BUILDING A SUSTAINABLE, RESILIENT ECONOMY IN CHALLENGING TIMES

BY

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INTRODUCTION

Mr. Speaker, Honourable Members, since our country's attainment of independence on October 27, 1979, there have been 33 annual budgets. Robert Milton Cato, of blessed memory, crafted four of these budgets; Sir James Mitchell fashioned fourteen; Arnhim Eustace delivered three; and Budget 2013 is the twelfth which I am presenting. Each Minister of Finance has sought to make St. Vincent and the Grenadines a better place for its citizens; and to a greater or lesser extent each has succeeded despite the inherent limitations of our vulnerable small, multi-island economy and the awesome external challenges which confront us. Each national Budget has had its own peculiar or special frame against the backdrop of the general socio-economic condition. Each national Budget, too, is required to have its own focus, coherence, and developmental thrust. Each Budget is necessarily a house-keeping and developmental exercise, but much takes place, too, in the economy outside the Budget's structured frame. For convenience, each possesses its own theme. For Budget 2013, the overarching theme is simple, yet profound: Building a Sustainable, Resilient Economy in Challenging Times.

Mr. Speaker, it is inescapable that a Budget, especially in its developmental as distinct from its routine house-keeping function, is shaped by the Government's thinking, explicit or implicit, in respect of the appropriate or relevant praxis – theory and practice – of economic development for micro-economies such as St. Vincent and the Grenadines.

Indeed, the very making of a national budget and economic-policy, broadly-speaking, in a micro-economy like St. Vincent and the Grenadines in the context of the awesome contemporary global challenges, has become even more problematic than hitherto, in part, because of the controversies surrounding, and the inadequacies of, the conflicting theories of economic development which historically have informed decisions of policy-makers.

Over the fifty years prior to the assumption of office by our government in 2001 a range of perspectives, often conflicting, informed economic policy, sometimes simultaneously. These included: the maintenance of a basic mono-crop agricultural economy within a network of colonial trading relations and budgetary assistance; policies arising from "development with unlimited supplies of labour," "industrialization by invitation", and "the operation bootstrap" Puerto Rican model, all based more or less on "the development economics" of the world-renowned Caribbean economist, Sir Arthur Lewis; "a third set of perspectives in small-island economies", following upon the theses of William Demas; "New World" development theory which focussed on exchange relations between "metropole" and "hinterland" and an enlarged role for the State and the national populations; and then "structural adjustment" programmes of the 1970s and 1980s administered by the International Monetary Fund (IMF); updated "structural adjustment" through the famed "Washington Consensus" of the IMF and World Bank in the 1990s of an unabashed "neo-liberal" order founded on an unregulated capitalism, large scale privatizations; tight monetary and fiscal policies, currency devaluation in some cases, wage restraint, trade liberalisation, and a reduced role of the State in the economy; and of course a little later, "poverty-reduction and "good governance" were added as a mere after-thought.

It is not that these frameworks or their variants did not provide some measure of economic growth and social development. By the start of the 21st century, however, there was an overwhelming sense in St. Vincent and the Grenadines that these celebrated "lesser gods" had failed to deliver sufficiently in the short-to-medium term and had led the country to a developmental dead-end in a world which had become increasingly globalised, technological, competitive, liberalised in trade and integrated, though unevenly. The undeveloped and unsatisfactory socio-economic condition in St. Vincent and the Grenadines by the year 2001 was reflected in the following summary facts, among others: General poverty of 37.5 percent of the population; indigence or "dirt poor" poverty of 25.7 percent of the population; under-nourishment among some 11 percent of the population; stark inequality as measured by a Gini Coefficient of 0.56, the highest in the region; unemployment of 20.5 percent of the labour force, an increase of 1.5 percent over the 1991 figure despite the fact that net migration between 1991 and 2001 exceeded the natural increase in the population; modest-to-low economic growth in the context of global economic expansion and preferential markets for bananas; relatively low levels of foreign direct investment; a per capita Gross Domestic Product (GDP) at the lowest rung on the comparative ladder in the member-countries of the Eastern Caribbean Currency Union (ECCU); an increasingly run-down and inadequate physical infrastructure, including the absence of an international airport; a limited and limiting educational system with less than 40 percent of the 12-year olds at secondary schools and a veritable handful of students at university; debilitating financial and other "black lists" imposed by international bodies; an administrative-governance apparatus in shambles; a dead-end economic dependency; and an unsustainable economic framework.

More worrying than the terrible state of affairs which existed in the economy and society by the turn of the twenty-first century, was the absence of any coherent developmental thrust from the political representatives of the 'ancien regime'. It is at this point that my government entered the picture with a compelling narrative of, and for, development. It is this which we have been pursuing, refining, and amending in the altered circumstances of globalised casino capitalism, regional and national possibilities and limitations. Clearly, the national political economy of St. Vincent and the Grenadines has to engage modern global capitalism and its political architecture in a creative manner, twinning efficacious accommodation and resistance, so as to obtain economic and political space for genuine national development benefiting the people as a whole. It is a subject on which I have written extensively elsewhere.

Mr. Speaker, the first requirement of any genuine developmental approach is to ascertain the facts of our condition, not fanciful imaginings or distortions, not stylised musings. Truth is derived from facts; and the real world validates the truth. An inventory of our condition is thus required to be done, not in a mechanistic fashion of an itemised list but in their dialectical inter-connections. What are the essential facts upon which to elaborate theories of explanations, to fashion practical solutions to problems, and to implement the corrective policies efficaciously?

In this context, it bears repeating that St. Vincent and the Grenadines is a small, resource-challenged, structurally dependent open economy, which is prone to natural disasters. Each of these factors constitutes profound economic constraints particularly against the backdrop of a rampaging casino capitalism globally and the adverse effects of climate change. Economic shocks are not merely episodic to St. Vincent and the Grenadines; they are a permanent feature of its make-up. Among other things, small size means that only 20,000 acres of land or roughly one-fifth of the total acreage of St. Vincent and the Grenadines, are available for agriculture; and the available labour force is no more than 50,000 in a country where labour productivity is itself low by international standards.

Further, St. Vincent and the Grenadines is hugely dependent on capital flows from overseas through foreign direct investments, grants, loans, and remittances. The domestic market is constrained or limited by a weak internal demand. St. Vincent and the Grenadines is quite dependent on external source markets for trade in goods, tourism, and services generally. The internal demand, by itself, is unable as yet to produce a sufficiency of surplus resources to drive economic, infrastructural or social development. Attendant to all this are the limitations of the domestic private sector especially regarding its size, the lack of a sufficiency of competitively-priced credit facilities, the comparative high cost of electricity, the insufficiency of creativity and risk-taking, and the adverse impact of public sector inefficiencies.

These limiting conditions are exacerbated by the vagaries of international trade which engender and maintain economic vulnerabilities. The virtual cessation of the preferential market in Europe for our bananas is a case in point.

Our tourism infrastructure, though improving, is still, comparatively, insufficiently well-developed. The absence, thus far, of an international airport is a brake on the optimal advance of tourism.

As as a people, we have added to our travails and challenges by our own actions or inaction. We have acquired, generally-speaking, highly sophisticated and expensive consumer tastes which, inevitably, have fuelled a very high level of expenditure on imported goods and services; this thus places a strain on our foreign exchange resources and our ability to pay. Further, the flawed diets and behavioural patterns of too many of us contribute significantly to chronic Non-Communicable Diseases (NCDs) – diabetes, hypertension, cardiac and renal problems – ill-health generally, and an unnecessarily large food import bill. Additionally, our nation is seared with anti-social behaviour by too many persons, albeit a minority of our population, which leads to growing violent crimes, including an unacceptably high incidence of homicides. And then, too many of our people, admittedly a minority overall, have unsustainable preferences for leisure, "nice time", and even laziness rather than hard, smart, productive work. Too few are required to carry the burden of too many.

The upshot of all this, and more, has led to declining rates of economic growth – a trend observable since the early 1990s - and the encumbrance of high levels of public and private debt, even though our public indebtedness as a proportion of GDP is the lowest among the independent member-countries of the Eastern Caribbean Currency Union (ECCU).

This inventory of challenges and limitations is, of course, not the full story. We possess, too, immense possibilities and strengths. Among these are the following: Fertile land and an abundance of fresh water; a landscape and seascape of exquisite, and even unique, beauty; substantial marine resources; a wonderful climate practically all-year round; the presence of energy resources of hydro, geothermal, wind and solar; an ambitious, resilient, and largely hard-working people, steeped in the tried and tested values of our Caribbean civilisation; an educated labour force which is easily trainable; a productive labour force whenever it is structured within a rewarding and uplifting social organisation of labour; a patriotic domestic private sector; a people for whom English is their first language; the location of St. Vincent and the Grenadines close to the world's largest economy; a people, by and large, who are God-fearing, good-natured, tolerant, peaceful, and law-abiding; the beneficence of significant net migration; a committed diaspora overseas; a nation of laws, constitutionalism, good governance and popular unity; a public administration system which, despite its many weaknesses, is basically sound, efficient, and effective; a land of liberty and democracy; a commitment to family life and just economic rewards for labour; the instruments of sovereignty and independence to be utilised as principled assets in the people's interest; our ability to attract annually, at least a modest level of foreign direct investment; the unequivocal embrace of deepening regional integration amidst all its challenges; a profound sense of internationalist solidarity between like-minded nations, groups, and peoples; and the delivery of quality political leadership as a major asset.

The inventory of our challenges and limitations, on the one hand, and of our strengths and possibilities, on the other, in their multiple dialectical interconnections, is the starting point to chart the way forward. From a consideration of these flows the compelling developmental narrative of this administration. <u>Our vision</u> is people-centred based on our shared historical experiences and the resultant conscious expression of the uplifting Vincentian dream, for all. <u>Our philosophy</u> is grounded in the universal principles of social democracy applied to the specific circumstances of our Vincentian condition. <u>Our socio-cultural framework</u> for advancement is undergirded by our recognition of the authenticity, legitimacy, uniqueness of our ennobling Caribbean civilisation and its magnificent Vincentian component. <u>Our strategic economic outlook</u> is premised on the quest to build a modern, competitive, many-sided, post-colonial economy which is at once local, national, regional and global. Our governance agenda is focussed on reforming our constitutional, legal, and political apparatuses to enhance good governance, strengthen popular democracy and accountability, bolster fundamental rights and freedoms, enhance the quality and independence of the judiciary, and deliver responsible and responsive government. Our unequivocal commitment to deepening regional integration, not as an addendum but as a core feature of national policy-making and implementation. Our acknowledgement, and elaboration, of the assets of sovereignty and independence to be utilised in principled ways for the many-sided benefit of our people. Our detailing of a wide-ranging bundle of policies and practical programmes which emerge from our extant condition and the practical fleshing-out of our vision, philosophy, socio-cultural rubric, economic strategy, governance agenda, and regional and internationalist commitments. And finally, our fashioning of efficacious structures and systems of political-leadership and public management to implement the policies and practical programmes, within the interest of our people.

The Election Manifestos of the ULP, from 2001 to 2010, inclusive, contain the detailed policies, programmes and governance approaches which reflect our compelling developmental narrative.

It is this critical analysis of our socio-economic condition and the elaboration of a home-grown developmental praxis, specific to St. Vincent and the Grenadines, which favourably distinguishes our government from its predecessors. It is this composite, all-embracing, compelling developmental narrative which we on this side of Parliament bring to the table of governance. We do things differently and better! We have put down our marker with clarity and resolve.

The 2013 Budget is crafted, too, within the frame of the Draft National Economic and Social Development Plan, the Eight Point Growth and Stabilisation Programme of the ECCU, and the various developmental instruments and programmes of the OECS and CARICOM to which our government has contributed.

St. Vincent and the Grenadines is showing tentative signs of a slow recovery after three years of negative growth, 2008 to 2010, inclusive. In 2011, real Gross Domestic Product (GDP) grew by 0.4 percent; and in 2012, real economic growth is estimated at 1.53 percent. For 2013, a real growth of 1.5 percent is also projected; and at least a 4 percent real growth is further projected by our government for the medium term, slightly in excess of the IMF projection of 3 percent. But we need to do better, even in the midst of the global economic uncertainties.

From mid-2008 to 2012, the economic situation has been very challenging for St. Vincent and the Grenadines, the member-countries of the ECCU, and other CARICOM countries with the possible exception of Guyana and Suriname. In July 2008, international oil prices jumped to a record high of US $148 per barrel; in September 2008, the financial giant on Wall Street, Lehman Brothers, collapsed and ignited a fuse which exploded into a full-scale economic depression in the citadels of global capitalism, the worst such economic collapse for nearly a hundred years! Between then and now, the economic travails in the USA, Europe and Japan have occasioned a sharp world-wide economic slow-down, save and except for emerging economies such as Brazil, Russia, India, China and Turkey, which themselves are now showing signs of slowing down.

In September 2011, the International Monetary Fund (IMF) declared that "the global economy is in a dangerous new phase". One year later, the weakening of global economic activity, the unevenness of such weakening, and a tentative recovery, have been in evidence. The situation in Europe is grave, particularly for Spain, Italy, Portugal and Greece, but immense challenges exist currently for Britain and France; and even Germany's vaunted economic engine is slowing down. In the USA, a tepid recovery is underway but unemployment still hovers around 8 percent of the labour force and a "fiscal cliff", though temporarily averted, threatens to shake the American economy to its foundations with another possible recession.
In the words of the IMF in its World Economic Outlook: Coping With High Debt and Sluggish Growth, October, 2012, the global economic worries are stated thus:

> "The recovery has suffered new setbacks, and uncertainty weighs heavily on the outlook. A key reason is that policies in the major advanced economies have not rebuilt confidence in medium term prospects. Tail risks, such as those relating to the viability of the euro area or major US fiscal policy mistakes, continue to preoccupy investors-----. Unemployment is likely to stay elevated in many parts of the world. And financial conditions will remain fragile.
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> "More generally, downside risks have increased and are considerable.

> "In emerging markets and developing economies, policymakers are conscious of the need to rebuild fiscal and monetary policy space but are wondering how to calibrate policies in the face of major external downside risks.------
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> "In emerging market and developing economies, activity has been slowed by policy tightening in response to capacity constraints, weaker demand from advanced economies and country-specific factors.-----Over the medium term, policymakers will need to ensure that they retain the ability to respond flexibly to shocks by maintaining a sound fiscal position and by keeping inflation and credit growth moderate. In this respect, the policy tightening during 2011 was appropriate. Given the growing downside risks in external demand, central banks have appropriately paused or reversed some of the monetary policy tightening. Many have scope to do more to support demand if external downside risks threaten to materialise."

How does the specific advice of the IMF for the emerging markets and developing economies regarding fiscal tightening and monetary easing apply to the member-countries of the ECCU, including St. Vincent and the Grenadines, in the context of external downside risks and global economic uncertainty? In the member-countries of the ECCU there has been much fiscal consolidation and tightening but there are severe limits to this option given the structure of the political economy, including small size and profound vulnerabilities. This fiscal option thus has to be creatively sculptured without unbalancing the overall economy and further weakening internal demand. A correct fiscal policy balance has to be struck between the requirement of permissible fiscal buffers over time and the need to stimulate further the recovery. But any suggested accompanying policy of monetary easing by the ECCU is unwise in view of its likely subversion of monetary and banking stability and of exchange rate certainty. Such monetary easing would surely bring in its wake increased inflationary pressures occasioned particularly from imports sourced outside the ECCU area and an increase in both public indebtedness and debt servicing for borrowings in foreign currencies, without any significant compensating benefit of increased exports in domestically-produced goods and services, including tourism. Impoverishment would undoubtedly result. In the CARICOM region, we have seen the dire economic consequences for countries which years ago opted for a more liberal policy of monetary easing. They ended up with monetary instability, a fiscal mess, and economic stagnation. The advice from global financial institutions must always pass the tests of relevance, appropriateness, and a correct reading of economic history, for us to embrace it. I repeat my oft-stated assertion: Our small, vulnerable, open, dependent island economies in the ECCU are sui generis [of its own kind; unique]. Analysis and prescription must recognise this; and we must have the intellectual rigour and confidence to say so.

The economies of North America and the European Union are the principal source markets for investments, trade, tourism, remittances, and grants for St. Vincent and the Grenadines and the rest of our region. An economic down-turn or continued uncertainty in the source markets immediately affects our country and the region adversely; and unfortunately, improvements in the regional economies tend to lag behind an up-tick in the source markets of the developed economies.

Overall, regionally, the economies have taken a battering since September 2008, and continuing. In the case of St. Vincent and the Grenadines, and the rest of the ECCU, the collapse of the regional financial behemoth, CL Financial, and the demise of the subsidiary insurance entities of CLICO (Trinidad), CLICO International Limited (CIL) and British American Insurance Company (BAICO) have caused immense economic dislocation, loss and damage. The aggregate exposure of liabilities from CLICO and BAICO in the ECCU area amounts to almost EC $2 billion. In St. Vincent and the Grenadines, the liabilities exposure is in excess of EC $375 million or some 17 percent of its GDP. Individual policy-holders, companies, banks, credit unions and the National Insurance Services across the ECCU have suffered adversely. Progress has been made towards at least a partial resolution of the CLICO-BAICO debacle. I shall speak to this later in this Budget Address.

St. Vincent and the Grenadines, too, has been unfortunate to have been struck in 2010-2012 by natural disasters, namely, a prolonged drought in the first half of 2010, Hurricane Tomas in late October 2010, and the terrible floods and landslides in the north-east of St. Vincent in April 2011. The socio-economic loss arising from Hurricane Tomas was authoritatively assessed at EC $150 million and from the April 2011 Floods at EC $100 million. Jointly from these two weather events, the loss and damage of $250 million or some 13 percent of GDP, hit the rural economy very hard. Hurricane Tomas destroyed 98 percent of the banana cultivation of St. Vincent and the Grenadines. In the aftermath of Tomas and the April 2011 Floods, the dreaded Black Sigatoka disease gripped the replanted bananas, inflicting further loss and damage. In total, the liabilities exposure from CLICO and BAICO and the losses incurred from the natural disasters amounted to over EC $625 million or almost one-third of the GDP of St. Vincent and the Grenadines.

So, Mr. Speaker, the adverse fall-out from the meltdown of casino capitalism globally, the insurance debacle, and the natural disasters, all within a four-year period, struck the economy of St. Vincent and the Grenadines very hard. Economic decline in 2008 was marginal at minus 0.5 percent; in 2009, the fall in GDP was minus 2.21 percent; and in 2010, it was minus 2.32 percent. In 2011, real economic growth was recorded at 0.4 percent; and in 2012, the economy is estimated to have grown by roughly 1.5 percent. The economic growth in 2012 was driven mainly by manufacturing (2.0%) agriculture (1.7%), tourism (1.3%) and miscellaneous services, including a 2.5% increase in education services.

Still, the decline in average real economic growth in St. Vincent and the Grenadines for the three years 2009 to 2011, inclusive, of minus 1.4 percent was much less than the average decline in the member-countries of the ECCU which is recorded at minus 3.0 percent. In 2011, real GDP output in the ECCU region as a whole declined though less sharply than in 2010. The real economic growth in St. Vincent and the Grenadines for 2011, at 0.4 percent, was higher than the average for the ECCU region as a whole. Contrary to the baseless propaganda from some quarters in St. Vincent and the Grenadines, the economy of St. Vincent and the Grenadines performed much better in 2011 than the average in the ECCU region as a whole. Indeed, in 2011, of the six independent member-states of the ECCU, only Dominica and St. Lucia performed better than St. Vincent and the Grenadines with real economic growth of 1.91 percent and 1.04 percent respectively. In 2012, the estimated real growth of the economy of St. Vincent and the Grenadines of 1.53 percent exceeds the estimated economic growth figure of every member-country of the ECCU. In fact, the only other ECCU member-country with positive growth in 2012 is Antigua and Barbuda at 1.22 percent. Indeed, in the ECCU, only St. Vincent and the Grenadines has had a positive growth rate for each of the last two years, 2011 and 2012.

Having said that, it must be acknowledged that economic growth in St. Vincent and the Grenadines is still flat. The pointer is to a slow recovery but we are not out of the woods yet! The projected real GDP growth for 2013 is a modest 1.5 percent though the economic uncertainties in the USA, Europe, Japan, and even in the emerging markets, are such that a very challenging year still beckons in 2013, and have the potential to undercut this modest projection.

We in St. Vincent and the Grenadines have no control or determining influence on the world economy; that is a simple fact of global economic life. So, it is vital that we perform optimally in those areas of life and production over which we have a measure of control or influence. In macro-economic terms this means, immediately, enhanced production and productivity for the competitive market in goods and services nationally, regionally and internationally. This goal of enhanced efforts to life, production and productivity locally for the competitive market is to be carried out through the endeavours of the State, the private sector, the cooperative sector, and the people as a whole in conjunction with our diaspora and regional and international partners. In the process, too, we must strive to the fullest to get the small things right. My government has elaborated the vision, the philosophy, the economic strategy, the socio-cultural frame, the uplifting policies and programmes, the leadership, and public management structures for the requisite tasks at hand.

In 2013, the actual public sector investment, executed through the central government and public enterprises, is likely to be much higher than in 2012. The central government component of the public sector investment programme for 2012 is likely to be less than the EC $75 million of capital spending in 2011. This sub-optimal performance was occasioned largely by a slower-than-anticipated draw-down or disbursement of grants and soft-loans, capacity limitations and lethargy in some quarters in the public service, and a constriction of local revenue to be applied as counterpart funds in some projects.

As the Estimates for 2013 show, there is a budgeted capital expenditure of EC $176.89 million. The bulk of the allocations, by far, is on projects which have commenced late in 2012 or which are ready for implementation from the first quarter of 2013. These are capital works financed through monies sourced mainly from the World Bank, the Caribbean Development Bank, the European Union, Venezuela, Taiwan, and a loan of EC $40 million to be raised early in 2013 on the Regional Governments' Securities Market (RGSM).

Outside of the central government, significant public investments through the State enterprises will continue especially through the International Airport Development Company (IADC), National Properties Limited, St. Vincent Electricity Services (Vinlec), the Central Water and Sewerage Authority (CWSA), and the Housing and Lands Development Corporation (HLDC).

All of these public sector investments are accompaniments to substantial private sector investments through domestic investment and foreign direct investment (FDI). FDI is continuing apace in the tourism sector, especially at Canouan, Buccament, and Bequia, in telecommunications, wholesale and retail trade, financial and educational services, including the three medical schools. In agriculture, the foreign investor, Amajaro Trading, is actively at work with the farmers and the government to re-establish a thriving cocoa industry in St. Vincent and the Grenadines. Regional investors are expanding investments in the wholesale and retail trade and in the provision of services, including air transport services. Domestic private investments are focussed in hotels and apartments, real estate development and housing construction, furniture-making, manufacturing, agro-processing, wholesale and retail trade, restaurant and allied tourism services, professional and financial services, road and sea transportation, ICT services, agriculture, and fisheries.

It is useful, I think, to highlight a few stellar performances in the field of private sector investment. The Canouan Developers, in conjunction with other external equity partners, are extensively re-developing the Resort area in the northern two-thirds of Canouan with an investment in excess of US $130 million. It is a marvel to behold this work-in-progress. I have been advised that the completion of these works will permit a “soft opening” around mid-year 2013 and a full opening in November 2013. At the southern end of Canouan, a top-of-the-line marina is in the process of construction at a cost of over US $50 million. The Canouan Developers, other overseas partners, and the Government of St. Vincent and the Grenadines are engaged in the development of this project.

In Bequia and at Kingstown Park, the Morstedt Group has put in place considerable tourism investment for which the country is grateful. Their Bequia tourism plant is a splendid hotel facility of 74 rooms.

Meanwhile, the expansion of the Harlequin Buccament Resort continues while the Resort itself is operational. I have been advised that in early 2013, the Developers and Managers of the Resort will commence the transfer of the villas, to the individual investors, which will remain in the pool of hotel assets for on-going rental. In Bequia, the Adams Bay Resort Project and other hotel investments are on-going.

In November 2012, the Economic Commission for Latin America and the Caribbean (ECLAC) issued a report on foreign direct investment (FDI) in the region. The data show that FDI in St. Vincent and the Grenadines was US $135 million in 2011, an increase of US $32 million over the FDI of US $103 million in 2010. In the ECCU region, St. Kitts and Nevis was the only other country which experienced an increase in FDI, from US $122 million in 2010 to US $142 million. The others showed declines.

We are hopeful that in 2013 the investment authority from Qatar will actually start-up their promised investments in St. Vincent and the

Grenadines. As a precursor to these possible investments, the governments of Qatar and St. Vincent and the Grenadines are about to sign five important agreements covering economic relations, investments, culture, legal cooperation, and information. This is a vital, new, strategic partnership for St. Vincent and the Grenadines.

In the area of regional private investment, I welcome the recent entry of investors from St. Lucia in the supermarket trade and banking; and from Barbados in wholesale and retail distribution.

The on-going investments of the ECGC Group of Companies, St. Vincent Brewery, and East Caribbean Metals have been central to the maintenance of the manufacturing base in our country.

Mr. Speaker, on the domestic front of private sector investment, there have been significant investments in a wide area of economic activities over the past two years. I pledge to embrace the private sector investors at a special function sometime early in this year as our government continues to facilitate private sector investment.

In addition to maintaining and strengthening the macro-economic fundamentals, our government is putting in place a bundle of policies which will continue the transformation of St. Vincent and the Grenadines as a modern, competitive, post-colonial economy and society. By early 2014, we expect to open the Argyle International Airport. Plans are already in train to build a new city through a public-private partnership at the Arnos Vale site of the E.T. Joshua Airport. A similar partnership is being explored to relocate and upgrade Port Kingstown to the Bottom Town area at a projected cost of US $100 million, while ensuring the continuance of the local fishing industry there. On the vital issue of energy, we are productively engaged in a series of measures to deliver cleaner, sustainable, and cheaper electricity, including the potential game-changer of geothermal energy. Our activist thrust in economic diversification and the strengthening of the economic sectors continue apace. Meanwhile, we continue to lift the Education Revolution to a higher level and deepen and extend our Health and Wellness Revolution. Other areas of our physical infrastructure, including roads and housing, are earmarked for further developments. The elevating social goods of culture, sports and community development continue to receive focussed attention. All of these, and more, are geared towards wealth creation, job creation, poverty reduction, an improved all-round quality of life, and enhanced social safety net provisions. In the latter regard, pension reform is a vital strategic matter of urgency.

Mr. Speaker, Honourable Members, we would never develop this beautiful country, St. Vincent and the Grenadines, which we love so dearly unless we all work harder, smarter, more productively, and in a disciplined, orderly fashion. Enhanced managerial and labour productivity are thus of the highest priority. This cannot be achieved by way of formalistic productivity initiatives divorced from real life and production. Education and training, efficacious managerial and labour structures, a system of just rewards for labour, an appropriate social organisation of labour, appropriate technological innovations and adaptations, including ICT, an enabling environment for optimal work and production, production efficiencies, quality leadership, and more, are all part and parcel of the mix to improve markedly production and productivity for the competitive market for goods and services. My government has been at work with stakeholders in these respects for the last twelve years and there have been unprecedented improvements.

However, there is one dimension of all this which I am duty-bound to put on the table of governance. It is this: CULTURE MATTERS in economic development and production. By "culture" I mean the sum total of a society's behaviour, attitudes, values, and social institutions, transmitted, learnt or fashioned across generations. "Culture" is that which always undergirds our living and production. "Culture" is grounded in the production of goods and services, the mode of that production, including the relationships which exist between, and among, individuals and groups, in the process of production. Originally conceived, "culture" was about planting crops and rearing animals. Though now more widely conceptualised, it is essentially about nurturing, rearing, cultivating, living and production. It is the entire apparatus, ideational, behavioural and institutional, which at once touches and concerns living and dying, work and leisure, pleasure and production, creativity and achievement.

So, Mr. Speaker, culture is not, and cannot be, just about leisure, pleasure, and "nice time". We all enjoy leisure, pleasure, and "nice time" but there must be a balance; we cannot over-indulge in them. These can only be paid for through disciplined, honest labour and production. When employed we must work optimally; when unemployed we must always look for something productive to do. Such labour and production are the foundation of a "progressive" as distinct from "static" culture. Among the central features which we must be alert to building in a progressive Vincentian culture are: An acute awareness of the precious commodity called "time"; work, not idleness or pleasure, is central to a good life; a sensible frugality, not profligacy, is the mother of investment and financial security; respect for other persons' property is a value to be extolled; education is the cornerstone of progress; merit is vital to advancement;

community-spiritedness and trust, beyond the essential family relations, are all requisites; justice, fair-play and orderliness are critical pre-conditions; democratic authority systems and a mature secularism, including a comforting Godliness, are evident in progressive cultures; the virtues of tidiness, courtesy, punctuality, and a sense of personal worth are celebrated in progressive cultures; an uplifting sense of our history, not to live in it, and optimism for our civilisation's further advancement, are fundamental to a progressive culture. An embrace of these, and other progressive cultural elements would do our small economy, our society, and personal advancement a lot of good. Large sections of our people possess them, but unfortunately a minority does not. All of us must strive to embrace, and lift higher, the progressive culture of work and production.

In this Budget Address I shall not cover in detail, or at all, every aspect of the economy, the social condition of the country, or government's performance. I shall concentrate on the major policy planks of relevance and a selected bundle of issues. These include aspects of our government's compelling development narrative, job creation and poverty reduction, education and health, the construction of the Argyle International Airport, LIAT, Energy including Renewable Energy, BAICO and CLICO, the National Insurance Services and Pension Reform, the fiscal measures for 2013, the public debt, and the Resource Requirements for fiscal year 2013. Other areas of my portfolio responsibilities such as National Security, Telecommunications, and ICT, Port Development, and Legal Affairs will be addressed when I wind up the debate later this week. I remind Honourable Members that the policies and programmes in respect of all of these, and more, have been detailed in the Result Indicators in the 2013 Estimates which were passed in this Honourable House last month. My ministerial colleagues will provide the details of the subjects under their respective portfolios.

JOB CREATION AND POVERTY REDUCTION

Among my government's solemn commitments are job creation and poverty reduction. Both retrospective and prospective analysis of these issues are thus in order.

According to the Population Census of 2001, unemployment in St. Vincent and the Grenadines increased by 1.5 percent over the 1991 figure to 20.5 percent of the labour force, despite the fact that net migration exceeded the natural increase in the population. In that period, the average real economic growth was slightly short of 3 percent annually. This modest economic growth was unable to maintain employment stability even in favourable demographic circumstances. This fact suggests that higher, sustained rates of economic growth, a restructured economy with a greater absorptive capacity for labour, and specially-targeted employment programmes, in a transitional period, were, and are, required.

The current undertaking of the Population Census 2012, when completed, would inform us about employment levels in the period 2001 to 2012. There are, however, proxy data from the National Insurance Services (NIS) which may be a useful guide. At December 31, 2000, the NIS data showed the aggregate number of active employees (29,983), active employers (1,726), and active self-employed (287) to be 31,996. At December 31, 2011, the comparable NIS data were an aggregate of 39,657 active employees (36,570), active employers (2,088), and active self-employed (999). Thus, the aggregate increase for 2011 over the 2000 figure was 7,661 persons or a commendable increase of 23.9 percent.

Indeed, the aggregate increase of active employees, employers, and self-employed for the period January 1, 2001 to December 31, 2007, was 10,292 or an increase of 24.3 percent. In that seven-year period, average real economic growth was slightly over 4 percent annually. In that period, too, special employment projects were instituted, such as the YES Programme, low-income housing construction, and special works programmes, increased public sector investment, and additional employment especially in the education, health and community services sectors, which complemented private sector expansion. Shifts in the economic structure also were occurring, especially in services.

Since the global economic depression and its adverse fall-out from September 2008 and continuing, the NIS data show a decline in active registrations of employees, employers and self-employed. At December

31, 2011, the aggregate number of these categories was 1,977 less, or 4.7 percent below, the comparable figure at December 31, 2008. In this period average annual real economic growth declined by slightly over 1 percent. It is to be noted, too, that the level of public sector investment was not sustained at the levels of 2006 and 2007. Assuming that the extent of active registrants at the NIS is a useful proxy for comparing employment levels over time, the decline though painful is not nearly as severe as the alarmists make out and is less unfavourable than the fall in unemployment among most of our Caribbean neighbours and several developed countries.

Of course, the NIS data do not capture all persons who are gainfully employed. For example, as a December 31, 2011, the following numbers of active registrants for particular economic sectors or activities are clearly unrepresented: agriculture, hunting and forestry (306 registrants); fishing (38); private households (621); transportation, storage and communications (1,568) _____ minibus drivers and conductors of the 1200 or so active minibuses are hardly registered.

The weak economic recovery, currently underway in St. Vincent and the Grenadines is insufficient to propel employment to the levels of 2008. But over the medium-term, real economic growth is expected to pick-up. As I have outlined earlier a more robust public sector investment programme, an increase in domestic and foreign direct investment, an enhanced flow of remittances, an uplift in tourism arrivals particularly after the international airport opens in 2014, a revitalisation of agriculture and fisheries, and an improvement in the export of services (including entertainment), are likely to spur job creation. Still, the lifting of managerial and labour productivity and a strengthening of public sector efficiencies remain critical cross-cutting issues for job and wealth creation.

My government has made commendable efforts at reducing poverty, but the job is not yet done; the war against poverty continues.

First, a few comments on the salient processes regarding the fight against poverty. In 2001, shortly after my government's assumption of office, it commenced a process of national consultation on the subject, led by the National Economic and Social Council (NESDEC), which culminated in the adoption of the document known as the <u>Interim Poverty Reduction Strategy</u> upon which public policy was guided. By 2008, our government was anxious to have its poverty reduction measures properly assessed so as to further refine or remake public policy in this regard. The upshot of this was the production in 2008 of <u>The Report on Poverty Assessment in St. Vincent and the Grenadines</u>, authored by Kairi Consultants of Trinidad.

Currently, a comprehensive Poverty Reduction Strategy is being further elaborated. In between these substantive articulations on our country's war against poverty, have been numerous sectoral reports on social and economic subsets which touch and concern this very war.

The record of my government in fighting poverty, building appropriate social safety nets, and ensuring enhanced sustained livelihoods has been outstanding. The facts speak for themselves: In 1996, poverty, broadly-defined, accounted for 37.5 percent of the population of St. Vincent and the Grenadines; and indigence, or "dirt-poor" poverty, stood at 25.7 percent of the population. By 2008, general poverty was reduced to 30.0 percent and indigence, remarkably fell to 2.9 percent of the population, declines amounting to 20 percent and 88.7 percent respectively.

Other data sources based on relevant indicators have all confirmed the substantial decline in general poverty and indigence levels in St. Vincent. For example, recently, the Food and Agricultural Organisation (FAO) reported that in the member-countries of CARICOM only Dominica, Barbados, and Belize recorded better scores than St. Vincent and the Grenadines in respect of the number of undernourished persons as a percentage of the population. But between 2000 – 2002 and 2010 – 2012, no country in CARICOM witnessed as large a percentage decline in undernourishment as St. Vincent and the Grenadines, a drop of 53.8 percent, from 10.6 percent to 4.9 percent. So dramatic was this decline of undernourishment in St. Vincent and the Grenadines that the Assistant Director General of FAO and the Regional Representative for Latin America and the Caribbean wrote to me on October 29, 2012, on what he called "this remarkable achievement." He further went on to affirm that:

> *"The FAO stands ready to work with you and your government in the development and implementation of a tangible agricultural and social programme, using a multidisciplinary approach to reduce undernourishment to zero."*

This commendation is reminiscent of the praise which the British Government accorded our government early in its first term of having a "focussed approach to poverty reduction", one of the bases upon which it granted debt relief to us of EC $12 million under the Commonwealth Debt Initiative (CDI). This stood in stark contrast to the rebuke which the British Government delivered in 1999 to the then Minister of Finance, now the Leader of the Opposition, when he requested debt relief under the CDI. The British Government's pointed refusal, at that time, specifically referenced the NDP government's failure to address adequately, or at all, poverty reduction, money-laundering, official corruption, and poor governance, the antithesis of good governance.

Over the past twelve years, our government has attacked poverty overall through its pro-growth economic and social development policies, and through specifically-targeted interventions over a range of areas including: Children, Youth, Women and the Elderly; safety net enhancements; education and health; housing, lands and community development; wages and other material incentives; reform in the law and administration of justice; good governance and citizen security; and special works and projects.

In the 2013 Estimates, both the recurrent and capital budgets are replete with specific allocations directed towards poverty reduction, particularly through the Ministries of Social Development, Health, Education, Agriculture, Transport and Works, Housing and Lands, Telecommunications, and the Office of the Prime Minister. Further, public enterprises, especially CWSA, VINLEC, the National Insurance Services, and the National Lotteries Authority address poverty reduction within the context of the overall policies of government.

Not only is there substantially less poverty and indigence in St. Vincent and the Grenadines today compared to the year 2000, there is far less inequality. In the year 1996, the Gini Coefficient, the international measurement of inequality, was 0.56; in 2008, it was 0.41. A score closer to one means a more unequal society; a score closer to zero indicates a less unequal one. Indeed, in 1996, St. Vincent and the Grenadines was top of the league table of inequality in CARICOM; in less than ten years thereafter, it was trending as one of the societies with least inequality.

Clearly, there is much work still to be done in the areas of job creation, poverty reduction, and the engendering of social equality, but we are on the right track. From a policy standpoint, we must lift our productive endeavours in all the areas including the economy generally; good governance especially in the battle against corruption; improving citizen security; social policy touching and concerning women and children, the elderly, physically and mentally challenged and the poor; efficacious health, education, and housing policies; a better engagement of relevant non-governmental organisations; and the improvement of a more enabling physical infrastructure, including facilities for sports and culture.

My government reaffirms its unbreakable bonds with the poor and working people of St. Vincent and the Grenadines. The Budget, inclusive of the Estimates for 2013 fortifies, in practice, this reaffirmation.

EDUCATION AND HEALTH

A nation's education and health are vital to its socio-economic development and the personal development of its citizens. Access to quality education and health is a basic human right.

The Educational Revolution, which was launched in the first term of the ULP administration, has deepened and widened since then. It remains a necessary pre-condition for the socio-economic development of St. Vincent and the Grenadines in this modern, globalised, post-colonial world. Indeed, the slow pace and narrow breadth of educational advance prior to 2001 necessitated, in the objective material circumstances, a pronounced acceleration thereafter. Prior to 2001, the educational system was lagging behind the phenomenal economic and technological changes which were taking place nationally, regionally and globally. The economy of St. Vincent and the Grenadines had for sometime been shifting markedly from a production of goods to the production of services. So, there were fewer banana holes to be dug, but more highly technical and professional functions to be performed in the altered economic structures, including in agriculture. Yet, under 40 percent of the 12-year olds were at secondary schools, a handful of students were at post-secondary levels, and less-than-a-handful were at university. There was thus a huge mismatch between the jobs and the skill-sets available. Indeed, there still is such a mismatch, particularly in certain specialised areas of work, but far less so now, as we go in quest of building a modern, competitive, sustainable post-colonial economy.

Mr. Speaker, between 2001 and the end of 2012, public expenditure, both recurrent and capital, on education has exceeded EC $1.6 billion, excluding the value of hundreds of scholarships procured from friendly governments and international bodies for university education. Routinely, recurrent expenditure since 2001 has, annually, amounted to 20 percent of the total recurrent budget; and capital spending, annually, on education has invariably been in excess of 15 percent of the total capital budget. These are favourable proportionate numbers in comparison with other countries.

In a country with a population of 105,000 persons, over 30,000 are at various levels of education and training: early childhood, primary, secondary, post-secondary, tertiary, and special education. This is a phenomenal investment on an on-going basis in some one-third of the population. In excess of 2,000 teachers are in the state-funded educational institutions from early childhood to post-secondary education levels in St. Vincent and the Grenadines. There are additional numbers of students and teachers who are engaged through private educational institutions. In short, the educational system by itself, along with all its support structures and personnel, is a well-resourced industry.

The strides in every facet of educational delivery made under, and through, the Educational Revolution have been remarkable. Objective observers so attest. Still, there is much more work to be done. Corrective measures are required to improve, sharply, performance in the areas of teaching quality; parenting; learning in Mathematics, the Sciences, and English at all levels; critical thinking; technical and vocational education; special education; early childhood education; primary education; and educational management.

Education and training for public servants has been a priority for our government. Large numbers of public servants have now completed degrees from the University of the West Indies and other institutions. Still, other training opportunities abound. For 2013, to further strengthen the Public Service in this regard, assistance will be provided to police officers, nurses, teachers and all public servants who are pursuing associate and undergraduate degrees. This further assistance will take the form of a $1,000 grant, in the form of an advance to be repaid if the beneficiary is unsuccessful in his or her studies, towards the purchase of a laptop computer. Additional details will be provided on this programme, which is estimated to cost $250,000 per annum.

The Result Indicators and financial provisions in the Estimates for 2013 seek to address these correctives in practical ways. The Honourable Minister of Education will provide relevant details of these in her presentation later in this Budget Debate. She will, too, review the performance broadly of the education sector in 2012.

Suffice it to say that for the fiscal year 2013, on Education the government budgets to spend recurrently EC $120.7 million and EC $30.03 on the capital side, a total of EC $150.7 million or some 19 percent of the total Budget. To our everlasting credit, history will record that my government has been, and is, an Education Government!

The functional areas of Health and Environmental Protection receive substantial resources annually in our Budgets. Recurrent spending for 2013 in the Ministry of Health, Wellness and the Environment is estimated at EC $65.9 million and employs some 1,200 persons. For the capital budget for 2013, Health is allocated EC $20.6 million and Environmental Protection, EC $28.3 million ___ two focal sectors for capital spending in 2013. In total, the functional area of Health is accorded EC $80.1 million or 10 percent of the overall 2013 Budget.

The bulk of the capital programme in Health comes from grant funds of the European Union, amounting to EC $34 million over a 3 ½ year period. In 2013, approximately EC $7 million have been budgeted to be spent from these resources in what is called "the Modernisation of the Health Sector". This programme, overall, includes the construction of two more polyclinics, rehabilitation of the Psychiatric Hospital, refurbishment of the Milton Cato Memorial Hospital, and living quarters for doctors and nurses in rural areas, including Union Island.

It is reasonably expected, too, that the Modern Medical Complex at Georgetown, being constructed in partnership with the Cuban government, will be completed this year. Financing for its completion has been secured.

The capital expenditure on Environmental Protection is sourced mainly from soft-loans from the World Bank.

The huge investments in education, naturally prompt more attention to the health and wellness of the population. Clearly this issue is at once social, economic and personal. St. Vincent and the Grenadines has an excellent public health system, a sound primary and secondary health care system, but a limited delivery of tertiary health care. The fundamental health indicators are good, and are improving: universal access to affordable, quality water; an effective system for the disposal of solid waste; a well-fed, well-clothed, and generally well-housed population; achievements in the areas of maternal deaths, infant mortality, immunisation, and life span of individuals, are quite favourable, comparatively, with even developed countries; the ratio of medical doctors and nurses to every 10,000 persons is way above the norm for developing countries, and is improving all the time; universal access, free or at minimal cost, exists to quality health and pharmaceutical services; and a through-going, quality health education programme, nationally and in the communities, saves lives and promotes healthy living.

Regular and programmed medical missions from overseas to St. Vincent and the Grenadines and bilateral arrangements with other countries or their hospitals facilitate persons who are in need of certain areas of specialised and tertiary health care. The Ministry of Health and the Office of the Prime Minister are actively engaged in these missions and arrangements.

This country's major health problems are largely behavioural. From this fact arises health issues touching and concerning HIV/AIDS, non-communicable diseases (diabetes, hypertension, cardiac and renal challenges), injuries from motor vehicular and other accidents, and criminal violence. Irresponsible or negligent behaviour in these areas are quite costly individually and for the society and economy. By and large, these troubling behavioral traits are avoidable.

Our government continues to be committed to engendering health lifestyles, building a quality health system for all, and ensuring the most optimal level of healthy living over the longest possible life-span. The Honourable Minister of Health will provide the review of the health sector for 2012 and detail the central policies and programmes in going forward.

Mr. Speaker, the single most important environmental issue facing St. Vincent and the Grenadines is climate change. This is a profound existential matter for our small, multi-island nation which is very vulnerable to natural disasters, especially hurricanes, storms, landslides, and earthquakes. We in St. Vincent and the Grenadines contribute very little to global warming, yet we are among the frontline states which suffer immensely from the effects of climate change. Our nation plays an active role in international efforts to contain deleterious climate change and to craft appropriate adaptation strategies. These are critical cross-cutting issues for our country since they touch and concern a broad swath of activities including the economy, sea and river defences, physical planning and building codes; disaster preparedness, carbon emissions and the environment; and the pursuance of clean, renewable energy sources. In the 2013 Budget, there are provisions for a wide range of environmental protection measures, including the World Bank funded Regional Disaster Vulnerability Reduction Project (RDVRP). Grant and soft-loan monies from the World Bank amounting to approximately EC $56 million are available over a 4 ½ year period to implement in St. Vincent and the Grenadines a series of initiatives relating to disaster risk reduction and climate change adaptation. But far more resources are required given the urgency of the challenges of climate change. This is a policy matter for the international community prodded by the advocacy of small-island developing states.

ENERGY AND VINLEC

A central policy of my government is to deliver to businesses and households cleaner, cheaper, sustainable and renewable energy in sufficient quantities for modern living and production. Because energy is a scarce and expensive commodity for which there is a high demand globally, it is incumbent on us, too, to produce energy efficiently and economically; and those who use it must strive to engender optimal savings. Given the signal importance of energy to modern living and production, it commands a pivotal place in the public policy of my government.

In February 2009, our government further elaborated, updated and codified its approach to energy in a comprehensive National Energy Policy which was published. In April 2010, Cabinet approved the St. Vincent and the Grenadines' Energy Action Plan, detailing the strategies and practical measures so as to achieve the policy goals and objectives of the National Energy Policy. St. Vincent and the Grenadines has collaborated, too, with our regional neighbours to draft the CARICOM Energy Policy and the OECS Energy Policy.

Although the cost of electricity to domestic and commercial consumers in St. Vincent and the Grenadines is comparable to that of the non-oil producing countries of CARICOM, it is nevertheless too high to provide the requisite competitive edge for the goods and services produced in St. Vincent and the Grenadines for the regional and global markets. Currently, one kwh of electricity in St. Vincent and the Grenadines is priced at approximately US $40 cents or just over EC $1. It is estimated that every US $10 rise a barrel of oil results in an increase of almost EC $10 cents per kwh.

The fundamental problem here is that slightly over 80 percent of the electricity in St. Vincent and the Grenadines is generated through diesel which is an expensive commodity. Just under 20 percent of the electricity generation is, on an average, through hydro-electricity. This renewable energy resource in fact assists in reducing energy costs. For example, in 2011, when VINLEC recorded its highest-ever production from its hydro-electric generation, the average fuel surcharge was 46.63 cents per kilowatt-hour rather than the 61 cents it would have been without the hydro-electricity.

Under the Petro Caribe Agreement with Venezuela, through which most of the diesel is supplied to VINLEC's power plants, modest savings are made on the pricing mechanism and the transportation costs but the country benefits substantially through the long term credit financing arrangements of 40 percent of the cost of the fuel. Petro Caribe does not as yet supply fuel for the pumps due to the lack of its central storage facilities in St. Vincent and the Grenadines. So, on electricity generation by diesel, VINLEC has to ensure optimal efficiencies and lowest possible cost operation.

The central strategic thrust, however, from a policy standpoint, must be in competitively-priced renewal energy. Both VINEC and the Energy Unit at the Office of the Prime Minister are the main vehicles driving this strategic quest of the government for such renewable energy. The principal renewables at which we have been at work are hydro-electricity, wind, solar, heat waste, and geothermal. I report on each in turn:

First, hydroelectricity. The three hydro-power plants respectively at South Rivers, Richmond, and Cumberland produce roughly 4 MW of electrical power. Cumberland is celebrating 25 years this year; this year, too, Richmond is marking its 50 years of existence; and South Rivers is even older. Within the next month or so, VINLEC will be signing a contract with the original equipment manufacturer of the plants at South rivers and Richmond for their refurbishment. The total cost of the refurbishment of these two hydro-plants is EC $12.4 million. It is expected that this would increase hydro-capacity at the plants by 1.1 MW.

On the generation of electricity by wind, there is a hiccup or delay. VINLEC has identified Ribishi-Point for the establishment of a Wind Farm. The plan is to build and operate a wind farm at Ribishi with a capacity to produce 3 MW of electrical power. Much technical preparatory work is still to be completed.

During 2012, VINLEC finalised exhaustive investigations on the proposal to convert waste heat to electrical energy at the Lowmans Bay Power Plant. This initiative was conceived as part of VINLEC's quest to gain further efficiencies at this power plant. A practical assessment of the costs and benefits has led the company to conclude that more attractive alternatives are available to be pursued in the medium term. Thus, for the time being, the project to convert waste heat to electrical energy has been shelved.

The slow progress on the wind farm project and the shelving of the waste heat conversion initiative, have pushed VINLEC to be even more pro-active on the hydroplant refurbishment and on solar energy. Sometime in this month, a 45 kw Solar PV system will be commissioned at Cane Hall. By June 2013, it is expected that five more Solar PV projects with an installed capacity of over 500 kw on public buildings in St. Vincent will be commissioned. These projects, in the aggregate, are estimated to cost EC $4 million.

These are additional to Solar PV systems which have already been installed with very promising results. These include: 75.9 kw in Bequia for the Sea Water Reverse Osmosis Plant; 3.1 kw at the Technical College, Arnos Vale; 10 kw at the Administrative Building (Financial Complex); 10 kw at VINLEC's headquarters; and 40 KW by private home-owners and businesses (25 kw in Bequia, 15 KW in St. Vincent).

Within the shortest possible time, it is part of the planned programme of the government to install Solar PV systems at the SVG Community College at Villa, Milton Cato Memorial Hospital, Bell Isle Correctional Facility, the National Library, the Central Leeward and Fair Hall Schools, and the Georgetown and Questelles Police Stations. Funding has already been identified. At the Argyle International Airport an appropriate Solar PV system will be installed. It is to be noted that all installed Solar PV systems are linked to the national electricity grid.

The real game-changer for St. Vincent and the Grenadines in renewable energy lies in the generation of electricity from the geothermal resources which lay beneath us in the earth of our blessed island of St. Vincent. Thus, where are we with this matter?

First, let me say that over the past 20 years there have been several investigations of the geothermal resource potential on St. Vincent. Recently, in April 2012, a study by the National Renewable Energy Lab (NREL), revealed that there is a high probability of a hydrothermal resource on the northern portion of St. Vincent in the vicinity of the La Soufriere volcano. There is evidence of hot geothermal fluids from hot springs on the southwest flanks of Soufriere. Geochemistry indicates that these waters are connected to a much hotter, deeper source; and there is ample evidence of temperatures inside the Soufriere volcano far exceeding those required for geothermal systems. There are still many geological uncertainties regarding the location, depth, spatial extent, lateral continuity and flow capacity of the inferred hydrothermal reservoir. Because of the uncertainties and risks in the subsurface model, additional exploration is likely to be required to quantify the extent of the sufficiency of the geothermal resource before considering development of a field and construction of an energy conversion plant.

Mr. Speaker, my government is partnering on geothermal exploration and possible production with two internationally reputable companies: Emera

Incorporated of Nova Scotia, Canada; and Reykjavik Geothermal of Iceland. Assisting us in this engagement is the Clinton Climate Initiative (CCI), a programme of the prestigious William J. Clinton Foundation. Following upon discussions which I held in New York City in September 2012, leading officials of the two companies and the CCI of the Clinton Foundation visited St. Vincent and the Grenadines for further discussions and on-site geothermal investigations.

The upshot of all this is two-fold: First, on November 08, 2012, Ira C. Magaziner of CCI and I, on behalf of the government, signed a Memorandum of Understanding in which the CCI agreed to work with my government on a range of renewable energy possibilities, namely, solar, wind, biomass, waste, hydro and geothermal. The CCI offers its technical and professional services free of cost in our joint quest to advance and promote a series of projects to reduce dependency on diesel fuel, to evaluate proposals for and cooperate on energy (and water) project development and implementation, and to review annually additional opportunities to develop projects that reduce reliance on diesel fuel. Our government publicly expresses its thanks to the CCI and President Bill Clinton.

Secondly, both Emera and Reykjavik Geothermal have indicated their willingness to work with us to produce, commercially, geothermal energy. On November 14, 2012, leading officials of both companies wrote a joint letter to me, the following relevant portions of it, are:

> *"Based on initial assessment of existing data and last week's site visit by experts from Reykjavik Geothermal, we share your confidence in the existence of a quality geothermal energy source.*
>
> *"We were impressed by our discussions with Mr. Myers and his team at VINLEC, and believe a geothermal project can be successfully integrated into the utility's sustainable operation and long-term planning.*
>
> *"As directed, Emera and RG will work with Mr. Dacon in the Energy Unit to ensure that by the end of this month, a draft Letter of Intent is produced for your approval."*

Immediately, prior to the entry of the two companies and CCI, the Energy Unit was working with NREL and the Economic Commission for Latin America and the Caribbean (ECLAC), and will continue with these supportive linkages. At the same time, a highly respected Consultant has been at work with our government in drafting appropriate geothermal legislation. A consultation with relevant stakeholders was held in November 2012 on the final draft of a Geothermal Bill. After further review, this Bill will be introduced in Parliament in the first half of 2013.

This geothermal initiative is exciting and possesses the potential to transform for the better, life and production in St. Vincent and the Grenadines with cleaner, cheaper, sustainable energy. My government shall pursue it with vigor, purpose, and commitment. Its possibilities are enormous but it takes time to achieve. Emera and Reykjavik Geothermal are anxious to proceed with urgency. Assuming that all goes well, it is their intention to establish in Phase One a Geothermal Plant of up to 15mw capacity to deliver competitively-priced geothermal energy for VINLEC within 3 ½ years. St. Vincent and the Grenadines can be a "green" country, from an energy standpoint, within a decade.

The quest for renewable energy has to be accompanied, always, by energy savings. I reiterate: Energy is an expensive commodity which must be used wisely and economically. During our second term in office, my government partnered with Cuba on the provision of energy saving bulbs. This was a hugely successful programme and the benefits are on-going. Our fiscal policy favours energy saving bulbs and renewable technologies, for example, Solar PV systems. We must still go further. At the Administrative Building, which houses the Office of the Prime Minister, an energy efficiency drive is on-going: A 10 kw Solar PV system has been installed; a retrofitting and upgrading of the air conditioning and refrigeration systems have taken place; and there has been a lighting retrofitting with high performance T8 (32W) fluorescent light tubes. These energy saving measures have resulted in a significantly reduced electricity bill.

The Energy Unit, VINLEC and other stakeholders are collaborating on a number of energy saving initiatives including those touching and concerning public awareness, vehicle maintenance, road and sea transportation, the observance of building codes, electrical appliances and equipment, and energy audits. The recent Energy Exhibition was a magnificent venture.

I turn now to VINLEC itself. Electricity sales in 2011 amounted to 125,754,895 kilowatt-hours or an increase of 0.2 percent over that of 2010. VINLEC spent $61.9 million in diesel fuel to produce electricity in 2011. The average cost per gallon of diesel used for production of electricity was EC$10.04; and the average fuel surcharge in 2011 was 46.63 cents per kilowatt-hour.

Electricity sales for 2012 increased over the 2011 figure by approximately 1 percent. However, the price of diesel fuel used for electricity generation has been higher during 2012 than for the previous year. Indeed, at current levels, VINLEC incurred in 2012 the highest ever expenditure on diesel fuel in a single year, EC $71 million approximately. The average fuel surcharge per kilowatt hour for the year 2012 was just over 53 cents, an increase of almost 7 cents per kilowatt hour over the average for 2011.

Electricity sales are projected in 2013 to increase by 2.8 percent over electricity sales for 2012, as the slow economic recovery picks up more steam.

The troubling increase in the cost of diesel fuel internationally and its impact on electricity pricing can be gauged from one statistic: In 2011, while the sale of electricity was only 0.2 percent higher than in 2007, VINLEC spent over EC $14 million more on diesel fuel or nearly 23 percent more, than in 2007. Fundamentally, this is one major reason prompting the search for cheaper, more sustainable, renewable energy sources. At the same time, VINLEC has to accommodate itself, and make adjustments, to possible declines in consumption due to energy saving measures by consumers such as the installation of Solar PV systems linked to the main grid.

In recent years, capital expenditure by VINLEC has been significant even after the establishment of the Lowmans Bay Power Plant. For example, in 2011, capital spending by VINLEC was $16.64 million and at just under $10 million for 2012. Capital expenditure for 2013 by VINLEC is budgeted at $31.5 million. The main items of capital spending scheduled by VINLEC for 2013 include: $8.5 million refurbishment of two hydro-electric plants; up to $8.95 million for the installation of additional Solar PV systems, depending on the overall savings to be gained; $3 million for the construction of the extension of the corporate headquarters in Kingstown; $1.3 million for new generation plants at Union Island and Canouan; $1.0 million for fire protection; $0.932 million for a utility truck and other vehicles. VINLEC intends to finance its 2013 capital programme from internally-generated resources along with the disbursement of the final tranche of the soft-loan from the ALBA Bank of $6.75 million.

VINLEC must not rest on its laurels and is required always to be more efficient, more cost-conscious and more strategic in its direction. In early 2013, officials from the Caribbean Development Bank (CDB), and the European Investment Bank (EIB) will be in St. Vincent and the Grenadines to discuss with VINLEC a request for loan-financing for projects associated with the expansion of renewable energy.

INTERNATIONAL AIRPORT

The construction of the Argyle International Airport continues apace. I have been advised by the International Airport Development Company (IADC) that the target date for completion is on schedule, barring unforeseen circumstances. Accordingly, the international airport should be open for business in the first half of 2014. I now give an update as to where we are.

As at December 31, 2012, the “Chatoyer-Che Contingent”, the name of the workforce at Argyle, has completed 82 percent of the earthworks on the runway, aprons, and taxiways.

The main activities being undertaken are excavation of soil and rocks in hilly areas, transportation of material excavated, and creation of embankment in areas of the site that need to be filled. During the last twelve (12) months, the Contingent also constructed the conduits for the electrical, telephone and cable television ducts, which were passed under the runway, and also began the process of placing topsoil on the unpaved shoulders of the runway, to allow for vegetation and reduction in the amount of dust generated from the site, and started construction of another culvert to receive run-off water from the pavement.

At present, the aprons and about two thirds of the runway are at the level to receive the base material, in preparation for the final asphalt or concrete pavement works. IADC expects to complete all remaining earth and site works by September 2013. These works will be done concurrently with pavement works on other areas of the runway. Pavement works are programmed to extend to December 2013.

Over the 52 month period of earthworks, that is 13th August 2008 to the end of 2012, the Contingent continued its controlled blasting to excavate the rocks at Fort Hill.

The base laying and pavement works are expected to begin in earnest in this month. IADC is in the process of assembling the equipment needed to do the pavement works. Some of these equipment are being provided from a US$4.2 million grant and loan made available to the Government of St Vincent and the Grenadines by the Caricom Development Fund

(CDF). Through a competitive bidding process, IADC has purchased (and received) equipment from three international companies, as follows:

NSG West Indies Ltd	Stone crushing plant	US$ 1,061,098.00
RIMCO Caterpillar Inc.	Quarry and base laying equipment	US$ 2,287,236.99
GECI Espanola s.a.	Airfield lighting equip. & generators	US$ 937,101.35

The quarry and base laying equipment purchased from RIMCO Caterpillar Inc. include five Mack trucks, two articulated rock trucks, one paver, and two front-end loaders. The stone crushing plant was received and installed and IADC has commenced the crushing and stock piling crushed stones to start, in earnest, the laying of the stone base for the runway, aprons and taxiways. The lighting equipment purchased from GECI arrived earlier this month and the installation of these lights will commence shortly thereafter.

In October 2012, IADC also received approval from the Caricom Development Fund for another loan of US$3.262 million to purchase additional equipment for the paving works and for laboratory testing of the asphalt and hydraulic concrete for the pavement. These equipment will be procured to arrive in the first quarter of 2013.

Together with the base laying equipment already purchased as well as the other supporting equipment being sourced with the additional funding (US$3.262 million) approved by the CDF, IADC will set up its own industrial complex, complete with stone crusher, asphalt and concrete batching plants to do the pavement works in-house. IADC has already begun recruiting locally, and from Cuba, technicians, engineers, operators and assistants to staff the industrial complex to execute the works. Some of these engineers and technicians have already arrived from Cuba.

Sea defence works will also commence early this year at the north-eastern end of the runway (the 022 end). These works will be done in accordance with the designs prepared by the ***Maritime Engineering Services (ASTIMAR)*** of Cuba.

IADC is in the process of negotiating the financing and purchasing of the ARMCO system for preparing the culverts to convey the Yambou River under the runway. These works are shortly to commence.

A major box culvert crossing (which measures approximately 2.2 metres or 7ft 3in) was designed and constructed in the first kilometre of the runway. A drainage structure was also designed and constructed close to the Rawacou Recreation site. These structures are meant to control water collected from the Breadfruit Gutter area within the 1st km of the Project. At present, a culvert is being constructed in the area of the second kilometre of the runway to collect runoff water from the aprons.

The IADC continues to collect the wind data. This aspect of the work began in March 2006 and will continue for the duration of the construction phase of the project. The objective of this exercise is to have at least five years of wind data during the construction phase so that IADC can make a determination of the need to build a cross-wind runway to accommodate those small planes that might be affected by an excessive cross wind component.

So far, wind data have been collected between 2006 and the present time from 3 wind stations installed within the airport zone. The results from the analysis of the data for the earliest 3½ years show that the predominant winds at Argyle are from the East-North-East and East, with an average intensity that does not exceed 15 knots. This wind speed and direction represent an even smaller cross wind component and in fact favours the take-off and landing operations of aircraft, given the 04/22 orientation of the Argyle airport runway.

Work on the terminal building continues apace and the building remains on schedule to be completed by contract date of December 2013. As at December 31, 2012 the contractor, Overseas Engineering Construction Company (OECC), had completed over 50 percent of the work on the passenger terminal and electrical substation buildings.

The buildings for the Control Tower, Fire and Rescue Station, and Cargo Terminal are being packaged in three distinct packages for tender calls to private contractors. These buildings and facilities are estimated to cost US$5.0 million. IADC is in the process of negotiating funding for these building works.

The Control Tower, which will be retrofitted with all communication and tower control equipment, will sit on a two storey concrete structure that will be constructed on elevated land, formerly owned by the Heirs of Colonel Sydney Anderson. Construction work on this building is programmed to begin shortly.

The Fire Fighting and Rescue Station also requires some modification, based on the size of the fire tenders presently on the market. IADC has also programmed this facility to begin construction in early 2013. An order is shortly to be placed for the fire tenders.

Every effort is being made to attract a private sector firm, which has the capacity to finance and operate the Cargo Terminal. This building is estimated to cost US$2.7 million. Construction work on this building should begin no later than March 2013 in order to finish by December 2013. At present, the earthworks are nearing completion on the area for construction of the cargo apron and terminal.

The process is already underway, too, for the construction of other facilities, including the aircraft re-fuelling facility, the Argyle Gardens Access Road, the Rawacou-Mt. Pleasant Access Road, and the Airport Terminal Circulation Roads. The relevant authorities are also at work on a comprehensive Land Use Plan for the lands around the Argyle International Airport. Meanwhile, the Environmental Monitoring and Protection programme and the Promotion, Marketing and Management Plan are being implemented on an ongoing basis.

I address now the Project Finance and Expenditure Plans. Within the area earmarked for the airport, there were 134 houses that had to be purchased and demolished and 412 vacant parcels of lands to be acquired. As at end of December 2012, IADC has fully compensated 129 of the 134 built property owners in the total amount of EC$56.56 million dollars. Payment for the other 5 built properties (homes), estimated at EC$2.26million dollars, is still outstanding.

Similarly, in relation to vacant land parcels: To date IADC has paid EC$ 31.04 million to owners of 179 parcels of land who have submitted deeds for payment. Still, there is an estimated amount of EC$ 19.05 million outstanding to be paid to owners who have already submitted deeds, and another estimated amount of EC$13.05 million for land parcels for which no deed has been submitted.
In total therefore, the cost of acquiring all the properties on the airport site is estimated at EC$121.95 million.

The EC$ 30 million bridging loan taken from the ***First Caribbean International Bank (FCIB)*** was reduced, through repayments over the last 5 years. This loan was contracted in March 2007 and used as bridging finance to pay mainly the property owners on the Argyle airport site so that they can rebuild their homes elsewhere. The final instalment payment of EC$3 million on this loan remains to be paid.

As agent for selling lands on behalf of IADC, National Properties was able to generate land sales and to transfer to IADC EC$25 million between the period 2006 and 2012. In the last two years, 2011 and 2012, NPL was able to generate EC$9.3 million worth of new land sales, compared to EC$25 million between 2006 and 2010.

With the slow-down over the past three years, in income from land sales by National Properties, government approved the inclusion of the Argyle Airport Project into the Capital Budget from fiscal year 2010. Hence, over the period, 2010 to October 2012, government transferred to IADC funds amounting to EC$64.5 million. While much of this resource are soft-loan funds raised by the government and transferred to the IADC, EC$36 million of these funds came in the form of a grant to IADC mainly from the sale of some of the government's shares in the National Commercial Bank. Government remains committed to funding IADC's activities creatively without placing an unreasonable burden on the Treasury.

Government also approved funding to IADC in the amount of 50 percent of the monies accumulated under the loan component of the ***PetroCaribe (SVG) Ltd*** fuel supply arrangements that the Government of Venezuela has established with the Government of St. Vincent and the Grenadines. As at 31st October 2012, IADC has been able to borrow EC$ 41.4 million from the ***PetroCaribe*** funds to be used for airport construction

In the aggregate, the IADC requires an estimated US $80 million to finish the construction of the airport and equip it for operation. Just about one-half of that sum is earmarked for operational equipment. I am confident that the requisite resources will be raised without unduly burdening the central government.

The IADC has submitted to me a Work Programme for 2013 covering Technical Works – Air and Land Side; Relevant Design Projects; Environmental Protection and Monitoring; Communications and Marketing; Human Resource Development; Finance, Administration and Information Technology. I am satisfied with the planned programme ahead.

Meanwhile, the St. Vincent and the Grenadines Tourism Authority is leading the efforts to ensure that major airlines out of Britain, the USA, and the Caribbean will fly into and out of the Argyle International Airport. Satisfactory arrangements are accordingly being made. Meanwhile, our government is leveraging the fleet renewal and expansion programme in

LIAT as a shareholder, to enhance the utilisation of the Argyle International Airport.

LIAT

Over the past twelve years, our government has correctly played a leading role in saving LIAT and the placing of this vital regional airline on a sounder footing. This is an economic and social public policy issue of the utmost priority for St. Vincent and the Grenadines and the region.

LIAT is proceeding with its continued restructuring, fleet renewal and expansion in accordance with a new Business Plan, the implementation of which is led by a new, very experienced and highly qualified Chief Executive Officer. LIAT also has another shareholder government aboard, that of the Commonwealth of Dominica, which has joined the governments of Antigua and Barbuda, Barbados, and St. Vincent and the Grenadines in the responsibility of taking LIAT to a higher level. I hope that other regional governments would see the wisdom in following in Dominica's footsteps.

LIAT currently operates in excess of 100 flights daily to 21 destinations, namely, Anguilla, Antigua, Barbados, Grenada, Dominica, St. Vincent, St. Lucia, St. Maarten, St. Croix, Tortola, Canouan, Curacao, Puerto Rico, Dominican Republic, St. Kitts, Nevis, Trinidad, Martinique, Guadeloupe, St. Thomas and Guyana. Please note that its coverage is from the Dominican Republic in the north west of the Caribbean to Guyana on the South American mainland. No other airline offers a similar service. And LIAT has been in the air for over 50 years.

One of LIAT's central challenges is its high cost base driven largely by high aircraft maintenance-related costs, significantly high employee costs, thinly-dispersed markets, and high fuel costs compared to another regional carrier, CAL, which receives a fuel subsidy from the government of Trinidad and Tobago.

The LIAT fleet currently consists of 14 Bombadier Dash-8 aircraft. Of these, four are owned by LIAT outright, four are owned under finance leases, and the other six are under operating leases. The average age, by date of manufacture, of the airplanes is 19 years. Thus, the high maintenance-related costs.

The decision has been taken to purchase five and lease seven new aircraft, ATR-42s and ATR-72s ___ 48 and 68 passenger aircraft respectively. LIAT is funding the capital costs of the Fleet Renewal from two sources: A 20 percent equity contribution from the shareholders and the balance by way of a long-term loan.

Based on a revised proposal from ATR, the total investment cost for the purchase of the five aircraft is US $97.2 million. Of this sum, US $23.1 million is to be financed by the shareholders and US $74.1 million to be financed by a loan by LIAT. In terms of the schedule of shareholder payments in 2013, the sum of US $17.2 million is required. St. Vincent and the Grenadines' contribution to this is approximately US $2.0 million of which we have already paid US $1.4 million or EC $3.8 million. It is anticipated that LIAT will receive four of the aircraft by June 2013 and the other eight over the period ending December 2014.

The fundamental driver of an airline's revenue stream and its cost base is the flying schedule or network. The refleeting of LIAT and improved servicing of the core network open up possibilities for new markets. Potential new markets with promising demographics include Haiti, Panama, Jamaica, Aruba, and Punta Cana in the Dominican Republic. These new markets will offset the projected decline in passenger traffic in the existing markets. Indeed, several routes within LIAT's current network are underperforming and contributing to the sub-optimal load factors. LIAT has taken the strategic decision to reduce its schedule on poor performing sectors. In fact there are 39 unprofitable flights affecting 18 territories. In the future, LIAT will fly those unprofitable routes only if the governments of those destinations provide an appropriate level of market support.

In the financial year 2012, LIAT halved the losses of the preceding year. The Business Plan provides a road map, including further reforms in its management structure and operational systems, to turn around the fortunes of LIAT in the shortest possible time. The Plan envisages a modest net profit of just over 2 percent in 2013 and a 9 percent net profit by 2017.

LIAT's shareholder governments have given the green-light to the Management to explore, alone or in conjunction with a strategic partner, a regional jet service to destinations in Central America, Fort Lauderdale, and New York. A firm decision on this initiative will be taken within 12 to 18 months time. LIAT's journey from its terrible and threatened condition in 2001 to its current promising future has been remarkable. Our government has provided regional leadership of courage, commitment, and good sense in this vital air transportation matter for St. Vincent and the Grenadines and our Caribbean.

Mr. Speaker, our government is mindful of the rising cost of intra-regional air transportation. A large part of the problem is that taxes account for between 30 – 50 percent of the cost of regional fares on LIAT. Indeed, LIAT administers for the governments 66 different taxes.

As the Prime Minister in CARICOM's quasi-Cabinet with responsibility for air and sea transportation, I have proposed to my colleagues the convening of a special Heads of Government Meeting on regional air and sea transportation.

I assure the people of St. Vincent and the Grenadines that our government will ensure that a refleeted and expanded LIAT serve well our Argyle International Airport which is due to become operational in the first half of 2014.

BAICO AND CLICO

Mr. Speaker, since January 2009, nearly four years ago, when CL Financial's disastrous situation became public, the ECCU Governments have toiled to protect the interests of policyholders of British American and CLICO in the Eastern Caribbean Currency Union.

We have employed numerous strategies, not least among them being the diplomatic and technical, in order to identify and implement programmes to assist policyholders who are at risk of losing much of their life savings. Faced with the situation of having little fiscal latitude from within the ECCU that could be used to bolster the fortunes of BAICO and CLICO in the Currency Union, the insurance rescue has proved a most difficult challenge. Nevertheless, it was one in respect of which we have never been prepared to concede defeat.

British-American Insurance

Much work has been done for policyholders of BAICO. Since the 2012 Budget, two important initiatives have borne fruit.

First, the Fund established to pay BAICO's health insurance claims has paid over 6,700 claims totalling in excess of EC$3.5 million. In Saint Vincent and the Grenadines, 189 persons were paid a total of EC$144,000. Having completed its mandate, the Fund has now been closed and is being wound up.

Second, on June 29, 2012 it was announced that, after an extensive bidding process, Sagicor Life Inc had agreed to purchase BAICO's traditional life insurance business, which is to be recapitalised by the ECCU Governments, in the sum of approximately US $40 million out of the original US $50 million that had come from the Manning administration in Trinidad and Tobago.

Based on recently updated numbers, nearly 15,500 individuals with current policies in the ECCU (almost 3,000 of whom reside in Saint Vincent and the Grenadines) will, following the Regulatory and Court approval process, and their transfer to Sagicor, once again be able to operate their policies.

The transfer to Sagicor is expected to be completed during the first quarter of 2013.

Whilst the above initiatives have been important, we have never lost sight of those persons who placed their trust in BAICO's annuity policies. These policies, although less in number compared to the traditional business, represent by far the greater amount of exposure to those individuals and organisations that hold them. For Saint Vincent and the Grenadines, 2,527 policyholders in this group are collectively owed EC$143 million. In the whole of the ECCU, 10,800 persons hold annuity policies and are owed EC $697.2 million.

After much toiling in bilateral and regional fora, where we emphasised the necessity for a regional solution, the Government of the Republic of Trinidad and Tobago confirmed in early July 2012 that a further US$100 million would be made available for BAICO policyholders through various sources over the coming months.

Recently, US$36 million of this pledge was received from the Government of Trinidad and Tobago, mainly from the CARICOM Petroleum Fund. We express our appreciation to the Government and the people of the Republic of Trinidad and Tobago for making these funds available thus helping to bring some long-awaited relief to the longsuffering ECCU policyholders. We also reiterate the urgency for the balance of the promised funds, the remainder of US $100 million.

Now that the first tranche of funds has been received, we are pleased to have been able to announce the commencement of the ECCU Policyholders' Relief Programme.

Under Phase 1 of the Programme, holders of BAICO's Flexible Premium Annuity (FPA) Policies in the ECCU received a payment equivalent to their account balance at August 1, 2009, up to EC $30,000, as well as a refund of any premiums they have paid since that date. It is expected that over 5,200 persons across the ECCU will be assisted in this Programme, including the 1,407 of those persons who were issued with FPA policies by BAICO in Saint Vincent and the Grenadines.

Although the US $36 million from Trinidad and Tobago were received very close to Christmas 2012, the ECCU Governments ensured that work progressed in the background to make payments without delay, and thus provided FPA policyholders with a payment prior to Christmas. It is with great appreciation that we acknowledge the work of the Judicial Managers through the ECCU and in The Bahamas, who were committed to act quickly in establishing the infrastructure necessary to facilitate large volumes of applications in very short periods. We also express our appreciation to the personnel at British American in Trinidad, who have been working tirelessly to review policyholder data and to produce the necessary cheques to make payments. We thank, too, the local personnel of BAICO for their honest labours.

Mr. Speaker, as we all saw, a process was put in place for persons to receive payments "on the spot" in Phase 1, prior to Christmas 2012 over a 2-3 day period in each territory. In St. Vincent and the Grenadines payments were made on December 10th, 11th and 12th, 2012, but policyholders who missed those dates still have the opportunity to apply and receive their payments.

In the first half of 2013, it is expected that, once again, subject to funding being made available, under Phases 2 and 3 of the Programme, EFPA and FPAII policyholders will receive payments. Policyholders are urged to have their policy documents ready in anticipation of such announcements.

The plan is to make payments to the annuity policyholders of BAICO in the ECCU region in three phases. Phase One, as I have described, is on-going. Phase Two will cover those Executive Flexible Premium Annuity (EFPA)/Flexible Premium Annuity II (FPA II) policyholders with Principal Balances up to EC $30,000. These policyholders number 3,300 approximately. Phase Three will involve payment to all those with EFPA/FPA II policies with Principal Balances over EC $30,000, but up to a maximum of EC $150,000. This group numbers approximately 2,300. No payment will be made in respect of any Principal Balance of above EC $150,000 from the resources provided by the Government of Trinidad and Tobago.

Across the ECCU region, annuity policyholders with Principal Balances in excess of EC $150,000, number 914 of which 186 are in St. Vincent and the Grenadines. Indeed, 29 of these in St. Vincent and the Grenadines hold

Principal Balances in excess of EC $1 million each. These include individual and institutional investors. Policyholders with Principal Balances in excess of EC $150,000 and who do not receive their full principal payments will have to await the proceeds from any litigation against BAICO and/or its principal officeholders.

The timing of the phased payments will depend on the pace at which the US $100 million is disbursed by the Government of Trinidad and Tobago and the conclusion on the on-going detailed back-room work on each policy. Principal Balances are being calculated at the date of the appointment of the Judicial Manager in August 2009. Premiums paid after that date will be refunded. This is a hugely complicated matter in which there is still some flux - some ebb and flow. But we are seeing the light at the end of the BAICO tunnel. As always, I shall keep the public informed.

During the past year, BAICO's judicial managers have commenced numerous legal proceedings to recover funds from various parties. Among these is a claim under a Promissory Note for over US$50 million against CL Financial. Of great interest, too, are the proceedings taking place in the United States under which various Directors of BAICO and related companies are being sued for losses caused to BAICO in the sum of US $75 million on a property transaction.

In addition to these law suits, instituted by the Judicial Manager, the Supervisor of Insurance of St. Vincent and the Grenadines has commenced legal proceedings against a commercial bank in this country. The claim is for approximately EC $146 million.

CLICO International

In the matter of CLICO International Life (CIL), we are less advanced, in part because of numerous delays in Barbados with the appointment of a Judicial Manager which, despite the urging of the ECCU Governments, did not take place until April 2011.

The Judicial Manager, Deloitte Consulting, has filed a number of reports with the various Courts in the region, noting a substantial shortfall in assets as compared to liabilities. What makes things worse is that the assets are highly illiquid, being dominated by real property and intercompany debts.

The Judicial Manager has spent much of 2012 seeking support for a restructuring plan, only to find that the deterioration in financial markets meant that experts could no longer support such a plan. The ECCU

Governments came to a similar view: that the proposal was not sufficiently viable to warrant further development.

The Judicial Manager now continues to press forward with exploring options for these policyholders, supported in their work to so do by the ECCU Governments. Meanwhile, with the full backing of Monetary Council of the ECCU I have been authorised to engage further the Government of Barbados on other possible options going forward. In pursuance of this further mandate, I led a delegation from the ECCU member-countries for discussions with the Prime Minister of Barbados, his Minister of Finance, and the Judicial Manager on December 28, 2012. The Core Advisory Committee on Insurance in the ECCU will be fully engaged with the Government of Barbados and the Judicial Manager in fashioning a possible solution to the CIL challenge for reportage to the Law Courts in the shortest possible time.

Mr. Speaker, the Judicial Manager of CIL has advised that as at March 31, 2012, the total policy liabilities of CIL amount to BDS $837.4 million and an estimated "fair market value" of its assets in the sum of BDS $441.01 million. This "fair market value" assessment of the assets is a write-down of the "net book value" of the assets of BDS $764.5 million. The Non-EFPA liabilities of CIL amount to BDS $335.7 million and the EFPA liabilities are BDS $501.7 million.

It means, therefore, that the assets available as a percentage of policyholder liabilities in CIL amount to 53 percent but rises to 60 percent if the accrued interest on the EFPA's is exluded. Clearly, this is a problematic situation though less awesome on the face of it than that which has confronted policyholders in BAICO where the assets available as a percentage of policyholder liabilities are far less.

A sensible solution to the CIL challenge has to be crafted regionally, given the regional character of CIL. Indeed, the very location of the assets demands such a regional solution. For example, the bulk of CIL's assets are located in Barbados (BDS $288.1 million) and St. Lucia (BDS $102.8 million). Together these two countries account for 88.6 percent of CIL's assets and 56 percent of its liabilities (liabilities in Barbados: BDS $364.89 million; in St. Lucia: BDS $103.96 million). The CIL policyholders of the seven ECCU member-countries, other than St. Lucia, have aggregate liabilities of BDS $368.58 million and assets located in their countries of BDS $50.13 million.

In St. Vincent and the Grenadines the total liabilities of CIL amount to BDS $97.1 million [Non-EFPA: BDS $38.5 million; and EFPA: BDS $58.6 million] or

11 percent of CIL's total liabilities in the region. CIL assets located in St. Vincent and the Grenadines are estimated at BDS $12.7 million. In other words, assets in St. Vincent and the Grenadines, available as a percentage of Vincentian policyholder liabilities, is 13 percent. Clearly, only a regional solution makes sense. And this is undoubtedly painstaking, though important work.

NATIONAL INSURANCE SERVICES AND PENSION REFORM

During 2012 the National Insurance Services (N.I.S) conducted its eighth actuarial review, which was done in accordance with ILO guidelines for executing a social security scheme actuarial valuation. The projections coming out of this actuarial review provided valuable signals into the financial future of the NIS and thus enabled the government to make necessary timely adjustments to the parameters, so as to ensure the long-term financial sustainability of the NIS.

The main findings of the review are as follows:

1. That the NIS is projected to have sufficient funds available to cover expenses until the year 2035.

2. The source of these funds is projected to be derived from contribution income until the year 2014, contribution and investment income from 2015 to 2024 and thereafter, if reform measures are not implemented, the funds in the reserve account will be used to meet projected expenses, eventually fully depleted by the year 2036.

3. As at the end of 2010 the fund ratio was 9 years, well below the NIS policy to maintain a fund ratio of 15 years +/ – 5 years.

4. Benefits and administrative (PAYE) cost of the scheme is projected to increase rapidly as the number of pensioners and the value of pensions that is earned increase, stabilizing at approximately 27% of Insurable Earnings in about 50 years. The PAYE rate in 2010 was 7.16% as compared to a contribution rate of 8% and by 2060 it is projected at 27.48%, if parametric reform is not adopted.

5. The scheme's Dependency ratio is projected to quadruple. In 2010, 100 active contributors supported 17 pensioners, and by 2060 to 2070, 100 active contributors will have to support about 64 pensioners.

Long-term financial sustainability would require that, at a minimum, the scheme has a period of equilibrium for 15 to 20 years, during which income can cover expenses and a minimum level of reserves of 15 years is maintained. Accordingly, the actuary has recommended, and Cabinet has approved the following measures:-

1. To increase from January 1st, 2014, the pensions-in-pay which were awarded before January 01, 2011 as follows:

   Pension awarded

   1st January 2010 – December 31 2010 : 1.5%

   1st January 2009 – December 31, 2009: 3.0%

   31st December 2008 and before : 4.5%

2. To increase the Maternity Grant to \$660, the Funeral Grant to \$4,525, the NAAP Funeral Grant to \$2,263 and the Employment Injury Funeral Grant to \$4,525. These increases are to take effect from January 2014.

3. To increase the contribution rate from the current level of 8% to 10%, with effect from January 01, 2014. The increase is to be shared equally between employees and employers.

   When compared with other Caribbean countries, the available information shows that currently St. Vincent and the Grenadines, along with Antigua and Barbuda and the Turks and Caicos Islands, have the second lowest contribution rate of 8.0% of insurable earnings. The average contribution rate in the Caribbean is currently 9.44% of Insurable Earnings.

4. To maintain the Insurable Earnings ceiling at the current level of \$1,000 per week, or \$4,333 per month. The actuary is of the view that the current ceiling is at a adequate level.

5. To introduce a number of parametric reforms including:-

   (i) A gradual increase in the number of years required for pension eligibility from the current level of 500 weeks to 750 weeks. This change will be implemented over a period of 12 years beginning in January 2016 when the required weeks will be increased to 550 weeks and increasing thereafter, until 2028. The minimum number of contributions will remain at 500 weeks for the time being.

   Persons who do not earn the required contributions will qualify for a proportional reduction based on normal retirement age.

(ii) A gradual increase in the normal retirement age (NRA) to 65 years starting from January 2016 when the retirement age will be increased to 61 years and ending in 2028 at 65 years. Persons who are aged 58 and older as at 31 December 2013 would retire at age 60 and therefore would not be impacted by this change.

This increase in the NRA is necessary in order to reflect the increasing life expectancy and therefore pension payments will be delayed and paid out for a shorter period of time. This will lessen the financial burden on working population to ensure that sufficient funds will be available to pay out the ever increasing amount and number of old age pension benefits. The measure has already been implemented in a number of other regional countries and is a sound alternative to reducing the ultimate costs of the scheme.

(iii) To change the rate of pension entitlement for each year's service. Under the current system a pensioner would receive a pension of 30% for the first 500 weeks of contribution and 1% for each 50 weeks of contribution in excess of 500 weeks. Under the proposed system persons would receive 30% for the first 750 weeks of contribution and 1.2% for each 50 weeks of contribution in excess of the first 750 weeks of contribution.

(iv) To change the reference wages used to calculate pension. The present system use a reference wage of the three (3) best years from the last 15 years. The proposed reference wage is the five best years ever.

I also propose to amend the Income Tax Act to increase the threshold for income tax exemption on pension income from twenty thousand dollars to forty thousand dollars with effect from January 2014.

This increase in the exemption threshold for pension income is necessary as the pension by the National Insurance Services (NIS) has been increasing and the maximum pension granted by NIS now exceeds the current threshold.

Government is also continuing work on the initiative to reform the Public Service Pension System. In this regard a contract has been signed with an actuarial firm to conduct the necessary review and most of the required data has been collected and is now been analysed. In the first half of this year we will be working on resolving a number of issues relating to inconsistencies in the data and production of the final actuarial report. This report will form the basis of any decision regarding reform measures to be implemented to the public pension system. All stakeholders will be consulted.

FISCAL MEASURES

Over the last few years government has implemented a successful tax reform and modernization programme as a major component of the fiscal reform program. Notwithstanding this success, major challenges remain in the management of the reform programme as well as implementation of risk management and audit techniques and modernization of legislation.

In the Inland Revenue Department improvements have been realized in capacity building in the areas of audit, collections, enforcement and corporate strategic planning. Reform relating to the introduction of VAT and integrating the VAT into the mainstream tax operations and moving to a functional organization have seen good progress over the years.

For 2013 and beyond, the Inland Revenue Department has been tasked with several important reform initiatives including completion of the introduction of the market value system for the Property Tax, introduction of new arrangements for vehicle and driver's licence and a continuation of the program for collection of arrears particularly the larger cases, and miscellaneous amendments to the Income Tax Act to correct some deficiencies and inconsistencies. One such amendment will be the removal of the exemption from Income tax on lottery winnings of $500 or less.

In October of 2012 the Valuation and Rating Act, which authorizes the introduction of the market value assessment system for the property tax was passed in the House of Assembly. The new system becomes effective from January this year. The tax will be levied at a rate of .08 percent on real property except rural land, which will continue to be taxed at various rates per acre. Properties value at $50,000 and below will pay a flat tax of $10 per annum. Our analysis has shown that there are 10,785 properties below the $50,000 threshold, at .08% some $213,193 of tax is associated with these properties, which is an average tax of $19.77. The flat tax of $10 per annum represents therefore a 50% reduction for these property owners.

A reduced rate of 0.06 percent applies to commercial properties and a rate of 0.04% applies to hotels, tourism related development and factories used for manufacturing purpose.

For the Customs and Excise Department, progress has been made with the migration from ASYCUDA to ASYCUDA++, and development of a comprehensive strategic plan to guide future reform and operational effort. In the later part of last year a team of officials from the United Nations, the IMF, CIDA and SEMCAR conducted an assessment of the St. Vincent and the Grenadines Customs, using the custom Assessment Trade Toolkit (CATT). The CATT is an integrated tool to evaluate the relative strength and weakness of any Custom Administration and compare them to international best practices.

The assessment concluded that SVG Customs presents strengths such as good ICT equipment, new infrastructure under construction, some procedures that facilitate trade operations, a highly committed management team, revenue collection and a sound roll-out of ASYCUDA ++ as the core information system. Nevertheless, the CATT assessment was able to identify some weaknesses that are affecting the Customs performance in comparison to the best international practices. These weaknesses include, insufficiency of approved procedure manual to set out standard operational rules, lack of risk management system based on risk profiling, excessive physical inspections with poor outturns, absence of formal information sharing with Inland Revenue, Immigration, health and agriculture services, weak cargo control mechanism, and lack of effective internal as well as external feedback mechanism.
Government has accordingly formulated a number of measures to be implemented at the Customs beginning with immediate effect. These include:-

<u>Improvement to the working environment:</u>

The current accommodation for customs is poor and negatively affects the image of the organization and staff productivity. In the early part of this year construction work on the new Customs building will be completed. This will send an important message to staff about the importance which my government attaches to providing a modern, safe working environment. It will also improve the public’s perception of the Customs and Excise Department.

<u>Improving relations with the trading Community:</u>

The upgrading of ASYCUDA was a major turning point in reforming the nature of the relationship between traders and Customs and Excise Department. While the overall state of the relationship is improving there remains room for further progress. It is the view of many in the business sector that Customs remains largely unapproachable. Accordingly, the department has been mandated to strengthen client service in a manner that is consistent with international best practices. This includes introduction of a "gold card" program to grant privileges to traders with strong compliance records.

Regular consultation with the trading community would also be established to focus on strategic and operational issues, particularly technical issues related to processes and the functioning of ASYCUDA.

Reform effects at the Customs and Excise Department will require continued encouragement and refinement to achieve the cultural and operational charges which are necessary. This will require the engagement of advisors and trainers to provide management and staff with an understanding of international best practices and practical know-how to implement and build capacity to sustain the changes being introduced.

This technical assistance will focus on the following areas:

- Risk management theory and practice
- Performance indicators and the use of performance management information
- Post clearance audit programme development and application
- Public information and client service improvement
- Enhancement of intelligence and enforcement
- Code of Conduct
- Customs Law.

Excise Duty

I propose to make further adjustments to the Excise Duty by increasing the duty charged on alcoholic beverages as shown in Appendix I, except for the over-proof rum such as the local strong rum. The rate of tax on this category is already much higher than on other categories.

This increase is necessary in order to assist the government in meeting the cost of running the annual carnival which has been rapidly increasing in recent years. This annual cost now exceeds $2.7 million of which $1.2 million is contributed by the National Lottery and an additional $1.5 million by the Central Government.

This increase will raise an estimated $1.0 million per annum in additional revenue.

High Court Registry Fees

In 2011 the government made some modest increases to the fees charged by the High Court Registry for registration of documents. The fees collected from the department however, cover only a small percentage of the cost of operating this important department. Accordingly, I proposed to further increase Registry fees with effect from March 01, 2013. The new fee structure is appended hereto and is estimated to raise an additional $420,000.00.

Other Fees

In keeping with this move to recover a higher percentage of the cost of providing some services, I propose to increase the following fees:-

1. Charges by the Commercial and Intellectual Property Office;
2. Immigration fees for citizenship, residence and renunciation including a fee structure to support the introduction of an "Express Service" for new and replacement passports.
3. Charges for advertising signs at the E.T. Joshua and other airports.

Details of the new fees are shown in Appendix II.

Economic Partnership Agreement

In 2008 the Economic Partnership Agreement (E.P.A) was signed by most members of the CARIFORUM (CARICOM plus the Dominican Republic) and the European Union (E.U), establishing a WTO - compatible free trade area for goods and services. This partnership agreement was aimed at the expansion of trade between the signatory states and also at promoting economic development of the CARIFORUM states. Immediate duty-free and quota-free

European market access was granted to exports originating from CARIFORUM states.

Each CARIFORUM state is expected to undertake liberalisation in a manner that confirms to a stipulated timetable. In St Vincent and the Grenadines, there would be a three-stage phased method of implementation. The first of the three phases will commence early February 2013; the others in the consecutive two years that follows 2015 and 2017.
It is expected that the implementation of the three-stage phased method of tariff liberalisation would have a number of influences on the domestic economy of St Vincent and the Grenadines, including opening of the EU Market to Vincentian exporters and artistes.

The gradual removal of duties on goods originating from the EU would result in a loss in revenue collected by central government. Initial estimates indicate approximately $2.7 Million would be loss as duties over the period 2013-2017.

Resource Requirement

Total expenditure Budget for 2013 is estimated at $799.12 million which is comprised of Recurrent Expenditure (inclusive of Amortization and Sinking fund contribution) of $622.22 million and Capital Expenditure of $176.90 million. The Capital Budget is marginally less than the $184.92 million for 2012, whereas the Recurrent Budget has increased over the 2012 amount by 4.5% due to higher provisions for wages and pensions payments.

Financing the 2013 Budget, in these uncertain economic times, presents a major challenge for the Government; and every effort will be made to mobilize the necessary financial and human resources in order to ensure successful implementation of the programs and activities plan for the year. The main sources of financing are as follows:-

	$m
Current Revenue	508.54
Capital Revenue	16.12
Grants	50.09
External Loans	54.14
Local Loans	57.55
Other Receipts	112.68
Total	799.12

Grants and concessionary loans are the main sources of financing for the Capital Budget. The major sources for Grants funds include the European Union ($29.87 million), the Republic of China on Taiwan ($7.85 million), the Caribbean Development Bank ($4.55 million), the Global Environment Facility ($1.43 million) and the Climate Investment Fund ($2.70 million). Concessionary loans will come from the Republic of China, Venezuela, Caribbean Development Bank and the World Bank. All the preliminary work for accessing these Grant and loan funds have been completed and the way is cleared for the timely drawdown of the funds. We must therefore work to ensure the smooth and timely implementation for the projects to be financed with these funds.

Public Finances and Public Debt

The fiscal situation of the Central Government improved during 2012, but still remains challenging. This improvement was attributed to a narrowing of both the current and overall deficits. The overall deficit moved from $58.67 million (revised) in 2011 to $35.42 million (preliminary) for 2012. The overall deficit of 2.0% of GDP was well within our policy target of 3% - 4% of GDP over the medium term.

Current revenue during 2012 increased by 1.9% following a 5.6% decline in 2011. Tax revenue was however more buoyant increasing by 4.5% as non-tax revenue continued its downward trend during the year. Despite this modest growth in collections, total current revenue fell well short of the budget estimate by about $37.5 million (7%). There was also a steep decline in capital revenue from $46.56 million in 2011 to $12.37 (preliminary) in 2012.

Current expenditure for 2012 amounted to $489.98 million which was slightly less than the $495.19 million expended in 2011. Most categories of current expenditure recorded lower level of expenditure, the exceptions being wages and salaries and retiring benefits payments. Perhaps the least satisfactory aspect of the 2012 fiscal performance was the slow-down in capital spending which is unlikely to reach the 2011 figure of $75.52 million when all relevant adjustments and accounting are made. Accordingly, we have already implemented a number of actions to ensure a more robust Public Sector Investment programme for 2013 and beyond, including early identification and completion of negotiations for project financing from several donors.

As at September 30, 2012 the total public debt of St. Vincent and the Grenadines amounted to $1.31 billion, 6.9% more that the figure as at

September 2011. The total public debt was comprised of domestic debt of $565.1 million and external debt of $747.3 million. Major developments which impacted on the public debt during 2012 included:

1. Issuance of a new $40 million bond on the Regional Government Securities Market (RGSM), which was oversubscribed.

2. Drawdown of over $62.1 million from the ALBA Bank to finance the Lowman's Bay Power Expansion Project and the Public Sector Investment programe.

3. Drawdown of an additional $14 million from Petro Caribe to finance the International Airport Project.

   Further, during the year a number of new loans were negotiated with several financial institutions and are now ready for drawdown. These include:

(i) A loan of US$10 million from Mega International Commercial Bank Co. Ltd. to assist in financing the Argyle International Airport Terminal Building;
(ii) A loan of US$ 8 million from the Export/Import Bank of the Republic of China for the Public Sector Investment programme;
(iii) A loan of US$ 5 million from the Caribbean Development Bank for a Technical Vocational Education and Training;
(iv) A loan of US$ 13.6 million from the Caribbean Development Bank for reconstruction of the South Leeward Highway; and
(v) A loan of US$3.26 million from the Caricom Development Fund for the International Airport Project.

During 2012, also, St. Vincent and the Grenadines foreign currency credit rating was downgraded by its rating agency Moody's from B1 to B2. The agency cited poor growth prospects following protacted recession, elevated vulnerability to external economic shocks and significant deterioration of the Government's balance sheet as the main drivers of the downgrade.

While we are naturally concerned with this development and its potential impact on our debt dynamics, we have not experienced any adverse consequences as a result of the downgrade, largely because we do not borrow in the foreign commercial market. Indeed our instruments continue to be in high demand and are trading at historical low rates. For example, the December 2012 issue of the Government of St. Vincent and the Grenadines Treasury Bill settled at a rate of 3.25%.

We have taken cognisant of the issues raised by Moody's and are addressing some of the weaknesses identified by the rating agency. It is interesting to note that the two factors identified by Moody's as most likely to change any future rating upward are completion of the Argyle Airport and an increase in FDI in the tourism sector. As can be seen from this Budget Address, we are well on the way to achieving these goals.

Mr. Speaker, on a related matter in the financial system, I am pleased to report that earlier this month we launched the IPO for sale of 2,000,000 shares in the Bank of St. Vincent and the Grenadines, so far the response from the public has been overwhelming. In the first four days since the offer was made over three hundred persons applied for shares amounting to approximately forty percent of the amount offered and we continue to have a steady flow of persons making application. Allotment of Share will be made at the end of January after the January 25th deadline for application. Our policy is to ensure the widest possible distribution of share for individuals and institutions in St. Vincent and the Grenadines and the rest of the OECS.

CONCLUSION

Mr. Speaker, much of the public policy debates in developed and developing countries, including those in the Caribbean, over the past 30 or so years, have focussed on the market and the State, but with very little reflection and action on a wider, more all-embracing entity called the society. Indeed, the triumph of Reaganism in the USA and Thatcherism in the United Kingdom by the early 1980s swung the philosophical and policy pendulum in favour of the market and a down-sizing of the role of the State. The collapse of centrally-planned regimes in the Soviet Union and Eastern Europe by the early 1990s fuelled further the elevation of the market and the diminution of the State in both the economy and politics. The ideology celebrating the potency of the untrammeled, unregulated market in driving wealth creation, economic development, and human happiness was enthroned by the International Monetary Fund and the World Bank in a hegemonic neo-liberalism called "the Washington Consensus". The mantra of this creed revolved around large-scale privatization, deregulation, tight fiscal policies, low taxes on profits and incomes (including high incomes), free mobility of capital across national boundaries, free trade, a dramatic rollback of the role of the State, monetarism, and military expansionism overseas to protect capital, its accumulation, and markets. Variants of these core tenets were applied hither and thither.

In the process, a veritable industry in the field of economic theorising grounded in a flood of "free market" fallacies gripped universities and Ministries of Finance in developed and developing countries alike. The theory and practice of this "free market" ideology have bequeathed to us the worst economic crisis globally for the last 100 years or so. The neo-liberals have become so obsessed with "free-market" ideology that they have even distorted the teachings of their high priests, Friedrich Hayek and Milton Friedman. The lazy minds in many Caribbean countries, including some in St. Vincent and the Grenadines, who embrace those politically-driven, but intellectually vacuous, doctrinal ideas, have done, and still do, great damage to our region. Sadly, they have become prisoners, often unknowingly, of an ideology which is out of step with the realities of the political economy and social engineering of the modern globalised community.

The stance of our government has been straightforward: The private business sector, the cooperative sector and the State have complementary roles as part of a "mixed economy". The practical policy sign-posts are determined by the commonsense criteria of efficiency, fairness, sustainability, and appropriateness in a small, vulnerable economy. From my early years of reading and reflecting on this subject up to my mature years as Minister of Finance, I conclude that markets are reasonably efficient, but often highly imperfect, in the productive allocation of scarce economic resources; that this efficiency does not guarantee fairness or justice in the distribution of wealth or incomes; that the requisites of fairness and justice demand government's intervention; that markets generally are inappropriate in the provision of certain public goods, and this is particularly so in a small economy like St. Vincent and the Grenadines, especially as regards "public goods" such as water, electricity and basic social services; that the market economy, unregulated or inadequately regulated by the State, spawns financial instability and overbearing monopolies; that particularly strategic parts of economic activity especially in a small economy in a single regional economic space, call for state ownership in whole or in part, for example intra-regional air transport.

Historically, the State has been a force for good in St. Vincent and the Grenadines and ought not to retreat from any necessary and desirable role in sharing, guiding or shaping the ownership, control, influence, facilitation, or regulation of the economy or parts of it. This means encroaching on the functioning of a pristine, unregulated, free market. It ensures, too, an efficacious criss-crossing through, and within, the boundaries of the State, the market, and the society. In the society the role of the social institutions, including the family and the church, and the activities of non-governmental organisations are critical. Indeed, challenges in the society which connect intimately with the condition of people's lives such as unemployment, poverty, crime, social alienation, non-communicable diseases, an insufficiency of marketable skills, and distorted consumption patterns, demand an appropriate interfacing and connectedness between the State, the market, and civil society. It requires, too, optimal individual or personal responsibility and productive effort which properly balance work and leisure. These considerations, and more, have been at the centre of our government's compelling developmental narrative, practical policies, and programmes over the past twelve or so years.

I have repeatedly urged that the people of St. Vincent and the Grenadines own their government not merely in theory, but in daily practice. This exercise of ownership carries rights and duties, reasonable expectations and obligations. A civil participatory political culture has to be built not merely to criticise, grumble, or pursue personal or vanity agendas. An insistence on rights and expectations or entitlements with no matching duties and obligations is not ownership of government but a parasitic exploitation of it.

The State, the market and the society must lend their collective, corrective endeavour, for the better. Our government has worked assiduously for good governance and its achievements have been most commendable. To be sure, perfect governance has not been accomplished; indeed perfection is not achievable in this earthly city. We ought, never to permit imperfections to cause us to grumble in a way which prompts us to make perfection the enemy of the good.

The conduct of public affairs is serious business for serious people; it is not a branch of the entertainment industry. Accordingly, I remain hopeful that the debate on the Appropriation Bill 2013, in this Honourable House over the next few days would be devoid of an excess of cant, sophistry, facile posturings, falsehoods, hypocrisy, grand-standing, opportunism or personal abuse. We ought to be focussed on improving the lot of our people, especially those who are marginalised and disadvantaged. Let us be true and honest about the real issues at hand and credible solutions, for the better.

I urge that we note what is happening around us in the CARICOM member-countries, including those in the ECCU, and assess what is being done in St. Vincent and the Grenadines. Let us look at the facts, not the falsehoods or distortions pedaled by our government's critics. A few indicators would help. First, as the FAO Study shows, in St. Vincent and the Grenadines undernourishment in the population has decreased quite sharply over the past ten years to such an extent that only three countries in CARICOM have marginally better scores of nourishment levels than St. Vincent and the Grenadines. Secondly, the level of indigence in St. Vincent and the Grenadines is the lowest in the OECS and among the lowest in CARICOM; so, too, the level of inequality which has moved from the highest in the region in the year 1996 to among the lowest today. Thirdly, the salary of public servants, and their benefits, are now among the highest in the Windward Islands and our cost of living is the lowest. Indeed, between 2009 and 2012 when most public servants in the rest of the region had percentage increases close to zero, here in St. Vincent and the Grenadines salary increases were accorded to public servants as follows: 4 percent in 2009; 5 percent in 2010; and 1 ½ percent in December 2012 backdated to January 2011. These increases were on top of the significant increases and bonuses in the five years previously, including the enhancements arising from the reclassification exercise. Further, while several countries in the ECCU are unable to pay their public servants' salaries on time, St. Vincent and the Grenadines has never once defaulted in this regard. And we have not gone to the NIS, as some other regional countries have done, to pay public servants' salaries and pensions. Additionally, we have not laid off public servants in St. Vincent and the Grenadines as has happened elsewhere; indeed, we have employed more, particularly nurses, teachers, police officers, and other strategically-placed persons in the public service. These are some of the comparative "people" indices of relevance.

On an assessment based on a core of macro-economic indicators, St. Vincent and the Grenadines has done better than almost all other Caribbean countries. The public debt-to-GDP ratio is the smallest in the CARICOM region, except Trinidad and Tobago, with its oil and natural gas. Our current account deficit and overall deficit on the central government accounts are among the lowest in CARICOM. Between 2009 and 2012, inclusive, the real annual GDP growth rate in St. Vincent and the Grenadines is better for every year than the ECCU average. Indeed, in 2011 and 2012, St. Vincent and the Grenadines is the only member-country in the ECCU which has recorded positive economic growth 0.41 percent and 1.53 percent respectively in each of those two years. The data from the ECCB make all this plain. Still, I reiterate that our recovery is slow and we are still not yet out of the woods.

The tendency of the government's critics is to park aside the government's on-going accomplishments, develop collective amnesia about them, isolate a few limitations or weaknesses and blow them completely out of proportion. Thus the daily diet of negativism from them. Meanwhile, they offer no credible alternatives for the better, only demagoguery, infantile distractions, bile, and inconsequential musings. The critics, by and large, distort or stylise the facts in vain search for a theory of explanation. It is their shifting sand of nothingness upon which credible policies cannot be built. In the end, they find themselves in the position of a blind man standing still in a dark alley searching for a moving object.

Mr. Speaker, by our words and deeds let us show that we love and care for St. Vincent and the Grenadines and its people. The power of love is always more potent than the love of power. Let us leave the negativism and learned helplessness behind us. Let us go forth with honest appraisals, a compelling developmental narrative, and sensible efforts to build a sustainable, resilient economy in challenging times, in the people's interest. The Book of Jeremiah (Chapter 29, verse 11) resonates accordingly: "*For I know the plans I have for you*" declares the Lord, "*plans to prosper you, and not to harm you, plans to give you hope and a future*."

Thank you!

APPENDIX 1

Proposed Changes to Excise Duty with Effect from February 1, 2013

HEADING	DESCRIPTION OF GOODS	Current Rate	Proposed Rate
2203.00.10	Beer	$0.66 per litre	$0.83 per litre
2203.00.20	Stout	$0.66 per litre	$0.83 per litre
2203.00.90	Other	$0.66 per litre	$0.83 per litre
22.04	Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09	$4.00 per litre	$5.00 per litre
22.05	Vermouth and other wine of fresh grapes flavoured with plans or aromatic substances.	$4.00 per litre	$5.00 per litre
22.06	Other fermented beverages (for example, cider, perry, mead); mixures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.	$0.60 per litre	$0.80 per litre
Ex 2207.10.00	Undenatured ethyl alcohol of an alcoholic strenght by volume of 80% or higher	$14.00 per proof gallon	$14.00 per proof gallon
2208.20.00	Brandy	$4.00 per litre	$5.00 per litre
2208.30.00	whiskies	$4.00 per litre	$5.00 per litre
2208.40.00 2208.40.10	Rum and tafia: In bottles of a strength not exceeding 46% volume	$4.00 per litre	$5.00 per litre
2202.40.90	other	$14.00 per proof gallon	$14.00 per proof gallon
2208.50.00	Gin Geneva	$4.00 per litre	$5.00 per litre
2208.66.00	Vodka	$4.00 per litre	$5.00 per litre
2208.70.00	Cordials and Liqueurs	$4.00 per litre	$5.00 per litre
2208.90.90	Other spiritous beverages	$4.00 per litre	$5.00 per litre

APPENDIX 2

DESCRIPTION OF SERVICE		
IMMIGRATION FEES	**Current**	**Proposed**
Citizenship:		
Application Fee	$125	$150
Registration Fee (for spouse of Vincentian)	$1,500	$1,500
Registration Fee (Others)	$1,800	$2,200
Work Permits *(under one (1) year)*	nil	$150
Residence Application Fee	$125	$150
Renunciation Application Fee	$125	$150
Replacement Charge for all categories of Permits	nil	$100
'Express Service' Fees*(New & Replacement Passport)*:		
Passport within 1 day (additional cost)	nil	$70
Passport within 2-3 days (additional cost)	nil	$40
Passport within 5 days (additional cost)	nil	$20
AIRPORT FEES	**Current**	**Proposed**
Display of Advertising Signs at Airports:		
Small Signs	$750 p.a.	$1200 p.a.
Large Signs	$1200 p.a.	$2050 p.a.

COMMERCIAL & INTELLECTUAL PROPERTY OFFICE FEES		
DESCRIPTION OF SERVICE	**Current**	**Proposed**
Certificate of Validation	nil	$300
Filing Notice of Changes under section 355	nil	$50
Notice of Change of registered particulars	nil	$25
Notice of Cessation	nil	$50
Change of Name Certificate	nil	$50
Certificate of Good Standing	$25	$50
Default in respect of statutory filing (penalty)	nil	$50/mth

APPENDIX 3

Proposed Changes to Registry Fees with Effect from March 1, 2013

Registry Fees				
	CURRENT		**PROPOSED**	
DOCUMENT	**STAMP DUTY**	**REGISTRATION**	**STAMP DUTY**	**REGISTRATION**
Power of Attorney	40.00	30.00	50.00	40.00
Revocation of Power of Attorney	40.00	30.00	50.00	40.00
Deed of Assent	0.12	0.24	20.00	15.00
Deed of Confirmation/Supplemental	18.00	20.00	25.00	30.00
Deed of Covenant	18.00	20.00	25.00	30.00
Deed of Discharge	18.00	20.00	25.00	30.00
Memo of Deposit of Deed	18.00	20.00	25.00	30.00
Deed of Disclaimer	18.00	20.00	25.00	30.00
Deed of Exchange	25.00	20.00	30.00	30.00
Deed of Posessory Title	3%	20.00	3%	30.00
Statutory Declaration	18.00	20.00	25.00	30.00
Deed of Release	20.00	20.00	30.00	30.00
Deed of Reconveyance	20.00	20.00	30.00	30.00
Deed of Partition	25.00	20.00	30.00	30.00
Deed Poll	18.00	18.00	25.00	25.00
Deed of Incumbence	18.00	20.00	25.00	30.00
Deed of Transfer	18.00	20.00	25.00	30.00
Deed of Settlement	18.00	20.00	25.00	30.00
Deed of Trust	18.00	20.00	25.00	30.00
Deed of Surender	20.00	20.00	30.00	30.00
Deed of Severance	18.00	20.00	25.00	30.00
Deed of Indemnity	18.00	20.00	25.00	30.00
Deed of Revocation	18.00	20.00	25.00	30.00
Deed of Appointment of Trust	18.00	20.00	25.00	30.00
Deed of Legal Charge	18.00	20.00	25.00	30.00
Deed of Gift without Valuation Certificate	Nil	30.00		35.00
Deed of Gift with Valuation Certificate	10%	20.00	10%	30.00
Deed of Individual Moiety	18.00	20.00	25.00	30.00
Vesting Deed	18.00	20.00	25.00	30.00

Deed of Partnership	250.00	20.00	300.00	30.00
Deed of Surrender	20.00	20.00	30.00	30.00
Lease	20.00	15.00	30.00	20.00
Contractor's Construction	18.00	20.00	25.00	30.00
Agreement	20.00	20.00	30.00	30.00
Grant of right away	15.00	15.00	20.00	20.00
Bill of Sale		0.96		5.00

	STAMP DUTY (CURRENT)	**STAMP DUTY (PROPOSED)**
ESTATE DOCUMENTS		
Warrant to Act	**5.00**	**10.00**
Application for grant	**10.00**	**15.00**
Oath of Administrator/Executor	**40.00**	**45.00**
Affidavit of Accounts	**20.00**	**30.00**
Valuation of Certificate	**10.00**	**15.00**
Certificates: Death, Birth, Marriage	**5.00**	**10.00**
Exhibit (each)	**5.00**	**10.00**
Will (probate)	**10.00**	**15.00**
Will (letter of administration with will annexed)	**10.00**	**15.00**
Caveat	**10.00**	**15.00**
Bond	**Free**	
Caveat	**10.00**	**15.00**
Citation	**30.00**	**40.00**
Grant	**30.00**	**50.00**
ADMIRALTY PROCEEDINGS		**0.00**
Warrant to Act	**5.00**	**10.00**
Claim form in rem	**30.00**	**40.00**
Claim form in rem (Registrar's Copy)	**10.00**	**15.00**
Affidavit	**20.00**	**25.00**
Request for Service to Writ	**10.00**	**15.00**
Direction for acknowledgement of service	**10.00**	**15.00**
Warrant to arrest	**20.00**	**30.00**
Notice of arrest	**5.00**	**10.00**
Undertaking	**10.00**	**15.00**

Praecipe for Caveat	**20.00**	**30.00**
Caveat against release	**10.00**	**15.00**
Warrant of Arrest (add $1.00 per mile)	**30.00**	**40.00**
Acknowledgement of service (add $1.00 per mile)	**10.00**	**15.00**
Affidavit of Service	**20.00**	**30.00**
Praecipe for issue of release	**20.00**	**30.00**
Release (add $1.00 per mile)	**30.00**	**40.00**
Consent to Release	**10.00**	**15.00**
Bottomy Bond	**75.00**	**100.00**
Appraisement	**20.00**	**30.00**
Warrant of arrest if ship is outside of harbor	**30.00**	**60.00**

	STAMP DUTY (CURRENT)	**STAMP DUTY (PROPOSED)**
MATRIMONIAL CAUSES ACT CAP. 176 (Divorce Proceedings)		
Warrant to Act	**5.00**	**10.00**
Petition	**15.00**	**20.00**
Marriage Certificate	**10.00**	**15.00**
Birth Certificate (if any) each	**10.00**	**15.00**
Certificate with regard to reconciliation	**10.00**	**15.00**
Statement as to arrangements for children	**5.00**	**10.00**
Acknowledgement of Service	**5.00**	**10.00**
Consent	**10.00**	**15.00**
Affidavit of Service	**15.00**	**20.00**
Notice of proceedings	**5.00**	**10.00**
Request for directions for trials	**5.00**	**10.00**
Registrar's Certificate	**10.00**	**15.00**
Decree Nisi	**10.00**	**15.00**
Notice of application for decree absolute	**5.00**	**10.00**
Certificate for making decree nisi absolute	**10.00**	**30.00**
Decree absolute	**15.00**	**30.00**
Summons in Chambers	**5.00**	**10.00**
Affidavit	**15.00**	**20.00**

Order	**10.00**	**15.00**
Notice of Discontinuance	**10.00**	**15.00**
Notice of Police Station of Power of Arrest	**10.00**	**15.00**
Notice of Hearing	**5.00**	**10.00**
Answer to Petition	**10.00**	**15.00**
MATRIMONIAL CAUSES ACT CAP. 176		
(In the matter of a proposed Petition for Dissolution of Marriage within three years)		
Warrant to Act	**5.00**	**10.00**
Originating Application	**10.00**	**15.00**
Affidavit - petition exhibited	**15.00**	**20.00**
Marriage Certificate	**5.00**	**10.00**
Notice of Application	**5.00**	**10.00**
Affidavit of Service (each)	**15.00**	**20.00**
Order	**10.00**	**15.00**
Warrant to Act	**5.00**	**10.00**
Petition	**15.00**	**20.00**
Solicitor's Certificate	**10.00**	**15.00**
Statement of arrangement for children	**5.00**	**10.00**
Notice of proceedings	**5.00**	**10.00**
Notice of hearing	**5.00**	**10.00**
Acknowledgement of Service	**5.00**	**10.00**
Registrar's Certificate	**10.00**	**15.00**
Decree Nisi	**10.00**	**15.00**
Summons	**5.00**	**10.00**
Affidavit	**15.00**	**30.00**
Notice of application for decree absolute	**5.00**	**10.00**
Order	**10.00**	**15.00**
Decree Absolute	**15.00**	**30.00**
Notice of Hearing	**5.00**	**10.00**

	STAMP DUTY (CURRENT)	**STAMP DUTY (PROPOSED)**
DOCUMENTS IN CIVIL MATTERS		
Claim Form/Fixed date claim form	**10.00**	**15.00**
Claim Form (First clear copy)	**5.00**	**10.00**

Acknowledgement of Service	**5.00**	**10.00**
Notice of Acknowledgement of service	**10.00**	**15.00**
Statement (if any) in default	**15.00**	**20.00**
Request for Judgement (if any) in default	**15.00**	**20.00**
Request for Judgement on admission	**15.00**	**20.00**
Defence	**10.00**	**15.00**
Reply to Defence	**10.00**	**15.00**
Joinder of Issue	**5.00**	**10.00**
Request of Hearing	**10.00**	**15.00**
Copy of pleadings	**5.00**	**10.00**
Summons	**5.00**	**10.00**
Affidavit	**15.00**	**20.00**
Notice (including third party notice)	**5.00**	**15.00**
Statement of Claim	**10.00**	**15.00**
Skeleton	**None**	**10.00**
List of Authorities	**None**	**10.00**
Release/Satisfaction	**10.00**	**15.00**
Submission		
Witness statement	**5.00**	**10.00**
Certificate of urgency	**10.00**	**15.00**
Without notice	**5.00**	**10.00**
Notes for Defendant	**None**	**5.00**
Pre-trial Memorandum	**None**	**5.00**
Notice of Discontinuance	**10.00**	**15.00**
Entry of Satisfaction	**10.00**	**15.00**
Partial Satisfaction	**5.00**	**10.00**
Bill of Cost	**10.00**	**15.00**
Consent of revivor	**15.00**	**20.00**
Further and better particulars	**5.00**	**10.00**
List of documents	**10.00**	**15.00**
Notice of withdrawal of solicitor	**10.00**	**15.00**
Consent	**10.00**	**15.00**
Oral Examination	**20.00**	**30.00**

	STAMP DUTY (CURRENT)	**STAMP DUTY (PROPOSED)**
DOCUMENTS IN CIVIL SERVICE		
Notice of Taxation	**10.00**	**15.00**

Notice of payments	**10.00**	**15.00**
Notice of Motion	**10.00**	**15.00**
Certificate of Exhibit	**5.00**	**10.00**
Exhibits	**5.00**	**10.00**
Certified exhibits must have stamps	**15.00**	**20.00**
Judgements	**10.00**	**30.00**
Orders	**10.00**	**20.00**
Notice of Appeal	**10.00**	**20.00**
Certificate of Result of Appeal	**10.00**	**60.00**
Application to pay by installment	**10.00**	**15.00**
Ancillary Claim Forms	**10.00**	**15.00**
Writ of Excution against goods (Fieri Facias)	**10.00**	**100.00**
Writ of possession	**10.00**	**100.00**
Writ of delivery or value	**10.00**	**100.00**
Writ of Habeas Corpus	**10.00**	**100.00**
Answer to undertaking	**10.00**	**15.00**
Adoption Order	**10.00**	**100.00**
Order for permission to take child overseas	**10.00**	**100.00**