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STRENGTHENING THE SOCIO-ECONOMIC BASE FOR RECOVERY AND RECONSTRUCTION AFTER A NATURAL DISASTER IN A CONTEXT OF ON-GOING GLOBAL ECONOMIC UNCERTAINTY AND DOWNSIDE RISKS

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2014 BUDGET SPEECH

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A PREFATORY STATEMENT: INTERIM BUDGET 2014

Mr. Speaker, Honourable Members, the horrific, "unforecastable, unpredictable, natural disaster ___ a one in a 100-years event", at least ___ which struck St. Vincent on Christmas Eve into Christmas Day 2013, and its consequences, have altered profoundly the immediate socio-economic context of the 2014 Budget. The upshot of this is that the 2014 Estimates which were approved in December 2013, and upon which the 2014 Appropriation Bill is based, has to be supplemented within the next four to six weeks or thereabouts. Accordingly, this Budget which is being presented today is interim in nature. This does not mean that it is provisional or temporising in fact or law. This Budget is aimed at strengthening our socio-economic base for recovery and reconstruction after a natural disaster in a context of on-going global economic uncertainty and downside risks. The Supplementary Estimates and Supplementary Appropriation Bill which would, of necessity and desirability, come to this Honourable House sooner rather than later would contain both altered and additional provisioning to reflect the profoundly changed circumstances of our country. Alterations and additions are to be expected on both the recurrent and capital sides of the approved Estimates.

It is unlikely that capital projects, for which funding has already been specifically sourced for particular projects and which are ready for imminent implementation, would be shelved. However, the scope of some existing capital projects is likely to be altered and additional allocations made. Further, capital projects of an urgent and critical nature not now present in the approved Estimates for 2014 would be included in the Supplementary Estimates for supplementary appropriation. Clearly, there would be a reshaping of budgetary priorities in accordance with the requisites of addressing effectively the extant humanitarian challenge arising from the natural disaster and of implementing in a focussed way the grand project of rehabilitation and recovery under the rubric **ARISE SVG WITH THE SIX R^{s}**: **Relief**, **Reconstruction, Roads (including bridges), River Defences, Reforestation, and Relocation (including Housing).**

Now more than ever, Mr. Speaker, we must realise that nothing ever stands still. We must lift ourselves up to be stronger and better; we must go forward, not backward. We must arise from this terrible natural disaster and human suffering in dignity and strength; we must meet the daunting challenges ahead with clarity of purpose, unity, discipline, hard and smart work; we must have faith in our individual and collective future, knowing always that faith is made perfect, made complete with deeds, with works; we must learn to love our neighbours like ourselves, and to practice that love, daily. Above all, we must heed the spirit and teaching of the prophet Isaiah [Chapter 41, verses 10-13]:

> "*So do not fear, for I am with you;*
> *do not be dismayed, for I am your God.*
> *I will uphold you with my righteous right hand.*
>
> *"-----For I am the Lord, your God,*
> *who takes hold of your right hand*
> *and says to you, do not fear,*
> *I will help you."*

God the helper of Israel, of St. Vincent and the Grenadines, and of all nations, will fulfill His promise to us. He is a merciful God and we thank Him for the abundant blessings bestowed upon us!

Mr. Speaker, although my government is yet to finalise the full assessment of the damage and loss caused by the Christmas Floods and Landslides, it is evident from the preliminary appraisal that it will take hundreds of millions of dollars to tackle satisfactorily the combined humanitarian challenge and the rehabilitation and reconstruction exercise.

Excessive rainfall in the mountainous interior of the northern half of St. Vincent, particularly on the northeast and north-west, amounting to about 10 inches of rainfall in less than five hours, precipitated the extraordinary floods, landslides, and consequential loss and damage, the likes of which the country had never experienced in living memory. The rainfall distribution at five stations for the period 9:00 p.m. on the 24th December to 1:00 a.m. on the 25th December, 2013 was as follows: Owia, 10.21 inches (259.20 mm); Rabacca, 10.44 inches (265.30 mm); Rabacca Climate, 12.26 inches (311.40 mm); Belle Isle, 6.05 inches (153.70 mm); and Convent – Vermont, 7.98 inches (202.8 mm). At the E.T. Joshua Airport 3.12 inches (79.22 mm) of rainfall, fell.

Accordingly, the government declared a Level 2 disaster which is defined as follows:-

> "*An incident occurring within St. Vincent and the Grenadines for which local resources and response capacity are limited. Focussed specialised regional assistance is required such as the provision of technical assistance, specialised equipment, emergency funds and support personnel. Actions at this level may include the activation of the regional response mechanism and a request for international*

support. A state of emergency/disaster area may or may not be declared."

A declaration of a "disaster area" was made, too, in respect of geographical locations on the western side of St. Vincent, including the Vermont Valley all the way down to Buccament Bay, Spring Village, Rose Bank, Dark View, Petit Bordel, Chateaubelair, Fitz-Hughes, and Richmond; and on the north-eastern side, including South Rivers, O'Brien's Valley, Dickson, and Spring Village, Georgetown, all the way north, up to Fancy. Over 11,000 persons or over 10 percent of the population of St. Vincent and the Grenadines were directly affected in these disaster areas. By December 31, 2013, over 50,000 persons or roughly 50 percent of the population were still adversely affected by extensive disruption of water supplies. The weather event was clearly a significant one of national proportions; it was neither localised nor merely episodic.

The havoc wrought to the physical infrastructure is huge: 14 bridges destroyed; 14 bridges severely damaged; several miles of secondary roads and feeder roads ravaged, making certain habitable and farming areas impassable; the many rivers overflowed their banks and caused widespread destruction; the forests have been substantially denuded beyond 10 percent of the total forest area; and 662 houses have been damaged or destroyed, some 300 of which, objectively-speaking, require relocation.

Occupants of these houses lost much or all of their belongings including the following items: furniture, stoves, fridges, beds and mattresses, cooking utensils, electrical appliances of one sort or another, laptops and computers, gas bottles, households pets, chickens, and pigs.

In less than five hours of rainfall, floods, and landslides, hundreds of families have been reduced from vulnerability to indigence, and from poverty to a "dirt poor" condition. Large numbers of people have been suffering harsh conditions as a consequence of the natural disaster, although the humanitarian response has eased some of the pain and hardship. The journey to recovery would be long and difficult. Psychological anguish or trauma is evident among the suffering and vulnerable people.

Most painful of all has been the loss of life. Nine persons died and three are still missing. Their names would long be etched in our personal and collective memory; an appropriate memorial must be erected. Their names are required to be here recorded. Dead are:

- Mr. Walsy Nanton, aged 74 of Rose Bank;
- Ms. Horna Nanton, aged 69 of Rose Bank;
- Ms. Hazel Baptiste, aged 51 of Rose Bank;
- Mr. Bernard Nanton, aged 24 of Rose Bank;
- Mr. Yowanie Nanton/Bartholomew, aged 18 of Rose Bank;

- Mr. Raymond Gonsalves, aged 62 of Manning Village, Byera;
- Mr. Desmond Wilson, aged 47 of Vermont;
- Miss Keslia James, aged 18 of Cane Grove;
- Miss Sharlan Headley, aged 2 of Cane Grove and Canada;

The missing persons are:

- Mrs. Josel Morgan-Small, aged 27 of Rillan Hill;
- Ms. Sheila Edwards, aged 36 of Buccament; and
- Ms. Inka Jack, aged 12 of Buccament.

The preliminary assessment of the damage tells a horrendous story:

1. The actual material damage to 662 houses is estimated at $24.6 million. Assuming that a relocation of 300 of these houses is to be done, the cost to the housing sector would be an estimated $45 million.

2. The clean-up cost to be incurred by BRAGSA, $5 million.

3. Damage and loss to the Milton Cato Memorial Hospital, $5.5 million.

4. Damage and loss to CWSA, $12.0 million.

5. Damage and loss to VINLEC, $23 million.

6. Damage and loss to private sector businesses, outside of agriculture, $5 million.

7. Damage and loss to the agricultural sector, livestock and fisheries, $8.4 million [over 1,100 farmers].

8. Damage and loss to the physical infrastructure [roads, bridges, river defences, two police stations], $221.1 million.

9. Damage and loss to forest, $24 million.

10. Estimated cost of damage and loss to household items, $7 million.

11. Estimated cost of providing relief/humanitarian support to affected families for 6 months, $2.4 million.

The aggregate cost of the damage and loss, is estimated, preliminarily, at $330 million. This amounts to over 17 percent of the Gross Domestic Product (GDP) of St. Vincent and the Grenadines. This aggregate number is the preliminary estimate of the Government of St. Vincent and the Grenadines. Experts from the World Bank have provided a preliminary estimate of EC $291.4 million or over 15 percent of GDP. The World Bank's number underestimates the damage to agriculture by nearly $5 million, and does not include any damage assessment of the forests. However, the Food and Agriculture Organisation (FAO) estimates damage and loss to the agricultural sector at EC $8.4 million, and to forestry at EC $24 million. The Government's estimate is slightly higher than that of the World Bank's in a few areas, but is at one with the Bank on the major areas of infrastructure, housing, health, electricity, water and sewerage. It is a monumental blow to our society and economy; damage and loss of between 15 – 17 percent of GDP is huge and devastating.

The swift and focussed response to the disaster by the government, the state agencies, the private sector, the civil society organisations, the regional and international communities, the Vincentian diaspora overseas, and the resilient people of St. Vincent and the Grenadines as a whole, ensured that the immediate humanitarian/relief challenge did not metamorphose into a humanitarian disaster. A continuing humanitarian challenge exists, but it is being creditably managed. Still, much work remains to be done.

Mr. Speaker, the government has been very active and focussed in providing leadership to the recovery and rehabilitation process. Immediately we have had to address the humanitarian relief challenge and remediation, however makeshift or temporary, of the physical infrastructure. At the same time we have to lay the basis for the very costly medium-term recovery and rehabilitation.

Within days of the natural disaster, the State-owned VINLEC restored electricity to all of St. Vincent. Similarly, several critical facilities such as the E.T. Joshua Airport and the Milton Cato Memorial Hospital (MCMH), which were flooded, were made fully operational swiftly with prompt remedial work. In the case of MCMH, four of its wards, including the pediatric ward, had to be temporarily located. Several pieces of medical equipment at MCMH were damaged and/or destroyed; and the vital CT-Scan Machine, the only one in St. Vincent and the Grenadines, which was rendered inoperable by the floods, is unlikely to be up and running before the end of February, 2014, at the earliest. Other restorative work at the hospital is proceeding apace.

Within three hours of the torrential rains, eight of the eleven water systems of CWSA were put out of commission; extensive restorative work was required. The heroic efforts of the management, staff, and ancillary employees of CWSA ensured the resumption of water supply, in stages, to substantially the entire island by January 04, 2014. Throughout the period of water shortage, the CWSA in conjunction with the Emergency Operating Centre (EOC) of the National Emergency Management Organisation (NEMO), the Ministry of Works, the helicopter service of the Government of Trinidad and Tobago, other governments and external agencies, the private sector, other entities such as the Red Cross and the Mustique Charitable Trust, Churches and caring nationals, assisted with the distribution of water to those communities which were in need.

Meanwhile, NEMO spearheaded the establishment of eight (8) shelters: Five (5) of them at schools, two at Learning Resource Centres, and one at the Academy in Richmond Vale; over 300 persons were initially in the shelters. By January 05, 2014, seven shelters remained open with 225 persons. Another four hundred persons were provided with food packages. By the weekend of January 11, 2014, the shelters in the five schools were closed and the occupants housed in Learning Resource Centres or Community Centres, in houses rented by the government, or in dwelling-places of families or friends. Five shelters currently are in operation with 175 occupants. All schools reopened for instruction, one week late, on January 13, 2014. Affected persons in the communities are being provided with on-going relief through NEMO and other governmental and non-governmental agencies.

At the same time, the Ministry of Health has been carrying out a programme of psychological and social counseling of the affected persons with professional health personnel and the counselors employed in the educational system. While we attend to the individual and community material needs of affected persons, it is important to provide support services of psychological and social counseling and guidance to them.

Immediate material help to assist in meeting the humanitarian relief challenge came from governments, institutions, and agencies regionally and internationally. We are most grateful. The response, particularly from regional governments and institutions, gives life and meaning to our Caribbean Community.

The government of St. Vincent and the Grenadines is mobilising resources, financial and technical, for the grand rehabilitation and recovery project. To this end, we have been in contact with the governments of several traditional and non-traditional allies. Importantly, too, my government has been engaged in relevant dialogue on rehabilitation and recovery with the local financial institutions and contractors from St. Vincent and the Grenadines and the region, the World Bank, the European Union, the Caribbean Development Bank, the ALBA-Petro Caribe nexus, UNDP, the OAS, ECLAC, PAHO, ILO, the OECS and CARICOM. More details on these contacts, dialogues, and mobilised resources will be available at the time of the presentation of Supplementary Estimates and the Supplementary Appropriation Bill.

Mr. Speaker, even in these early days of recovery and reconstruction, beyond the relief or humanitarian effort, it is evident that a priority list of actions must include:

1. Repairing the damaged houses, rebuilding those which were completely destroyed, and relocating those houses which are in imminent danger.

2. Providing stoves, fridges, and mattresses, which were damaged or destroyed, to the persons who have been affected.

3. Completing the cleaning up by BRAGSA.

4. Rebuilding, with urgency, destroyed or damaged bridges, including those at: Caratal, Miss Jane, Belle Vue, Caro Point Ford (Sandy Bay), God-Save-the-Queen Bridge (Overland), London Bridge, Bottom Town Bridge (Owia), O'Brien's Valley, Vermont, Dark View, Top Sharpes (Chateaubelair), Kakarta (FitzHughes). Temporary Bailey Bridges have to be installed at several of these and at other locations.

5. Engaging immediately with restorative work as follows, among others: Buccament-Vermont River Defence, River Defence in Spring, River Defence at the Teviot-Zenga Rivers, River Defence and the Playing Field Wall at Sandy Bay, River Training in Fancy, Slope Protection at Belle Isle and Dark View, and River Defence at South Rivers.

6. Promptly reviewing for speedy corrective action pre-existing projects such as Mt. Young Bridge, the Congo Valley Road and Bridges, and Perseverance Road and Bridges.

7. Immediate grading and basic restorative work on several miles of feeder roads particularly in North Windward, North Central Windward, South Leeward, and North Leeward.

8. Prompt basic restoration of village and secondary roads in all affected areas.

9. Addressing immediately the rebuilding of the agriculture and livestock sub-sectors in the affected areas.

10. Initiating measures for reforestation and curbing the irresponsible behaviour of forest users.

11. Moving swiftly to restore the damage and loss at the Milton Cato Memorial Hospital (MCMH), the Central Water and Sewerage Authority (CWSA), and the St. Vincent Electricity Services (VINLEC).

12. Assisting the damaged private sector businesses in their rebuilding.

Mr. Speaker, nearly 80 percent of the damage and loss occasioned by the storm are in the physical infrastructure (Roads and Bridges: EC $222.1 million; VINLEC: $23 million; CWSA: $12 million). Additionally, damage and loss to Housing is $24.6 million; and $24 million to Forestry. Clearly, the recovery and reconstruction programme has to be phased. In this regard, the various Ministries are at work in planning the work programme for implementation over time. The Chief Engineer, for example, has already provided me with a preliminary list of "MUST DO" projects immediately, and his Office is addressing the scheduling of the medium-term reconstruction. And then, there is the critical issue of mobilising the financing for all of this, in addition to the necessary on-going capital projects and normal government operations. More on the financing of the reconstruction would be addressed when I return to this Honourable House within six or so weeks with Supplementary Estimates and a Supplementary Appropriation Bill.

Mr. Speaker, a normal rule-of-thumb is that between 10 – 15 percent of the estimated damage and loss is required immediately to commence the rehabilitation and recovery, beyond the humanitarian relief. Accordingly, I am immediately mobilising, at least, between EC $35 and $50 million in new monies. Thus far, I have assembled over $30 million, including some $10.5 million in credit for building materials. I am confident that my government will be able to access the resources immediately required. On the medium-term reconstruction, my government is already exploring avenues for financing. The presentation by the World Bank team of experts of their preliminary "damage and loss" assessment, which I accept for this purpose, to the representatives of several governments last Friday (January 17, 2014) in Barbados is an important staging-post in what would be a challenging exercise.

Mr. Speaker, it is being proposed that sometime within the next three months, an International Donors' Conference be held to receive pledges for the rehabilitation and recovery processes in the countries affected by the Christmas disasters, namely, Dominica, St. Lucia, and St. Vincent and the Grenadines. The Chairman of the OECS, Prime Minister Spencer of Antigua and Barbuda is leading this quest with the support of the OECS and CARICOM Secretariat. The assessments by the respective governments of these three affected countries and the reports by the World Bank, the FAO, and ECLAC would provide background material and context for the Conference.

Mr. Speaker, this Budget address seeks to lift the level of discourse on our nation's socio-economic condition in the extant circumstances by placing the macro-economic options before us, and setting out an appropriate strategic path. Accordingly, I turn first to the general and specific issues and considerations arising from our recent economic history and which underpin the broad strategic thrust and relevant details of the Appropriation Bill 2014 emerging from the Approved Estimates for 2014, in our quest to fortify the country's socio-economic base.

SUMMARY OF SOME RELEVANT SOCIO-ECONOMIC ISSUES: 2001 – 2014

Mr. Speaker, Honourable Members. This is my 13th consecutive Budget Speech as Minister of Finance. When the Unity Labour Party (ULP) was elected to Office on March 28, 2001, we inherited an economy, polity, and society in severe distress; an administrative apparatus in shambles; and an awful international image.

The details of the economic, social, and political distress are a matter of record and have been documented elsewhere by objective observers, and do not require repetition here. But they are of relevance in grasping the journey my administration has had to travel in cleaning up the mess we met and in moving our country forward, in progress.

Mr. Speaker, the broad economic history of the last three decades would show that moderate-to-robust economic growth of the 1980s had given way after 1992, the last year of unrestrained market preferences in Britain for our bananas, to a condition of low-to-below-moderate economic growth in the 1990s. Economists speak of the "secular stagnation" which had gripped an economy like St. Vincent and the Grenadines. Increasingly, the economy was becoming more dominated by services, including tourism services, but the vital personnel, educational, social and infrastructural development were not being addressed sufficiently, or at all, to accompany and underpin the alterations in the economy itself. For example, an appropriate impetus for education and training was lacking. Further, there was no forward movement to build an international airport at Argyle or a jet airport in Canouan to accelerate tourist arrivals. Moreover, the legal and institutional framework for a sustainable development in international financial services consistent with global best practices was not in place and was not seriously contemplated. Other vital areas of a modern, post-colonial economy, nationally, in a competitive regional and global economic setting were woefully neglected.

Mr. Speaker, very early, the ULP administration moved away from the policy limitations of the preceding 17 years and adopted a sustainable, people-oriented path to development. Steady, moderate economic growth, with some upward spikes, marked the 2001 – 2007 period, inclusive. The period 2008 – 2013 experienced negative or low economic growth rates as a consequence of a bundle of external factors. Still, St. Vincent and the Grenadines has held things together and has made solid progress on a number of indicators reflecting improvements in the condition of life and infrastructural development.

Mr. Speaker, the economy of St. Vincent and the Grenadines has been battered over the past five years by a combination of externally-sourced factors or circumstances, including: the global economic downturn from September 2008, and continuing; the on-going elevated oil prices; a string of natural disasters manifesting deleterious climate change, globally; the virtually complete removal of market preferences in the United Kingdom for our principal export commodity, bananas; and the meltdown of two regional insurance giants, CLICO and BAICO with liabilities for St. Vincent and the Grenadines amounting to 16 percent of Gross Domestic Product (GDP). These exogenous shocks have occurred in a context of a small, structurally-dependent, heavily-indebted, resource-challenged, vulnerable, open economy which is St. Vincent and the Grenadines, and against the backdrop of weak, under-capitalised indigenous banks and other financial institutions regionally in the Eastern Caribbean Currency Union (ECCU).

An economy with a weak or limited internal demand like St. Vincent and the Grenadines is by definition vulnerable and is, by itself, incapable of generating self-sustaining growth. Accordingly, economic growth and development depend on its capacity to produce goods and services competitively not only for consumers at home, but importantly for those who reside overseas or who come to St. Vincent and the Grenadines as visitors/tourists.

The productive capacity and the volume of the production of goods and services in the economy of St. Vincent and the Grenadines are substantially a function of the extent of the mobilisation of domestic resources (land, labour, capital, management) and external supports (capital, technical and managerial skills) in a requisite enabling environment, in the context of viable, sustainable consumer markets. The efficacy of the governance arrangements, the quality of the physical and socio-cultural infrastructure, and the array of appropriate public policies facilitate the creation of the environment for optimal living and production. Education and training are vital in the development of a quality and adaptable labour force, including management. A sound, competitive financial system, domestically, but with external linkages, is required for the mobilisation of financial resources. Foreign direct investment, grants and soft loans to the government, and remittances from our diaspora overseas, are the critical levers for externally-sourced public and private investment. The development and modernisation of the physical and socio-cultural infrastructure (airports and air transport, seaports and sea transport, roads, telecommunications, electricity, water, housing, solid waste disposal, health and social security, sports, culture and entertainment, religious worship) to a sufficient level, are essential to the enterprise of modern life and production.

The ULP government's public policies and their implementation have been directed to all of these essentials and more. They constitute the central features of the government's praxis. But behind these seemingly lifeless categories are real flesh-and-blood people who daily give expression to life, production, and consumption. The people and their manifold interactions and inter-connections make up the fascinating study of political economy, which includes, but goes beyond the important, yet narrow, confines of the fiscal issues.

At the level of the central government, certain significant consequences flowed from initiatives taken to reorient our economy and society onto a more balanced developmental path. Both recurrent and capital spending increased substantially over the past 13 years; even after discounting the 2014 expenditure numbers by one-third to take account of inflation, central government spending is much higher now than in 2001.

Among the results of our policies in vital spheres of government, include:

1. An increase in the number of public servants by almost one-third, from approximately 5,000 to roughly 6,300. The increase was most marked in the areas of education, health, and national security.

2. A sharp rise in salaries occasioned by annual increments, pay increases, bonuses, and an extensive reclassification exercise. These increases, cumulatively, went way beyond, at least by one-third, the inflation rate for the period 2001 to 2013, inclusive.
3. In 2001, wages and salaries amounted to EC $142.4 million, and the sum of EC $14.6 million was allocated for Pensions and NIS; in 2014, the approved Estimates for wages and salaries is almost double the 2001 figure and stands now at EC $271.42 million. The 2014 figure for Pensions and NIS contributions is EC $52.3 million, nearly thrice the 2001 figure. These 2014 numbers under-estimate the full extent of these increases since in 2014, employees who were on the central government's payroll in 2001 are now in new statutory entities such as the St. Vincent and the Grenadines Community College, BRAGSA, St. Vincent and the Grenadines Tourism Authority, National Parks, Rivers and Beaches Authority, and the St. Vincent and the Grenadines Standards Bureau; they are now accounted for separately.

4. Several notable recurrent programmes have expanded markedly, including the following:

   (i) Social Welfare, including Public Assistance in 2001 amounted to just under EC $10 million; in 2014, the budgeted sum is in excess of EC $25 million;

   (ii) Recurrent spending on educational programmes through the Ministry of Education amounted to EC $55.6 million in 2001; in 2014, the comparable figure is EC $112.78 million, twice the 2001 spending. Additionally in 2014, expenditure on tertiary education is in excess of EC $14 million, nearly three times the figure in 2001.

(iii) Recurrent spending on the Police, Fire, and Coastguard Services in 2001 amounted to EC $24.93 million; in 2014, the comparable figure is EC $41.2 million.

(iv) Recurrent spending on Health and the Environment amounted to EC $38.32 million; in 2014, the comparable figure is EC $63.3 million.

5. New recurrent programmes after 2001 include the following with their 2014 budgetary allocations:

(i)	Youth Empowerment Service (YES) Programme	:	EC$3 mn
(ii)	Home Help for the Elderly	:	EC$1 mn
(iii)	Transport Subsidy for School Children	:	EC$0.84 mn
(iv)	Duty-free concessions annually on Christmas Barrels	:	EC$2 mn
(v)	Revolving Farmers' Support Fund	:	EC$6mn
(vi)	Special Housing Material Support For the Poor	:	EC$2mn
(vii)	Support for Employment and Training for Post-Secondary and University Graduates	:	EC$1.5m
(viii)	Establishment of diplomatic Missions in Havana and Caracas and Consular Office in New York	:	EC$3.2mn
(ix)	Establishment of NEMO	:	EC$0.7mn
(x)	Adult and Continuing Education	:	EC$2.4mn
(xi)	Pre-Primary Education	:	EC$1.49mn
(xii)	Maritime Administration	:	EC$0.32mn
(xiii)	Energy Unit	:	EC$0.31mn
(xiv)	Regional Integration and Diaspora Unit	:	EC$0.26mn

6. The implementation of a huge public sector investment programme in the areas of roads and bridges, airport development, education, health, national security, water and electricity, housing and lands, air transport, disaster management, tourism and agriculture, public administration, sports and recreation, community and social development.

7. The reformation of the tax system to engender fairness and equity, a reduction of the tax burden, efficiency in tax administration, and the facilitation of socio-economic development.

In the light of all this, a reflection on some central fiscal issues is required.

SOME CRITICAL ISSUES OF FISCAL POLICY

Mr. Speaker, in my speech in this Honourable House on the occasion of the presentation of the 2013 Budget, I drew attention to the fact that the economy of St. Vincent and the Grenadines is "sui generis" ___ of its own kind; unique. Accordingly, I laid out a series of practical issues for policy consideration. Among other things, I addressed critically the oft-repeated, general advice of the IMF for "*emerging markets and developing countries"* to embark upon the policies of fiscal tightening and monetary easing in the context of downside risks and global economic uncertainty, insofar as the small, vulnerable, open economies of the ECCU are concerned.

I insist that this general advice from global financial institutions must always pass the tests of relevance, appropriateness, and a correct reading of our region's economic history, for us to embrace it. I repeat: the small, open, dependent island economies in the ECCU are "sui generis". Analysis and prescription must recognise this; and we must have the intellectual rigour and confidence to say so.

Accordingly, a correct fiscal policy in the current domestic and external circumstances has, as I stated in my Budget Address, "to be creatively sculptured without unbalancing the overall economy and 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 economy."

Mr. Speaker, over the almost thirteen years of this ULP government, there has been extensive assessments of our fiscal policy. In the period 2001 to 2008, inclusive, prior to the global economic meltdown, the discussions centred on the efficacy of my government's counter-cyclical fiscal policy which contained two central elements: an increase in public spending (recurrent and capital), and a reduction of corporate and personal income taxes to enhance private consumption and investment. Such a policy option was justified in the extant circumstances so as to enhance the quality of life and create wealth and employment

My government acknowledged that a counter-cyclical fiscal policy was only sustainable for a relatively short period of time. Accordingly, by 2006, a tapering off of the recurrent expenditure increases was in place, save and except, for the significant salary increases for public servants (including teachers, police officers, and medical/nursing personnel) due especially to the implementation of a "Reclassification Exercise in the Public Service" in 2007. On the capital side, there was focussed, necessary, developmental expenditure.

In July 2008, oil prices skyrocketed internationally to US $147.50 per barrel; and in September 2008, Lehman Brothers collapsed giving rise to a financial crisis which metamorphosed quickly into a horrendous global economic depression, the worst for almost 100 years. On August 13, 2008, my government commenced the planned construction of the Argyle International Airport, an absolute economic necessity, and the largest capital project ever in St. Vincent and the Grenadines, estimated to cost roughly US $265 million, or some EC $700 million.

Globally, after 2008, the fiscal response oscillated between "austerity" and "stimulus". In St. Vincent and the Grenadines, we considered "austerity" to be counter-productive; instead we fashioned some fiscal space for a measured "stimulus" package. So, to suit the specific, unique circumstances of our country's economy and fiscal condition, we advanced the fiscal framework of "prudence and enterprise". "Prudence" on all fronts especially on recurrent expenditure, but focussed enterprising fiscal activity through the targeted capital spending of the central government and the capital budgets of state enterprises such as VINLEC, CWSA, National Properties Limited, National Lotteries Authority, Petro Caribe, and the International Airport Development Company. At the same time, vital reforms were introduced in tax administration so as to enhance tax collection without increasing the rate of taxation.

In my Budget Addresses from 2009 onwards, my government made it plain that it will not succumb to an ill-advised "austerity" advocated by some locally, regionally, and internationally. I have listened to their mantra of severe cut-backs in recurrent spending and of tax increases. In St. Vincent and the Grenadines their "austere" expenditure cuts would undoubtedly include a socially indigestible menu: Abolishing the YES Programme and the Home-Help-For-The-Elderly Programme; cutting public assistance; removing the payment of annual increments to public servants; cutting sharply the allocations to goods and services, materials and supplies, including medical supplies; laying-off workers and public servants; cutting subventions to the St. Vincent and the Grenadines Community College, some other public enterprises, and the University of the West Indies; slashing payments to students of the School of Nursing and grants to University students; removing duty-free concessions on Christmas barrels and to religious institutions; cutting back on special employment for road cleaning; rolling back the housing and land distribution programme for low-income and poor persons; shelving implementation of the Support for Employment and Training Programme for College and University graduates; and delaying the implementation of the Farmers' Support Programme. From these aggregate cutbacks at least EC $65 million could be "saved". But my government will not take that route in slashing spending in this "austere" way.

The advocates of fiscal austerity also recommend tax increases, including on VAT, which they suggest could yield at least EC $20 - $30 million in additional revenues. But my government will avoid that kind of austere action. I await with great interest the recommendations of those in this Honourable House who clamour for “austerity”, a “balanced” budget, and a “surplus” on the current account at a time of continuing global and regional economic uncertainty and downside risks, and low growth in the domestic economy.

“Prudence” is to be distinguished from “austerity”. Prudence means careful spending; it demands sensible expenditure controls; it calls for the elimination of waste, and an efficiency in expenditure. It summons a fair and efficient system of taxation and its administration. Austerity, on the other hand, means a harsh application of spending cuts and the avoidance of necessary and desirable expenditure; and an increase in the tax burden. Prudence, when coupled with enterprise, leads to economic growth; austerity presages continued low-growth and socio-economic hardship, particularly in the current global and regional economic circumstances.

Whatever the applicability of this austerity thesis elsewhere, it holds no resonance in an economy like that of St. Vincent and the Grenadines. First, it must surely be realised that most of government’s borrowings are external to St. Vincent and the Grenadines by way of soft-loans from international entities such as the World Bank, the Caribbean Development Bank, the ALBA Bank, the Petro Caribe, and friendly countries such as Taiwan and Venezuela. Thus, the theses of the government “sucking up” capital and “crowding out” private investment have limited validity. Indeed, there is an excess of liquidity in the domestic commercial banking system. Secondly, the domestic private sector, generally, loses confidence when the government refrains from spending, not when it ramps up public spending. Further, and most importantly, the restoration or achievement of competitiveness has less to do with a deflation occasioned by a home-grown austerity and more to do with other internal factors (cost of investment monies, labour and managerial efficiencies, the extent of the “business friendliness” of public administration, and so forth) and a set of exogenous economic/financial variables.

It is axiomatic that prudence, efficiency, effectiveness, and accountability in public finance are most desirable. Sustainable debt management is obviously a critical factor in the overall management of public finances. Further, all things being equal, it is preferable to run a surplus on the current account, or indeed on the overall account (recurrent and capital), than to run deficits. But in an economy such as St. Vincent and the Grenadines, and in the current global and regional economic context, all things are not equal. Accordingly, fiscal prudence, reasonable enterprising risks, and manageable public debts are an admixture worth pursuing to engender economic growth, create wealth and jobs, and strengthen the social safety net. Thus, to those who query: “What’s wrong with austerity?” I answer emphatically: Austerity is a dangerous idea because it does not and cannot work in a socio-economic milieu like St. Vincent and the Grenadines. Austerity may balance the books, but it will certainly unbalance the country.

THE ECONOMY AND ITS STRATEGIC PATH

Mr. Speaker, Honourable Members, it is important for us to remember that the economy is much more than what the government does in the fiscal sphere, vital though that is. Workers, farmers, managers, bankers, hoteliers, manufacturers, the electricity provider, and telecommunications companies, and assorted producers of one kind or another, produce and trade in goods and services. Domestic and foreign investors start up business enterprises to create wealth and jobs, and provide taxes. It is evident that, by far, the bulk of the volume and value of the goods and services produced in St. Vincent and the Grenadines is aggregated, cumulatively, by, and through, the private sector, even though the single largest employer of labour and the single largest investor is the public sector.

So, the state sector looms large in the economy, but the growth engine is located, collectively, primarily in the private sector. The cooperative economic sector completes the triad which works in a harmonious whole across the range of economic activities. The small size of the domestic economy and its integration, in a dependent position, into the global economy, conspire to elevate the critical importance for us of that global economy, foreign direct investment, external trade in goods and services, and the political economy of state-to-state relations.

Despite all the challenges to the economy of St. Vincent and the Grenadines in the post-2008 global economic slow-down, and continuing, we have been able to withstand its worst effects compared to some other small-island economies, including in the Caribbean. Several reasons account for this: First, significant population centres are located in areas which produce agricultural commodities and fish; thus, food for sustainable living poses much less a problem than in some other island economies. Secondly, out of an active labour force of roughly 45,000, some one-fifth (10,000) is employed in the public sector. Thirdly, three important entities employ a significant number of persons: the Mustique Company and the Canouan Development projects, 1,000 employees each; and the Cruise Ships, especially the Royal Caribbean Cruise Line, employ about 2,500 on them. Thus, these three private employment sources and the state sector employ some one-third of the active labour force; the nature of these four sets of enterprises means that they have, thus far, been able to withstand the worst employment effects of the global economic crisis. Fourthly, significant investment in Canouan, at Buccament, and in the state sectors (central government and public enterprises) has kept investment at reasonable levels. At the same time other foreign and domestic investors have contributed admirably. Fifthly, there has been little or no fall off in remittances from aboard which account for around

7 percent of GDP. Sixthly, significant capital inflows to the public sector have occurred through grants and soft loans. Seventhly, our people's resilience, adaptability, and productive endeavours have helped in the economic stabilisation in a particularly challenging period. And finally, our government has managed the socio-economic apparatus sensibly and well.

The rural economy has taken a particular battering because of the decline in the banana industry ___ measured at first and then more sharply ___ owing to the almost complete removal of the market preferences for our bananas, and the evolution of altered market conditions, in the United Kingdom. Partially compensating economic activities in the rural areas have come from agricultural diversification and through increased employment of sections of the rural population in the public sector, and in the private sector on mainland St. Vincent and in the Grenadines, particularly in construction, tourism, and wholesale/retail services.

Mr. Speaker, Honourable Members, given that socio-economic backdrop, the strategic path for our economy's development and job creation includes the following specific policy directions in the short-to-medium term:

1. The delivery of cheaper electricity in continued reliability, through renewable energy sources of geo-thermal and solar, and further enhanced efficiencies of the hydro and diesel plants.

2. The further consolidation and expansion of the Education Revolution so as to lift teacher quality and improve markedly student results generally but especially in the areas of mathematics, applied science, technology, and assorted skills required for life, production, and the optimal development of a modern, competitive economy.

3. Sectorally, the focus is on agriculture and fisheries, tourism, information technology, manufacturing, construction, financial and other services, including the cultural and entertainment industries. In all these economic sectors, the government's policy is directed not only toward the creation of an "enabling environment", but also to partnering with the private sector, for example, in farm investment and the construction/expansion of hotels.

4. The modernisation of the health sector to better deliver all-round quality health care.

5. The completion and operation of the Argyle International Airport to enhance air access.

6. The further improvement of the country's physical infrastructure including seaports, airports, roads, and housing.

7. The continued delivery of reliable and quality telecommunications and water at competitive prices.

8. The improvement in air and marine transport between St. Vincent and the Grenadines and other countries and within St. Vincent and the Grenadines.

9. The further development of sporting and cultural facilities.

10. A continuing emphasis on disaster preparedness within the context of a robust public policy on the existential issue of global climate change.

11. The further strengthening of a sustainable safety net for the poor and the retired persons.

12. The further improvements in the delivery of good governance, including the strengthening of citizen security, the enhancement in the quality and efficiency of public administration services, the robust protection of individual rights and freedoms, the further bolstering of responsive and responsible democratic government, and waging the ongoing fight against corruption.

13. The pursuance of a fiscal policy of "prudence and enterprise", sustainable control of any deficit, and more efficient tax administration.

14. The deepening and broadening of regional integration.

15. The further advancement of an activist, independent, principled and pragmatic foreign policy lodged within the contours of the core principles in the Charter of the United Nations and in accordance with the interests of the people of St. Vincent and the Grenadines.

Within the context of these strategic policy directions, the following practical measures, among others, are being currently undertaken by my government:

1. The completion of the Argyle International Airport before the end of 2014, and its operation immediately thereafter. Our investment in LIAT and our role in strengthening the oversight capacity of ECCAA are all part of the enhancement of air access.

2. The activist unfolding of a partnership between the government and VINLEC and the external entities of Emera, Reykjavik Geothermal, and the Clinton Climate Initiative on the Geothermal Project with the aim of constructing an initial 10MW plant by the end of 2017.

3. The building of a potentially fruitful partnership between the government and VINLEC and NRG of the USA to provide substantial solar energy.

4. The further elaboration of practical plans to construct a modern city at Arnos Vale on the site of the E.T. Joshua Airport after the commencement of operations of the Argyle International Airport. Additional transport linkages between Arnos Vale and Kingstown are part of the plans.

5. The modernisation and relocation of Port Kingstown. In addition to the preliminary study for its relocation to the western end of the city; the study on the matter has been extended, by the Caribbean Development Bank, to include consideration of Arnos Vale for relocation.

6. The continuance of significant private sector investment, including foreign direct investment, in tourism, agriculture, telecommunications, energy, construction, wholesale and retail trade.

7. The pursuance of a programme of fiscal consolidation within the framework of "prudence and enterprise" so as to ensure, among other things, that fiscal deficits and debts stay within manageable limits. The revenue collection and tax administration measures are part of this overall exercise.

8. The provision of substantial capital resources in the 2014 Estimates under the classification "Economic Affairs" include:

   (i) An allocation of $97.5 million towards the Argyle International Airport;

   (ii) $4 million for the Agricultural Modernisation and Development Programme under an European Union grant of some $34 million over a three year period as "Banana Accompanying Measures" (BAM);

   (iii) $6 million for the Farmers' Support Revolving Fund;

   (iv) $7.3 million for Tourism and Private Sector Development;

   (v) $2.1 million for CARCIP, a regional telecommunications project in the public sector;

   (vi) $1.0 million to complete the ICT Centre;

(vii) $7 million for the Rehabilitation of the Leeward Highway out of a CDB soft loan of $44 million for this 24-month project;

(viii) A $4 million expenditure allocation towards the Rehabilitation of the Vigie Highway;

(ix) $1.2 million for the Rehabilitation of Murray's Road;

(x) A $2.2 million allocation for this year's expenditure on the Langley Park River Basin Rehabilitation; and

(xi) $2 million for the Kingstown Bus Terminal Redevelopment.

9. The provision of capital resources in the 2014 Estimates for Education, aimed at improving the school plant, developing further technical and vocational education, integrating ICT within the teaching-learning process, and lifting the delivery of teacher quality. Specific projects for 2014 include:

(i) One-Laptop-Per-Child for Secondary and College Students: $13.6 million

(ii) A further $4 million for the Improvement of Education through ICT;

(iii) $4.6 million for Tech Voc Education and Training;

(iv) A $1.5 million Support Employment and Training (SET) Programme for College and University graduates;

(v) A further $4 million for the Basic Education II Programme for Pre-Primary, Primary and Secondary Education;

(vi) A further $1 million for the Book Loan Scheme.

10. The provision of huge sums of capital resources in 2014 to the Health Sector including:

(i) $9 million for the Modern Medical Complex at Georgetown scheduled for completion by the end of 2014;

(ii) $9.4 million for the Modernisation of the Health Sector through a grant from the European Union of $35 million to be spent over three years;

(iii) $1.2 million towards the Refurbishment of the Milton Cato Memorial Hospital (MCMH);

(iv) A further $0.6 million for the purchase of equipment for the MCMH.

Mr. Speaker it is to be noted that the categories “Economic Affairs”, “Education”, and “Health” account for 81.2 percent of the capital budget for 2014, approved in the sum of $257.1 million.

11. The on-going implementation of a $54 million soft-loan from the World Bank touching and concerning disaster preparedness and climate change under the rubric of the Regional Disaster and Vulnerability Reduction Programme (RDVRP). This is a 5-year project. Capital expenditure on it in 2014 amounts to $8.2 million.

12. A recurrent expenditure budget plus Amortization and Sinking Fund Contributions of $654.4 million in which strategic objectives are met under nine functional classification heads, four of which (General Public Services, Education, Economic Affairs, and Social Protection) account for 78.4 percent of recurrent expenditure as follows:

(i) General Public Services: $224.8 million or 34.4 percent of recurrent spending. This head covers, among other things, interest on the public debt, amortization of the debt, and pensions and retirement benefits;

(ii) Education: $125.6 million or 19.2 percent of the recurrent budget;

(iii) Economic Affairs: $86.6 million or 13.2 percent of the budgeted sum for recurrent spending; and

(iv) Social Protection: $76.2 million or 11.6 percent of the recurrent budget.

Mr. Speaker, this government does not govern without a clear developmental framework regionally, nationally and sectorally. Accordingly, late last year (2013), we launched formally the <u>Economic and Social Development Plan for St. Vincent and the Grenadines, 2013 to 2025</u>. This is to be read in the context of a deepening regional integration in the OECS, CARICOM, PetroCaribe, ALBA, and CELAC. Further, plans exist or are being updated or further elaborated for a host of sectors or subject areas including Education, Poverty Reduction, Health, Tourism, Agriculture, Social Development, Pensions, Public Expenditure, the Police Force, Energy, Port Development, Road Transport, Culture and Sports. My budgetary proposals fall within the frames of these various plans. Coherence is evidently at work.

Mr. Speaker, our plans can go awry if the external economic challenges arising from the global economy and nature, do not subside or are ameliorated. What, therefore, is the external economic prognosis?

Let us first state the basic facts in summary form. In 2013, the economy of the USA experienced real growth of a less-than-moderate 1.6 percent; the International Monetary Fund (IMF) has forecast economic growth in the USA at 2.6 percent for 2014. So, in 2014, the world's largest economy is poised to pick up on its growth rate. In the Eurozone countries, there is a marginal, gradual progress from a 2013 growth rate of minus 0.4 percent and an IMF forecast of 1 percent in 2014. In China, growth is expected to slow somewhat from 7.6 percent in 2013 to a forecasted 7.3 percent in 2014. In the emerging markets such as Brazil, Russia, India, Turkey, Mexico, and South Africa, there is a cautious wait-and-see from a growth rate in the aggregate of 4.5 percent in 2013 to an IMF forecast of 5.1 percent in 2014, but loaded with downside risks.

The cumulative expansion of the world economy in 2013 is estimated at 3.1 percent; the forecast for 2014 is 3.8 percent.

Still, the overall picture of the global economy is uncertainty and unevenness, particularly in our major trading partners, coupled with an insufficiency of growth in jobs, but with an optimism that things economic are improving, yet still below the level of economic activity, pre-2008, and indeed fewer jobs.

Disturbingly, the less than stellar growth in the recovery of the United States' economy has confounded many reputable economic analysts who had predicted an imminent acceleration in the US economy from 2010 onwards. But the actual economic performance was not robust: 2.5 percent growth in 2010; 1.8 percent in 2011; 2.8 percent in 2012; and below 2 percent in 2013. These very analysts insist that a faster pick-up in the US economy will occur in 2014. Still, other mainstream economists do not share this unbridled optimism; and the IMF, though upbeat on the US economy, forecasts a modest 2.6 percent growth for it in 2014.

The IMF's Chief Economist Olivier Blanchard does not envisage that the global economy will rebound in a relatively stable manner until the end of 2016. If this view proves to be correct, as is likely, and given the time-lag effect of economic growth in the USA and Europe on small Caribbean economies like St. Vincent and the Grenadines, the sustained upturn in dependent, tourism-based economies of our region may not be evident until the end of 2017, thereabouts, or beyond. A gradual, moderate level of economic growth in our region's major economic partners in USA and Europe will assist in keeping us afloat, but is unlikely to facilitate the requisite lift <u>unless</u> the peculiarities in the individual Caribbean economies provide opportunities for accelerated advance. In the case of St. Vincent and the Grenadines, I had earlier commented on some possibilities for realisation in our peculiar, "sui generis", though not isolated, context.

Broadly, a pertinent query, of a general kind, arises for consideration: Can a socio-economic model, initiated by Robert Milton Cato, refined by Sir James Mitchell, and further reformed under the ULP government, in a small, vulnerable, resource-challenged and dependent economy like St. Vincent and the Grenadines be sustained, without profound adjustments or alterations, during a prolonged global recession or continued economic slow-down? If the answer is “yes”, then incremental accretions and a wait-and-see approach is plausible. If the answer is “no”, what are the adjustments or alterations to be made and in what time-frame?

My government is satisfied that appropriate alterations and/or adjustments are necessary and desirable in order to attain a relatively secure level of economic sustainability. Fundamentally, this is the analytic frame which has guided the policy reforms of my government, and their urgency, in divers areas, of the society, economy, and polity which I summarised earlier.

In the challenging external environment which still lies ahead, these reforms and structured alterations are required more than ever to be accelerated. We cannot rest on our laurels. We cannot afford the luxury of wait-and-see or ill-considered temporising. Renewal must continue apace. Lethargy is not an option. Focussed, hard and smart work and production will bring progress, wealth and job creation.

ECONOMIC AND SOCIAL SECTORS

Mr. Speaker, I have provided a broad overview of the economic and fiscal issues. The Ministers who hold the respective portfolio in relation to agriculture, forestry, fisheries, tourism, industry, telecommunications, creative industries, housing and lands, construction, road transport, external trade, wholesale and retail trade, will address each of these economic sub-sectors specifically in their Budget presentations. Economic data and analysis are included as an Addendum to my address and constitute part of it. It is a 50-page document circulated under the title, **SVG Economic and Social Review 2013** prepared by the Ministry of Finance and Planning.

Real economic growth in St. Vincent and the Grenadines for the year 2013 is preliminarily estimated at 2.0 percent, following upon real economic growth in 2011 of 0.28 percent, and in 2012 of 1.52 percent. Economic growth in 2013 was led by construction, agriculture and fisheries and manufacturing. Economic activity in tourism was mixed. A real economic growth for 2014 is projected at 2.5 percent.

Preliminary data indicate a 16.3 percent increase in construction activity for the period January to September 2013, compared with the corresponding period for 2012. Growth in value-added in the agricultural sector resulted from higher production of root crops, vegetables, bananas, and livestock. Preliminary data show fish landings improved during the review period (January to September 2013): An 8.4 percent increase in the volume of fish landings, and a 16.6 percent rise in the value. In manufacturing, economic activity expanded in the 2013 review period with increases in output of flour (9.8 percent), mill feed (11.8 percent), animal feed (8.9 percent), and beer (35.2 percent).

Total visitor arrivals for the review period (January to September 2013) increased by 2.5 percent over the corresponding period of 2012), totaling 145,703 visitors compared to 142,122 in 2012. But the performance of the various tourism sub-sectors was mixed: A 7.7 percent increase in sea arrivals and a 4.9 percent decline in air arrivals. The data show increases in yacht visitors (0.5 percent) and cruise visitors (12.8 percent); and declines in same-day arrivals (-4.6 percent), and stay-over visitors (-4.9 percent). The high cost of air travel and the slow economic recovery, regionally and globally, are the major reasons attributable for the decline of air arrivals. Still, stay-over visitors account for the majority of visitors to our country.

I reiterate, Honourable Members, that without hard and smart work in each area of economic activity, our country will not progress as much as it should. Better and more productive attitudes to work and production are essential to wealth and job creation. These fundamentals must constitute the core of our culture.

Similarly, Mr. Speaker, I have outlined the broad parameters for the year 2014 on matters relating to Education, Health, the Environment, Social Development, and other Social Sectors, but the Ministers with specific responsibility for these, and related, subjects will address them in detail. However, in respect of Education I reiterate the overwhelming importance of quality teaching and schools' leadership, good parenting, and optimal student effort to achieve better educational results. In the areas of Health and Wellness, our unhealthy behavioural habits and life styles will be our undoing. We must all resolve to embrace healthy living. We must remember that our major killers are hypertension, diabetes, cardiac ailments, violence, and accidents. By and large these occur as a consequence of our own behaviour. We must, thus, particularly in these challenging times, alter our lifestyles and behaviour for the better. Enhanced individual and social responsibility ought to be at the top of our New Year Resolutions.

NATIONAL SECURITY

Mr. Speaker, my government will continue to upgrade and strengthen the framework to bolster the security and safety of the citizen and nation. Central to this exercise is the enhancement of the overall working environment of the nation's security forces, mainly the Police Force, the Coast Guard, the Prisons, the Immigration Service, the Fire Service, their allied security organizations, and specialised entities like the Financial Intelligence Unit, Customs, and Maritime Administration. This national security apparatus is linked inexorably to the Regional Security System (RSS), and the security institutions of CARICOM certain international security agencies, and the security systems of some traditional allies.

From a policy stand-point, the on-going upgrading and strengthening of the framework for national and citizenry security and safety is grounded in the principles and programmes as detailed in a Resolution on National Security adopted by this Honourable House in February 2003, the Durrant Report on Reform in the Police Force, the policy decisions of the RSS and the regional security agencies in CARICOM, and the cooperation regimes devised through certain international mechanisms and organisations. These policies find targeted expression in the strategic and day-to-day work of the security apparatus of St.Vincent and the Grenadines as reflected formally, by-and-large, in the strengthening of the legislative framework to fight crime, in the pronouncements of leading security officials, especially the Minister of National Security, and the Commissioner of Police, and in the Result Indicators in successive Estimates approved by this Honourable House.

The Result Indicators in the 2014 Estimates cover, in a succinct way, the policies and programmes to be pursued in 2014 in relation to a wide range of citizen and national security issues touching and concerning the following, among other things: the regime for CARICOM and OECS migration and immigration generally; firearms; Pan Against Crime; the National Commission on Crime Prevention; security for the yachting and tourism industry; maritime administration; the Police, Fire Service, Coast Guard, Prisons; Port and Airport security; the regulation of private security firms; the Cadet Force; Community Policing; lifting the quality of security personnel; and legislative reforms to fortify the security forces in their fight against crime.

The physical facilities of the security forces continue to be upgraded. In this respect, no government hitherto has done as well as my government; the record speaks for itself. Still, as always, more work is to be done.

Accordingly, work on the upgrade of the Old Montrose Police Station is ongoing, a project executed with funds mainly from the Republic of China (Taiwan). Very importantly, the Canouan Coast Guard Facility, though not formally opened, was completed last year and is operational. This Coast Guard Base was constructed with resources from the United States of America under the Secure Seas Programme of the Caribbean Basin Security Initiative of President Obama.

In the 2014 Approved Estimates substantial capital provisions are made for the rehabilitation of the Union Island and Spring Village Police Station, the establishment of sub-stations at Belair and Fancy, a further upgrade of the Belle Isle Correctional Facility including the construction of a correctional wing for females, the purchase of vehicles for the Police, Prisons, Coast Guard, and Immigration Departments, and the purchase of other equipment for the various branches of the security apparatus.

Overall, in the 2014 Approved Estimates, recurrent spending to the Police Force, Fire and Coast Guard Service, Prisons, and the Immigration Department amount to $47.0 million; in the 2001 Estimates the corresponding figure was $23.5 million, less than one-half of the 2014 Estimates. In 2014, there are 1,170 officers for these five services ___ Police (816); Fire (69); Coast Guard (91); Prisons (131); Immigration (63); in 2001 there were 880 officers in these services ___ Police and Immigration (665), Fire (57); Coast Guard (67); and Prisons (91) ___ an increase in the aggregate of 290 officers in 2014 over the 2001 figure. It is noteworthy that the expenditure on salaries and allowance for the security forces in 2014 is twice that of 2001.

Mr. Speaker, citizenry and national security is the business of everyone and every nurturing or supportive institution in the society, but especially the family, the church, peer groups, the schools, civil and community organisations, the media, the trade unions and business sector, the security institutions and those of law and order, all the mechanisms of the State, and the economy. It is through a focused coordinated approach of these institutions and persons within them that we can better tackle crime and the causes of crime.

Although, St. Vincent and the Grenadines is a relatively safe country in which to live, it has to be acknowledged that the dangerous neighborhood in which St. Vincent and the Grenadines is located and a small minority of criminals among us, constitute an on-going challenge which we must face resolutely as a law-abiding people. My government's central policy in this regard continues to be "tough on crime and the causes of crime".

Mr. Speaker, on the issue of immigration, I refer to a few issues immediate relevance. First, the landmark ruling by the Caribbean Court of Justice (CCJ) in the Shanique Myrie case last year has clarified a bundle of legal considerations of practical import relating to intra-regional travel by nationals of the member-states of CARICOM. To ensure that St. Vincent and the Grenadines is fully compliant with Community Law, including the ruling of the CCJ, the Attorney General, the Chief Immigration Officer, the Director of the Regional Integration and Diaspora Unit, and the Office of the Prime Minister have put appropriate measures in place, including the specialised training of the Immigration Officers on the issue and the publication of a "fact sheet" for all visitors to inform them of their rights as migrants to St. Vincent and the Grenadines, as well as the State's obligations.

Secondly, my government has entered into a contract in the amount of $3.5 million with the Canadian Bank Note Company (CBN) to design and produce an enhanced ePassport. Work is well-advanced on this project, and it is expected that by the end of the first quarter of 2014, an even more secure travel document, the ePassport, will be available for issue to our nationals. Meanwhile, renovations for a relocated Immigration Office costing $1 million are being done to the upstairs, and an area downstairs, of the former D's Services Building on Bay Street, which was purchased by my government. Further, this renovated Immigration Office will be furnished optimally to provide the best possible working and service environment for the staff and general public, alike. This facility will complement the recently-modernised and upgraded Electoral Office in the downstairs of the same building. This is part and parcel of the on-going process of providing upgraded facilities and accommodation for the delivering of vital public services to the public. The many excellent examples of this do not require any further reiteration at this time.

INTERNATIONAL AIRPORT

Mr. Speaker, the construction of the Argyle International Airport is on target for completion by the end of 2014. This historic, existential facility of magnificence is a dream of generations of Vincentians being realised before our very eyes. This airport is not only pivotal for our nation's social connectedness with the outside world, but for our economic development, particularly regarding external trade in commodities and tourism.

On August 08, 2005, I laid out the blueprint and strategy for the building of the Argyle International Airport. And on August 13, 2008, actual construction started. Over the past 5 ½ years or so of construction, my government and its relevant agency, the International Airport Development Company, has not wavered from the main contours of the articulated blueprint and strategic framework of 2005. Numerous countries and regional and international agencies or financial institutions have facilitated us in our efforts, namely: Cuba, Venezuela, Taiwan, Trinidad and Tobago, Mexico, Austria, Turkey, Iran, Georgia, Libya, Petro Caribe and the ALBA Bank, the CARICOM Development Fund, the Ex-Im Bank of Taiwan, the First Caribbean International Bank, the Bank of Nova Scotia, the Export Development Corporation of Canada, the Ex-Im Bank of the USA, and the National Commercial Bank/Bank of St. Vincent and the Grenadines.

The airport is being built and equipped at a cost of some EC $700 million, the largest single capital project in the history of St. Vincent and the Grenadines. More than one-half of the project is financed through grants in cash or in kind, and land and property sales by the government. The balance is financed through soft-loans mainly from Venezuela, Taiwan, and the CARICOM Development Fund. When completed the Argyle International Airport will have a runway of 9,000- feet (2,743 meters) long and 150 feet (45 meters) wide. The passenger terminal building, handed over to the IADC on December 30, 2013, is designed to handle about one-and-a-half million passengers annually through its two terminal sections ___ domestic and international. The airport will be able to accommodate jets as large as the Boeing 747-400s and will allow for direct flights to St. Vincent and the Grenadines from the USA, Canada, Europe, and South America.

Mr. Speaker, at December 31, 2013, 89 percent of the earthworks at the airport site would have been completed. Sea defence works at the north-eastern end of the runway (the 022 end) commenced on August 12, 2013, and will extend into mid-2014. These works are being done by the Chatoyer-Che-Chavez (CCC) Contingent in accordance with the designs prepared by the Maritime Engineering Services (ASTIMAR) of Cuba.

The CCC Contingent has also begun work in creating an embankment into Stubbs Bay at the southern end of the runway. The embankment is done primarily to allow for the installation of the simple approach lighting system for the airport. There is, too, a social benefit in that the embankment will create a sheltered area in the Stubbs Bay, making it safer and more enjoyable for people to swim.

Some drainage works are completed and others are on-going. All drainage works and the covering of the Yambou River are scheduled for completion by the end of June 2014. The IADC has entered into a contract valued at US $2.96 million (EC $8.99 million) to purchase the Armco metal sectional drain arches from the Mexican firm, Trinity Industries. By the end of last year, 18 of the 45 containers had arrived in St. Vincent and the Grenadines, and the other 27 containers are expected to arrive before the end of January 2014. The IADC has created a work-team, in-house, to assemble these culverts under the supervision of engineers from Trinity Industries.

Mr. Speaker, in September 2013, pavement works began with the laying of stony base materials on the runway which base-laying is continuing from this month. After this, the work of placing the final layers of asphalt and concrete pavement of the aprons, taxiways, and runway, will begin. In November 2013, IADC took delivery of two batching plants: One for asphalt; the other for concrete. These two high capacity plants cost a total of US $3.8 million (EC $10.2 million). The assembling of these plants has been complete and their commissioning will take place this very month, along with the final training of the plant operators. Support equipment for the hydraulic concrete works have already been ordered, most of which have already arrived on site. Similarly, with loan funds of US $3.3 million (EC $8.9 million) from the CARICOM Development Fund (CDF), the IADC is in the process of procuring the supporting equipment needed for the asphaltic concrete works on the runway. These equipment will soon be available to the IADC for the asphalt pavement works on runway to be done from February to June 2014.

The stone-crushing plant, purchased for US $1.06 million (EC $2.86 million) with funding from the CDF, and which has been operating since February 2013, has been producing most of the aggregate required for the pavement works. So far, a large amount of the aggregate required for the pavement works has been produced. From this month, onwards, stone-crushing activity is being done in two shifts to increase the production of aggregate in order to keep the concrete and asphalt pavement works proceeding on time.

All of the airfield lighting equipment costing US $0.937 million (EC $2.5 million) and funded by the CDF, have been received and are in storage at the airport site. The process of installing the lighting equipment will be done during the first quarter of 2014 together with the pavement works.

Mr. Speaker, I assure this Honourable House that all matters relating to a Land Use Plan, the quality control of work, wind studies, the collaboration with the relevant regulator, the Eastern Caribbean Civil Aviation Authority (ECCAA), and in accordance with the recommendations and guidelines of the International Civil Aviation Organisation (ICAO), are well in hand and in order.

I turn now, Mr. Speaker, to the Landside Facilities of the airport project. These Landside Facilities consist of the Passenger Terminal Building and Electrical Substation, the Control Tower, Air Rescue and Fire Fighting (ARFF) facilities, the Cargo Terminal Building, the access roads, and parking.

As I indicated earlier, the Passenger Terminal Building and Electrical Substation were handed over to the IADC on December 30, 2013, by the construction company, Overseas Engineering and Construction Company (OECC) of Taiwan. The construction cost of this facility is US $28 million (EC $75.6 million). The design cost by CECI of Taiwan was US $3.4 million (EC $8.8 million). The process of retrofitting the Terminal Building with the requisite furniture and equipment has commenced. It promises to be a most beautiful, modern, and user-friendly facility. The IADC is in collaboration with a reputable international entity on the installation of solar energy facilities for the Terminal Building.

The Control Tower at the Argyle International Airport will be located on the ridge at the former residence of the late Carl Glasgow, who was a strong supporter of the airport project. The Aircraft Rescue and Fire Fighting (ARFF) building will be located obliquely opposite the Passenger Terminal Building on the eastern side of the runway. Processes have commenced to ensure the completion of the construction of these two facilities by August 2014.

In respect of the Control Tower, the IADC has already entered into a contract of US $5.3 million (EC $14.3 million) with the Aeronav Group of Canada, funded by a loan from Scotia Bank of Canada, for the supply and installation of the Air Traffic Control cabin and tower communication equipment and airfield navigational aids. IADC has also made a deposit payment on three fire-fighting trucks and equipment to allow for their delivery by September 2014. These fire trucks and equipment cost US $2.653 million (EC $7.1 million), and are being funded also by a loan from Scotia Bank of Canada, underwritten by the Export-Import Bank of the USA.

Regarding the Air Cargo Terminal, IADC expects that the contract to construct this facility will be awarded by March 2014 for completion of construction by September 2014. My government had hoped for a private sector entity to finance, construct, and operate the Cargo Terminal, but the discussions with interested private sector firms proved to be too protracted; so, IADC will build it and possibly lease its operations out to a private sector entity. Similarly, the IADC is in active conversation with relevant private operators for the financing, construction, and operation of a Fixed Based Operation and several aircraft hangars. Work should commence imminently on these.

The other aspects of the airport's construction are well in hand, namely, the Terminal Building Access Road, the Argyle Gardens Access Road, and the Rawacou-Mt. Pleasant Access Road, the Landscaping, Environmental Management, and the Relocation of the Petroglyphs. As regards the latter, the IADC has set aside funding in the amount of EC $460,000 to meet the cost of the relocation. It is working in tandem with the National Trust on this. There have been some unfortunate delays with the Egyptian team engaged for this purpose.

Mr. Speaker, it would be recalled that in 2005, the original estimate for the airport's construction was put at EC $480.6 million (US $178 million), by a Canadian company, Marshall, Macklin and Monoghan (MMM), as an update of the cost contained in their 1998 Report entitled "*St. Vincent Airport Development, Phase I, Final Report*". But having received the final designs for the airfield in December 2007 from the Cuban designers, the IADC was able to review the cost of the construction of the airport in late 2008, arriving at a revised total cost of EC $589 million (US $216 million). That number has been revised upwards to approximately EC $700 million (US $260 million), due mainly to the higher cost of constructing the Terminal Building and other Landside Facilities, additional lands for landside facilities, increased earth and site works, and general cost escalation. It is worth noting that the experts have repeatedly advised that the alternative international airport site at Kitchen would cost at least twice that at Argyle!

In January 2013, I informed this Honourable house that the IADC had advised that it would require approximately US $80 million (EC $216 million) to complete the construction of the Argyle International Airport. I explained then that the sources of funding had not yet been sufficiently concretised for their entry into the 2013 Estimates and Appropriation Bill. Accordingly, when the probable funding sources had reached the requisite level of maturation, I came to this Honourable House later in 2013 with Supplementary Estimates and a Supplementary Appropriation Bill in respect of funding the international airport project, in accordance with the law and the highest level of transparency for which my government is widely recognised by dispassionate observers nationally, regionally and internationally. Appropriately EC $100 million or so of that 2013 appropriation has been included in the 2014 Estimates and Appropriation Bill.

The relevant sources of financing for the completion of the construction of the international airport project are: Land Sales at Canouan, US $20 million (EC $54 million); two Scotia Bank loans, US $10.73 million (EC $28.9 million); Caricom Development Fund, US $3.361 million (EC $8.8 million); ALBA Bank, US $40 million (EC $108 million); and Taiwan Ex-IM Bank, US $10 million (EC $27 million). Of these aggregate sums of US $83.98 million (EC $226.7 million), slightly less than one-half has been received, US $34.5 million (EC $93.2 million) ___ that is, one-half of the ALBA loan and nearly three-quarters of the monies from the land sales. The status of the remaining monies is as follows: the balance of the ALBA loan would be drawn down in accordance with the agreed time-table over the next few months; the payment of the remainder on the land sales is likely to be completed by the end of March 2014; early this year, we will draw-down from the two Scotia Bank loans; the draw-downs on the loans from the CDF and the Ex-IM Bank of Taiwan will begin in the first quarter of 2014.

The IADC has assured me that once it receives all the earmarked resources on a timely basis, it would meet the deadlines it has given to the government.

Meanwhile, Mr. Speaker, the practical matters relating to the promotion, marketing, and management of the airport are proceeding favourably. We expect that some of the international airlines will enter into service agreements in 2014 with the Government of St. Vincent and the Grenadines to operate out of the Argyle International Airport. The Chief Executive Officer of the St. Vincent and the Grenadines Tourism Authority, Glen Beache, in conjunction with the IADC and the Office of the Prime Minister, have been driving these promotion, marketing, and management initiatives. In due course, more would be said about them.

DISASTER PREPAREDNESS AND MANAGEMENT

Mr. Speaker, the three recent natural disasters (Hurricane Tomas in October 2010, the April Floods in 2011, and the Christmas Disaster of 2014) have yet again highlighted the extreme vulnerability of St. Vincent and the Grenadines to damaging occurrences of nature. Thus, strengthening our country's overall resilience and enhancing its capacity to respond to, and manage, disasters and their risks, are vital policy questions of top priority to my government and the people of St. Vincent and the Grenadines. So, too, is the existential matter of the deleterious effects of global warming and climate change to which small countries in the Caribbean such as ours hardly contribute; yet we are on the frontline of the adverse fall-out from global warming and altered climate patterns.

The simple truth is that prior to the advent of my government in Office, there was little or no provision made for disaster management and the issue was barely on the country's radar screen. The basic facts speak for themselves from the 2001 Estimate which were left for my government when we assumed office on March 29, 2001.

In the Recurrent Estimates for 2001 under the rubric Local Government/Disaster Preparedness, there were two staff positions only: A Local Government Officer who doubled up as the National Disaster Coordinator, at a Grade 7 level, and a Senior Clerk. In addition to his secondary work as the National Disaster Coordinator, this official had to carry out his primary duties as the Local Government Officer, which included the direct superintendence of the Kingstown Board, the District Councils, the Small Towns and Village Councils which had subventions of $3.3 million. There was no specific subvention for Disaster Preparedness. The Result Indicators (then called "Key Results") for the year 2000 and 2001 pointed to inactivity on this matter. In the Capital Estimates for 2001, there was a provision of $1.2 million out of a $2.5 million EU/Stabex funded SVG Emergency Recovery and Disaster Management project to enhance institutional capacity, which was woefully lacking after 16 years of NDP governance, but nothing had been spent on that project in the preceding two years, 1999 and 2000. Then there was an allocation of $7.6 million out of a $15.8 million World Bank-funded Emergency Recovery and Disaster Mitigation Project, but not one cent was spent on this either in 1999 or 2000 when the project was included in the Estimates.

Indeed, the NDP government had failed to meet any condition or to do anything at all for nearly three years in respect of this significant World Bank loan, with which EU funding was also linked. Matters were so terrible that within one month of the ULP government's tenure of office the Senior World Bank executive responsible for the Caribbean formally informed me that the World Bank funding was withdrawn for this project because of the lethargy of the St. Vincent and the Grenadines government since 1998. Imagine this: Losing $16 million in World

Bank's money plus a further $2.5 million of EU resources because of inattention and lethargy on disaster preparedness from 1998 to March 2001!

I persuaded the World Bank to remain steadfast on this with our new government; to give us a chance, so to speak. Immediately, I, as Prime Minister, assumed responsibility for Disaster Preparedness and brought it to the centre-stage of policy making, away from the fringes of the Local Government portfolio. We set about promptly to establish a National Emergency Management Operating Centre (NEOC), and to select a Director for the National Emergency Management Organisation (NEMO) in accordance with the World Bank's specifications and guidelines. It is through that project that my government constructed the NEMO headquarters, the Layou Waterfront Project, and several other small capital projects in the field of disaster preparedness; strengthened the institutional capacity to respond to natural disasters; fashioned a national disaster preparedness plan; and to put a comprehensive legislative framework in place. By then, of course, the price tag for the project was way in excess of the contributions of the World Bank's $16 million and the EU's $2.5 million. My government had to source the additional resources elsewhere.

Mr. Speaker, from 2001, onwards, my government adopted the United Nations blueprint for disaster risk reduction called the Hyogo Framework for Action (HFA). We accordingly elaborated appropriate programmes for disaster risk management from these international guidelines as distilled by the Caribbean Disaster Emergency Management Agency (CDEMA), formerly CDERA, and applicable to our local conditions. The HFA has five overarching principles: Making Disaster Risk Reduction A Priority; Indentify, Assess, and Monitor Disaster Risks __ and Enhance Early Warning; Build Understanding and Awareness; Reduce the Underlying Risk Factors; and Preparation and Readiness to act. Under each of these rubrics, NEMO has laid out plans and has acted in conjunction with other State, private sector, civil society, regional and international agencies.

Mr. Speaker, as part of the quest to upgrade markedly the institutional framework for disaster risk management, which is at the heart of my government's public policies, I piloted in this Honourable House in 2006 a modern, comprehensive Bill known as the National Emergency and Disaster Management Act, Chapter 388 of the Laws of St. Vincent and the Grenadines. In the process, the Natural Disasters (Relief) Act of 1947 was repealed and replaced.

Mr. Speaker, it is unfortunate that many persons make the error of assuming that the nine-member staff at NEMO, including the Director, constitute NEMO; that is certainly not the case; essentially they are the Secretariat of NEMO and the core of the National Emergency Operating Centre.

The National Emergency and Management Act spells out clearly that the National Emergency Management Organisation (NEMO) is comprised of three entities: The National Emergency Council of which there are 44 members ___ broad-based, and chaired by the Prime Minister; The National Emergency Executive Committee, and its 10-sub-committees; and the district disaster management committees of which there are over forty.

As Prime Minister, I am empowered to give the Director policy directions of a special or general character relating to the functions of the Director and the Director is obliged to give effect to the directions. The broad responsibility of the Director is to coordinate the general policy of the Government relating to disaster management in St. Vincent and the Grenadines. As a condition for accessing its resources in 2001, the World Bank insisted that the Director be successfully trained at both the undergraduate and graduate levels. In the 2014 Estimates the salaries and allowances for the nine staff members of NEMO is over $350,000 with office expenses of over $300,000. In 2001, the total salary for the two public servants with oversight of the local government and disaster preparedness was $60,000. The Coordinator in 2001 was a Grade 7 with an annual salary of $38,016. NEMO's Director today is a Grade C (Grade 12) with an annual salary of $75,216, plus allowances.

Prior to the 2013 Christmas disaster, NEMO had planned in 2014 to focus on the following: A review of the legislation and related mechanisms governing the operations of NEMO, using the UN's Hyogo Framework for Action Benchmarks; collaborating further with CDEMA, the World Bank, the Red Cross, and other bodies in strengthening disaster management institutionally and in the provision of upgraded physical assets/facilities; better prepared shelter managers, community groups, and district disaster management committees in the area of disaster risk management; and enhancing NEMO's working relationship with regional and international partners on a wide range of regional disaster preparedness programmes, including coastal warning systems. All these are important goals to accomplish, but after the Christmas disaster they must be intertwined practically with the rehabilitation and recovery project at hand.

In the Capital Estimates for 2014, as I have indicated earlier, there is a composite provision of $8.2 million out of a $54 million soft-loan from the World Bank under the Regional Disaster and Vulnerability Reduction Programme (RDVRP). Among other things this year, the RDVRP will build and stock emergency relief warehouses at Sandy Bay, Rose Hall, Union Island, Bequia, Georgetown, and Mesopotamia; and retrofit comprehensively the Dorsetshire Hill and Kingstown Primary Schools for use as emergency shelters. A major upgrade in NEMO's telecommunication system is also in the offing. Meanwhile, NEMO is working with CDEMA to elaborate a more efficacious Comprehensive Disaster Management Programme to serve St. Vincent and the Grenadines for another ten years.

Mr. Speaker, in the immediate aftermath of the Christmas disaster, and continuing, several initiatives in particular Ministries or departments have come, splendidly, to the aid of those who have been adversely affected. Let us take a few examples. First, NEMO's investment in the training of teachers as shelter managers and assessors of the socio-economic loss to families, has paid off well as many of these teachers responded to the summons to assist the Ministries of Social Development and Planning in making the social assessment. Similarly, the Ministry of Health has been able to call on at least 20 of the 60 trained Counsellors in the primary and secondary schools to help in the psycho-social counselling of persons in the communities who have been traumatised in the disaster. Likewise, the coordinated work by BRAGSA alongside other state agencies and private entrepreneurs to clear the roads in the early days, was instructive and remarkable. So, too, the coordinated efforts in delivering water to communities in the first 10 days or so after the disaster. This coordination is envisaged under the National Emergency Management Act. Equally, the tremendous usefulness of the Learning Resource Centres, the refurbished Community Centres, and newer or rehabilitated primary schools has yet again been established as emergency shelters at a time of natural disaster. The public expenditure on all these have paid dividends in the relief of human suffering of the affected persons in the disaster.

Mr. Speaker, I now address the entirely bogus issue advanced by some critics of the government about alleged political partisanship in the delivery of food, water and other relief supplies, and the false spectre of further possible discrimination on political grounds in the distribution of building materials and household appliances. Anyone familiar with the way in which NEMO, the shelters, the district or community disaster management committees handle the distribution of food, water, and such like supplies would know that it is practically impossible to have the distribution tainted or compromised by political discrimination. Similarly, the way in which the distribution of construction materials or the reconstruction of houses in the wake of Tropical Storm Lili, Hurricanes Ivan and Tomas, and the April 2011 floods/landslides was done, indicates that the very structures or systems which are in place do in fact mitigate against political discrimination. Moreover, the Cabinet minutes will reveal my reiteration of the government's policy on non-discrimination on political or other such jaundiced grounds. We have taken an oath to uphold the Constitution and the members of my government do abide by that oath. Undoubtedly, in any mass distribution of supplies to affected persons some inefficiencies may occur, but not political discrimination. And we must give credit to the public servants and community activists involved in this process who selflessly, tirelessly, and honestly man the distribution process on the ground. There has not been and there will be no political bias used in the distribution of supplies to the persons affected by the recent disaster.

Meanwhile, I continue to urge that all metaphoric "soldiers" turn up for duty at, and with, NEMO for assigned tasks in our recovery effort to make St. Vincent and the Grenadines stronger, and better; to lift it higher; to raise it up further.

ENERGY

The 2014 national budget is occurring at a time when the country is beginning to feel the increase in electricity cost due to the effect of the recent flooding on the country's hydroelectric facilities. This development and VINLEC's response is a significant issue in the energy sector in 2014.

Growth in electricity sales of 2 percent seen in 2012 over sales in 2011 was not repeated in 2013. Electricity sales in 2013 were practically at the same level as 2012. The uncertainty in the international economic climate continues to impact the local environment in all sectors of the economy. In 2014 the company is predicting a modest growth in electricity sales of 2.0 percent over the projected sales for last year.

The cost of diesel fuel for the generation of electricity continues to affect the resulting Fuel Surcharge Rate on customer's electricity bills and by extension the cost of electricity. In 2014 the company is projecting to use 6.9 million Imperial Gallons of diesel costing approximately $77 million for the generation of electricity. This compares with a figure of $73 million in 2013.

In view of the projected modest increase in electricity sales the company's operational and capital expenditure programme have been so tailored to reflect prudence and efficiency. The capital expenditure programme of the organisation in 2014 would be driven by the need to optimise the nation's renewable resources for the production of electricity in an effort to reduce the price of electricity, and its volatility; to curb the national dependence of fossil fuel, and to improve energy security. The rehabilitation of the hydroelectric plants at South Rivers and Richmond costing approximately $6 million is scheduled to be completed in 2014. However, this programme of works has been impacted by the recent heavy rains and flooding that affected all three hydroelectric facilities (South Rivers, Cumberland, and Richmond). The total cost of rehabilitation and mitigation measures to protect the hydroelectric infrastructure at these three facilities is estimated to cost approximately $14 million, at least. This expenditure has not been included in the estimates for the company in 2014, but it will be necessary to complete the repair works; and the company will seek financing to carry-out these repairs.

In the area of renewable energy, the company is holding discussions with NRG Energy for the installation of a 1.5 megawatt Solar PV installation at the Argyle International Airport, as well as pressing forward with the completion of the installation of the remaining 338 kW of its announced 500 KW system. By year end 2014 we anticipate substantial PV installations. The project of solar installations on vital government buildings is continuing apace.

The demand for electricity in St. Vincent is expected to be met by the company's diesel power plants at Cane Hall and Lowmans Bay, and the Hydroelectric Plants at Cumberland, South Rivers and Richmond; while the demand in the Grenadines is to be supplied by the diesel plants located on the islands of Bequia, Union Island, Canouan, and Mayreau. The Lowmans Bay Power Plant, will for the immediate future, continue to be VINLEC's main generating station and consequently is expected to produce approximately 50 percent of the energy generated by the company.

In preparation of the estimates of revenue and expenditure for the company for 2014, the management has ensured that adequate provision has been made for the maintenance and operation of the company's power plants, as well as for the maintenance of the critical Transmission and Distribution infrastructure. Provision has also been made for all the systems necessary to support the generation, transmission and delivery of power to customers.

NATIONAL INSURANCE SERVICES

Mr. Speaker, the spillover from the global financial crisis has greatly stressed financial systems worldwide. In St. Vincent and the Grenadines the National Insurance Services has been severely impacted, mainly through declining investment income and profits. Indeed Net Income for the NIS has declined from $27.12 million in 2008 to an annual average of $9.33 million for the three year period 2010 to 2012. Contributing to this declining performance, too, is the rapid increase in Benefits Cost as the number of pensioners and the value of pensions, rise.

In my 2013 Budget Address, I outlined a number of reform measures which will be implemented in order to preserve the long-term financial sustainability of the NIS. It is important that participants understand the financial challenges looming for the NIS and the potential risks to future benefits that these difficulties can pose, unless the requisite reforms are urgently effected. Participants must understand that the only alternative to reform is future insolvency and disorderly adjustment. At the same time, reforms must be structured in a way that respects the legitimate expectations of current participants. The major reform measures which are being implemented include:

1. An increase in the contribution rate from the current level of 8% to 10% with effect from January 01, 2014;

2. A gradual increase in the number of years required for pension eligibility from 500 weeks to 750 weeks;

3. A gradual increase in the retirement age to 65 years starting in 2016;

4. A change in the rate of pension entitlement for each year of service;

5. A change in the reference wage used to calculate pensions.

At the same time, pensions-in-pay, the maternity grant, the funeral grant, NAAP funeral grant and the Employment Injury Grant have all been increased with effect from January this year.

Government is also continuing with its plan to reform the Public Service Pension System. Public service pensions absorb a considerable amount of public resources: 11.3% of revenue in 2013. This is set to increase in the coming years. Since established government employees are eligible for both NIS and government pension, workers who retire with the maximum allowed years of service would be entitled to a pension with a replacement rate of up to 127 percent of their salaries. There is no reasonable justification for workers to retire with combined pensions in excess of their wages prior to retirement, especially given that these benefits are based partly on a non-contributory plan financed by the tax-payers.

Accordingly, the Government is now exploring various options for the reform of the Public Service Pension system and will be holding discussions with all stakeholders on this very important public policy issue, in the coming months. One of the reform measures being considered is the increase in the retirement age for public servants in order to ensure that the retirement age is aligned with that for the NIS. Careful consideration will have to be placed on the transitional arrangement for such a measure, so that existing officers are not placed at a disadvantage.

THE BAICO-CLICO ISSUE

Mr. Speaker, it may be difficult to believe, but next week marks five years since that day in late January 2009 when CL Financial's disastrous financial situation became public.

The people of our region have exhibited admirable patience and resilience throughout this period.

Despite the considerable fiscal difficulties of the Governments of our Currency Union, significant progress has been made in helping and protecting the interests of policyholders of British American Insurance Company (BAICO) and CLICO in the Eastern Caribbean Currency Union. This progress has been achieved by immense toil and determination.

Since the presentation of the 2013 Budget, much progress has been made.

First, the ECCU Governments agreed with BAICO and Sagicor Life Inc in 2012 to recapitalise and sell most of BAICO's traditional business, the sale of which was completed on March 15, 2013. Sagicor has now assumed the responsibility for this business and, partly utilising funding from the ECCU Governments, has undertaken to make payments to persons with that type of policies for claims or bonuses due to them.

Nearly 3,000 persons in Saint Vincent and the Grenadines have had their policies transferred to Sagicor, and are once again in a position to operate their policies. In St. Vincent and the Grenadines close to 300 persons have benefited or will benefit from being paid over $3 million in outstanding claims.

Having assisted most of BAICO's traditional policyholders, we were able to focus our attention on those individuals who acquired annuities from BAICO. To this end, the support of Trinidad and Tobago has been critical.

In addition to the original US$50 million received in 2009 from the CARICOM Petroleum Fund, a further US$100 million was pledged by the Government of Trinidad and Tobago at the CARICOM Heads of Government in July 2012. In December 2012, the first US$36 million was received with appreciation by the Currency Union.

This first payment enabled us to commence the ECCU Policyholders' Relief Programme, which is focused on assisting holders of BAICO's annuity policies. These policies, although less in number compared to the traditional business, represent by far the greater losses to those individuals and organisations that hold them. For Saint Vincent and the Grenadines, this Programme may assist some 2,000 policyholders.

Phase 1 of the Programme commenced in early December of 2012, and closed at the end of March 2013. Holders of FPA policies with under $30,000 in their August 2009 account balance were able to receive that amount plus a refund of the premiums they had paid since that date. Across the ECCU, 3,231 policyholders received $19.3 million. In Saint Vincent and the Grenadines, 716 policyholders received $4.5 million.

Phase 2 of the Programme commenced on 18 March 2013, when policyholders with EFPAs and FPAII policies with Principal Balances under EC$30,000 were invited to apply for assistance. Across the ECCU, $27.5 million have been paid to 2,296 policyholders. In Saint Vincent and the Grenadines, $5.1 million have been paid to 374 policyholders.

In November 2013, Phase 3 of the Programme commenced, where all remaining individual policyholders may now apply for payments of EC$30,000 each. Under this Phase, 631 persons in Saint Vincent and the Grenadines are eligible to receive $18.9 million. So far, just over 60% of all policyholders in this group have made their applications. Priority attention is being given to those applicants who have been badly affected by the Christmas Eve storm.

Whilst most payments in Phase 3 can be met from funds on deposit at the ECCB, the full completion of the payments in this phase is dependent on our receipt of the promised additional funding from Trinidad and Tobago. Further, we are ever hopeful that this Phase 3 will not be the end of the assistance to this group of policyholders, and that we will be able to make further payments to them in the future when sufficient funds are made available.

Thus, we are in the position now where we await the balance of US$64 million promised by the Government of Trinidad and Tobago. We anticipate that the funding will be received in two tranches: US$40 million in a development loan from the Caribbean Development Bank on a phased basis; and US$24 million directly from the Government of Trinidad and Tobago.

The loan to the Government of Trinidad and Tobago will be paid over time, based on the approval and commencement of new insurance regulation in the Currency Union. I will speak more of this in a moment.

We continue to press the Government of Trinidad and Tobago for the outstanding US$24 million that it promised, over 18 months ago. We trust that they will not disappoint us, and we await news of the arrival of those funds.

I wish to once again acknowledge the work of the BAICO staff and the Judicial Managers through the ECCU and in The Bahamas, who have provided invaluable assistance in the effective operations of the Programme as well as the support to the Monetary Council. I also wish to express our appreciation to British American in Trinidad, which has been working with us to review policyholder data and to produce the necessary cheques for payments.

Litigation

During 2013, BAICO's judicial managers continued to pursue a number of legal actions for the recovery of funds from various parties. The judicial managers have kept us up to date on developments and, although litigation can be a frustratingly slow process, matters continue to advance for the benefit of BAICO's policyholders.

As citizens of Saint Vincent and the Grenadines would be aware, the Supervisor of Insurance has instituted legal proceedings against a commercial bank here in St. Vincent and the Grenadines in respect of assets which ought to have been properly held on trust or custodianship for the benefit of BAICO policyholders.

CLICO International Life

In the matter of CLICO International Life (CIL), as noted in 2013, we are regrettably less advanced.

The reports of the Judicial Manager, Deloitte Consulting, made to the Law Courts, note a substantial shortfall in CIL's assets as compared to liabilities, and that the assets of CIL are highly illiquid, being dominated by real property and intercompany debts.

The Judicial Manager, in 2013, put forward a plan that requires financial commitments from the Government of Barbados and the Governments of the ECCU. The ECCU Governments' core advisory committee has provided substantial feedback on a number of technical matters arising from the draft proposal, which to date has only been put to us at a very general level. So, although we have not yet received a sufficiently detailed proposal to enable us to understand the cost and benefits of the proposal to the ECCU, we remain as committed as ever to the implementation of a workable solution.

Once we have received the required details, and mindful that we must provide both certainty and speed of outcome to CIL policyholders, we would be in a position to conduct an assessment of it, and provide more information to CIL's ECCU policyholders.

Reform of Insurance Regulation in the Currency Union

I am pleased to let our citizens know that we have made substantial progress in implementing major reforms to insurance regulation in the Currency Union.

Agreement has been reached at the ECCU Monetary Council to establish a single supervisor for insurance, which will assume both prudential and market-conduct oversight of the insurance industry. We have worked with the existing Single Regulatory Units in each territory, as well as technical experts, to devise a draft law and a comprehensive plan for the establishment of this new Regulator, to be known as the Eastern Caribbean Financial Services Regulatory Commission.

We have also worked hard to develop a reformed insurance law that incorporates modern rules and regulations for prudential and consumer protection. The draft law is currently in a consultative process with the insurance industry and senior government representatives. While not everyone in the insurance sector will be pleased with the direction in which the regulation is going, we are determined that the citizens of the Currency Union are entitled to have the best protection that we are able to provide.

Some changes – such as proposed increases in the minimum capital for insurers – may well be challenging for some market participants to achieve. However, I would encourage market participants to recognise the opportunities that will present themselves in the new regime.

Some of the reforms on which we are focused, include:

- New minimum capital requirements will be lifted to $5 million for general insurers, and $8 million for long-term insurers;

- New minimum solvency requirements will be imposed on insurers, requiring their capital levels to match established rules based on the size, type and risk profile of their business;
- New statutory fund requirements will be imposed, which will be managed centrally for all Currency Union policyholders;

- New licensing requirements will apply, and all insurers must re-apply for their licences within two years of the start of the law.

- If an insurer is licensed in one territory in the Currency Union, they can be passported into other territories using a streamlined application to the Commission;

- New consumer protection rules will be implemented to ensure that appropriate information is provided to consumers, and also that the conduct of insurers and intermediaries be fair and honest.

Assuming that all goes well, we anticipate that the law will be passed and the Commission will be established before the end of this year, with appropriate transitional arrangements to allow the industry time to comply.

Once these tasks are completed for the Currency Union, we anticipate that the full US$40 million advance from the CDB will be made available to the ECCU for further assistance to affected BAICO policyholders.

In addition to supporting the timely progress of this project, we in Saint Vincent and the Grenadines are determined to remain at the forefront of these reforms and adopt the new laws for the benefit of our citizens at the earliest possible opportunity.

Fiscal Measures

Mr. Speaker, in the current economic situation, globally and nationally, there is little room to raise taxes or large amounts of additional revenue. Similarly, there is little room to lower tax rates or to make additional tax concessions. Our fiscal policy stance for 2014 will therefore continue to be a mix of prudence, patience and enterprise.

During 2013, there were deficits on the current, primary, and overall balance of 2.3 percent, 3.9 percent, and 6.3 percent of GDP respectively. The recurrent expenditure was reasonably restrained save and except for the ballooning costs of pensions and retirement benefits and salary increases occasioned by the built-in 2.0 percent increment and the 1.5 percent back-pay from January 01, 2011. Contributing to the current account deficit was a decline in revenues of 7.2 percent during the year 2013. The decline in revenue was disappointing coming as it did in a year when nominal GDP was estimated to have grown by approximately 5 percent.

A near quadrupling of capital receipts was not sufficient to outweigh the increase in capital expenditure of roughly 180 percent. As a consequence, the overall deficit widened.

Mr. Speaker, the decline in the tax buoyancy is attributable to three main factors:

1. Weakness in tax administration at the major revenue collection departments;

2. Low and declining level of tax compliance by certain taxpayers; and

3. Increasing level of tax concessions, particularly ad hoc concessions.

The need for continued institutional strengthening and capacity building of the major revenue departments has become more evident. Deficiencies in the daily operations and strategic focus by the revenue departments have contributed to this sub-optimal revenue performance. Additionally, a critical system failure in the SIGTAS tax system during the first half of 2013 set back the reform initiative for the Inland Revenue Department which I announced in the 2013 Budget.

Notwithstanding these setbacks we have made some progress in the programme for modernization of the tax system, including:

1. The introduction of an e-filing system at the Inland Revenue Department including a complete upgrade of the IT System.

2. Successful implementation of the new property tax system, with a conservative valuation applied to all properties. Indeed, some taxpayers have compared their own private valuations with that of the Valuation Unit and have realized that their private valuation is much higher than that derived by the Unit.

3. Full implementation of the ASYCUDA World Project, including the implementation of the Customs Website.

4. Improvement in the use of risk management techniques to facilitate more timely clearance for imported goods, particularly for those importers on the Gold Card programme.

For 2014, Government will step up its efforts to strengthen its revenue system to make it a more buoyant and stable source of revenue, and provide an environment hospitable to investment and growth. This includes an examination of basic tax structure to determine whether a move away from the global tax structure is merited. Fundamental reform of this sort requires adequate preparation.

Excise Tax

The fiscal performance during 2013 highlights the need for further fiscal consolidation. However, fiscal consolidation cannot be effected only by restraint of expenditure; wherever possible revenue must also be augmented. In this regard, I propose to increase the excise tax on gasoline and diesel by 50¢ per gallon, with immediate effect.

This measure which is estimated to yield an additional $3 million per year will not apply to diesel used in the production of electricity; this will continue to be tax exempted.

The increase in Excise is not expected to have any immediate, significant upward impact on the price of fuel at the pump as oil prices has been trending downwards in recent months. In the case of gasoline the entire 50 cents can be accommodated by the lower price of gasoline. Indeed, I hereby announce that with immediate effect, the price of gasoline will be reduced by 13 cents per gallon and the price of diesel will be increased by 35 cents per gallon. The new retail price will be:

	Current Price	New Price
Diesel per gallon	$13.32	$13.67
Gasolene per gallon	$14.08	$13.95

CONCLUSION

Mr. Speaker, I am satisfied that this Budget will provide further strengthening of our nation's socio-economic base for recovery and reconstruction after the Christmas disaster, in a context of on-going global economic uncertainty and downside risks.

Even amidst all the pre-disaster challenges last year, my government took a series of measures to keep our nation's economy on an even keel and to prod it forward with an estimated growth rate of 2.0 percent; still modest, but moving in the right direction, and comparably better than most of the OECS member-countries and our Caribbean neighbours, including those with more economic resources than us.

Mr. Speaker, so traumatic has been the impact of the 2013 Christmas disaster that most people have probably forgotten my government's commendable initiatives even in the three or so months before Christmas 2013. These include: The launch of a 12-year National Social and Economic Development Plan, 2013-2015; the award of the tax-free back-pay of 1 ½ percent from January 2011 to December 2013 to over 6,000 public servants, costing $10 million; the grant of land titles to 170 owners at Glebe, Barrouallie, at 10 cents per square foot; the duty free concessions for Christmas barrels for the 13th year running; the roll-out of a $2.5 million road-cleaning programme in November 2013 involving over 4,000 workers; the provision of $1 million for road-patching just before Christmas; the start-up of 15 more low-income houses at Green Hill with a labour force of 150 persons; the payment of $500 to each of 606 students fro their performances at CXC, "A" Level/CAPE Exams; the registration of the State-owned Farmers' Support Company Limited to operate an initial $6 million revolving fund loan arrangement for farmers; the formal launch of the EC $46 million South Leeward Road Project; the delivery to the Government by contractors of the EC $31 million St. Vincent and the Grenadines Community College Project of an additional 80,000 square feet of floor space; the commencement of the application-process by 631 policy-holders of BAICO in St. Vincent and the Grenadines whose policy values are in excess of $30,000, to be each paid $30,000 by end of March 2013 at a cost of EC $16.2 million; a one-time retroactive payment covering 56 weeks (3rd December, 2012 to 28th December, 2013) to 3,407 pensioners at the NIS, costing $917,000; the announcement that a further medical school in St. Vincent and the Grenadines, the St. James Medical School would be established by May 2014; the stabilisation and consolidation of the St. Vincent Building and Loan Association under the leadership of the Financial Service Authority (FSA); the commencement of the roll-out of three huge capital projects: The $34 million Modernisation of the Health Sector Project financed by an EU grant, the EC $54 million Regional Disaster Vulnerability Reduction Project financed by a soft-loan from the World Bank, and the Banana Accompanying Measures (BAM) financed by a grant of EC $34 million from the EU; an initial export of 22,000 pounds of fish to the ethnic New York market; the opening of the Smart Georgetown Hospital by PAHO; the continued work on the nearly-completed Modern Medical Complex; the reclamation of the nation's patrimony by way of forfeiture of 100 acres of beachfront land at Chatham Bay, Union Island; the completion or near-completion of major items of physical infrastructure projects including roads, bridges, playing fields, educational facilities, Customs headquarters, the Hospitality and Maritime Training Institute, and a number of other renovated buildings in Kingstown to house governmental functions; the initiatives in geothermal and solar energy; the productive engagement with private sector investors, including those from overseas; our activist regional and foreign policy on a number of vital issues; and so on and so forth. It is breathtaking work for a government of real progress.

Mr. Speaker, my government will continue to look for ways to ease the burdens on the persons affected by the natural disaster. So, in addition to all the relief and restorative work, small burdens would be eased. For example, passports which were damaged or destroyed in the disaster would be replaced free of cost. Similarly, relief in the payment of property taxes would be granted to persons whose houses were flooded, damaged or destroyed.

Despite all our real achievements, and more, a new and different situation has arisen with the recent disaster. We have to take a fresh guard at the wicket. This Budget and the Supplementary Estimates/Supplementary Appropriation Bill shortly to come, are part and parcel of taking this "fresh guard". Metaphorically, this is to enable us to adjust and readjust to the altered conditions to score more and better, individually and collectively as a nation.

In this massive recovery effort of ARISE SVG With the Six R^s (Relief, Reconstruction, Roads including Bridges, River Defences, Reforestation, and Relocation including Housing), I take inspiration, and find comfort, from the words of the Prophet Isaiah which draws out the better angels in us:

> "*He [God] gives strength to the weary*
> *And increases the power of the weak.*
> *Even youths grow tired and weary,*
> *And young men stumble and fall,*
> *but those who hope in the Lord*
> *will renew their strength.*
> *They will soar on wings like eagles;*

they will run and not grow weary,
they will walk and not be faint."

Almighty God, the Helper of Israel and St. Vincent and the Grenadines has come to our aid. He advises us: "Do not fear, I will help you." And He will!

Thank you!

Appendix –

Economic and Social Review

January – September, 2013

St. Vincent and the Grenadines Economic and Social Review September 2013

Prepared by:

Central Planning Division
Ministry of Finance and Economic Planning
1st Floor Administrative Complex
Kingstown, St. Vincent and the Grenadines

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APd	Average Price for diesel
BAM	**B**anana **A**ccompanying **M**easures
BRIC	
BNTF	**B**asic **N**eeds **T**rust **F**und
CAP	**C**hildren **A**gainst **P**overty
CARCIP	**C**aribbean **R**egional **C**ommunication **I**nfrastructure **P**rogramme
CARICOM	**C**aribbean **C**ommunity
CDB	**C**aribbean **D**evelopment **B**ank
CIF	**C**limate **I**nvestment **F**und
CPA	**C**ountry **P**overty **A**ssessment
CPI	**C**onsumer **P**rice **I**ndex
CSEC	**C**aribbean **S**econdary **E**ducation **C**ertificate
CSME	**C**aribbean **S**ingle **M**arket and **E**conomy
CVQ	**C**aribbean **V**ocational **Q**ualifications
CWSA	**C**entral **W**ater and **S**ewerage **A**uthority
ECCB	**E**astern **C**aribbean **C**entral **B**ank
ECCU	**E**astern **C**aribbean **C**urrency **U**nion
ECTEL	**E**astern **C**aribbean **Tel**ecommunications **A**uthority
EDF	**E**uropean **D**evelopment **F**und
EGRIP	e-**G**overnment for **R**egional **I**ntegration **P**roject
EU	**E**uropean **U**nion
FDI	**F**oreign **D**irect **I**nvestment
FSA	**I**nternational **F**inancial **S**ervices **A**uthority
GDP	**G**ross **D**omestic **P**roduct
GVA	**G**ross **V**alue **A**dded
IADC	**I**nternational **A**irport **D**evelopment **C**ompany
IBC	**I**nternational **B**usiness **C**ompanies
IBRD	**I**nternational **B**ank for **R**econstruction and **D**evelopment
ICT	**I**nformation **C**ommunication **T**echnology
IDA	**I**nternational **D**evelopment **A**ssociation
IMF	**I**nternational **M**onetar**y** **F**und
kWh	Kilo Watt Hours
LDC	**L**east **D**eveloped **C**ountries
MDG	**M**illennium **D**evelopment **G**oals
NQF	**N**ational **Q**ualifications Framework
NTRC	**N**ational **T**elecommunications **R**egulatory **C**ommission
ODA	**O**fficial **D**evelopment **A**ssistance
OECD	**O**rganisational **E**conomic **C**ooperation and **D**evelopment
OECS	**O**rganisation of the **E**astern **C**aribbean **S**tates
PSIP	**P**ublic **S**ector **I**nvestment **P**rogramme
SIDS	**S**mall **I**sland **D**eveloping **S**tates
SVGCC	**S**t. **V**incent and the **G**renadines **C**ommunity **C**ollege
SWMU	**S**olid **W**aste **M**anagement **U**nit
US	**U**nited **S**tates
USD	**U**nited **S**tates **D**ollar
VAT	**V**alue **A**dded **T**ax
XCD	**E**astern **C**aribbean **D**ollars
M	**Million**
B	**Billion**

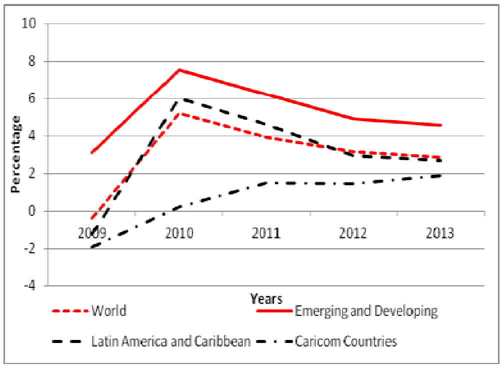
1. INTERNATIONAL AND REGIONAL DEVELOPMENT

1.1 International Developments

The World economy is still in a stage of economic uncertainty, as it continues to recover slowly from the global meltdown. Indeed, the International Monetary Fund, states in the World Economic Outlook that "global recovery remains uneven and its underlying dynamics are shifting".

As at September 30th, 2013 world output grew by 2.9 percent, relative to the same period of the previous year. New drivers of growth begin to emerge as growth in emerging and developing economies slowed, relative to previous years. Growth in advanced economies strengthened. The US economy grew by 1.6 percent, even amidst concerns of a looming fiscal cliff, as increased private demand overshadowed falling public sector demand. The Euro zone also showed signs of recovery as investments and consumer spending increased.

Figure 1: Real Growth Rates 2009-Sep 2013



Source: IMF World Economic Outlook Database October 2013

In the first nine months of 2013 too, emerging and developing economies grew by 4.5 percent, compared with 4.9 percent in the corresponding period. China and India, which have been growing at remarkable rates over the last decade, appear to be nearing their structural potential, resulting in lower marginal rates of growth. Meanwhile, the other BRIC countries have been experiencing cyclical declines as commodity prices stabilize, which in tandem with tightening financial conditions; have reduced the growth potential of these economies.

1.2 Regional Developments

Preliminary estimates indicate that for the first nine months of 2013, the Caribbean region grew by 1.9 percent as the countries began to show signs of recovery, albeit, small. Notwithstanding, these countries were also affected by lower FDI inflows and remittances, particularly in the earlier part of 2013, as residents in the east coast of the USA, a major source of remittances, were still recovering from the impact of Hurricane Sandy.

2. ECONOMIC AND FINANCIAL DEVELOPMENTS

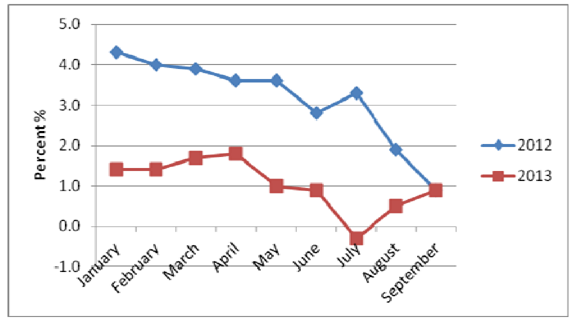
2.1 Consumer Prices

The Consumer Price Index (CPI) for period January - September 2013 indicates that the average "point-to-point" inflation rate for that period was 1.0 percent, compared with 3.1 percent for the corresponding period in 2012. The accumulated inflation rate remained the same at 0.9 for the January - September period in both years.

"Point-to-point" inflation rates for 2013 were lower than those for 2012. The highest inflation rate was 1.8 percent for the month of April and the lowest was -0.3 percent for the month of July. The "All Items" index was 107.3 as at September, 2013 in comparison to 106.3 in September of the previous year.

Nine (9) groups recorded increases during the review period: "Alcoholic Beverages, Tobacco & Narcotics" (5.5 percent), "Health" (5.0 percent), "Recreation and Culture" (2.5 percent), "Food and Non-Alcoholic Beverages" (2.2 percent), "Transport" (2.1 percent), "Furnishings, Household Equipment and Household Maintenance" (1.7 percent), "Housing, Water, Electricity, Gas and other Fuels" (1.3 percent)," Miscellaneous Goods and Services" (0.3 percent) and "Restaurants and Hotels" (0.1). Three groups decreased "Communication" (7.2 percent), "Education" (0.3 percent) and "Clothing and Footwear" (0.2 percent).

Figure 2: Point to Point Inflation Rates



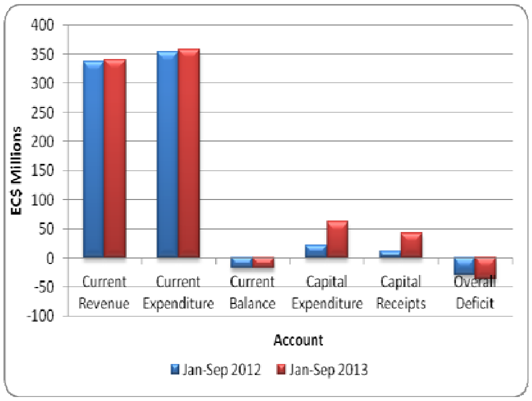
Source: Statistical Office, Central Planning Division, Ministry of Finance & Economic Planning

2.2 Government Finances

2.2.1 Central Government Fiscal Operations

The Central Government fiscal operations for the first nine months of 2013 turned in a mixed performance when compared to the same period in 2012 (*See Figure 3*). The current account marginally improved from a deficit of $17.8m in 2012, to one of $17.4m in 2013. Meanwhile, a near quadrupling of capital receipts was not sufficient to outweigh the 180.2 percent increase in capital expenditure. Consequently, the overall deficit widened from $29.0m in 2012 to $37.3m in 2013.

Figure 3: Central Government Fiscal Operations Jan-Sep 2012 and 2013



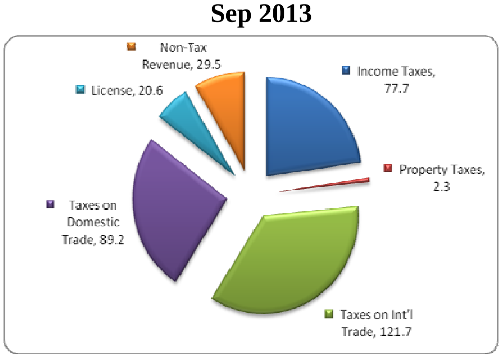
Source: Ministry of Finance and Economic Planning

Current Revenue

Current revenue as at September 30, 2013 totalled $341.0m. This amount was 1.3 percent more than the amount collected during the same period of 2012. The figure is composed of tax revenue of $311.5m and non-tax revenue of $29.52m (*See figure 4*). During the period, tax revenues increased marginally by 0.6 percent and collections from non-tax sources increased by 27.4 percent.

Of the major tax revenue items, collection from domestic transactions taxes and licenses improved but takings from taxes on international trade and taxes on incomes and profits fell. In 2013, all of the main components of non-tax revenue performed better than the comparative period of 2012.

Figure 4: Composition of Recurrent Revenue Jan-Sep 2013



Source: Ministry of Finance and Economic Planning

Revenue from taxes on income and profits declined by 9.9 percent to $77.7m, as a result of a 37.0 percent fall in corporate tax receipts. Meanwhile, there was an estimated 26.2 percent increase collection in taxes as the Inland Revenue Department intensified its collection efforts.

Collection from property taxes rose by 19.4 percent to $2.3m on an account of the new property tax system. Revenue from international trade taxes, which amounted to $121.7m, declined marginally by 0.9 percent when compared to 2012, amidst heavy subscription of duty free concessions.

Taxes on domestic trade, which totaled $89.2m, recorded a 2.6 percent increase during the period, due to increased stamp duties on land sales and excise duties. Licenses grossed $20.6m, representing a 32.1 percent increase over the amount collected in 2012. This was mainly due to larger inflows from alien land holding licenses.

Revenue from non-tax sources expanded, moving from $23.2m in 2012 to $29.5m in 2013, as all sub-categories of non-tax revenue improved during the period. Receipt from fees, fines and permits totaled $13.4m, 3.0 percent more than the amount collected in 2012 and was mainly due to greater receipts from merchant shipping international fees.

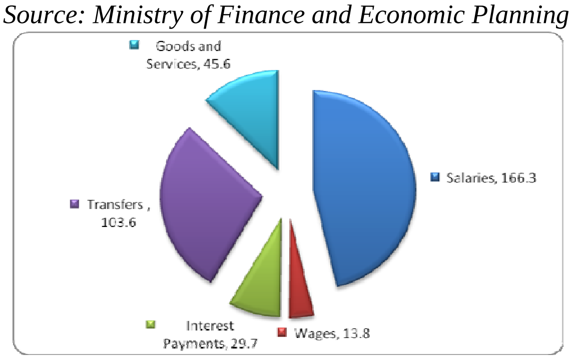
Revenue from interest, rents and dividends increased by 56.8 percent to $6.45m, benefiting from higher payments from the Mustique Company along with payment by the Eastern Caribbean Flour Mills. Other interest repayment also contributed to the increase in revenue. Receipts from other revenue rose significantly during the period moving from $6.08m in 2012 to $9.7m in 2013.

Current Expenditure

As at September 30 2013, current expenditure amounted to $358.5m, mostly comprised of salaries, transfers and expenditure on goods and services (See figure 5). This figure represents an increase of 1.1 percent over the amount spent during the same period in 2012. Payment of personal emoluments and wages amounted to $166.3m and $13.8m, respectively. Personal emoluments increased by 2.6 percent mainly on account of the 1.5 percent salary enhancement, increments and allowances and an increase in the size of the public service for both salary and wage categories during the period.

Figure 5: Composition of Current Expenditure Jan-Sep 2013

Source: Ministry of Finance and Economic Planning



Capital Receipts

Capital inflows as at September 30, 2013 increased from $11.1m in 2012 to $42.7m in 2013 due to increases in revenue from sale of crown lands ($23.2m), capital grants ($62.6m) and other capital revenue ($0.4m).

Capital Expenditure

Capital spending for the first nine months of 2013 amounted to $62.6m, up from the modest $22.3m recorded for the same period in 2012, but still, below the budgeted amount of $92.5m.

2.3 Public Debt

As at 30th September, 2013 public debt stood at 1.3b an increase of 5.0 percent when compared with $1.3b as at September 2012. Of this amount, 56.3 percent ($776.0m) was held externally, with the remaining 43.7 percent ($602.5m) held domestically. External debt increased by 3.8 percent while domestic debt increased by 6.6 percent.

The increase in external debt was attributable to disbursements on new and existing loans amounting to $69.1m, over the. As at September 30, 2013, a total of $10.2m was disbursed. The Caribbean Development Bank (CDB), Exim Bank, World Bank, Bolivarian Alliance for the Americas Bank (ALBA) and the Mega International Commercial Bank, were the main creditors disbursing funds for various government and quasi-government projects and programs over the period. Disbursements were made for the Hurricane Tomas Emergency Recovery Project, Disaster Risk Management Project, continuing works on the construction of the Argyle International Airport and several other projects under the Public Sector Investment Programme (PSIP).

The increase in domestic debt was mainly attributable to the issuance of new securities including a Bond and Treasury Notes issued to St. Vincent Electricity Services Ltd and the National Insurance Services (NIS), totaling $30.0m. In addition, the acquisition of new loans contracted by the Central Government from the NIS for the completion of the Georgetown Modern Medical Complex and Winfarm, amounting

to $5.6m, and a $9.4m advance from the East Caribbean Central Bank (ECCB) contributed to the increase in loan amounts. Additionally, drawdown on loans contracted by the IADC and the CWSA and the accounting for loans to the Student Loans Company contributed to the increase in domestic debt held by public corporations.
During this period, central government debt servicing increased by 11.4 percent to $93.7m from $84.1m as at September 2013. This increase was primarily driven by the rise in domestic debt servicing of 43.8 percent due to the servicing of the temporary advance from the ECCB and new securities issued over the period. In contrast, external debt servicing declined by 11.3 percent due to the reducing effects of amortization on the balances of existing loans and the maturity of a number of loans. Consequent on the increase in debt servicing, the debt service ratio as at September 30, 2013, moved from 25.0 percent to 27.5 percent of revenue.

2.4 Balance of Payments

In 2012, the overall balance on the Balance of Payments (BOP), improved from a deficit of 3.4 percent of GDP in 2011 to a surplus of 3.0 percent of GDP. The improvement was influenced by the narrowing of the current account deficit and the widening of the capital and financial account surplus.

Current Account

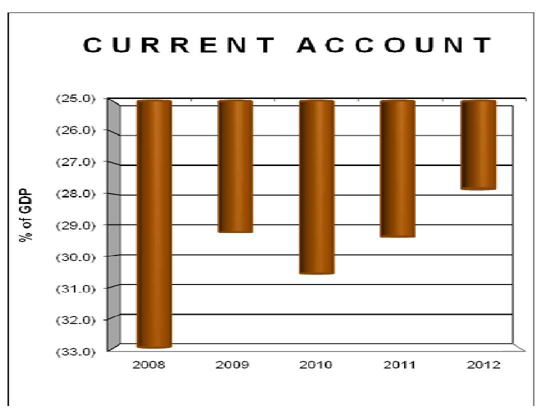
The current account deficit narrowed in 2012 to 27.8 percent of GDP. This was an improvement when compared to 2011 (29.4 % of GDP). The change in the current account balance was attributable to an increase of the merchandise account deficit which rose from 37.5 percent of GDP in 2011 to 39.1 percent of GDP in 2012 and an increased net surplus on the service account of 1.3 percent. Further, the deficit on the income account narrowed to represent a ratio of 0.6 percent of GDP while the net current transfers increased to 3.2 percent of GDP. The increase in current transfer was largely attributable to increased inflows to general government.

On the merchant account, the net deficit balance increased from EC$684.7m in 2011 to EC$733.6m in 2012. The change was mainly due to an increase in total imports and domestic exports of 7.7 percent and 11.2 percent respectively.

On the services account, the increase in the net surplus represented 8.0% of GDP, compared with 8.1% in 2011. This increased surplus was largely attributable to an increase in other business service category and an increase in net travel receipts.

On the income account, the deficit balance declined to represent 0.6% of GDP, down from 1.9% in 2011.The improvement was mainly as a result of a decrease in public sector interest payments which fell from EC$27.2m in 2011to EC$24.3m in 2012 and a decline in net inflows of direct investment income, down from EC$51.1 m in 2011 to EC$30.6 m in 2012.

Figure 6: Current Account Balance 2008-2012



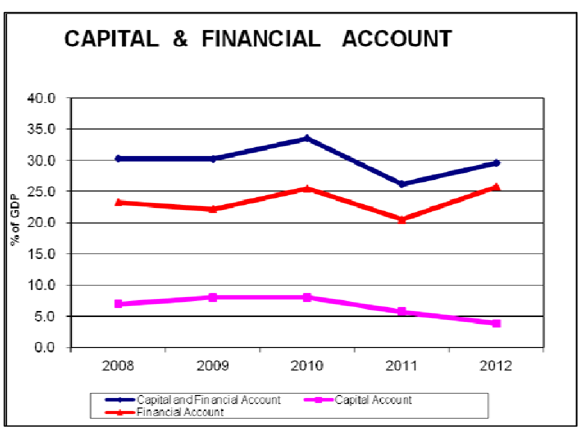
Source: Statistical Office, Central Planning Division, Ministry of Finance and Economic Planning

Capital & Financial Account

In 2012, the surplus on the capital and financial account increased to represent 29.6 percent of GDP. This was an improvement when compared to 26.2 percent of GDP in 2011. This expansion was largely attributable to an increase in net receipts from foreign direct investment and increased land sales.

The surplus on the capital account contracted, moving from EC$104.3m (5.7% of GDP) in 2011 to EC$72.0m (3.8% of GDP) in 2012 while the net surplus on the financial account increased by 29.0 percent. The increase in the financial account represented 25.8 percent of GDP, up from 20.5 percent of GDP in 2011. The contraction of the surplus in the capital account was largely attributable to a decrease in capital grants (32.0%) while the increased net surplus on the financial account was mainly as a result of an increase in the net surplus of direct investment and an increased surplus on portfolio investment compared with 2011.

Figure 7: Capital and Financial Account Balance 2008 -2012



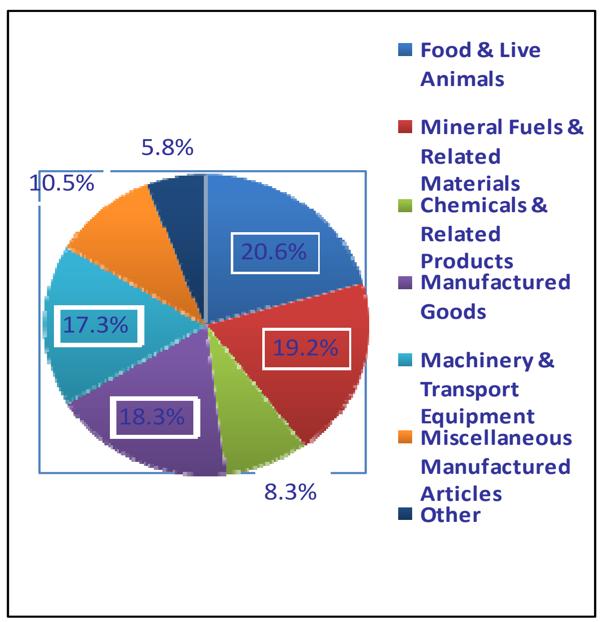
Source: Statistical Office, Central Planning Division, Ministry of Finance and Economic Planning

2.5 International Trade

Merchandise Imports

Merchandise imports continued on its growth trajectory in 2013. As at September 2013, merchandise imports stood at $747.7m, an increase of 5.5 percent over the $708.7m for the corresponding period in 2012. With the exception of mineral fuels and related materials, which declined by 12.0 percent, increases were recorded in each of the key import categories. Food and live animals, and mineral fuels and related materials continued to occupy the largest share of the import composition, accounting for 20.6 percent and 19.2 percent, respectively, of total imports for the first nine months of 2013. Another important category is manufactured goods (classified chiefly by materials), which represented 18.3 percent of imports.

Figure 8: Import Composition by SITC Sections Jan – Sept 2013



Source: Statistical Office, Central Planning Division, Ministry of Finance and Economic Planning

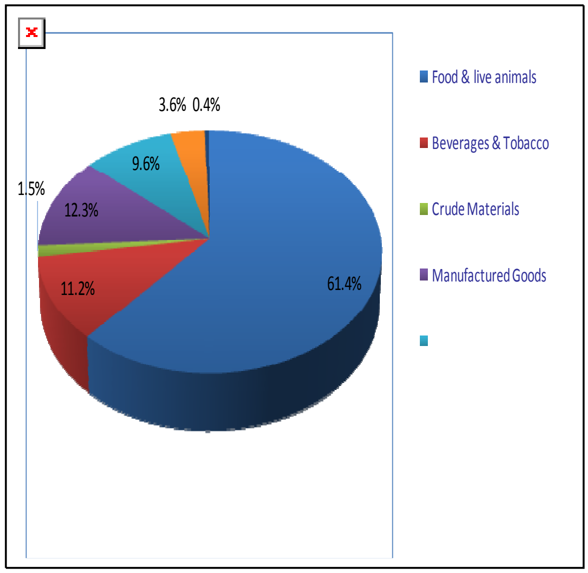
The U.S.A, CARICOM and the U.K continued to be the main source markets for St. Vincent and the Grenadines' imports in 2013. During the first nine months of 2013, 38.0 percent ($284.4m) of imports came from the U.S.A, 25.4 percent ($190.2m) from CARICOM and 5.5 percent ($41.3m) from the U.K. Venezuela has become an important source for St. Vincent and the Grenadines' imports, especially the importation of fuel. During the review period, 6.4 percent ($47.6m) of imports were obtained from Venezuela.

Merchandise Exports

Improvements in the domestic economy continued to have positive spill-over effects on the export industry in 2013. Preliminary data show that total exports grew by 13.2 percent to $95.0m during the first nine months 2013, similar to the 13.8 percent growth for the same period in 2012. Domestic exports rose by 11.3 percent and re-exports by 28.6 percent.

The accelerated growth in exports was fuelled mainly by increased foreign market penetration of beverages and tobacco (47.6%), manufactured goods (23.5%) and food and live animals (5.7%). Declines were posted in the export of animal and vegetable oils (55.3%), crude materials (41.5%), chemicals and related products (20.9%) and mineral fuels and related materials (2.3%). and. The majority of exports were food and live animals (61.4%) and manufactured goods (12.3%).

Figure 9: Exports compositions by SITC Sections Jan – Sept 2013



Source: Statistical Office, Central Planning Division, Ministry of Finance and Economic Planning

CARICOM continues to be the main market for St. Vincent and the Grenadines' exports. During the first three quarters in 2013, 84.5 percent ($80.3m) of goods shipped to foreign markets was destined for CARICOM. Within CARICOM, St. Lucia and Barbados each (18.9%), Trinidad and Tobago (12.5%), and Antigua and Barbuda (11.9%), absorbed the majority of St. Vincent and Grenadines' exports. The USA and the UK were the second and third largest markets, respectively. Exports to the USA and the UK amounted to EC$7.7m (8.1%) and EC$1.6m (1.7%), respectively.

2.6 Money and Credit

Money Supply

Monetary liabilities (M2) expanded by 13.2 percent to $1.3b in the first nine months of 2013, faster than the growth of 1.7 percent in the corresponding 2012 period. The rise in M2 was as a result of growth in both the narrow money supply (M1) and quasi money. Narrow money (M1), driven primarily by growth in private sector demand deposits (20.2%), rose by 18.3 percent to EC$387.6m. Increases in currency with the public (3.8%) and EC dollar cheques and drafts issued (18.0 %) also contributed to the outturn in M1. Influenced by appreciations in each of its components; private sector savings deposits (10.1%), private sector time deposits (5.7%) and private sector foreign currency deposits (45.8%), quasi money (the largest component of M2) expanded by 11.1 percent to $894.0m.

Domestic Credit

Domestic credit grew by 3.1 percent to $979.5m during the period under review, slower than the 4.8 percent growth in the comparable 2012 period. The outturn in domestic credit can be attributed to an increase in private sector credit, coupled with a reduction in the net deposits of non-financial public enterprises/statutory bodies. Credit to the private sector accelerated by 1.9 percent to $1.1b, reflecting increased lending to households (11.4%), partly tempered by a reduction in credit to businesses (13.0%). The net deposits of non-financial public enterprises declined by 7.7 percent to $131.8m, as these institutions continue to source funding for their investments in a tightening credit market. Net credit to central government declined by 3.2 percent to $48.6m, giving further credence to a tightening credit market for business and government investments purposes.

Commercial Bank Credit by Economic Activity

An analysis of the distribution of commercial bank credit by economic activity shows that outstanding loans grew by 1.9 percent, primarily on account of an expansion of 11.7 percent in credit for personal use, the largest component. The rise in personal loans was led by increased credit outstanding for acquisition of property (15.9%). Growth in credit extended for the purchase of durable consumer goods (12.8%) and other personal use (6.5%) were also contributing factors. Credit to the productive sectors displayed mixed results as lending for tourism improved by 7.9 percent and distributive trade by 5.7 percent, while loans disbursed for agriculture, manufacturing, and construction fell by 18.4 percent, 25.7 percent and 15.9 percent, respectively. A reduction was also recorded in the Other category, the result of a decline of 31.7 percent in professional and other services and 8.5 percent in public administration.

Foreign Assets

The net foreign assets position of the banking system in St. Vincent and the Grenadines stood at $498.3m at the end of September 2013, up from $364.9m at the end of September 2012. This performance was mainly associated with increase of 21.6 percent to $321.0m in St. Vincent and the Grenadines imputed share of foreign assets accumulated by the Eastern Caribbean Central Bank (ECCB)... Concomitantly, the net foreign assets of commercial banks improved by 75.1 percent to $177.3m, supporting the overall improvement in the net foreign assets position.

Liquidity and Commercial Interest Rates

Liquidity in the commercial banking system improved during the review period. The ratio of liquid assets to total deposits plus liquid liabilities was 41.1 percent at the end of September 2013, about 3.5 percentage points above the level at the end of September 2012. The loans and advances to total deposits ratio grew by 3.6 percentage points to 72.7 percent. The weighted average deposit and lending rates both declined marginally from their positions at the end of September 2013. The weighted average interest rate on deposits fell by 21 basis points to 2.6 percent, while the weighted average lending rate declined by 5 basis points to 9.49 percent. Consequently, the weighted average interest rate spread between deposit and lending rates appreciated by 16 basis points to 6.8 percent during the period under review.

3. THE REAL ECONOMY

3.1 Agriculture

Agriculture's contribution to economic activity is measured through several activities, including, its contribution to foreign exchange earnings, job creation, poverty reduction, rural development and food security.

In St. Vincent and the Grenadines, like many other agriculturally based economies, harsh realities have confronted the agriculture industry over the past three (3) or so decades and have weakened the industry's capacity to contribute to economic activity. These include the effects of the removal, in 1994, of preferential treatments on bananas, in European markets, the negative exogenous shocks from the global financial crisis, the natural disasters and effects of climate change – (the passage of Hurricane Tomas in 2010, the freaks storms in 2011 and the December floods of 2013).

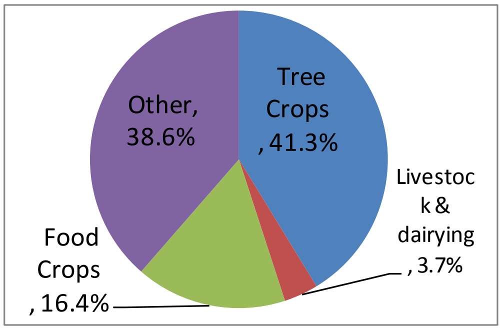
In 2013, the government of St. Vincent and the Grenadines commenced activities at achieving the objectives articulated in the National Economic and Social Development Plan 2013 -2015 – revitalization of agriculture and fisheries. These include the commencement of the implementation of activities under the Banana Accompanying Measures (BAM), which is an approximately $34.5m project financed by the EU, to be implemented over a five year period.

Activities under the BAM focus primarily on increasing banana, livestock and fruit and vegetables production. The implementation of the BAM is expected to result in improved agricultural infrastructure; improved access to credit facilities; good environmental management systems and land use practices; development of agribusinesses; improved feeder roads; increased institutional capacity; and the strengthening of Public-Private Partnership in the value chain.

The banana industry continues to show signs of recovery, reflecting the benefits from efforts taken to control and contain the Black Sigatoka and Moko diseases. During the first nine months of 2013 a total of 1,504 tonnes of bananas, valued at $2.6m, were shipped to foreign markets. This represents an increase of 8.7 percent in volume and 32.8 percent in value over the 1,384 tonnes, value at $1.9m, recorded during the corresponding period of 2012.

Lending to the agriculture sector stood at $1.5m as at September 2013, a reduction of 18.4 percent relative to September 2012. Concomitantly, farmers experienced tightening credit market conditions during the review period. This reduced credit was noticeable in the 80.0 percent fall in loans disbursed for livestock production and 30.1 in other agriculture-related production which outpaced the 26.8 percent rise in credit extended for tree crops production. The majority of credit to the agriculture sector went to tree crops production (41.3 percent). Figure 10 shows the composition of credit to the agriculture sector.

Figure 10: Composition of Credit to the Agriculture Sector

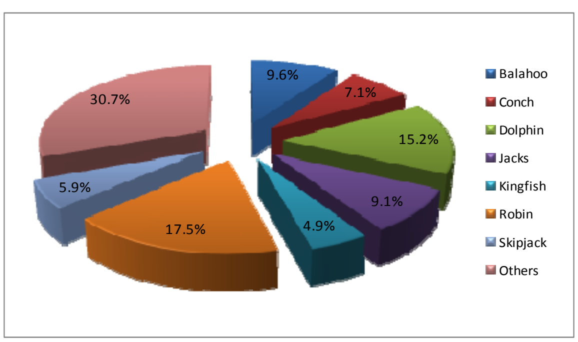


Source: Eastern Caribbean Central Bank

3.2 Fishing

Preliminary data show that fish landings improved during the review period. Fish landings increased to 1.2m lbs, at a value of $8.1m during the first three quarters of 2013 from 1.1m lbs, valued at $7.0m an improvement of 16.6 percent in value and 8.4 percent in volume of fish landings. The main species recorded (in volume) were robin (17.5%), dolphin (15.2%), balahoo (9.6%) and jacks (9.1%). Figure 11 shows the composition of fish landings for the period January to September 2013.

Figure11: Composition of Fish Landings in Volume (lbs) Jan - Sept 2013.



Source: Fisheries Division, Ministry of Agriculture, etc.

During the review period, Government continued its efforts aimed at connecting the local fishing industry with external markets. One of the major successes was the facilitation of a market in the United States of America in June 2013. This development, inter alia, has resulted in an improvement in the fish export industry. Export of fish and its by-products increased to 63,640 lbs, valued at $0.8m, for the first nine months of 2013, from 23,285 lbs, at a value of $0.4m for the comparative 2012 period. This represents an increase of 127.6 percent in value and 173.3 percent in volume.

3.3 Manufacturing

Economic activity in the manufacturing sector is estimated to have expanded during the review period. The expansion in activity was associated with increases in output of flour, feed and beer production. Flour production, which has been the dominant contributor to the manufacturing sector and one of the top export products, continues to show favourable and positive signs of growth.

Over the 2009–2012 period, production of flour appreciated at an average annual rate of 8.5 percent. This average was surpassed during the first nine months of 2013 with output expanding by 9.8 percent relative to the same period in 2012. Mill feed, animal feed and beer production rose by 11.8 percent, 8.9 percent and 35.2 percent, respectively. The increase in output of beer and other alcoholic beverages was, however, outpaced by a decline in production of non-alcoholic beverages, resulting in a 4.6 percent decline in total beverage production. Rice production continued to decline with a reduction of 51.4 percent during the first nine months of 2013. In relation to light manufacturing, galvanize sheeting and PVC pipes recorded declines in production activity during the review period. Production of galvanize sheeting decreased by 4.0 percent and PVC pipes by 61.2 percent.

The credit market for manufacturers tightened in 2013. At the end of September 2013, credit extended to the manufacturing sector amounted to $32.0m, 25.7 percent below the $33.6m recorded for the same period of 2012. The majority of loans disbursed for manufacturing went to the production of food and non-alcoholic beverages (25.7%), and building material and metal works (21.8%).

3.4 Tourism (Hotels & Restaurant)

Tourism continues to play a role in the creation of employment, provision of markets for our farmers, income generation, source of foreign exchange, facilitation of training and innovation. The Government continues to allocate resources available to ensure that this sector is developed. At present the Government is investing in the infrastructure that would enable the tourism sector to grow. This includes the construction of an international airport at Argyle and the Hospitality and Maritime Training Institute that is being constructed at Diamond. This institute would provide the requisite training needed to provide excellent service quality and lift the standards of the tourism sector in this country.

Along physical improvements to the tourism plant, there is a noticeable change in commercial bank credit for tourism related purposes, which improved in the review period. Lending to the sector amounted to $37.1 as at September, 2013, representing a 7.3 percent increase relative to the corresponding period in 2012.

For the period in review there was an increase in total visitor arrivals of 2.5 percent when compared with the corresponding period of 2012. Total visitor arrivals as at September 2013 totaled 145, 703 compared with 142,122 in 2012. There was also an increase in sea arrivals of 7.7 percent, which offset the 4.9 percent reduction in air arrivals.

An analysis of visitor arrivals by visitor type indicates that there were increases in yacht and cruise visitors while stay-over and same day visitors registered declines. Despite the decline in stay-over visitors, this category continues to account for the majority of visitors to the country.

Stay-Over Arrivals

A 4.9 percent contraction was recorded in stay-over arrivals as at September, 2013, relative to growth of 1.6 percent in the comparable period in 2012. This was influenced by a reduction in visitors from the major source markets, United States, Canada and Europe. This reduction is attributable to the high cost of travelling to the country as well as slow recovery from the global economic situation. Meanwhile, the high cost of intraregional travel contributed to the 6.6 percent decline in stay-over arrivals from the Caribbean. There was a decline in visitors from the neighbouring islands of Grenada, St. Lucia, Barbados and Trinidad.

Same Day Arrivals

As of September 2013, same-day visitors registered a decline, albeit at a slower rate of 4.6 percent, when compared with a 25.4 percent decline in the corresponding period in 2012. Limited alternatives for cheaper travel within the region have been noted as the main reason for this decline. Additionally, persons are opting for a longer period of stay abroad, when one considers that the cost does not differ from the cost for one day's trip.

Cruise Visitors Arrivals

Cruise arrivals appear to be headed for a turnaround in 2013. As at September, cruise visitors were up by 12.8 percent, a reversal of the 15.8 percent contraction at the same point in 2012. This increase is attributable to an increase in cruise ship calls from 114 to 165. Visitors to all ports improved with visitors to Bequia doubling recording a 110.0 percent increase for the period under review.

Yacht arrivals

For the period under review, yacht arrivals grew at a slower rate of 0.5 percent relative to 0.8 percent at the corresponding period in 2012. Port Chateaubelair recorded 100 percent increase in yacht visitors as there was a turnaround from no visitors to 118 visitors as at September 2013. Port Walliabou also recorded a significant increase percent as yacht visitors to that port increased from 215 as of September 2012 to 2003 for the corresponding period in 2013.

3.5 Construction

Activity in the construction sector has experienced recovery during the period under review. Preliminary data indicate a 16.3 percent increase in the construction activities for the period January to September 2013, compared with the corresponding period of 2012. This increase was largely on account of foreign direct investments such as, the Canouan Marina and Hotel expansion project. Public sector investments, such as the Argyle International Airport and Disaster Vulnerability Reduction projects across the state also played a major role in the performance of the construction sector. Preliminary data also suggest there was an increase in private construction; as credit towards home construction and renovation, increased by 9.7 percent.

Notwithstanding the rebound in housing construction, there seems to be a growing real estate market, giving persons the option of buying existing properties. This assertion can be supported by the 9.9 percent increase in house and land purchase, within recent years.

3.6 Communication

Government continued its thrust in developing the communication sector in St Vincent and the Grenadines in 2013. The following development took place during the period.

St. Vincent and the Grenadines under the Electronic Government for Regional Integration Project (eGRIP) procured the multi-purpose ID system at a cost of US$3.1 million, the tax e-filing system US$1.2 million and the e-tendering system US$0.4m. The e-tendering system is currently being used for the procurement of HIV drugs and other pharmaceuticals.

4. PUBLIC INFRASTRUCTURE

4.1 Public Utility

4.1.1 Energy

Average crude oil prices continued on an elevated level for the third year in a row. Brent crude oil prices, which broadly reflect global market conditions, averaged US$111.6 per barrel as at September 2013, slightly lower than US$112.9 for the corresponding period of 2012. Though not major change increased USA production and refinery maintenance in the USA and other parts of the world have been highlighted for the reduction in the price of crude. This reduction in energy price has been reflected in St. Vincent and the Grenadines' energy importation bill. During the first nine months of 2013, expenditure on petroleum imports amounted to EC$144.2m, a reduction of 11.7% when compared to the EC$163.3m for the same period in 2012.

The Government of St. Vincent and the Grenadines is conscious of the importance of energy towards the enablement of economic activity and the crippling effects of the high and rising costs of imported fuel on these activities. As such, government continues to fashion and implement programmes and policies targeted at reducing the nation's dependence on imported energy. Government policies, as it relates to energy, are crafted within the fundamental principles of energy efficiency, conservation in end-use of all energy sources and exploitation of indigenous non-fossil based energy resources.

In 2013, energy retrofits were carried out on the National Archives and the SVG Coast Guard Base. Plans are now being fashioned to implement solar photovoltaic systems at the Argyle International Airport, the Belle Isle Correctional Facility and the Milton Cato Memorial Hospital in 2014. Funding has been secured to facilitate the implementation of a 500kW Solar PV system at the Argyle International Airport.

Aside from central government, St. Vincent Electricity Services (VINLEC) is also carrying out its own initiatives of solar photovoltaic systems. Presently, VINLEC's stores building have a 177 kilowatt voltaic system which was installed in 2013. VINLEC have designed a programme to implement solar systems on several public building in St Vincent and the Grenadines.

Hydro-electricity continues to be an important source of indigenous non-fossil based energy in St. Vincent and the Grenadines. Just under 20.0 percent of the electricity generation is, on an average, through hydro-electricity. In this regard, this renewable energy source continues to assist in reducing the costs of energy. As at September 2013, hydro-electricity generation stood at 16.4 million kwh. This represents a reduction of 10.3 percent over the 18.2 million kwh recorded in comparative 2012 period. The three hydro-power plants at South Rivers, Richmond, and Cumberland are ageing. Cumberland is just over 25 years this year; Richmond is slightly over 50 years; and South Rivers is even older. The impact of the December floods on significant portions of the hydro-power plants is likely to result in a reduction in hydro-power generation in the immediate future.

4.1.2 Electricity

There was a marginal increase in electricity consumption during the review period compared with the same period in 2012. Electricity consumed amounted to 99.5 million kWh, a 0.5 percent appreciation over the previous year. This development was on account of increased consumption by industrial users (5.1%) and government institutions (1.6%), while consumption by other users remained virtually unchanged. The outturn in consumption of industrial consumers is consistent with increased activity in construction and manufacturing and sectors. The largest category of users continued to be the domestic consumers, accounting for 45.5 percent of total consumption or 45.3 million Kwhs.

4.1.3 Water and Solid Waste

The Central Water and Sewerage Authority (CWSA) financial performance continues to remain stable over the first nine months of 2013 when compared with the same period of last year. There was a 2.1 percent increase in overall water production, with 1.5b gallons for nine months of 2013 compared to 1.4b gallons for the same period last year.
Government continues to invest in infrastructure to secure water for the people of St. Vincent and the Grenadines. As such one (1) 250,000 gallon storage tank has been constructed at Rose Hall at cost of $1.5m. Another will be constructed at Belle Isle at a cost of $1.0 million. These will be financed by local government.
Other capital investments at the CWSA include:

- Construction of a 100,000 storage tank at Sandy Bay.
- Implementation of the first phase of the Grenadines Solid Waste Management Project on Canouan.
- Completion of the planning phase of the Kingstown Sewerage Project Rehabilitation and Upgrade.

Investments will also be made in technologies surrounding water towards this same end. Primarily these will be in Geographic Information Systems and specialized equipment for water monitoring.

5. SOCIAL SECTOR

5.1 Poverty and social development

The government's investment in human development during 2013 focused on expanding on human capabilities as the framework for poverty reduction. In the 2012/2013 academic year, over 225 persons comprising of students, government employees and private nationals were granted government assistance to pursue further education. An additional 106 were granted full or part time scholarships by various donor agencies. These scholarships provided the opportunity to allow the participants to further their education in various countries around the world.

Creating equal opportunities through investments in human capital contributes directly to growth, welfare and social development. This investment enables individuals to develop their skills to improve their living conditions. The2007/08 Country Poverty Assessment indicates that while 30. 2 percent of the population lives in poverty, and 2.7 percent in extreme poverty, an additional 18.0 percent of the population are vulnerable to economic shocks. The government has taken a number of measures in response to this situation. These include:

(a) Public assistance reform

(b) Child care and development

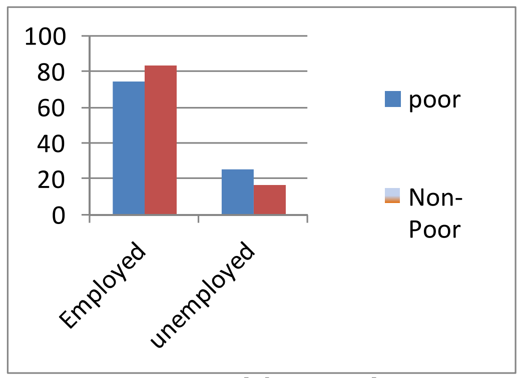
(c) Community development reform

(d) The juvenile justice reform

As indicated in the 2007/08 CPA, reveals that the unemployment rate was 18.8 percent. In that report, it was revealed that a high percent of the poor (74.7 percent) was unemployed.

During the period 2009-2013, the government implemented a number of training programmes in areas such as agriculture and other services, in an attempt to better equip the population to improve their livelihoods. Some of the other areas of training pursued during this same period, included carpentry, bar tendering, hair dressing, auto-mechanics food preparation among others.

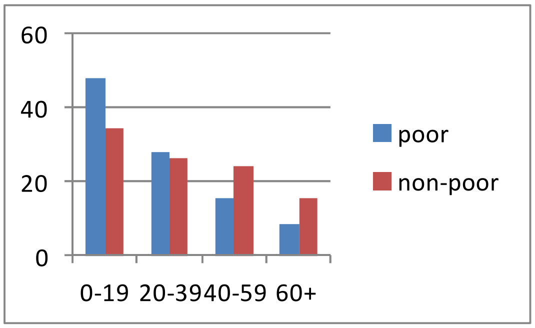
Figure 12: Socio-Economic Status



Source: St. Vincent and the Grenadines Country Poverty Assessment Report 2008

The distribution of the poor by age, revealed that the persons in the 0 to 19 years of age account for 48.2 percent of the poor, while 13.2 percent of the persons 60 years of age or older were found to be poor.

Figure 13: Population by age and Socio-economic Status

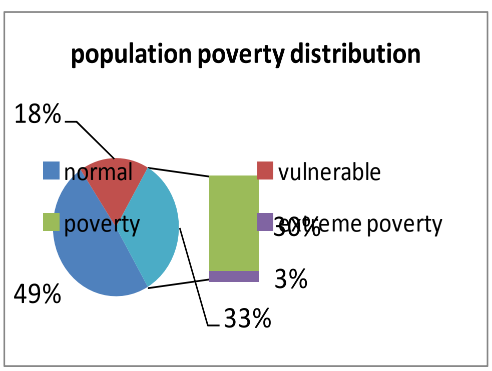


Source: St. Vincent and the Grenadines Country Poverty Assessment Report 2008

The CPA revealed that 30.2 percent of the population is poor. These individuals did not meet the minimum annual consumption expenditure of EC$ 5,523 required to satisfy

the basic food, as well as non-food requirements. While the indigence level was at EC $2,448. Thus, the poverty headcount index was at 30.2 percent, the indigence level 2.9 percent and an additional 18 percent of individuals are vulnerable or at risk of falling into poverty.

Figure 14: Population poverty rates



Source: St. Vincent and the Grenadines Country Poverty Assessment Report 2008

5.2 Social Security and National Assistance

Social Security

The age structure of our Caribbean civilization is changing rapidly and radically. Life expectancy is increasing and birth rates remain at historically low levels. However, this in itself poses a challenge in that there are associated costs of providing pensions for a much larger population of retired people and for a much longer period. In this regard, the government is addressing the question of pension reform, and several initiatives are being advanced.

- **Pension Reform-** Part of the Pension Reform initiative includes pension increases for pension in pay as follows:

Year of Pension Award	Rate of Increase	Effective Date
1 January 2010	1.5%	Will be paid in December 2013, retroactive from December 2012
1January-31 December 2009	3.0%	Will be paid in December 2013, retroactive from December 2012
31December 2008 and before	4.5%	Will be paid in December 2013, retroactive from December 2012

- The age entitlement for a Survivor's

- Benefit for a child will increase from the current 18 years if the child is in full time education to 21 years if the individual (child) is in full time education.

- Maternity Grant will increase from $630 to $660 effective January 1, 2014.

- Funeral Grant will increase from $4,330 to $4525 effective January 1, 2014. This will also apply to Employment Injury Funeral Grants.

- Non Contributory Assistance Age Pension Funeral Grant will increase from $2165 to $2262.50 effective January 1, 2014.

5.3 Education

Pre-primary Education

A review of the sector in 2013 reveals that enrolment at early childhood education centres at the commencement of the 2013/2014 school year was 2,136 males and 2,127 females; this is inclusive of 9 newly established government-owned early childhood education centres.

With regard to pre-primary education, the following were achieved in 2012 - 2013:

1. Training for kindergarten and early childhood education teachers to address school readiness of the pre-schooler and the need for efficient transitioning between preschools and kindergarten. This training was held in collaboration with the Basic Needs Trust Fund (BNTF).

2. Sixty five (65) teachers were trained in developmental appropriate practices in early childhood education.

3. Twenty six (26) teachers were trained in aligning the kindergarten curriculum with developmental appropriate practices.

4. Thirty five (35) preschool teachers also received training in School Safety and Disaster Risk Management facilitated by the National Emergency Management Office (NEMO).

Primary Education

In the area of primary education, a review of the sector as at September 2013 indicates that enrolment in the 61 state-owned and operated primary schools decreased from 13,609 to 13,363 students compared to the same period in 2012. This enrolment was inclusive of 7,058 males and 6,551 females. Additionally, the total number of teachers employed in primary education increased to 890 from 877 in 2012.

The Common Entrance Examination (CEE) examination saw the number of students who sat the exam increase from 2,119 to 2,314 in 2013. The overall pass rate, increased from 53.1 percent in 2012 to 55.8 percent in 2013 with girls outperforming boys, with pass rates of 90.5 percent for English Language, 92.6 percent for General Paper and 91.3 percent for Mathematics compared with pass rates of 72.6 percent in English Language, 79.8 percent in General Paper and 79.5 percent in Mathematics recorded for boys.

During 2013, continuous professional development sessions were conducted in various disciplines aimed at improving teachers' practice and personal development. The following training included the following:

1. Twenty-one of the sixty-six primary schools participated in half-day training sessions dubbed 'Effective use of the OECS Harmonized Language Arts

Curriculum guide' conducted by Education Literacy Officers.

2. Two hundred (200) Grades 5 and 6 teachers took part in 20 hours of training, designed specifically to support teachers in adopting the new assessment model, the Caribbean Primary Exit Assessment (CPEA), now in its implementation phase. The courses were crafted not only to provide additional information on the workings of the CPEA, but also to sharpen pedagogical and assessment competencies. In keeping with the aim to maintain focus in the delivery of the curriculum, the OECS harmonized Social Studies curriculum guide was adopted and introduced to teachers.

3. Literacy and Numeracy Coordinators in primary schools were also brought together to devise strategies for improved teaching and learning in the various subjects. These groupings provide opportunities for collaboration among teachers of various subjects and professional interests.

4. Seventeen primary schools completed the national diagnostic assessment and developed intervention plans to address students' shortcomings.

5. Ninety-eight teachers participated in a two-week professional development workshop on special education needs during the summer vacation of 2013. This was in collaboration with the Canadian Teachers' Federation, the SVG Teachers Union and Pearson International.

The Government of St. Vincent and the Grenadines continues to reduce inequities in the delivery of education through the provision of books through the book-loan scheme, the provision of science equipment and consumables to improve the quality of the teaching of the sciences at the secondary level and enhancing the performance of students in this area.

In 2013, there were 10,394 students enrolled in 26 government owned secondary schools and government assisted secondary schools, island-wide. There was an increase in the performance of secondary education in 2013. Students gaining 5 or more subject passes at the Caribbean Secondary Education Certificate (CSEC) level during 2013 was 58 percent, a slight increase from 56.6 percent recorded in 2012. Passes among females increased to 62.5 percent from 62.1 percent in 2012, while passes among males increased to 52.8 percent from 48.8 percent in 2012. In the category of students sitting 5 subjects or more subjects inclusive of Maths and English, a total of 28.1 percent gained passes over 25.3 percent recorded in 2012.

ICT integration in the Curriculum

A wide range of strategies for the enhancement of teaching and learning are currently employed. ICT integration is used not only as a teaching/learning tool, but also for networking and providing support to teachers and students. Forty teachers are presently enrolled in the Commonwealth Certificate for Teachers in ICT Integration (CCTI) programme. The programme is designed as part of continuing professional development activities for teachers, school leaders and education officers to focus on ICT integration into school management and teaching and learning. It is delivered part-time, by distance learning, and is tutor-supported using materials that are available on a CD or online. Sessions also explored pedagogical techniques in specific disciplines, assessment and using ICT to enhance teaching/learning.

The Committee for the Integration of ICTs (CITE) is in the final stages of completing a Handbook for ICT Integration in the classroom; persons from the COL are now reviewing the document.

School Inspection and Supervision (SIS)

The SIS Unit conducted in-depth training in instructional leadership and school supervision for a wide cross-section of educational leaders throughout the country from secondary schools, primary, technical institutes and adult education officers. On completion of the training phase, the Unit successfully completed comprehensive inspections of two primary schools. During these inspections, quality assurance was provided to these schools and a thorough assessment was made of the standards of educational provision given to the students. The unit provided feedback and support throughout the implementation of the selected interventions. The Inspection Unit is further strengthened by the work of the Curriculum Development Unit which ensures that lesson plans are prepared and subsequently monitors student competence in literacy and numeracy. The Curriculum Development Unit also seeks to improve teacher access to curriculum guides and modes of delivery which best facilitates student learning. Several key tasks have been performed for effective monitoring and evaluation. These include:

- Training of 163 principals, deputy principals and senior teachers of primary and secondary schools in school supervision and monitoring.

- Twelve schools benefitted from on-going professional development in Instructional Leadership.

Student Support

- Thirty-five teachers received their Bachelor's Degree in Counselling (July 2013) and were deployed strategically to previously underserved schools with counselling services to students and their parents.

- The behaviour modification programme to cohorts of Grade 4 students continues with thirty students from Stubbs Primary, Brighton Methodist, Calder Primary and the Argyle Government Schools.
- Remedial reading programmes were provided to ten primary and ten secondary schools for students reading at two or more grade levels below their chronological age.

Challenges

Despite these developments, the Ministry continues to grapple with various challenges. In this regard, and on an on-going basis, the Government, through the Ministry of Education has been putting in place, several measures to improve teacher quality; improve the scope and the relevance of the curriculum; improve student performance; increase access to pre-primary and tertiary education; and improve physical facilities, equipment, learning materials and weaknesses in planning and management. Myriad teacher training programme have been and continue to be devised; and in addition, the incorporation of effective ICT strategies into the education, are combined with the expansion and upgrade of the physical learning and management environment.

5.4 Health

St Vincent and the Grenadines has made commendable progress in promoting the health and well-being of the people. The improvements achieved, based on the indicators of population health, are largely the result of Government's deliberate policies that have emphasized the critical role of health in the economic development of our people and nation, a firm commitment to achieving the United nations **Millennium Development Goals (MDGs),** working within the general parameters of the **World Health Organization (WHO), working** with other global, regional and local partners and agendas as part of it wider responsibility.

The government's policy, now articulated in the N**ational Economic and Social Development Plan 2013-2025** of St. Vincent and the Grenadines, is cognizant of the importance of health in development, as well as an outcome of development and the priority the health sector must be given; hence the vision of the modernization of the Health Sector in St. Vincent and the Grenadines.

The Government is cognizant of the fact that to effectively deliver quality health services, there is need for expansion of and improvement to the services and the professional workforce.
In this regard, the Ministry is continuing to implement a Euro$8.6m project funded by the European Union and the Government of St. Vincent and the Grenadines for the modernization of the national Health sector. The overall objective of this project is to improve the delivery of health care services. The support received is being used to:

- Conduct a National Health and Nutrition Survey
- Construct new infrastructure and repairs to facilities in need
- Purchase essential equipment, including (IT equipment), furnishings, ambulances
- Complete the National Health Information System "roll out"
- Develop human resources (training of over 50 persons in the areas of health and the environment)
- Develop a Wellness Communication Strategy

During 2013 a number of infrastructural works were completed**.**

1. Lowmans Windward Clinic was completed with the assistance of the BNTF programme.

2. Port Elizabeth Clinic and Hospital was completed at a cost of EC$0.7m opened March 2013. This represents phase one of this project. Phase two of the project will see the complete renovation of the Port Elizabeth Hospital at a cost of EC$1.0m. This facility will be reopened in the first quarter of 2014.

Meanwhile other works are also on-going or scheduled to begin soon: These include:

1. The Clare Valley Clinic Refurbishment project.

2. Pediatric Ward at the Milton Cato Memorial Hospital which is currently being renovated through assistance from the Mustique Charitable Trust in collaboration with the International Children's Hospital.

3. Georgetown Smart Hospital was retrofitted with financial support (US $0.34m) from UKAID, Department for International Development/ PAHO and with the full support of the Ministry of Health. The aim is to bridge the gap between environmental performance or climate proofing and hazard resilience and disaster risk reduction. It is one of two projects being conducted in the region.

4. Further, in the area of infrastructure, several pieces of critical equipment were provided to improve health services. These included supplies to Stubbs Polyclinic and to several departments of the MCMH, financed by various agencies including the CDB's BNTF, the ROC and the EU, through the 10^{th} EDF resources.

5. Construction of the Modern Medical Complex (MMC) at Georgetown continued during the period with the injection of EC$10.0m dollars. This facility is moving towards a stage of completion. This facility is designed to enhance the country's capability to provide more complex diagnostic services.

Human Resource Development

Training and development continued throughout the year to strengthen health care and services delivery and improve quality. Awards for specialised areas such as dentistry, cytology, health services management, anesthesia, environmental and public health, inter alia, were given priority.

In July 2013, the Ministry of Health, Wellness and the Environment (MOHWE) launched a national health and nutrition survey to obtain strategic and country-specific information in relation to selected chronic non-communicable diseases (CNCDs) such as diabetes, hypertension and cardiovascular conditions, among others. Together with the data from the NHNS the Ministry will develop and roll out a Wellness Communication Strategy and refine a Wellness Policy to advance and elaborate the government's Wellness thrust.

One significant achievement that has been made is the progress with regard to infant and child mortality rates. Infant mortality rates which was 23.1 in 2011 reduced by nearly one half putting St. Vincent and the Grenadines closer to its MDG target of 6.9. This has been made possible through the contributions from the World Pediatric Project which provides training and technical Assistance to the unit.

6. PUBLIC SECTOR INVESTMENT PROGRAMME

6.1 Overall performance

The importance of investment in social and economic infrastructure cannot be overemphasized as it provides opportunities for employment and poverty alleviation. It is through these investments that access to livelihood opportunities and critical services such as transport, health, education, housing, water and sanitation are provided. However, our ability to finance these much needed projects is to some extent, constrained by the realities of the global economic slowdown. The slow economic recovery in St. Vincent and the Grenadines continues to manifest itself in tight fiscal conditions. Revenue collections in 2013 were lower than in 2012, while the demands for health care, education, infrastructure development, maintenance and repair, and other services remain high. The economic situation has been exacerbated by the December floods which claimed lives, displaced many, and resulted in extensive damage to the built infrastructure.

In 2013 the planned capital investment budget was EC$176.9m, financed by external grants (28.3 percent) external loans (30.6 percent), domestic revenue (8.6 percent) and local loans (32.5 percent). General Public Services was budgeted at 8.0 percent; Public Order and Safety at 5.1 percent; Economic Affairs 36.8 percent; Environmental Protection 12.0 percent; Housing and Community Amenities 7.2 percent; Health 11.6 percent; Recreation, Culture and Religion 1.9 percent; Education 17.0 percent and Social Protection 0.5 percent. During the year, the budget was revised to approximately $388.5m, primarily on account of the supplementary appropriation to fund the construction of the Argyle International Airport.

Preliminary figures for 2013 show that Central Government's capital spending amounted to EC$124.2m or 32.0 percent of the revised capital budget. This amount includes approximately $83.0m to fund ongoing construction of the Argyle international airport. Other major on-going projects in 2013 include the Modern Medical Complex, the Population and Housing Census, the Vermont-Francois Bridge, Langley Park River Basin Rehabilitation, and the Tourism and Private Sector Project. Generally, implementation delays and the availability of lower than required domestic capital financing

A sum of $257.2m has been budgeted for the 2014 capital investment programme. As usual, this sum is based primarily on requests made by ministries for the implementation of priority projects and programmes for the year. Funding for the PSIP has been earmarked from domestic resources (revenue and loans) 27.2 percent, bilateral and multilateral grants (25.5 percent) and loans (47.3 percent), mainly from the EU, Government of Venezuela, Petro Caribe, and the Government of Taiwan. Approximately 93.6 percent of the 2014 capital budget is projected to be spent in five key sectors, namely; Economic Affairs (61.4 percent), Education (11.2 percent), Health (8.7 percent), Environmental Protection (6.2 percent) and Housing and Community Amenities (6.1 percent). These are the main sectors that have been affected by the December 2013 flood. Consequently, additional financing is required and is being mobilized for clean up, rehabilitation and reconstruction.

While activities in 2014 will be concentrated in the five sectors discussed earlier , investments in the other four sectors – General Public Services, Public Order and Safety, Recreation and Culture; and Social Protection- will also be given due importance.

6.2 Sector Performance

Economic Affairs

Approximately 61.4 percent of the 2014 capital programme has been earmarked for investment in the economic sectors (roads, airport, port, energy, agriculture, forestry, fisheries, tourism and ICT. The single largest project is the construction of the Argyle International Airport, with an allocation of $99.5m or 37.5 percent of the overall capital budget.

This year significant resources (approximately $23.9 million) have been budgeted for the reconstruction and upgrading of roads and bridges to facilitate access, and to extend the economic life of the road network. The projects include, Rehabilitation of South Leeward Highway, Rehabilitation of the Vigie Highway (including Ginger Village), Rehabilitation of Roads (Brighton, Montreal, and Carapan etc), the Natural Disaster Management Project (mainly roads and bridges), Rehabilitation of Congo Valley Road and the Rehabilitation of Murray's Road.

Other major investments in the economic sector include the Agriculture Modernization Project; Tourism and Private Sector Development Project (Hospitality & Maritime Institute); and the Caribbean Communication Infrastructure Programme (CARCIP). In addition to these projects, the damaged infrastructure post December 2013 will be addressed during this year.

Housing and Community Amenities

Six (6) percent of the 2014 capital budget has been allocated to Housing and Community Amenities, compared with seven (7) percent in 2013. The major projects that will be implemented in 2014 are the Housing Development Programme and the Gibson Corner resettlement Project. The former, which is a new project to be funded by Petro Caribe, is designed to provide material for the enhancement of the housing stock, while infrastructure development at the Pembroke and the Diamond relocation sites is planned for the Gibson Corner project. However, in view of the extensive damage to the housing stock by the December flood, the allocation for this sector will be increased. Funds will be provided to undertake rehabilitative work, and for the relocation of affected and vulnerable residents. In addition to housing, the water distribution system sustained major damage and financing will be provided to commence the reconstruction of the damaged water intakes and distribution lines.

Environmental Protection

As outlined in the 2013 – 2025 National Economic and Social Development Plan, the environment is one of the development pillars. Six percent (6%) of the 2014 Capital budget has been allocated for environmental protection. The major ongoing initiatives include the Regional Disaster Vulnerability Project, and several Global Environment Facility (GEF) grant funded projects to address issues relating to biodiversity, biosafety/biotechnology, and desertification.

The main objectives of the RDVRP are to reduce the risk of the population to the failure of public buildings and infrastructure due to natural hazards or climate change impacts; and to increase SVG's capacity to identify and monitor climate risk and impacts. Meteorological equipment including weather stations and flow meters, are some of the equipment that are being provided to strengthen the Met Office and CWSA. Hazard mapping, coastal defence, flood mitigation and slope stabilization in Georgetown, Arnos Vale, Dark View and German Gutter are some of the main activities that will be implemented under this project. The completion of studies to inform the designs will be a major focus in 2014.

Given the recent floods, efforts would be made to strengthen flood prone inhabited areas by addressing issues relative to river defence and drainage system and structures. Additional funding will have to be made available to address priority areas in the affected communities.

Health

Improving health care services is vital, and investments in health care delivery will continue to be high on the development agenda. Approximately 8.6 percent of the 2014 capital budget has been allocated to the health sector. The comparative figure for 2013 is 11.6 percent. The change is mainly on account of the difference in the size of the overall capital programme. No new projects will be implemented in 2014, instead the ministry will focus on executing the current suite of ongoing projects which include the EU funded Modernization of the Health Sector Project, the Modern Medical Complex and the Refurbishment of the Milton Cato Memorial Hospital. The December floods also resulted in damage to the MCMH, and in additional to rehabilitation of affected areas in the hospital and the repair and replacement of damaged equipment, attention will also focus on the drainage system in the vicinity of the hospital. While provision is made under the RDVRP for assessing the feasibility of the relocation of the hospital, any relocation is not envisaged in the short to medium term. Hence, flood mitigation measures will be actively pursued.

Education

The education sector is vital to unlocking our growth potential. As in 2013, investments in education will continue to focus mainly on promoting the use of ICT in education, and on technical and vocational education. The expansion of the Community College was completed in 2013 at a cost of approximately $30.0m. The implementation of the CDB funded Technical and Vocational Education Programme will continue in 2014, while the One Laptop per Student Phase II, under which secondary and post secondary school students will be provided with a laptop free of cost, will be executed in 2014.

Financing

Financing the capital investment programme of the Government, is a critical undertaking which requires maintaining a balance between development needs and debt management. The full extent of the additional capital financing requirements over the medium term, beginning financial year 2014, will largely be determined by the results of the damage assessment report of the December 2013 floods. That preliminary assessment completed by the World Bank, indicates that the damage to road infrastructure, electricity and water infrastructure, housing as well as public and private buildings amounted to in excess of EC$290.0 million.

The additional financing will be aligned with the debt management strategy, in that most of the funding is expected to be in the form of grants and concessional finance. Already some resources have been secured from the Caribbean Development Bank, the World Bank and the ROC, and discussions are ongoing with these and other multilateral and bilateral donor agencies for financing the recovery effort.

7. DEVELOPMENT PROSPECTS

Economic activity is projected to improve for the rest of the year, based on performance observed for the first nine months of 2013. Real growth in excess of 2.5 percent is expected in 2013. This performance is driven mainly by improved activity in construction, agriculture and the whole sale and retail trade sectors.

Construction activity is expected to continue to expand as work on several the major public sector projects such as the Argyle international airport, the Hospitality and Marine Training Institute accelerates. Meanwhile, construction activity in some key tourism related private sector projects continues to improve. .

The overall fiscal deficit is expected to continue to widen in 2013. Tax revenue is projected to increase, this is consistent with this improvement of economic activity. Efforts are continuing to control current expenditure and more emphasis will be placed on the collection of outstanding arrears.

Merchandise trade is projected to increase based on the higher levels of imports and exports realized during the first three quarters of 2012 over 2012. The improvement in the stability of the global financial markets may result in higher inflows for foreign direct investment.

A recovery of economic activities in the advanced economies should have positive effects on economic activity in St. Vincent and the Grenadines, impacting tourism, remittances and foreign direct investments.

These activities can have positive spill offs on the domestic labour market and ultimately domestic consumption and overall welfare.

8. ANNEXES

Table 1: Point-to-Point Inflation Rate January to September

	2008	2009	2010	2011	2012	2013
January	9.4	7	-1.8	1.7	4.3	1.5
February	10.1	5.3	-0.7	1.7	4	1.4
March	11.6	4.3	-0.1	1.8	3.9	1.7
April	10.2	3.9	1.1	1.8	3.6	1.8
May	9.4	-0.4	1.6	2.2	3.6	1
June	11	-1	1.4	3.1	2.8	0.9
July	10.5	-1.1	1.5	3.1	3.3	-0.3
August	10.1	-1.8	0.9	4.4	1.9	0.5
September	11.6	-2.9	1	4.6	0.9	0.9
AVERAGE	**10.4**	**1.5**	**0.5**	**2.7**	**3.1**	**1.0**

Source: Statistical Office, Central Planning Division, Ministry of Finance & Economic Planning

Table 2: Central Government Fiscal Operations (EC$M)

Details	Jan - Sept 2011	Jan - Sept 2012	Jan - Sept 2013
TOTAL REVENUE & GRANTS	365.3	347.8	410.0
CURRENT REVENUE	331.2	336.6	370.1
Taxes on Income and Profits	81.7	86.2	90.3
Taxes on Property	2.2	2.0	2.9
Taxes on International Trade	121.5	122.8	133.9
Taxes on Domestic Transactions	78.9	86.9	95.8
Licences	15.4	15.6	20.1
Fees, Fines and Permits	13.3	12.9	14.7
Interest, Rent and Dividends	5.3	4.1	6.5
Other Revenue	12.7	6.1	6.0
CAPITAL REVENUE & GRANTS	34.2	11.1	39.8
Sale of Crown Lands	1.1	0.9	0.8
Grants	25.7	6.0	24.0
Other	7.4	4.3	15.2
TOTAL EXPENDITURE	404.6	376.7	478.8
RECURRENT EXPENDITURE	370.9	354.4	386.3
CAPITAL EXPENDITURE	33.6	22.3	92.5
CURRENT BALANCE	-39.8	-17.8	-16.2
PRIMARY BALANCE	-7.1	0.8	-32.9
OVERALL BALANCE (Before Grants)	-64.9	-34.9	-92.8
OVERALL BALANCE (After Grants)	-39.2	-28.9	-68.8

Source: Ministry of Finance & Economic Planning

Table 3: Debt Composition EC$M

	Sept 2013	Sept 2012	% Change
Total Public Debt	**1378.4**	**1312.4**	**5.0**
External Debt	**776.0**	**747.3**	**3.8**
Central Government	689.8	657.7	4.9
Public Corporation	86.2	89.7	-3.8
Domestic Debt	**602.5**	**565.1**	**6.6**
Central Government	473.4	462.6	2.3
Public Corporation	129.1	102.5	26.0
Disbursements	**143.9**	**79.8**	**80.3**
External	69.1	10.2	577.5
Domestic	74.8	69.6	7.5
Central Government Debt Service	**93.7**	**84.1**	**11.3**
External Debt	**49.6**	**53.5**	**-7.2**
Amortisation	35.8	37.5	-4.5
Interest Payments	13.8	16.0	-13.7
Domestic Debt	**44.0**	**30.6**	**43.8**
Amortisation	22.7	12.9	76.1
Interest Payments	15.9	13.8	15.3
Sinking Fund Contributions	5.5	4.0	37.5
Revenue	**341.0**	**336.6**	**1.3**
Debt Service/Revenue (%)	**27.5**	**25.0**	**10.0**

Source: Ministry of Finance and Economic Planning

Table 4: Merchandise Trade January to September (EC$M)

	2009	2010	2011	2012	2013
Total Exports	**103.9**	**83.3**	**73.7**	**83.9**	**95.0**
Total Domestic Exports	81.3	70.4	63.0	74.6	83.0
Total Re-exports	22.6	12.9	10.7	9.3	12.0
Total Imports	**660.8**	**667.1**	**661.4**	**709.3**	**747.7**
Trade balance	(556.9)	(583.8)	(587.7)	(625.4)	(652.7)
Imports by S.I.T.C Sections	**660.8**	**667.1**	**661.4**	**709.3**	**747.7**
Food & Live Animals	129.5	132.3	147.0	162.3	153.7
Beverages and Tobaco	19.7	24.4	24.1	24.2	23.2
Crude Materials, Inedible Except Fuels	16.7	17.6	16.1	16.6	17.0
Mineral Fuels & Related Materials	129.4	90.0	126.8	163.1	143.5
Animal & Vegetable Oils, Fats & Waxes	3.6	2.7	2.9	3.0	3.2
Chemicals & Related Products	51.9	51.0	47.9	52.3	62.2
Manufactured Goods	120.3	115.8	112.4	109.9	136.8
Machinery & Transport Equipment	122.7	152.0	120.3	116.6	129.5
Miscellaneous Manufactured Articles	66.9	81.4	64.0	61.3	78.5
Commodities & Transactions not classified elsewhere in SITC	0.0	0.0	0.0	0.0	0.0
Exports by S.I.T.C Sections	**103.9**	**83.3**	**73.7**	**83.9**	**95.0**
Food & Live Animals	63.0	54.3	47.3	55.3	58.4
Beverages and Tobaco	5.4	4.7	5.1	7.2	10.6
Crude Materials, Inedible Except Fuels	1.5	1.6	2.6	2.5	1.4
Mineral Fuels & Related Materials	0.9	0.0	0.1	0.1	0.1
Animal & Vegetable Oils, Fats & Waxes	0.0	0.0	0.0	0.0	0.0
Chemicals & Related Products	0.6	0.3	0.5	0.4	0.3
Manufactured Goods	10.4	10.0	9.8	9.4	11.7
Machinery & Transport Equipment	18.8	10.2	5.4	6.0	9.1
Miscellaneous Manufactured Articles	3.3	2.2	3.1	3.1	3.4
Commodities & Transactions not classified elsewhere in SITC	0.0	0.0	0.0	0.0	0.0

Source: Statistical Office, Central Planning Division,
Ministry of Finance & Economic Planning

Table 5: Visitor Arrivals by Visitor Type

Vistor Type	Jan - Sept 2009	Jan - Sept 2010	Jan - Sept 2011	Jan - Sept 2012	Jan - Sept 2013	% Change 2010	% Change 2011	% Change 2012	% Change 2013
BY AIR									
Stay Overs	55,591	54,322	55,479	56,368	53,594	-2.3	2.1	1.6	-4.9
Same Day	3,947	3,999	3,136	2,339	2,232	1.3	-21.6	-25.4	-4.6
Sub Total	**59,538**	**58,321**	**58,615**	**58,707**	**55,826**	-2.0	0.5	0.2	-4.9
BY SEA									
Yacht	30,578	31,364	33,697	33,982	34,140	2.6	7.4	0.8	0.5
Cruiseship	101,614	70,573	58,695	49,433	55,737	-30.5	-16.8	-15.8	12.8
Sub Total	**132,192**	**101,937**	**92,392**	**83,415**	**89,877**	-22.9	-9.4	-9.7	7.7
TOTAL	**191,730**	**160,258**	**151,007**	**142,122**	**145,703**	-16.4	-5.8	-5.9	2.5

Source: St. Vincent and the Grenadines Tourism Authority

Table 6: Stay-over Visitors by Country of Residence

Country	Jan - Sep 2013	Jan - Sep 2012	Actual Change	% Change
USA	15045	16332	-1287	-7.9
Canada	5282	5391	-109	-2.0
Caribbean	**16591**	**17770**	**-1179**	**-6.6**
Antigua	678	710	-32	-4.5
Barbados	4636	5030	-394	-7.8
Grenada	722	760	-38	-5.0
St. Lucia	1357	1498	-141	-9.4
Trinidad	5354	5830	-476	-8.2
French Caribbean	206	177	29	16.4
Dutch Caribbean	238	296	-58	-19.6
Other Caribbean	3400	3469	-69	-2.0
Europe	**15001**	**15035**	**-34**	**-0.2**
UK	11287	11145	142	1.3
France	722	848	-126	-14.9
Germany	573	513	60	11.7
Italy	603	740	-137	-18.5
Sweden	270	258	12	4.7
Switzerland	273	308	-35	-11.4
Belgium	86	66	20	30.3
Spain	103	114	-11	-9.6
Ireland	148	130	18	13.8
Holland	106	64	42	65.6
Norway	102	111	-9	-8.1
Other Europe	728	738	-10	-1.4
Latin America	740	867	-127	-14.6
Other Countries	935	973	-38	-3.9
Total	**53594**	**56368**	**-2774**	**-4.9**

Source: St. Vincent and the Grenadines Tourism Authority

Table 7: Cruise Visitors by Port of Entry

Port of entry	Jan-Sep 2012	Jan-Sept 2013	Actual Change	% change
Kingstown	37,371	39,663	2,292	6.1
Bequia	3,561	7,480	3,919	110.0
Union Island	8,501	8,594	93	1.1
Total	49,433	55,737	6,304	12.8

Source: St. Vincent and the Grenadines Tourism Authority

Table 8: Yacht Visitors by Port of Entry

Port of entry	Jan-Sep 2012	Jan-Sept 2013	Actual Change	% change
Kingstown	3,814	1832	-1982	-52.0
Bequia	19,937	20,650	713	35.8
Mustique	970	1,194	224	23.1
Canouan	496	351	-145	-29.2
Walliabou	215	2,003	1,788	831.6
Union Island	8,550	7,992	-558	-6.5
Chateaubelair	0	118	118	100.0
Total	33982	34140	158	0.5

Source: St. Vincent and the Grenadines Tourism Authority

Table 9: Distribution of National Assistance Jan – Sept 2013

	No of Persons	**Amount (EC$)**
Basic amenities	350	111,778.33
Medical	139	44,596.83
School fees	34	20,495.00
Uniforms	74	27,584.88
Transportation	450	62,795.00
Exam fees	2	531.00
Rent	100	28,240.00
Immediate	64	24,530.00
Utilities	67	18,288.17
COLS Support	1	17,145.00
Teen Mothers	1	120.00
Funeral	61	99,256.80
Fire Victim	3	3,292.87
Foster Care	137	298,100.00
Materials	320	284,108.09
Meals	378	71,095.00
Miscellaneous	51	29,336.50
TOTAL	**2,232**	**1,141,293.47**

Source: Ministry of National Mobilisation

Table 10: Analysis of PSIP by Type and Source of Funds

Type /Source of Funds	2012 Actual Expenditure (EC$M)	2013 Actual Expenditure (EC$M)	2012 Proportion of Total (%)	2013 Proportion of Total (%)
Grants:				
Caribbean Development Bank	168,154	126,425	0.8	0.2
Climate Investment Fund	-	172,012	-	0.3
European Union	2,135,488	1,835,793	9.6	2.9
Global Environment Facility	273,047	106,793	1.2	0.2
Pan American Health Organisation	25,686	61,462	0.1	0.1
Republic of China (Taiwan)	1,609,696	2,961,479	7.2	4.7
United Nation Children's Fund	135,943	-	0.6	-
United Nation Environment Programme	-	140,584	-	2.0
Total Grants	**4,348,014**	**5,404,548**	**19.5**	**10.4**
External Loans:				
Climate Investment Fund	-	67,210	-	0.1
International Development Agency	-	509,513	-	0.8
Republic of China (Taiwan)	-	223,676	-	0.4
Venezuela	-	30,000,000		47.9
Total External Loans		**30,800,399**	**-**	**49.2**
Domestic Loans	**8,244,774**	**14,134,201**	**36.9**	**22.6**
Domestic Revenue	**9,737,697**	**12,237,100**	**43.6**	**19.6**
TOTAL	**22,330,485**	**62,576,248**	**100.0**	**100.0**

Source: Ministry of Finance and Economic Planning

Table 11: Scholarship Distribution by Sponsors 2013

SPONSORS	**TOTAL**
National Scholars (Exhibition, Special Awards etc)	50
Non-Government Employees Granted Economic Cost	113
Government Employees Granted Study Leave	112
Australia	6
Austria	3
Azerbaijan	2
Canada (Maritime)	2
Commonwealth – New Zealand	1
Cuba	40
Morocco	2
OAS	5
OAS – China	1
Russia	14
Santo Domingo	8
Taiwan	25
Turkey	3
Venezuela	64
TOTAL	**451**

Source: Services Commission Department

Table 12: GDP BY ECONOMIC ACTVITY, AT BASIC PRICES, IN CURRENT PRICES: 2008 – 2012 (EC$M)

SECTOR	2008	2009R	2010R	2011	2012
Agriculture, Hunting & Forestry	**99.44**	**99.35**	**104.06**	**108.91**	**108.03**
Crops	77.95	77.87	86.39	87.77	88.82
Bananas	8.95	6.94	4.83	0.52	0.50
Other Crops	69.01	70.93	81.56	87.25	88.32
Livestock	20.44	20.47	16.69	20.17	18.27
Forestry	1.04	1.01	0.98	0.96	0.94
Fishing	**6.49**	**8.51**	**7.75**	**7.24**	**6.93**
Mining & Quarrying	5.02	5.21	4.11	3.07	2.29
Manufacturing	76.81	81.26	88.70	86.67	79.83
Electricity & Water	**62.09**	**63.11**	**70.88**	**66.39**	**72.91**
Electricity	48.25	48.59	56.17	53.33	58.75
Water	13.84	14.52	14.71	13.06	14.16
Construction	156.81	145.57	139.44	137.18	134.59
Wholesale & Retail Trade	254.53	226.53	222.28	219.44	228.61
Hotels & Restaurants	**50.41**	**35.60**	**31.73**	**37.45**	**37.56**
Hotels	38.79	25.61	22.68	26.09	26.17
Restaurants	11.62	9.99	9.05	11.37	11.39
Transport, Storage and communications	**233.96**	**222.04**	**217.44**	**216.29**	**219.76**
Transport and Storage	**153.03**	**150.10**	**150.61**	**145.35**	**146.78**
Road	110.34	113.02	110.12	109.11	110.68
Sea	14.86	10.06	13.47	13.42	13.61
Air	4.41	8.31	8.10	7.50	6.94
Supporting and auxiliary transport activities	23.42	18.72	18.93	15.33	15.56
Communications	***80.93***	***71.94***	***66.83***	***70.94***	***72.98***
Financial Intermediation	**119.97**	**111.31**	**114.13**	**94.91**	**105.76**
Banks & Other Financial Institutions	84.00	77.34	80.01	64.61	69.10
Insurance and pension funding	31.82	30.05	29.60	27.07	34.35
Activities auxiliary to financial intermediation	4.14	3.92	4.52	3.24	2.31
Real Estate, Renting and Business Activities	**235.52**	**231.07**	**236.20**	**242.34**	**244.64**
Owner Occupied Dwellings	163.86	165.71	169.94	171.36	172.72
Real estate activities	27.86	28.13	28.85	29.06	29.26
Renting of machinery and equipment	7.82	7.04	6.76	7.11	7.34
Computer and related activities	7.23	5.18	4.08	6.88	7.14
Business Services	28.75	25.00	26.58	27.93	28.18
Public Administration, Defence & Compulsory Social Security	**130.66**	**143.43**	**168.59**	**178.04**	**187.28**
Education	**71.88**	**83.74**	**85.81**	**92.16**	**96.80**
Health and Social Work	**45.20**	**43.65**	**47.59**	**49.25**	**51.78**
Other community, social & personal services	39.39	40.48	34.55	32.59	35.14
Private Households with Employed Persons	4.01	4.29	4.58	4.74	4.91
Less FISIM	21.50	19.23	21.00	19.05	20.21
Gross Value Added at Basic Prices	**1,570.69**	**1,525.92**	**1,556.86**	**1,557.62**	**1,596.61**
GROWTH RATE	**-0.46**	**-2.85**	**2.03**	**0.05**	**2.50**
Taxes on products	307.94	297.38	284.36	271.4	279.32
Less Subsidies	1.05	1.15	1.52	1.1	1.1
GDP at Market Prices	**1,877.58**	**1,822.15**	**1,839.70**	**1,827.92**	**1,874.83**
GROWTH RATE	1.66	-2.95	0.96	-0.64	2.57

Source: The Statistical Office, Central Planning Div., Min. Finance & Economic Planning

Table 13: GDP BY ECONOMIC ACTIVITY AT BASIC PRICES, IN CONSTANT (2006) PRICES: 2008 – 2012 (EC$M)

SECTOR	2008	2009R	2010R	2011	2012
Agriculture, Hunting & Forestry	**87.74**	**99.11**	**81.06**	**81.09**	**82.80**
Crops	66.88	67.05	63.14	62.15	64.40
Bananas	12.61	10.77	6.31	0.93	1.23
Other Crops	54.27	56.28	56.83	61.22	63.16
Livestock	19.94	31.17	17.06	18.10	17.61
Forestry	0.91	0.89	0.86	0.84	0.80
Fishing	**5.31**	**7.47**	**6.34**	**6.15**	**5.23**
Mining & Quarrying	5.00	5.13	4.01	3.02	2.13
Manufacturing	69.60	63.94	62.22	65.84	64.34
Electricity & Water	**58.10**	**59.98**	**57.25**	**56.00**	**58.72**
Electricity	42.70	43.18	42.65	42.73	44.34
Water	15.39	16.80	14.60	13.27	14.38
Construction	139.89	128.27	124.27	120.08	115.84
Wholesale & Retail Trade	243.94	224.10	222.09	212.50	215.75
Hotels & Restaurants	**46.62**	**38.23**	**32.81**	**33.94**	**32.90**
Hotels	35.08	27.50	22.49	23.77	22.82
Restaurants	11.53	10.73	10.32	10.18	10.08
Transport, Storage & Communication	**217.04**	**213.27**	**209.91**	**209.24**	**210.77**
Transport, Storage	154.80	154.96	156.22	156.00	157.06
Road	109.67	111.68	113.22	114.16	114.85
Sea	16.51	16.92	16.50	16.02	16.25
Air	2.07	1.86	1.82	1.75	1.71
Supporting and auxiliary transport activities	26.56	24.50	24.69	24.07	24.26
Communications	**62.24**	**58.32**	**53.69**	**53.24**	**53.71**
Financial Intermediation	**104.36**	**101.93**	**95.68**	**99.20**	**107.51**
Banks & Other Financial Institutions	74.02	73.83	72.26	69.64	71.84
Insurance and pension funding	27.30	25.00	20.51	26.88	32.95
Activities auxiliary to financial intermediation	3.04	3.10	2.91	2.69	2.72
Real Estate, Renting & Business Services	**233.98**	**230.15**	**229.51**	**230.85**	**231.79**
Owner Occupied Dwellings	163.86	165.71	165.86	167.25	168.58
Real estate activities	27.86	28.13	28.16	28.36	28.56
Renting of machinery and equipment	8.99	7.95	7.77	7.83	7.83
Computer and related activities	8.49	5.76	4.44	4.61	4.78
Business services	24.78	22.59	23.29	22.80	22.04
Public Administration, Defence and Compulsory Social Security	**121.48**	**132.73**	**144.49**	**150.59**	**156.01**
Education	**60.58**	**62.33**	**61.47**	**62.90**	**66.16**
Health and Social Work	**40.58**	**39.54**	**40.26**	**42.13**	**43.53**
Other community, social & personal services	29.42	27.92	30.71	31.72	33.80
Private Households with Employed Persons	3.35	3.11	3.16	3.21	3.41
Less FISIM	18.41	18.02	18.10	17.44	18.48
Gross Value Added at Basic Prices	**1,448.56**	**1,419.20**	**1,387.15**	**1,391.02**	**1,412.21**
GROWTH RATE	**-0.48**	**-2.03**	**-2.26**	**0.28**	**1.52**
Taxes on products	284.00	276.58	253.36	242.37	247.06
Less Subsidies	0.97	1.07	1.35	0.98	0.97
GDP at Market Prices	**1731.59**	**1694.71**	**1639.16**	**1632.41**	**1658.30**
GROWTH RATE	1.64	-2.13	-3.28	-0.41	1.59

Source: The Statistical Office, Central Planning Div., Min. Finance & Economic Planning

Table 14: RATE OF GROWTH OF GROSS VALUE ADDED BY ECONOMIC ACTIVITY, AT BASIC PRICES, IN CONSTANT (2006) PRICES: 2008 – 2012 (EC$M)

SECTOR	2008	2009R	2010R	2011	2012
Agriculture, Hunting & Forestry	**-0.83**	**12.96**	**-18.21**	**0.05**	**2.11**
Crops	-3.87	0.25	-5.84	-1.56	3.61
Bananas	-9.86	-14.60	-41.44	-85.20	31.90
Other Crops	-2.37	3.71	0.97	7.72	3.18
Livestock	11.05	56.29	-45.26	6.09	-2.72
Forestry	-2.00	-3.00	-3.00	-2.00	-4.94
Fishing	**-34.67**	**40.68**	**-15.15**	**-3.01**	**-14.93**
Mining & Quarrying	5.06	2.73	-21.83	-24.73	-29.60
Manufacturing	2.62	-8.13	-2.69	5.82	-2.27
Electricity & Water	**-1.58**	**3.24**	**-4.54**	**-2.19**	**4.86**
Electricity	-2.31	1.11	-1.21	0.19	3.76
Water	0.51	9.17	-13.09	-9.14	8.40
Construction	-10.32	-8.30	-3.12	-3.37	-3.53
Wholesale & Retail Trade	3.87	-8.13	-0.90	-4.32	1.53
Hotels & Restaurants	**-5.50**	**-17.98**	**-14.19**	**3.46**	**-3.08**
Hotels	-6.94	-21.60	-18.24	5.69	-3.97
Restaurants	-0.81	-6.98	-3.79	-1.39	-1.00
Transport, Storage & Communications	**1.33**	**-1.74**	**-1.58**	**-0.32**	**0.73**
Transport & Storage	**1.15**	**0.10**	**0.82**	**-0.14**	**0.68**
Road	3.46	1.84	1.38	0.83	0.61
Sea	-8.27	2.46	-2.49	-2.90	1.42
Air	-0.53	-10.27	-2.07	-3.88	-2.42
Auxiliary transport activities and storage	-1.52	-7.73	0.75	-2.48	0.77
Communications	**1.80**	**-6.30**	**-7.94**	**-0.83**	**0.87**
Financial Intermediation	**-1.32**	**-2.33**	**-6.13**	**3.68**	**8.38**
Banks & Other Financial Institutions	-2.83	-0.26	-2.13	-3.63	3.16
Insurance and pension funding	2.48	-8.42	-17.96	31.05	22.60
Activities auxiliary to financial intermediation	3.23	2.00	-6.05	-7.61	1.18
Real Estate, Renting & Business Services	**2.10**	**-1.64**	**-0.28**	**0.58**	**0.41**
Owner Occupied Dwellings	1.27	1.13	0.09	0.84	0.79
Real estate activities	1.11	0.99	0.08	0.74	0.70
Renting of machinery and equipment	1.13	-11.57	-2.32	0.86	0.00
Computer & Related services	38.85	-32.17	-22.95	3.82	3.82
Business Services	-0.04	-8.85	3.11	-2.13	-3.34
Public Administration, Defence and	**8.27**	**9.27**	**8.86**	**4.22**	**3.60**
Compulsory Social Security					
Education	**-20.35**	**2.89**	**-1.39**	**2.33**	**5.19**
Health & Social Work	**5.43**	**-2.56**	**1.82**	**4.65**	**3.32**
Other Community , Social & Personal services	18.26	-5.10	10.00	3.28	6.55
Private Households with Employed Persons	9.42	-7.17	1.55	1.55	6.27
Less FISM	10.80	-2.14	0.43	-3.62	5.95
TOTAL	**-0.48**	**-2.03**	**-2.26**	**0.28**	**1.52**

Source: The Statistical Office, Central Planning Div., Min. Finance & Economic Planning