrent expenditure outturn represented 99% of the estimated recurrent expenditure for 2002. Madam President this performance demonstrates that there are still

dissavings on the current account. However, rest assured that this Administration will take practical steps to reverse this situation and to ensure that there is fiscal sustainability for the long term.

18. Madam President, capital expenditure amounted to \$22.05 million in 2002 realizing a 49% reduction in actual expenditure when compared to fiscal year 2001. Capital inflows from loans and grants amounted to \$9.19 million, which is 78% less than the capital revenue for 2001 of \$42.17 million. This performance resulted in a shortfall on the capital account of \$12.86 million and an overall deficit on the fiscal account of \$15.85 million.

19. Madam President, the capital expenditure over the last few years has two outcomes. Firstly, it augmented the capital stock of the economy and therefore resulted in increased debt service payments, which contributed significantly to the recurrent deficits in 2001 and 2002. Secondly, we believe that this deficit expenditure will contribute to future growth in the economy since it is not of a consumption nature but of an investment nature, creating the infrastructure necessary to attract investment and to improve the quality of life of our people. However, Madam President, we will endeavor to continue to exercise fiscal prudence by controlling capital expenditure within manageable limits sufficient enough to engender a certain level of economic activity, and maintain employment levels and the standard of living to which our people have grown accustomed.

20. Madam President there was growth in certain revenue areas for the period under review. Collections from taxes on international trade transactions increased by 12.8% in 2002. The increases were mainly in the areas of consumption tax –customs by 11%, import duties by 7.3%, customs service charge 23% and environmental levy 114%. Travel tax collections from the Inland Revenue Department also increased by 9%.

21. Furthermore Madam President, revenue collected from taxes on property increased by 21% over 2001. House tax collection increased by 16% while collections from land tax increased by 62%. This performance was anticipated in light of the increased economic activity in the construction sector and the confidence Nevisians, residents, and investors are demonstrating in the economy of Nevis. Revenue generated from financial services showed a slight increase of 2% in 2002. This was

due to the sustained marketing and promotion efforts by your government in the face of the challenges and the changing international landscape for doing business in this sector.

22. Collections from water services increased by 96% due to steps taken to collect outstanding arrears. In addition, revenue from agricultural services increased by 42%; and collection from hospital services increased by 13% due mainly to the introduction of revenue measures and the significant improvement in the quality of service in the health sector. Generally Madam President, the increased collections for these items were mainly due to the revenue measures introduced in 2002 as well as steps taken to improve efficiency in the revenue Departments.

23. Madam President collections from work permits increased by 5% over 2001. It is anticipated that additional revenue would be generated especially in light of the revision of the NIA's work permit policy in 2003. This included changes in the fee structure, and the proposed introduction of Work Permit ID Cards. In relation to the ID Cards, the department of labour in the Premier's Ministry in conjunction with legal department has put the necessary mechanism in place for the implementation of the Work Permit ID Cards as of January 2004. It is envisaged that this will greatly enhance the effectiveness of both the department of labour and the immigration department in identifying and dealing with illegal immigrants, which appear to be on the increase in Nevis.

24. Madam President, there were also reductions in certain revenue areas. Collection from taxes on domestic goods and services declined in 2002 by 1.5%. This reduction occurred despite increased collections from gasoline levy 75%, traders tax 8%, bank license 13% and motor drivers license 2.8%. Collections from certain key revenue items declined including hotel rooms and restaurant tax 4% due to the down turn in tourism; stamp duty 9%, vehicle rental levy 19% and business and occupation licenses 5%.

25. Moreover, Madam President, collections from taxes on income decreased by 3% when compared to 2001. Even-though collections from social services levy increased by 5%, the revenue generated from corporation taxes decreased by 30% indicating that many entities are still not paying their taxes in Nevis. Collections from the Supply Office also declined by 19% for the period under review.

26. Madam President, recurrent revenue as of November 2003 amounted to \$58.7 million while recurrent expenditure amounted to \$63.3 million resulting in a deficit on the recurrent account to date of \$4.6 million. Capital revenue amounted to \$10.7 million while capital expenditure amounted to \$7.3 million resulting in a surplus on the capital account of \$3.4 million and an overall deficit of \$1.2 million.

27. Madam President, your government continues to face the shifting tides of the New World Order that are putting a strain on our domestic economy. However, we are not daunted by the challenges before us because we have a fiscal stabilization plan that will ensure macroeconomic stability, manageable debt level, and the creation of wealth when implemented over the next few years. With the assistance of strategic partners such as the IMF, CARTAC, ECCB, CDB, and the World Bank, we shall overcome and avoid the economic and social woes of negligence and inaction, which have plagued some countries in the developing world.

#### **DEBT MANAGEMENT AND FISCAL STABILIZATION**

28. Madam President we are all cognizant of the economic global picture of the past five years and the negative impact this has had on small developing economies. The decline in tourism, international conflicts and terrorism, natural disasters, and the demands made on small states to adjust and meet certain covenants of trade and bilateral agreements even in the absence of a level playing field have had their effects on countries both large and small. In light of these, countries in the region have been experiencing various levels of fiscal instability and the threat of an unsustainable debt situation. Regional and international institutions have advised countries in the OECS to develop and implement fiscal stabilization plans to avoid the pitfalls of economic distress and social disruption.

29. Madam President, the Nevis Island Administration has heeded the call early and will embark on implementing a plan to steer the economy of Nevis on the right road to stability and growth and prosperity for present and future generations. Using a notional GDP for Nevis the stabilization team has estimated a debt to GDP ratio for the NIA of 72%, which is above the regional benchmark set by the ECCB of 60%. In order to bring this ratio within the target range set by the ECCB by the year 2007, adjustments will have to be made overtime which include generating larger and consistent

current account surpluses and managing and reducing the debt to GDP ratio. After some discussion with the Ministry of Finance, the team has estimated that the Debt to GDP ratio should be reduced in 2004 by 1.5%, and that savings of \$3.8 million should be generated on the current account.

30. Madam President, in order to avoid imposing a burden on the people of Nevis your government will at the same time implement structural changes to improve efficiency in the economy and more aggressively entice foreign direct investments to take advantage of our competitive investment climate developed over the last five years, to further spur growth in the economy. Madam President we are confident that the anticipated investments in the economy of Nevis over the next few years, will provide the increased revenue flows to facilitate the fiscal adjustment and return the fiscal account to a surplus position.

31. Madam President, the current outstanding debt of the NIA stands at \$160 million including government's overdraft facility of \$30 million. The debt service payments as a percentage of revenue increased from 18.3% in 2001 to 28% in 2002. Debt service payments increased from \$10.8 million in 2001 to \$18.2 million in 2002. The debt service ratio as a percentage of recurrent expenditure increased from 17% to 27% in 2002.

32. Madam President, debt service payments are estimated to increase from \$16.5 million in 2003 to \$20 million in 2004. Your government will continue to seek ways to reduce the debt service payments by consolidating the loans, by raising cheaper finances on the Regional Government Securities Market (RGSM), and by controlling capital expenditure to levels that can easily be financed. In addition, we will continue to work with regional and international agencies in managing and monitoring the debt of the Nevis Island Government.

## **FISCAL PROJECTIONS**

33. Madam President, the recurrent revenue for fiscal year 2004 is estimated at \$76.5 million and recurrent expenditure at \$74.9 million. Thus, a recurrent surplus of \$1.58 million is projected. The estimated increase in recurrent revenue is mainly due to the implementation of policies to improve revenue management and collections, and the anticipated spin-offs from investments in the economy.

The 1.9% increase in recurrent expenditure is due mainly to the projected increase in debt service payments and the additional cost of implementing the programs and activities for 2004.

34. Capital revenue from grants and loans is estimated at \$10.8 million while capital expenditure is estimated at \$22.8 million in 2004, a 64% reduction when compared to 2003. This results in an anticipated shortfall on the capital account of \$11.9 million and an overall deficit on the fiscal account of \$10.4 million. The capital expenditure budget is reduced as part of the NIA's adjustment process aimed at limiting capital expenditure by focusing on the implementation of ongoing projects, and on projects funded by bilateral and multilateral agencies.

35. Madam President an examination of the allocation of the financial resources will show few areas of increased expenditure for 2004.

36. The Premier's Ministry allocation increased by \$139,621 in 2004 in anticipation of an increase in goods and services and communication expenses. The allocation to the Ministry of Finance, Economic Planning and Statistics increased by \$3.29 million mainly because of debt service payments and the implementation of programs to improve efficiency and financial management in government. The Ministry of Communications increased by \$319,203 due mainly to the combining of two Ministries to form the Ministry of Communications, Works, Public Utilities, Posts, Physical Planning, Natural Resources and Environment. In addition Madam President, this is done to ensure that there is an integrated approach to the development of the infrastructure and the environment on Nevis.

37. Madam President, allocation to the Human Resources Department increased by \$95,498 in anticipation of the additional financial assistance to students pursuing training in regional and international tertiary institutions; and the training programs to be implemented to improve efficiency and productivity in the civil service. The Ministry of Tourism, Culture, Telecommunications and Information's allocation also increased by \$118,720 mainly because of the expansion of its programs in 2004. For instance the ministry will enhance its tourism awareness and training program; the culture department will also continue to play a leading role in the cultural development of our young people; and the government Press and Public Relations Program will continue to enhance its role in

educating, informing and entertaining the general public thereby contributing to the social, moral and cultural fabric of our Nevisian society.

## **CAPITAL PROJECTS**

38. Madam President, there are several new projects worthy of mention. The Gingerland Police Station will be renovated at an estimated cost of \$400,000.00. Another round of small projects geared towards enhancing the social conditions of our people, including reducing poverty, will be implemented under the Basic Needs Trust Fund. These projects are estimated at \$1.5 million and costs would be shared between the Nevis Island Administration and the Caribbean Development Bank (CDB) on a ratio of 20 to 80 respectively. Additional components of the Basic Education Project will be implemented in 2004 including the rehabilitation and expansion of the Charlestown Secondary School at an estimated cost of \$8 million. This project is largely funded by the CDB.

39. Madam President we have seen the impact of the improved road network on the island. We are also cognizant of the fact that the job is not completed until the entire main road is resurfaced. Hence, the NIA will continue to seek soft funding for the road improvement project. Meanwhile, the Nevis government will commence a major reconstruction of the Island Main Road Project RIMP III to provide a better quality of road for users between Newcastle and Market Shop via Butlers. To this end, it is our intention to utilize our own resources to start phase III of this project. Madam President the much talked about CREP project sponsored by the European Union will be implemented in 2004 at an estimated total cost of \$1.4 million.

40. Madam President, the World Bank has agreed to provide a soft loan to the government of St. Kitts and Nevis of \$4.05 million United States dollars to finance HIV/AIDS prevention and control. The objectives of this project include improving the prevention program by targeting the general population with special emphasis on high-risk groups such as women, young people and other vulnerable groups in our community; strengthen treatment care and support for persons living with HIV/AIDS; and develop a multi-sectoral response to this disease.

41. Madam President this project is welcomed, because in Nevis, at the end of the third quarter of 2003, 5 new cases have been identified. Of the five three are women and two are males all ranging from 23 to 45 years old. This brings the cumulative total of reported HIV/AIDS cases in Nevis to 46. The project is estimated to cost approximately \$2.6 million and will be implemented over several years. Further, Madam President, the NIA will seek to rehabilitate and expand the hospital infirmary project at an estimated cost of \$3 million. It is the intention of the government to provide day care service for senior citizens as well.

42. Madam President, the Administration through the Housing and Land Development Corporation, continues to invest heavily in housing development on Nevis. Since the affordable housing project began in 2002, the Administration has completed 69 homes in addition to 8 that are still in progress at an investment value of \$6.0 million. Presently, there are 51 lots available for construction of homes in 2004. These homes will be built at an estimated cost of \$2.5 Million. We have responded to the needs of the people based on the demands for housing, and I am happy to report that several Nevisians who were unable to meet the cost of constructing their own homes are now proud homeowners as a result of the initiative taken by this government. I can assure the people of Nevis that this Administration will do whatever is necessary to ensure the continuation of this project until the housing problem in Nevis is eliminated.

43. Madam President although we do not intend to spend large sums on capital projects for 2004 we believe the mix is such that the social and economic welfare of all the people of Nevis is considered and provided for.

## **SECTORAL HIGHLIGHTS**

44. Madam President, the Administration will continue to channel significant resources into the various sectors to engender growth and development, and to generate employment for our people. It is in this context that I present a brief outline of the administration policies and programmes for 2004.

## **TOURISM**

45. Madam President, the tourism industry continues to face many exogenous pressures. However, as already mentioned, the outlook for the future is encouraging. It is important therefore that we continue to develop creative marketing programs, and to enhance the quality and uniqueness of the product that we offer.

46. During 2004, we intend to spend \$2.0 million on marketing and promotion. The government will allocate \$913,000 from its own resources to complement the receipts from the tourism development levy that go to the Tourism Authority. In the future we intend to make changes in the way that we promote the destination. Less emphasis will be placed on attending large trade shows and more resources will be devoted to a more personalised approach. This will involve attracting more travel agents, travel editors and tour operators from North America, Europe and the Southern Caribbean on familiarization trips to our shores. During these visits, we will organize mini markets so that the activities, attractions and accommodations sub-sectors could make presentations and feature exhibits to the various groups mentioned above. We will also give more attention to face-to-face sales presentations to potential clients in 2004. We have found this approach very beneficial and consequently, it will become a very important feature of our marketing strategy in the future.

47. Madam President, we believe that the direct approach will bear fruits more quickly than anything tried before. Overall we are confident that this more aggressive approach will create a heightened awareness of Nevis as an idyllic, upscale Caribbean destination.

48. Madam President, a large part of our appeal as an island is directly related to our heritage and our history. With this in mind we will continue to vigorously pursue the continued development of our historical sites. The Nevisian Heritage Village was opened in February this year and so far we have received favourable comments from both local and foreigners who have visited the site. In 2004 we propose to further enhance the process of rehabilitation with the completion of the New River Site Plantation Theme Park and Museum, and the restoration of the mill at Hamilton. The latter will be a joint venture project between government and a Norwegian Company. These projects will certainly diversify the tourism product by providing more attractions for visitors to Nevis.

49. Madam President, the Bath Hotel and its environs have always been in the vanguard of any tourism development plan for Nevis. However it is the bath stream area that presents exciting possibilities. Government has contracted the services of Williams Architectural Services to design a complete health oriented complex on the property. The finished product will feature several sunken thermal baths, a spa and a health restaurant. The designs will be finalized in 2004 and, hopefully, we should be able to procure the funding to begin the project in 2005. Based on the preliminary designs, the project is estimated to cost \$3.0 million.

50. Madam President, with the development of the physical infrastructure, the island is now poised to be the recipient of foreign direct investment and greater local investment as well. We remain committed to hotel development and expansion in Nevis. Currently talks are ongoing with two main investor groups for the construction of two hotels in the New Year. The first is an upscale holiday home development project consisting of fifty luxurious villas. This project will be constructed immediately south of Four Seasons on Pinney's Beach and is expected to break ground in the first quarter of 2004. In addition, negotiations are proceeding smoothly with a European Group for the construction of a five star luxury hotel on lands at the Pinney's Estate. This hotel will consist of some One Hundred Twenty (120) rooms, a champion golf course and a clubhouse. Work is expected to start in the latter part of 2004.

51. Last year, mention was made of a villa project to be carried out by a Norwegian Group of Investors. This is a project consisting of twenty-eight (28) villas, a twenty-room boutique type hotel complemented with tennis courts and swimming pools. I am pleased to state, that final plans have been drawn up and have been submitted to the Ministry of Planning and the project is now set to commence in 2004.

52. Finally, Madam President, in order to achieve the level of success that we have set for ourselves it is imperative that investors' confidence in the industry remains high. There have recently been a few instances of unsavory behaviour by certain unruly elements in our society. We will not allow anyone to disrupt our efforts to make Nevis a safe place to visit. The Administration will therefore continue to work closely with the police to rid our society of these negative elements.

53. Madam President, the year 2004 is expected to be a much better year for the tourism industry than the previous three years during which time the economy suffered from a number of negative influences. As the Administration realizes the plans that have been outlined, we will witness a major transformation in the industry in the years to come.

## **CULTURE**

54. Madam President, Cultural Development will continue to be given top priority by this Administration. We believe that this is an area in which we can compete internationally, and the groundwork is already being laid by developing and nurturing the talent of our people.

55. To this end, we intend to invest \$791,524 on this program. The resources will be utilized to continue the various cultural programs in the Schools. There is now a folklore group in each primary school on the island where students are actively involved in the art of Folk Culture, namely Masquerades, Clowns and Giant Despair. We will also continue to encourage Junior Calypsonians to participate in workshops in an effort to develop their artistic and creative methods so that they can better deliver their own materials. This training proved to be most valuable during Culturama 2003. Most of the participants were able to secure places in the Junior Kaiso competition, and the quality was of a very high standard.

56. Madam President, we will also continue to develop our dance and music programmes in the schools and communities. Through the instrumentality of the dance instructor at the Culture Department, we have already established dance groups in each school to improve the proficiency of children in both contemporary and traditional dances. During 2004 we will organise regular competition to both sharpen and showcase their skills. The music programme in the school is also quite intensive with instructions in guitar playing, bongo drumming, the fife, and the steel pan. During next year we will develop and implement a vibrant steel pan instruction program in all primary schools in the island.

57. Madam President, this is just a sample of the cultural programmes that are being delivered to our young people. I believe our efforts will reap significant dividend in the future.

## **FINANCIAL SERVICES**

58. Madam President, the financial services industry is currently undergoing changes primarily in response to the global economic climate and the international coordinated efforts to combat money laundering, terrorism, and other international financial crimes. These challenges have required that all international financial services centres respond by undertaking a variety of initiatives. Notwithstanding these externalities, we are convinced that the ones who adapt effectively and expeditiously to the new environment will be the ones that survive. To this end, the Administration has been developing strategies and undertaking initiatives to empower the country and its citizens to respond to the global environment to ensure the continued viability, and vibrancy of the Nevis Financial Services' Sector.

59. Madam President, various significant events have transpired in 2003 that are worthy of mention in this presentation.

60. In August 2003, we hosted a major international financial services industry conference in conjunction with the Offshore Institute at the Four Seasons Resort. The comprehensive event, held under the theme: *Strategies to Ensure the Future of the International Financial Services Industry*, was facilitated by internationally renowned speakers, was attended by over 120 delegates from throughout the Eastern Caribbean, and was hailed as an outstanding and historic experience.

61. A second event was the launching of the Nevis Chapter of the Offshore Institute also in August 2003. By undertaking this initiative, we have sent a clear message to the world that Nevis is committed to the education of the operators involved in the financial services sector, as well as reaffirmed our commitment to maintaining the highest standard of integrity with respect to a proper regulatory regime, ethical codes, and collaboration with other relevant bodies and organizations in the international arena. Furthermore, by joining the Offshore Institute, the inductees have also demonstrated their commitment to improve themselves and to ensuring that Nevis remains a reputable jurisdiction from which to conduct legitimate international financial business activity.

62. Another significant event was the creation and development of a 232-page publication entitled “*The Nevis Golden Book 2003/2004*”. The publication launched in November 2003 was spearheaded by the Nevis Financial Services Development and Marketing Department and was a collaborative effort between the various departments within the Nevis Island Administration as well as between the public and private sectors. The informative and enlightening publication is expected to serve as a comprehensive reference manual that highlights activities in Nevis and will be instrumental in the promotion and marketing of Nevis in the current areas of upscale tourism, provision of financial services and other areas. The book will be of enormous value to lawyers, accountants, trust professionals, tourists, investors, potential investors and many others.

63. Madam President, the initiatives undertaken by Nevis in the past year have resulted in Nevis continuing to be recognized as a predominant jurisdiction with many competitive advantages. However, although Nevis continues to experience a slower rate of growth in the Financial Service Sector, this is as a result of the continued turmoil in the global economy, the residual effects of the September 2001 attacks on the United States, the recent war and terrorist threats and other global factors. Notwithstanding all of these factors, the Nevis financial services sector has remained resilient and in the past few months, a small but noticeable increase has been experienced in the number of new registrations.

64. Nevis’ resilience is depicted in the fact that despite a decrease in the number of new companies registered as compared to previous years, the registry is expected to come close to the target revenue for the year 2003. As at 28 November 2003, revenue collected for the year from government registration, annual renewals and other government fees in the financial sector amounted to over \$8.0 million and is expected to near the mark of \$9.0 million for the year. This represents more than 15% of the recurrent revenue of the island. Additionally, the sector continues to contribute significantly in a variety of other ways to the economic development of the island and to the improved quality of life of all our citizens. These results demonstrate that the international financial services sector remains important to the citizens of Nevis.

65. Madam President, the strategy of the Administration is to enhance the economic development of the island by creating an investment climate that is conducive to the long-term development of

business on the island. We are all aware that the events of the past 31/2 years have threatened various sectors and have served as a painful reminder that we must change the way in which we conduct business. It is with this in mind that the Nevis Island Administration plans to undertake various initiatives in 2004.

66. One initiative is to continue efforts to upgrade Nevis' regulatory infrastructure. Although the Federation has been removed from the Financial Action Task Force (FATF) and Organization for Economic Cooperation and Development (OECD) lists, Nevis is mindful that it must not relax its guard. To this end, Nevis is committed to monitoring its legislative and regulatory institutions to ensure that it complies with international best practices and that only persons with the highest degree of integrity are permitted to conduct business activity on the island. With this in mind, we intend to continue to work with the FATF, the Caribbean Financial Action Task Force (CFATF), the OECD, the International Monetary fund (IMF), the International Trade and Investment Organization (ITIO), the Caribbean Anti-Money Laundering Programme (CALP) and other regional and international organizations to develop international standards on a level playing field basis.

67. Another initiative is to enhance training and development within the Administration and the Private Sector in the changing face of the international financial services industry. To achieve this, plans are in place to continue to conduct seminars, mini-conferences, workshops and other initiatives with the goal of being consistently at the forefront of activities in the international financial services industry and aimed at increasing public awareness of the sector here on the island. In addition, the year 2004 will commence 20 years since the launch of the Nevis Financial Sector. To this end, plans are in place to celebrate this event with a financial services awareness week that will include a variety of activities and will culminate in the 2<sup>nd</sup> two-day international financial services industry conference in August 2003. This event is expected to be a true collaboration between the public and private sectors and hosted by the government in conjunction with the Nevis Chapter of the Offshore Institute.

68. Finally, we will continue the on-going work to enact new legislation and amend existing legislation to create new financial services products and serve new markets. During 2004, we intend to pass into law the Service Providers Regulation Ordinance and legislation for the registration and regulation of captive and reinsurance entities. In addition, the Nevis International Business Ordinance will be

amended to create hybrids to cater for niche markets. We will also be working on the development of Foundation legislation as more and more professionals are embracing the foundation concept in preference to the creation of Trusts. In the launching of these new products, every effort will be undertaken to ensure that we comply with international standards to avoid the jurisdiction being subjected to increased scrutiny by the various multilateral institutions.

69. Madam President, notwithstanding the challenges of the past year, the Nevis financial services sector continues to fortify itself in order to meet the needs of its clients and the industry that it represents. With the initiatives planned for 2004, I believe that we will weather the storm and get back on course with the development of a solid international financial services sector.

## **HEALTH**

70. Madam President, the Administration continues to enhance its services to the general public through its various service-oriented departments. Health Education and Promotion for the past year were geared primarily towards prevention of diseases. Through a team approach and partnership with the media, community groups, church groups and other departments, resources were pooled and programs for the community to reinforce specific healthy life styles were organized for International Days - World Health Day, World AIDS Day, World Mental Health Day and World Diabetes Day.

71. Madam President, the AIDS epidemic has been the main health problem of many countries in the world including Nevis. The AIDS Co-ordination Unit has staged, quite aggressively, several AIDS sensitization and intervention workshops and programs to combat the spread of HIV/AIDS on the island with some degree of success. Already, as part of the St. Kitts-Nevis HIV/AIDS World Bank Project, two Voluntary Counseling Centres (VCT) in Nevis have recently been assessed for VCT readiness. A number of physical changes have been made to these centres so that VCT services can begin in the New Year. With the AIDS Co-ordination Unit leading the fight we expect outstanding achievements in the New Year.

72. Madam President, Public Health continues to provide quality health care to the residents of Nevis. In Community Health Nursing our current programs of Maternal and Child Health, School

Health, Mental Health, Diabetic Clinics and Eye Care continue to run effectively reaching every level of society as we strive for our goal of achieving health for all.

73. Immunization against childhood diseases continues to maintain excellent coverage significantly reducing the incidence of morbidity and mortality in our children. Hepatitis B Vaccine is now given to all eleven year olds and this will continue until the gap is bridged between that group and those who now receive the vaccine at birth.

74. Chronic diseases have become the leading causes of death in our country and so the establishment of active diabetic clinics in every health center throughout Nevis is timely. Clinics are held on a monthly basis and patients are now equipped with better management skills thus reducing complications of this disease. Various examinations are routinely done at post natal and family planning clinics aimed at early diagnosis of breast and cervical cancer in this segment of the population. It is our intention to formulate programs in the near future to increase screening for diabetes, hypertension, cervical, breast and prostate cancers on a wider scale in an attempt to decrease the incidence of these diseases in our entire population.

75. Madam President, apart from the usual dental procedures 2003 saw the reintroduction of the fluoride program in all primary schools on Nevis. This program was reintroduced subsequent to the oral health survey carried out in October 2001 and following the analysis of our water supply for fluoride. Of the 1200 school children screened 814 were included in this program. A new dental chair was installed in the Charlestown Dental Unit while a new dental chair; suction and compressor were installed in the Gingerland Dental Unit. With the Gingerland Unit now refurbished it is expected to be fully operational in the very near future.

76. Madam President, the Environmental Health Unit continues to monitor and institute measures to prevent and reduce environmental health problems that affect public health. In order to ensure the protection of public health in a manner consistent with international standards the unit continues its educational programs to all stakeholders in the food service industry. In this regard, with technical assistance provided by the Pan American Health Organization (PAHO), twenty-two (22) food vendors received training and certification in food safety guidelines related to production, preparation, storage, transportation, display and consumption of itinerant foods.

77. In 2004 the Unit proposes to:

1. Continue the consultation focusing on the introduction of a Food safety Act to provide for the safety of foods produced and sold in Nevis as well as those imported into and exported from Nevis.
2. Seek to establish a Nevis Food Safety sub-committee to advise on matters pertaining to food safety.
3. Introduce new food handler's certification and identification process, replacing the present card with a photo identification badge. Food handling personnel will be required to have same affixed conspicuously to their person when engaging in food handling activities. This will promote consumer confidence, make identification easier for the officer, and eliminate instances of fraud.
4. Intensify the integrated environmental health education program to bring about positive behaviour changes in residents in relation to their environment.

78. Madam President, there is no doubt that health care on Nevis has improved significantly over the years. The Alexandra Hospital for instance has been modernized with the purchase of state of the art equipment, and the upgrading of the physical plant. This project cost about \$ 6.0 million, and the people of Nevis now enjoy a high level of service at the hospital.

79. Madam President, health care continues to consume over 12% of the recurrent budget which will amount to \$9,411,856 during 2004. This Administration regards health care as extremely important to the economic viability of the island and every effort will be made to ensure that our citizens enjoy high quality health care right here in Nevis.

## **EDUCATION AND TRAINING**

80. Madam President, it has always been the view that the development of a highly qualified and well trained human resource could give the Caribbean, the competitive advantage in a world where knowledge and technology is the driving force in production and productivity and thus economic growth. Education continues to consume the largest portion of the budget. During 2004, \$10,980,523 will be spent, representing approximately 15 % of the total Recurrent Budget.

81. I am pleased to report, Madam President, that our efforts are bearing fruits. The Caribbean Secondary Education Certificate (CSEC) results were again very commendable in 2003. The average pass rate for Charlestown Secondary and Gingerland Secondary were 82% and 81% respectively, placing these schools in first and second places in the Federation. I must congratulate the students for their success and the parents and teachers who have worked diligently to prepare them.

82. Madam President, the Administration has tried to ensure that learning opportunities are provided for everyone regardless of age. We continue to upgrade the early childhood and nursery programme by providing professional training for teachers. During 2004 all of these schools will undergo strict supervision and evaluation and will have to be licensed. This is to ensure that the quality of childcare is consistent throughout Nevis. Workshops will be organised to prepare all stakeholders for this process.

83. Madam President, the UWI distance program is growing as more young people make use of the opportunity to pursue graduate, post graduate and certificates courses in Management of Business, Accounting, Education, Economics and Construction management. Thirty-five (35) students are now registered in the programme. Further, the Adult and Continuing Education Programme is also growing and continues to contribute to the personal development of our adults. This programme improved considerably in response to the findings of the Poverty Survey. Both formal and non-formal courses are offered with the objective of providing additional qualification to Adults and to encourage entrepreneurship. A total of 220 persons are presently enrolled in the programme. During 2003 the CSEC pass rate was quite good at 66.5%.

84. During 2004 we will implement the following programmes:

1. Retrofit four Primary schools to provide libraries. The schools will be St. James' Primary, Charlestown Primary, St. Thomas' Primary and Gingerland Primary.
2. Erect three Computer Labs at three Primary Schools namely St Thomas', Charlestown and Gingerland Primary.
3. Develop a TV Information Programme to sensitize the public about what is happening in education.

4. Improve the physical plant at Charlestown and Gingerland Secondary Schools under the Basic Education Project.
5. Erect a Music room at Gingerland Secondary. An orchestra will be established at the school to develop the musical talents of our children.

85. Madam President, in the case of the Civil Servants, the Administration has continued to expose civil servants to a number of courses to upgrade their skills and professional acumen. 2003 saw the focus been placed on performance and productivity with fifty-two (52) Senior Managers and Supervisors benefiting from Productivity Management Workshops. From this workshop, a committee was established to design performance standard measures by which Civil Servants could be evaluated. The team is also responsible for preparing job description manuals for 2004.

86. Madam President, Thirty (30) people left in 2003 to pursue studies in areas such as Accounting, Computer Science, Library Science, Health and Education. Twenty-five of those pursuing University Studies have been assisted by the Administration through the payment of economic cost, tuition allowances and salaries at a cost of approximately \$1.0 million. Two people are benefiting from CARICOM/CUBA Scholarship programmes. It is worthy to note that four (4) Nevisian completed studies in Cuba, two (2) have returned home and the other two (2) have remained in Cuba to pursue postgraduate studies in Dentistry. In 2004 twenty-six (26) persons should be returning home after completing studies at Certificate, Diploma, Bachelor and Post Graduate Levels.

87. Madam President, the Administration will continue to invest heavily in the development of our people at all levels to ensure that they possess the intellectual and professional capacity necessary for managing the system. The training budget for 2004 is \$700,000, which reflects, an increase of \$200,000. This will be utilized to meet the Economic Cost for students at the University of the West Indies. We believe these resources will be well spent as the Administration continues to make significant efforts in improving the quality of its human resource, to prepare our people to assume full control of their affairs.

## **AGRICULTURE**

88. Madam President, the agriculture sector continues to face difficulties because of adverse weather conditions, changes in the lifestyle of Nevisians who have reduced consumption of beef and meat, and competition from cheaper imported goods. Despite these challenges, we continue to experience increased production in this sector. When one compares production in 2003 with production in 2002, there have been increases in some of the major crops. Cabbage increased by 100%, Cucumber by 11%, Broccoli by 11%, String Beans by 43%, Honeydew Melon by 52%, Sweet Peppers by 100%, and Butternut Squash by 44%. There was also a steady supply of Breadfruit, Pumpkin, and Eggplant throughout the year. We also had marginal increases in the production of lobsters, conchs and fish.

89. Madam President, the Administration through the Ministry of Agriculture continues to invest heavily in Agriculture in an effort to ensure food security for our people. Consequently, this programme will receive a budget of \$3,156,814 during 2004. With these resources, we will continue with the Caribbean Amblyoma Programme with the objective of making Nevis tick free. We are already witnessing an increase in livestock production as a result of this programme. We will also continue to sensitize the general public on the importance of agriculture and fisheries to the economic development and social advancement of the island. The beef festival is one such activity, which seeks to encourage the consumption of local beef in preference to, imported beef. In addition, the year 2004 will be the 10<sup>th</sup> Anniversary of our Open Day and Exhibition of agricultural produce. A Mini Trade Show will be organized to commemorate this activity.

90. Madam President, the Administration will place greater emphasis on Agro-Processing in 2004. We have realized that when fruits and vegetables are in abundance not enough is transformed to avoid wastage. We will therefore ensure ongoing training in Agro-Processing, and the establishment of good manufacturing practices through the development of a proper Bureau of Standards.

91. Madam President, in 2004 we will also pursue a programme geared towards maintaining a healthy environment. This will involve a vigorous tree planting exercise throughout the entire year. We have lost a significant number of trees over the years due to hurricanes and construction activities. It is therefore important that we implement a programme of replanting and reforestation to reduce erosion and protect the environment. There is a lot of work to be done in Agriculture, but I believe that this Administration is on target despite the many difficulties.

## **YOUTH AND COMMUNITY DEVELOPMENT**

92. Madam President, this Administration has an outstanding record in the area of social development. In the past we successfully implemented the school feeding programme, the hot meal programme for the elderly, the boy's choir and the Palm Awards just to name a few. The year 2003 was also a very busy year for social programmes. Activities included:

1. Conducted workshop for 25 peer counselors from secondary schools on drugs, HIV/AIDS, teen pregnancy, anger management, and conflict resolution.
2. Launched peer counselors in three (3) secondary schools to counter negative social influences.
3. Conducted leadership seminar for leaders and deputies of community groups, clubs and sports associations – nineteen (19) groups or associations were represented.
4. Organized and commissioned community groups in Combermere, New Castle, Zion, Pond Hill, Rawlins and Hickman's.
5. Organized Youth Month, which turned out to be a huge success.
6. Facilitated sub – regional camp for disability sports.
7. Hosted a sports festival for the specially challenged.

93. Madam President, during 2004 we will continue to provide training and personal development programmes for our young people. Live in camps and after school programmes will be organized to facilitate this objective. We also intend to establish a sport museum in honour of outstanding sports personalities in Nevis, as well as sports persons of the year excellence award. It is expected that these projects will encourage our young people to participate more fully in sporting activities.

94. Madam President, the Administration through the Social Development and Gender Affairs Department will continue to focus on monitoring and assisting the elderly in our midst. Recreational activities involving the elderly will increase in the New Year. To fulfill this objective, the Department proposes to conduct tours to different areas around the island. This response is a direct request of our ambulatory elderly who enjoyed the tours organized during the month of the elderly. Other proposed activities include additional social gatherings on an island wide basis as well as parish groupings. We will also continue our programme of assistance to indigents with respect to meals, and repairs and improvement to homes. These programmes will be strengthened and enhanced during 2004.

95. Madam President, in the area of family development services, the Administration intends to provide greater legal assistance to single parents. The records are chronicled with incidences of lack of care and maintenance by parents, child neglect and abuse, cries for employment, and spousal conflict. Legal recourse is required in most cases. To overcome this shortcoming, the Department of Gender and Social Affairs will be facilitating two Legal Sensitization Workshops through the auspices of the Judicial Legal Reform Office for the Caribbean. The workshops are intended to equip Social Service Providers with knowledge of law and legal procedures related to the areas of concern and to inform and educate clients who are experiencing the problems mentioned. Many of the clients of the welfare system are single parents and the Administration through the Gender and Social Affairs Department will continue to embrace them. We have already started a single parent support group which will be solidified in 2004.

## **PRIVATE SECTOR DEVELOPMENT**

96. Madam president, this Administration recognizes that both the public and private sectors must work hand in hand for the economic development of the country. Consequently, we have had several meetings with the Chamber of Commerce and other stakeholders to discuss plans and programmes to advance the Nevis economy. These meetings have been very fruitful and rewarding and every effort will be made to ensure that the dialogue continues in the new year.

97. However, the Administration has invested heavily in the infrastructure of Nevis and has created an environment conducive to growth and development. We therefore call on the private sector to take up the challenge and invest in the island. Government will continue to attract foreign direct investment, but we have to ensure that our own people play an important role in wealth creation. We will therefore continue to provide assistance through loans and various fiscal incentives to encourage local entrepreneurship. I would like to encourage the business sector both large and small to respond to these initiatives. I also call on the private sector to look seriously at the pricing of products. We decided not to implement price control in order to allow market forces to dictate prices. We also took the advice of the Chamber in this regard. However, during 2004, we will continue to address this issue to ensure that we control the cost of living in Nevis to reduce the burden on our people.

98. Madam President, I have just provided a synopsis of some of the sectoral plans for 2004. More details are provided in the estimates, and the various Ministers will provide additional information in their presentations. I shall now turn my attention to the fiscal measures for 2004.

## **FISCAL POLICIES AND MEASURES**

99. Madam President, earlier in my presentation, I indicated that there has been a weakening in the fiscal position of the Nevis Island Administration over the past five- (5) years because of exogenous factors. To prevent any further deterioration, the Administration sought technical assistance from CARTAC in the area of Fiscal Management.

100. Madam President, the analysis revealed that the deterioration can be attributed to a combination of factors: revenue has been weak in recent years because of a slow down in the growth of economic activity; large revenue foregone due to tax concessions and exemptions; and weak collection enforcement. Furthermore, current expenditure, especially personal emoluments, was permitted to increase as a percentage of GDP in 1999-2001 despite weak revenue. Mention was also made of the fact that large capital expenditure in the wake of hurricanes has so far not been reflected in the growth of the private sector, and deficits have been increasingly financed by commercial loans resulting in the increase of the average interest rate from 5% in 1998 to 7% in 2003.

101. Madam President, this Administration believes in openness and transparency and consequently, I have outlined the reality of the fiscal position in Nevis. What is important at this time is that we take the necessary action to correct the situation. I outlined earlier, the required adjustment as espoused by the Central Bank. However, it is our view that the level of adjustment, which has been prescribed, would be too burdensome on our people. Consequently, we have developed a five-year plan to stabilize the fiscal situation by the year 2009. This requires that we reduce the debt to GDP ratio to below 60% by 2009. To achieve this goal we will have to generate surpluses on recurrent account of about 1.5% of GDP in each of the first three years and 1% of GDP in subsequent years. This requires some belt tightening and fiscal discipline by all concerned but this will make sure that the future will be secured if we do these things now.

102. To achieve this objective we propose the following measures for 2004:

1. **Taxes on Properties:** A new system of property valuation, from imputed rental to market value, will be implemented hopefully by June 2004. By strict enforcement and the updating of the tax register this is expected to yield additional revenue of \$700,000 for 2004.
2. **Hotel Room Tax:** The Tourism Development Levy will increase from 1% to 2% from June 2004. The tax base will also be expanded by applying the accommodation tax of 7% and the Tourism Levy of 2% to the rental of villas. This is expected to generate additional revenue of \$800,000 in 2004.
3. The Administration is exploring the possibility of imposing an excise tax of \$1.00 on the price of gasoline. This will replace the gasoline levy. The price will be allowed to fluctuate based on market

conditions similar to the practice in some Caribbean countries and the industrialized world. This proposed measure has the potential to generate \$1.2 million. A fuel surcharge will also be added to the price of electricity. This will vary depending on the price of fuel and is a much more equitable system of charging for electricity.

**4. Water Services:** Stricter enforcement of the announced disconnection policy will be implemented for all 12 months of the year. There will also be an increase in the reconnection fee from \$10.00 to \$100.00 effective January 1, 2004. It is expected that this would serve as a deterrent to delinquency in payment of water bills.

**5. Concessions:** Government will discontinue the policy of granting exemption from consumption tax. Churches, taxi operators and other beneficiaries of tax concession will be granted exemptions from duty only. The customs service charge and consumption tax will be payable. After discussion with the Nevis Chamber of Commerce the Government has agreed to grant duty concession on solar water heaters from January 1, 2004. This is being done to encourage energy conservation.

6. Ancillary Services in the Tourism Industry will be required to register with and be certified by the Ministry of Tourism. The fees collected for the registration will be utilized to regulate these businesses and promote Tourism. This policy is necessary to ensure that providers of these support services meet the standards required of an upscale tourism destination and that they contribute to the development and promotion of tourism in Nevis.

103. **Expenditure:** Every effort will be expended to reduce expenditure by undertaking the following:

1. The Administration will carefully monitor the employment of both established and non-established workers to control the cost of salaries and wages without jeopardizing service to the general public.
2. The Government will seek to reduce the debt burden by refinancing debts, reducing borrowing from commercial banks and limiting the number of capital projects.
3. Tighter control will be exercised on spending on goods and services. Government is considering establishing a Centralized Purchasing Unit to better manage this part of its activity.

104. Madam President, this Administration recognizes that the imposition of new taxes will not by itself adequately address the present fiscal challenges. Consequently, during 2004 and beyond greater emphasis will be placed on Tax Administration and Expenditure Management. In this regard, we have already begun a number of initiatives.

105. This Administration in conjunction with the Federal Government has contracted Crown Agents to undertake a diagnostic study of the Customs Department with a view to improving the overall operations. Their work will involve improving structures, systems and procedures to better enable the department to carry out its mandate. Their work will focus primarily on those areas of organization where reform would have the greatest direct impact on levels of revenue collection and Customs fraud. The project will be undertaken over a period of two (2) years and will include a programme of training for staff members. It is expected that this project will improve revenue collection significantly. The Administration is expected to contribute \$450,000 to this project during 2004

106. Madam President, in collaboration with the Federal Government a request was made to the Caribbean Center for Technical Assistance (CARTAC) to provide assistance in tax administration. The goal of this project is to improve the management and administration of tax collection at the Inland Revenue. Based on the recommendation of this study the Inland Revenue Department will be strengthened by improving tax audits, updating information systems and enhancing the legislative framework. The report also gave guidelines on the implementation of a Value Added Tax (VAT) system should the Government decide to take this route in the face of trade liberalization which would result in a reduction of Customs duties. Discussions have also been held on the establishment of a Revenue Authority, which would help to introduce private sector style management practices to revenue administration. These issues were also discussed with the Tax Commission that visited Nevis in October 2003 to discuss the recommendations of its report with the Nevis Cabinet and other stakeholders in Nevis including the Opposition.

107. Madam President, the Administration intends to implement the recommendations of these reports to improve revenue collection. Already, the Tax Administration Act has been passed in the Federal Assembly. This will give tax officials greater powers to enforce revenue collection. During 2004,

we will begin to train officials at the Inland Revenue Department, and sensitize the Public about the changes that will be implemented.

108. Madam President, the Administration has also sought technical assistance from CARTAC to improve its cash management system. We recognize that poor cash management which results in the existence of substantial payment arrears, supplementaries, and unprogrammed borrowings could cause serious cash flow problems. Fortunately, we have not yet reached this stage in Nevis, but it is important that we act expeditiously to ensure that budgetary and accounting policies and systems are upgraded to avoid economic difficulties.

109. This new system will require that the Government keep track of all tax arrears and outstanding commitments. The consequence of this for sound economic management is that if revenue estimates are not achieved, maintenance of the budget proposals would be strained and could prove difficult for future fiscal stability.

110. During 2004 a cash committee will be established and chaired by the Permanent Secretary of Finance. Other members will include the Director of Budget, the Treasurer, the Heads of the revenue agencies and the debt management unit. All revenue and expenditure departments will be required to submit to the Ministry of Finance quarterly budgets and monthly outcomes. Reports will also include outstanding commitment and arrears of expenditure. The committee will convene regularly to evaluate the performance of all ministries and take the necessary corrective action where necessary.

111. Madam President, it is vital to the economic future of Nevis that all involved in management exercise the highest standard of financial discipline as required by the budget. We expect senior civil servants to follow the guidelines and apply the highest standards of professionalism. With these initiatives, and the expected improvement in economic performance, I believe that we may be able to achieve our fiscal adjustment targets even before 2009.

## **CONCLUSION**

112. Madam President, in this presentation, I have provided details on the fiscal situation of the Nevis Island Administration. I am satisfied that this government has been quite open with the people of Nevis. I am aware that some persons will attempt to use the fiscal situation to argue the case against full independence for the people of Nevis. But this could be seen as “clutching at straws” especially as the attainment of independence would enable an independent Nevis through its own sovereign government, to better approach a global market place to access financing and investment funds for development and economic growth.

113. Madam President, due to the decline in the global economy, most of the countries in the world are experiencing fiscal difficulties. Even the United States Government has had to borrow heavily to finance a huge deficit.

114. Madam President, all of the islands in the OECS have been going through a very difficult time. Even though the debt to GDP ratio for Nevis is estimated at 72% for the end of 2003, this still compares favourably with the other islands in the OECS which have an average debt to GDP ratio, up to the end of 2002, of 83.1%. This figure is likely to increase when the data for 2003 become available. In fact, three islands in the OECS have actual debt to GDP ratio in excess of 100%. The Nevis situation therefore is still much better than several countries in the Caribbean and around the world.

115. Despite the fiscal situation, it must be stated here that the people of Nevis have continued to paddle their own canoe. In the last Ten (10) years, we have received very little grants in aid from any sources and certainly Madam President, the Nevis Island Administration has received no financial assistance from the Federal Government over this period. We have had to borrow to finance our own economic development. The Federal Government has provided a sovereign guarantee for the loans, but the debt and the responsibility to repay the loans is that of the Nevis Island Government. The progress that we have made since 1983, is a direct result of the hard work and determination of our people especially since we assumed responsibility for our internal affairs. I am certain that the senior persons in this house remember what Nevis was like before 1983. Our roads were in a state of disrepair, our port facilities were inadequate, electricity and water services were very limited, unemployment was high, and our hospital facilities were far below acceptable standards. Our people

sought refuge in successful countries like the USA and its dependencies, Tortola, and St. Maarten just to name a few.

116. From the moment a Government was established in Nevis in 1983, the course of history began to change. Today we enjoy near full employment, modern port facilities, upgraded hospital facilities, new asphalt roads, and upgraded social services. The development in Nevis in terms of housing, commercial buildings, high quality jobs, and overall standard of living is amazing. There is no other period in our history that we have witnessed such a phenomenal growth in economic activity. It has meant incurring debt but it was necessary to do so to provide the level of development we now enjoy.

117. Madam President, sometimes when we achieve success we tend to forget the road that we have traveled. There is absolutely no doubt that the progress Nevis has achieved since 1983 came as a result of Nevisians gaining greater control over their economic and political destiny. I must remind everyone that the journey has not yet ended. If as a people we can achieve so much with autonomy, the possibilities after full independence are limitless. Our people are determined and resilient. These are attributes that will enable us to surmount difficulties in our quest for political and economic advancement and independence.

118. Madam President, there are Governments and Institutions that have been supportive of our effort to advance the development of this island. I express sincere thanks to the Caribbean Development Bank (CDB), Kuwait Fund for Arab Economic Development (KFAED), the European Union, the Canadian Government and CARTAC that continue to provide soft loans, aid and technical assistance to the Government of Nevis. Without their help, the journey would have been much more difficult.

119. Madam President, I can now see a light at the end of the tunnel. There is hope for a brighter future for the people of Nevis. I thank God for his guidance over the years and I am confident that he will continue to light our path as we boldly embrace the future.

120. I leave you with the words of Thomas Fuller: “The real difference between men is energy. A strong will, a settled purpose, an invincible determination, can accomplish almost anything; and in this lies the distinction between great men and little men.”

121. Have a blessed Christmas and let us move confidently into the future knowing that God is watching over us, but we as a people must make the right decision to achieve our goals for independence and economic development, and to receive God’s blessings.

122. Madam President, I so move.