BUDGET 2023

Saint Vincent and the Grenadines

Building Roads from Recovery to Resilience

Reducing Inequality, Protecting the Vulnerable, Driving Sustainable Development

Government of Saint Vincent and the Grenadines

2023 BUDGET SPEECH

"Building Roads from Recovery to Resilience:
Reducing Inequality, Protecting the Vulnerable, Driving Sustainable Development"

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Minister of Finance

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EXECUTIVE SUMMARY

Saint Vincent and the Grenadines is in the midst of a recovery from the triple blows of the COVID Pandemic, the eruptions of the La Soufrière volcano and the impact of Hurricane Elsa. Growth in 2022 has returned the economy to pre-Pandemic levels of production, but the recovery is uneven, with vulnerable populations still far from a return to normalcy.

Despite numerous and varied downside risks, the Vincentian economy is projected to grow by approximately 6 percent in 2023. This growth, if realised, will propel Saint Vincent and the Grenadines beyond 2019 GDP levels.

Budget 2023 seeks to build upon the foundation laid by the 2022 recovery, and to return to the Government's mission of accelerating a sustainable, people-centred developmental transformation in Saint Vincent and the Grenadines.

The $1.45 billion Budget 2023 contains an ambitious $472 million capital programme, the largest ever tabled in Saint Vincent and the Grenadines. The capital budget is heavily focussed on large infrastructure projects, which are expected to boost the construction sector, build resilience and accelerate recovery. Chief among the projects in terms of budgeted expenditure is the ongoing construction of a cargo port in Kingstown, which commands almost 20 percent of the entire capital budget.

Budget 2023 is a roads budget, with over $50 million allocated to road repair and rehabilitation. The centrepiece of the road repair programme is the National Road Rehabilitation Project, a fresh initiative that seeks to complete $120 million of roadwork over the next three years.

Other large projects include the construction of two state-owned hotels, the comprehensive rehabilitation of schools, the repair of airports nationwide, and the construction of new houses for residents displaced by the volcanic eruptions of 2021. Close to 100 homes will be built this year, and over 800 exisiting homes will be repaired by the State.

The construction of an ultramodern 134-room Acute Care Hospital, as the centrepiece of a broader reform of the healthcare system, will also begin in 2023.

Budget 2023 confronts head-on the issue of food insecurity, which has been exacerbated by rising inflation, supply-chain issues, and the war in Ukraine. A US$10 million initiative, spearheaded by the Ministry of Agriculture, will begin in 2023. The effort to combat food security will focus on building production capacity among farmers and fishers. Separate investments seek to facilitate fishing fleet expansion, to allow Vincentians to capitalise sustainably on the opportunities inherent in the Blue Economy.

Budget 2023 cuts taxes and increases wages. The top corporate and personal income tax rates are cut from 30 percent to 28 percent. Also, the standard deduction is increased from $20,000 to $22,000, allowing workers to keep more of what they earn.

Wages for public sector workers go up in 2023 as part of a 3-year wage enhancement package agreed after negotiations with unions. Workers will receive a 2.5 percent increase in 2023, a 2 percent increase in 2024 and a 2.5 percent hike in 2025. The Government has also convened a Wages Council, to analyse minimum wages and make recommendations.

The digital transformation agenda hits full stride with the commencement of projects designed to facilitate the creation of services that are modern, efficient and safe. The Digital Transformation project will address customs, e-taxes, land titling, identification and government e-portal services.

2023 marks the creation of a separate ministerial responsibility for post-secondary education, and the delivery of Technical and Vocational Education and Training (TVET). Saint Vincent and the Grenadines is experiencing a boom in both tertiary education and TVET certification. The retooling of our post-colonial economy is heavily dependent on a skilled and nimble workforce, and Budget 2023 invests heavily in this area.

In light of the projected post-Pandemic, post-volcano recovery, Budget 2023 begins the process of phasing out the temporary, targeted social interventions that were crucial to protecting lives and livelihoods during the last two years. However, the unevenness of the recovery to date nonetheless requires strong allocations to social protection, albeit in a more narrowly-targeted delivery. Budget 2023 continues the Government's laser-focus on addressing the needs of Vulnerable Vincentians.

Our nascent 2022 recovery and the lessening of more urgent threats have given Vincentians fresh hope that the worst is behind us and that 2023 will be a springboard to accelerated development. In spite of numerous downside risks, globally; Budget 2023 is a prudent yet ambitious attempt to invest in sectors and people that will enhance our developmental aspirations. In leveraging expected gains in tourism, construction, agriculture, the Blue Economy, education and digital transformation, Budget 2023 positions Saint Vincent and the Grenadines to strengthen its recovery and journey further down the road to resilience.

INTRODUCTION

Madame Speaker, Honourable Members

We greet 2023 with fresh hope.

Hope that we have withstood the worst of the COVID Pandemic. Hope that the catastrophic explosive eruptions of La Soufrière will not bother us for decades to come. Hope that we can navigate the next hurricane season as we have the last one: without significant damage or loss of life.

More than that, we are filled with fresh hope that tomorrow will be better than yesterday. That the trials of disease and fiery cataclysm have forged us into a stronger nation. That we are on a road that leads from recovery to resilience and beyond: To accelerated development, increased opportunity and a environmental sustainability in Saint Vincent and the Grenadines.

But like faith, hope without real work, is dead. Budget 2023 is the work plan that twins the fresh hope of our post-Pandemic, post volcanic past with the projects and programmes that are necessary to accelerate Saint Vincent and the Grenadines' transformative journey along the road to resilience.

Budget 2023 builds upon the fresh initiatives of 2022 that were important catalysts of our recovery. As we look beyond mere recovery to a year of robust growth and meaningful development, Budget 2023 harnesses the propulsive energy of ongoing investments and Vincentian ingenuity to lift Saint Vincent and the Grenadines higher.

At the same time, we are clear-eyed about lingering threats and risks. Pandemic flare-ups elsewhere in the world can export new COVID strains to our shores. Proxy wars can metamorphose from regional to open global conflict with a single intemperate act. And the grave and gathering threat of climate change can tear asunder man's best-laid plans.

But darkness always gives way to dawn. There has never been a problem that could defeat hope and faith. Budget 2023 is an optimistic and ambitious plan to place Saint Vincent and the Grenadines squarely on the road from recovery to resilience, and a blueprint for sustainable, people-centred development.

I. 2022: A YEAR OF RECOVERY AND REBUILDING

A. The Fresh Initiatives of 2022

To spur our economic and social recovery after the triple challenges of Pandemic, Volcano and Hurricane, the 2022 budget introduced a series of far-reaching, multiyear initiatives focused on the Blue Economy, Digital Transformation, Volcano response, COVID recovery, Infrastructure, Climate Change and Environmental Resilience. Combined, those fresh initiatives were directly responsible for over $30 million in Capital Spending in 2022, and anchored our economic rebound.

In both 2021 and 2022, we confounded the sceptics and beat the economists' predictions. Our economy shrank less, and grew more, than the experts thought possible. By the end of last year, we rebounded to 2019 levels of production, based on a strong record of accomplishments and promises kept. This record of fulfilled promises included:

1. Constructing replacement **Houses in Orange Hill** and repairing over 900 houses in the aftermath of the volcanic eruptions;
2. Constructing the **Georgetown Coastal Defence**, a multimillion-dollar coastal protection project aimed at safeguarding lives and livelihoods with X-Bloc armoured revetments, reinforced concrete wall and footpaths along 1,274 meters of sea front;
3. Distributing **47 housing units at Lowmans Bay** to families, at a cost of $4.8 million, to accommodate the construction of the Modern Port in Kingstown.
4. Rehabilitating the **Barrouallie Anglican, Barrouallie Government, and St. Vincent Grammar Schools**, as a precursor to works on the St Clair Dacon, Kingstown Anglican, Thomas Saunders, Girls High, and Bequia Community High Schools;
5. Completing the important **Long Line Road**, which provides vehicular and pedestrian access between the communities of Coulls Hill and Rose Hall;
6. Providing over **$25 million in Income Support** to persons affected by the Pandemic and the volcano through various entities and programmes – the most comprehensive package of support to vulnerable Vincentian in history of Saint Vincent and the Grenadines;
7. Negotiating a generous Public Worker **Wage Agreement**, which provides a 7 percent increase in compensation between now and 2025 at a total cost of over $25 million;
8. Enacting comprehensive **Tax Cuts** that increase spending power and competitiveness through the reduction in personal income tax and corporate tax.
9. Instituting the most far-reaching programme of **Technical and Vocational Education** ever attempted, with over 2,000 formal certifications awarded to date;
10. Awarding a record **940 Tuition Scholarships** to tertiary students – by far the most ever awarded;
11. Awarding over **$1 million in entrepreneurial grants** to small businesses via PRYME and the Women's Empowerment Programme to generate help create the economic competitiveness of youth, women and other small business owners.
12. Providing **production supports to hundreds of fisherfolk** nationwide, including wire to build lobster pots, buoys, ice boxes, safety gear and other equipment to increase productivity and capitalise on Blue Economy opportunities;
13. Opening of **two new vegetable markets** and relocating approximately 250 vendors to help clean up Kingstown, improve accommodation and organise informal vending activities;
14. Commencing the **Modern Port Redevelopment Project**, which will revolutionise trade and revitalise Kingstown;
15. Commencing construction on the **Holiday Inn Express and Suites** at Diamond, a 92-room increase to our national room stock;
16. Constructing Bailey **Bridges in Noel and Overland** to ensure safety and access for the people of North Windward;

17. Finalising construction of the **Temporary Parliament at Calliaqua**, which will open in a matter of weeks;
18. Retrofitting the former Browne's Building to accommodate a modernisation of the **Inland Revenue Department, Financial Services Authority and Financial Intelligence Unit**;
19. Procuring Saint Vincent and the Grenadines' first **MRI Machine**, which will be operational in the coming weeks;
20. Securing funding for a state-of-the-art **Acute Care Hospital** to be built at Arnos Vale, which will help to increase the scope of hospital services, strengthen health system resilience and provide an immediate and effective emergency response;
21. Finalising the **Bank of Saint Vincent and the Grenadines' purchase of FCIB**, in furtherance of the Government policy of amalgamation, and completing the journey from small, fragile entity to dominant financial institution

These accomplishments – and many more – helped to fuel the strongest capital expenditure in our history. Our active facilitation of private investment also propelled us to a stronger than expected recovery. Today, with a cautious eye towards lingering downside risks, we stand ready to build on those accomplishments, and move further, and faster along the road to resilience.

II. 2023: THE ROAD FROM RECOVERY TO RESILIENCE

A. Global, Regional and Local Economic Environment

The lingering impacts of COVID, the knock-on inflationary effects of stimulus programmes in large economies, and the war in Ukraine and its continuance, have fuelled massive global uncertainty, and clouded economists' crystal balls. The unpredictability of the current global environment has caused the International Monetary Fund (IMF) to downgrade its 2023 growth forecasts three times in the last 18 months. According to the IMF, "*The global economy continues to face steep challenges, shaped by the lingering effects of three powerful forces: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China*."[1]

The impact of inflation is strong and globally pervasive. According to the IMF, "*[t]he sharp appreciation of the US dollar adds significantly to domestic price pressures and to the cost-of-living crisis for these countries. Capital flows have not recovered, and many low-income and developing economies remain in debt distress.*"[2]

While Latin America and the Caribbean is being hit hard by the rising cost of living, economists are still optimistic about regional growth, relative to other parts of the world.[3] Of course, as we regularly stress, there is an important distinction to be drawn between economic growth and people-centred development. The regional return to growth is tepid. The growth rates, forecast at under 3 percent

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[1] International Monetary Fund. 2022. *World Economic Outlook: Countering the Cost-of-Living Crisis*. Washington, DC. October, p. xiii
[2] *Ibid.*
[3] *See, e.g.,* World Bank. 2022. *New Approaches to Closing the Fiscal Gap* Latin America and the Caribbean Economic Review (October), World Bank, Washington, DC., pp. 8-10

for Latin America and the Caribbean, "*are low and inadequate to really make a dent in poverty or prosperity*."[4]

The members of the Caribbean Community (CARICOM) were among the most severely affected by the Pandemic, with economic contractions of 15 – 24 percent in some cases. Among CARICOM states, man members of the Organisation of Eastern Caribbean States were particularly hard hit, due to their heavy reliance on tourism. For 2023, solid regional growth is expected across CARICOM. Setting aside the outliers of Haiti and Guyana, at either end of the growth spectrum, forecast economic growth in CARICOM ranges from 2.6 to six percent. However, despite this growth in 2023, most CARICOM countries will not yet return to pre-Pandemic rates of economic activity.

B. The Promise of Growth

There is consensus among the Eastern Caribbean Central Bank, the World Bank, the International Monetary Fund and our own Ministry of Finance that Saint Vincent and the Grenadines is poised to enjoy multiple years of strong economic growth. We finished strong in 2022, with preliminary estimates suggesting growth of five percent. For 2023, growth is predicted to be roughly six percent, with a further five percent in estimated growth for 2024. If these predictions hold, Saint Vincent and the Grenadines will enjoy its strongest 3-year economic growth spurt in 20 years, since the transformative period of 2002-2004, inclusive.

We are confident in the ability of the Vincentian economy to meet and, even, beat these predictions. Indeed, recent history has demonstrated that Vincentian resilience can outperform economic modelling. In 2021, at the height of COVID and in the year of our volcanic eruptions, the IMF predicted that our economy would shrink by over six percent. Instead, far from shrinking, and thanks in no small measure to our Prime Minister's astute stewardship, our economy actually recorded marginal growth that year.

[4] *Ibid.*

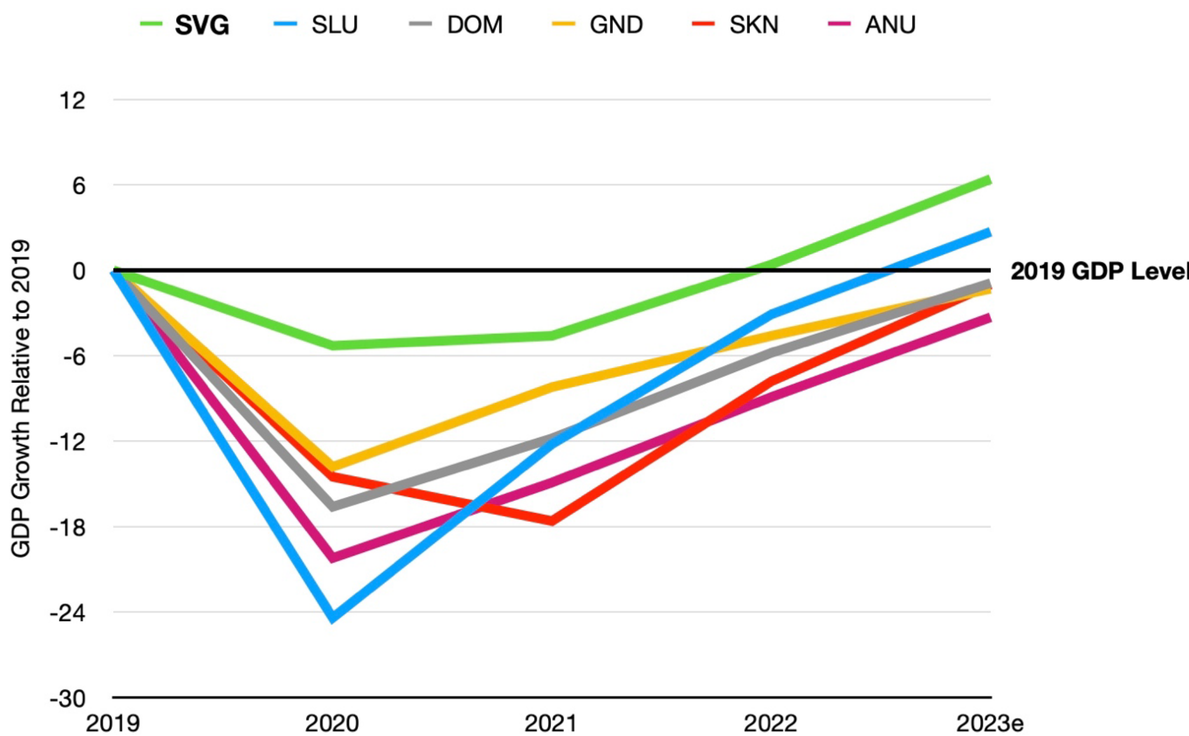

Figure 1: GDP growth of independent OECS economies relative to the pre-Pandemic year of 2019. Data from the International Monetary Fund's World Economic Outlook, Oct. 2022

The role of strong and visionary leadership over the last few years cannot be overstated. This Government kept the country open when others were locking down, resisted the draconian and economically crippling "Chinese-style" restrictions advocated by the Opposition, and, faced with low vaccine uptake, nonetheless ensured near 100 percent vaccination among frontline workers, who interacted most with the (unvaccinated) public, including children. The Government also enacted the most far-reaching package of social supports, legislative changes and targeted stimulus spending anywhere in our region – both in response to the Pandemic and the volcanic eruptions.

Almost three years removed from the onset of the Pandemic, the results of the Government's policies and interventions are clear. Despite not following the herd, despite the mid-Pandemic body blows of the La Soufrière eruptions and Hurricane Elsa, and because we tailored our responses to the specificities of the Vincentian context, Saint Vincent and the Grenadines has the second-lowest COVID infection rate and the third-lowest fatality rate among the independent member-states of CARICOM. Further, while the entire OECS was hard hit by the Pandemic, Saint Vincent and the Grenadines demonstrated far and away the best economic resilience among the independent countries of the OECS. Indeed, as 2023 commences, estimates indicate that Saint Vincent and the Grenadines is the only independent OECS state whose GDP has essentially returned to pre-Pandemic levels. Among those six OECS states, according to IMF projections, 2023 will end with only the economies of Saint Lucia and Saint Vincent and the Grenadines being in a better shape than they were before the Pandemic.

Our recovery is well and truly underway.

This Government does not worship at the altar of sterile GDP statistics, or act in service of the economic ideologues who staff Bretton Woods Institutions. We are, first and foremost, a people-centred Government, singularly motivated by our goal of providing opportunities for growth and development to the citizens of Saint Vincent and the Grenadines. We recognize that both the foreign prescriptions, and the data upon which they rely, are often fundamentally flawed and divorced from the Vincentian context. The blessings or curses from the Oracles of Austerity will neither inflate or deflate our own self-critical assessment of the job we do in the service of the people. Nonetheless, we note [that] even the IMF recognized that "[t]he authorities' decisive policy responses . . . helped protect lives and livelihoods and contain economic scars." Only those burdened by the weight of colossal cynicism, delusion or political self-interest could fail to recognize the enormity and overall success of the Government's response to the most acute trio of macroeconomic challenges experienced in Saint Vincent and the Grenadines over the last 120 years. To be sure, our response was not, and could not be perfect. Our mission is far from accomplished. But the standard we have set for responsiveness, resilience, creativity and care is an important milestone on our developmental journey.

It is from this milestone that we view 2023 and beyond with optimism and fresh hope.

C. The Threat of Downside Risks

The strong growth that is unanimously forecast for 2023 is not certain. There are a multitude of downside risks, all beyond our direct control, that cloud the developmental aspirations of Small Island Developing States like ours.

In the specific context of Saint Vincent and the Grenadines, the IMF has enumerated these downside risks as "*an abrupt slowdown in trading partners' growth, potential delays in investment projects due to supply chain disruptions, and the ever-present threat of frequent natural disasters*." Globally, the downside risks include the impact of policy responses to the war in Ukraine, a slow-down in economic activity as central banks attempt to quell inflation, and the lingering Pandemic.

If the global central banks act to zealously or too laxly in tightening their monetary policy; if, as a result, inflation lingers for longer than expected; if the tension between Russia and NATO results in gas supplies to Europe being cut off; If the divergent policy paths among the USA, the UK and the EU result in a Dollar too strong or a Pound or Euro too weak; if China's growth continues to lag behind forecasts; if worsening, COVID-related debt acts as a drag on economic activity in emerging markets; if global economic cooperation does not return to pre-pandemic levels; or if the Pandemic itself intensifies and produces more harmful variants, the strength and sustainability of our recovery will be challenged. Global analysts have pointed out that, *"[f]urther complicating the outlook, it is not at all straightforward how these risks influence one another. They may well interact to magnify some adverse effects*."

Potential dark clouds continue to gather on the horizon. The IMF has made clear that "*[t]he global economy is experiencing a number of turbulent challenges. Inflation higher than seen in several decades,* *tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook.*"[5] Just last week, the IMF Managing Director Kristalina Georgieva predicted that one third of the world, including half of Europe, will be fall into recession in 2023.[6] The depth and severity of those recessions, in turn, can also impact our growth projections.

As a result of these downside risks, our projections of six percent growth in 2023 are conservative. In the face of these global downside risks, over which we have very little influence, Budget 2023 seeks to maximize our ability to leverage the things that we can control: project implementation, prudent fiscal policy, job creation, poverty alleviation, investments in health, education and sustainable development.

III. BUILDING ROADS, BUILDING RESILIENCE, BUILDING FOR THE FUTURE

A. FRESH INITIATIVES IN 2023

While we build upon the fresh initiatives of 2022, each of which was a multi-year programme of action to build resilience and accelerate development, there are two large and notable initiatives being introduced in 2023 that are special priorities of the Government.

(i) THE NATIONAL ROAD REHABILITATION PROJECT

Budget 2023's theme of building roads is both figurative and literal. In many instances, the metaphoric road to resilience will be paved with real asphalt and concrete.

The Government's ambition of kickstarting a roads revolution in Saint Vincent and the Grenadines has been a dream deferred too often and too long. While we have spent heavily on road repair and construction over the last five years, it is also true that our efforts have been stymied by natural disasters, logistical challenges, human resource constraints and poor performance by some critical partners in our road-building aspirations.

No more.

Budget 2023 is, among other things, unmistakeably a roads budget. It allocates resources to general road repair like no other budget in recent history. Additionally, impressive as they are, the sterile numbers of Budget 2023 belie a radical overhaul of the administrative processes and procedures that undergird the evaluation, design, repair and supervision of roadworks.

Of course, it is impossible, in a single year to repair all roads and make all crooked pathways straight. Many people who currently have a bumpy commute to their home will still have one in a year's time. That is the reality. This is a multiyear process. However, the shift this year is a matter of emphasis

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[5] IMF, *World Economic Outlook, p. xvi*

[6] Tewari, S. and Hoskins, P., "Third of world in recession this year, IMF head warns," *BBC News*, 3 Jan. 2022 (https://www.bbc.com/news/business-64142662); Davies, P., "Half of the European Union and one third of the world face recession in 2023, IMF warns," *eronews.next*, 2 Jan. 2023 (https://www.euronews.com/next/2023/01/02/half-of-the-european-union-and-one-third-of-the-world-face-recession-in-2023-imf-warns1)

and intent. The major, multiyear, fresh initiative in Budget 2023 is not an air or sea port. It is not a hotel or a hospital. It is not a school or a parliament. Those are all previously announced and in progress. A major fresh initiative for 2023 is our road network.

Accordingly, Budget 2023 establishes a three-year, $120 million National Road Rehabilitation Project, to be funded by a soft loan from the government of Taiwan, supervised substantially by the Taiwanese firm Overseas Engineering & Construction Company (OECC), and utilising Vincentian subcontractors. The National Road Rehabilitation Project will spend at least $27 million of its $120 million total in 2023, with the remaining expenditure split over 2024 and 2025. The moment that the resources become available from Taiwan, the plan is for OECC to begin roadwork on the roads for which designs and costings already exist. While those shovel-ready roads are being rehabilitated, design and costings of the remaining roads will continue, ensuring that there is minimal down time between completing one road and beginning the next. The Ministry of Transport and Works, led by Minister Montgomery Daniel, has met extensively with the leadership of the OECC, and we are confident that we have applied lessons learnt from past major road projects to ensure that the National Road Rehabilitation Project proceeds smoothly and seamlessly.

One of those past major projects is the CDB-funded National Disaster Management (NDM) Programme, which was lagging far behind expectations. In the 2022 Budget Speech, we announced that we were revamping the implementation and staffing arrangements on the project. Our back-to-the-drawing-board approach is bearing fruit. Budget 2023 allocates $20 million to NDM projects, including roads and bridges in Hopewell, North Union, Perseverance, Orange Hill and we are confident that all works will proceed expeditiously. All but one of the sub-projects in the NDM programme will be advertised for tender by the end of this month.

There are 11[7] other individual road projects listed throughout Budget 2023. These roads, in the aggregate, are allocated a further $16 million. Given their current state of preparation, we are optimistic that each of these individual roads will commence in 2023. Many will also be completed. A further $32 million is earmarked for the construction of bridges, many of which were damaged during the La Soufrière eruptions.

Regarding our ambitious road rehabilitation projects, the only lingering area of concern in Budget 2023 is our ongoing struggle to generate momentum in our "Construction of Secondary, Village and Feeder Roads" project, which is financed through $86 million from the Kuwait Fund for Arab Economic Development and the OPEC Fund for International Development. Budget 2023 allocates $7.9 million to this project this year, which is a relatively paltry portion of the $72 million remaining to be spent. While roads will be built under the project this year, it will not achieve its promised

[7] Rehabilitation of Paget Farm Road – Bluff Realignment – $696,900; Improvement to Access Road – Beaches Resort Buccament – $2,455,000; Windward Highway Villa Rehabilitation – $360,000; Rehabilitation of Roads & Bridges – Dec 2013 Floods – $837,600; Rehabilitation of Vigie Highway – $331,500; 11th EDF Feeder Road Improvement Programme – 2,136,100 (Fenton, Palmiste and Dandrade); Volcanic Eruption Emergency Project (Design and Supervision of road repair and construction including Waterloo #3 and the Jennings Road); Rural Development – BNTF (Construction and rehabilitation of roads in Diamond, Barrouallie and Pepper Village); Construction of Secondary, Village and Feeder Roads - $7,850,000

potential without a radical structural revamp. This project will be discussed later in this Speech when we consider implementation challenges and their solutions.

Notwithstanding the potential challenges, Budget 2023 is confidently allocating over $50 million to the construction of roads and bridges this year, over half of which will be spent through the National Road Rehabilitation Project. This is an extraordinary commitment to our road network, and one that will accelerate over the course of the next two years.

(ii) COMBATTING FOOD INSECURITY

A second big-ticket initiative in Budget 2023 is the $18 million allocated to combat threats to food security this year.

The fallout from the proxy war being fought between Russia and NATO in Ukraine has once again illustrated the degree to which import-dependent Small Island Developing States like ours are vulnerable to distant geopolitical upheavals. Ukraine is 5,600 miles from Saint Vincent and the Grenadines, but the global response to that conflict is being acutely felt in households across our country.

Among other things, the conflict in Ukraine exacerbated the potential for food insecurity in Saint Vincent and the Grenadines. Coming in the midst of our farmers' recovery from the volcanic eruptions of 2021, the overlapping shocks of weakened local production, war-related scarcities, and sanctions-related price increases are threatening to push many staple foods beyond the reach of those who are especially resource-challenged. In 2022, the Government responded with a suite of innovative measures, from direct food distribution to subsidies in an effort to cushion the inflationary shocks. However, the in-built structural vulnerabilities of our economy and production have intensified the threats to our food security.

As a result of these threats, three OECS countries – Grenada, Saint Lucia and Saint Vincent and the Grenadines – have negotiated for emergency World Bank funding to build resilience to our food security challenges. Through the Contingent Emergency Response Component (CERC) mechanism of an existing World Bank project – in this case "Unleashing the Blue Economy," we are able to access US$10 million in special, additional, quick-disbursing financing to launch a focussed attack on food insecurity nationwide.

The initiative to create an Emergency Action Plan to Combat Food Insecurity is the brainchild of the Honourable Minister of Agriculture, Saboto Caesar. Over the next year, the Action Plan will purchase and distribute farm equipment, set up greenhouses, distribute seedlings, install refrigerated containers and trucks for the storage and transportation of perishable foodstuff, improve artificial insemination, distribute livestock and poultry to farmers, install Fish Aggregating Devices (FADs), and conduct training to farmers and fishers. We are confident that this targeted initiative will rapidly improve production and reduce our vulnerabilities to food insecurity.

Combined, these two fresh initiatives related to roads and food security total almost $147 million. Budget 2023 allocates $45 million of that total for expenditure this year.

IV. ENABLING SECTORS

A. AGRICULTURE, FORESTRY & FISHERIES

Our sectoral discussion of the Budget always begins with agriculture. Within the category "Agriculture and Fisheries" remain some of the most potent tools in Saint Vincent and the Grenadines' developmental toolbox for poverty reduction, wealth creation, job creation and resilience-building.

The last two years have been extremely challenging for our farmers and fishers. Pandemic lockdowns deprived producers and traffickers access to critical regional export markets. Our agricultural belt was buried under tons of volcanic ash, which also cut off access to farm lands. Indeed, eruption evacuations denied hundreds of displaced farmers any access to their lands for up to six months. Geopolitical intrigue and proxy wars drove up the price of essential inputs, like fertilizer. A prolonged drought further constrained production and profit.

However, we approach 2023 with fresh hope, confident that we spent the last two years both sustaining our farmers and preparing to take advantage of positive developments in the sector. The road from recovery to prosperity in agriculture is flanked by green shoots of optimism and opportunity.

- **Support to Farmers and Fishers**

Our Government stepped up during the last two difficult years and provided a raft of supports and subsidies to help farmers withstand their challenges. We are proud of the innovative and people-centred ways in which we targeted our limited resources to make a tangible difference in the lives of our resilient farming community. We are proud, too, of the creative and tireless work of our Minister of Agriculture and Fisheries, the Honourable Saboto Caesar, who has rendered yeoman service to the farmers and fishers of Saint Vincent and the Grenadines.

Since the beginning of the Pandemic, and through the aftermath of the volcanic eruptions, we have provided $19.9 million in income support to farmers. By any measure, that is a phenomenal number. A further $850,000 was spent to compensate arrowroot farmers for rhizomes that they were unable to harvest due to the volcanic eruptions. Over the same period, as markets dried up for exporters and food insecurity rose for vulnerable Vincentians, we spent an additional $5.8 million to purchase and distribute foodstuff through the Love Box programme. Just last year, the Government purchased and distributed over 400,000lbs of produce in a virtuous cycle that benefitted farmers challenged by limited regional markets and vulnerable families challenged by scarcity, price gouging and food insecurity.

As the cost of inputs rose, the Government provided $1 million in generous subsidies animal feed and on fertilizer,[8] while simultaneously negotiating with the Governments of the Bolivarian

[8] Value of first subsidy: NPK – $251,099.59, Ammonia – $9,534.83, Urea – $145,333,21, Vegetable – $14,136.34
Value of second subsidy: NPK – $471,632.61; Ammonia – $4,685.69; Urea – $96,429.01; Vegetable – $20,947.61
Total value of fertilizer subsidies: $1,013,798.90

Republic of Venezuela and the Kingdom of Morocco for additional support to our farmers. As a result of those efforts, Vincentian farmers received a record delivery of 40,000 sacks of free Urea from Venezuela.[9] Morocco has similarly committed to strongly increase its fertilizer support to Saint Vincent and the Grenadines.[10]

The Government has also aggressively partnered with farmers and fishers to boost production in the aftermath of the volcanic eruptions. Farmers have received tractor service to clear land of ash and to plough fields. The farming community also received seedlings, water tanks, livestock, day-old chickens, and farm tools, including hand tillers. Fishers were assisted with tools, gear and safety implements, including coolers, buoys, and wire to build lobster pots.

These production support measures – from fertilizers to hand tillers – will complement Minister Caesar's previously-discussed $27 million Emergency Action Plan to Combat Food Insecurity, which is also premised on boosting production and building resilience against food insecurity.

- **Fisheries and the Blue Economy**

The Government has vigorously pursued a multifaceted thrust to capitalise on the potential of the Blue Economy in Saint Vincent and the Grenadines. Our initiatives to unleash the Blue Economy involves tourism, environmental protection, mineral exploration and sustainable fisheries. Within the fisheries sector, our Blue Economy initiatives include attracting private investment, identifying new markets, and boosting the productive capacity of our fishers with equipment, materials, training and vessels.

Our initiatives are working.

The Rainforest Seafood processing plant in Calliaqua, for example, continues to generate wealth for fishers and jobs for processors. Since the commencement of full operations in February 2022, Rainforest Seafoods has injected $14 million into the local economy with product purchases exceeding 750,000 lbs of seafood. That 750,000lbs of seafood was purchased exclusively from 150 local fishers, operating from Owia to Union Island. Between 70 and 120 processers are employed at the facility, a staff complement that will grow as volumes increase.

The operators at Rainforest Seafood, like the private exporters in Bequia and Owia, are projecting strong growth in 2023.

With the processors in place, and with robust and growing market demand, the only impediment to a buoyant Blue Economy in fisheries is the capacity of fisherfolk themselves. The Government is determined to facilitate fleet expansion, training, and outreach efforts to expose more young people to fishing as a profitable career option.

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[9] "Farmers Get Fertilizer Subsidy," *The Vincentian*, 25 Nov. 2022 (https://thevincentian.com/farmers-get-fertilizer-subsidy-p25314-1.htm)

[10] Anouar, S., "Morocco to Ship 500 Tonnes of Fertilizers to St. Vincent in 2023," *Morocco World News*, 18 Nov. 2022 (https://www.moroccoworldnews.com/2022/11/352448/morocco-to-ship-500-tonnes-of-fertilizers-to-st-vincent-in-2023)

Last year, Minister Caesar launched an initiative, in partnership with the Kingstown Cooperative Credit Union (KCCU), to help fishers secure affordable loans to purchase new boats. Under the programme, the Government will put up the 15 percent deposit necessary to secure the loan, allowing fisherfolk to secure a vessel with very little money down. The KCCU has advised that 41 fishers have applied for these loans, for boats ranging from pirogues to mid-sized vessels. The applicants are currently going through the necessary due diligence processes. Budget 2023 continues this initiative, with a $500,000 allocation that will unlock another $3.3 million worth of credit for applicants.

A fresh initiative in Budget 2023 is the "Solidarity Fishing Fleet Expansion Programme." The Programme, funded by the ALBA Bank, provides a further $4.4 million this year to purchase modern fishing vessels, and provide training to local fishers in their operation.

Under the $27million Emergency Action Plan to Combat Food Insecurity, a further $7 million is allocated, among other things, to procure fish landing equipment, purchase refrigerated trucks for the transport of seafood products, construct 15 Fish Aggregating Devices, and train fishers in boat captaincy, deck handling, fish processing, and safety at sea. As discussed elsewhere in the speech, Budget 2023 also provides funds to procure a hyperbaric oxygen chamber, which will be available to treat divers who are affected by the bends – particularly our gifted conch divers in the Southern Grenadines.

Further, under the Volcano Eruption Emergency Project (VEEP), over $3 million will be invested in 2023 to upgrade fisheries centres in Calliaqua, Chateaubelair and Owia.

These Budget 2023 initiatives, totalling almost $15 million this year, ensure that our talented fishers will be well equipped, well trained, and well connected to emerging markets for their products.

Three days ago, the Government held its kick-off meeting with the supervisor and contractor charged with constructing the Barrouallie Blackfish Processing Plant. This project is funded largely by a grant from the government of Japan, and was delayed by the inability of Japanese consultants and contractors to visit Saint Vincent and the Grenadines during the Pandemic. Subsequent price increases and logistical challenges required other adjustments before the contract was ultimately signed. When completed, it will be the only specialised Blackfish processing facility anywhere in the Caribbean; and a testament to the combined efforts of Sir Louis Straker, Orando Brewster and Saboto Caesar, who were instrumental in conceptualising and maintaining momentum on this project. Budget 2023 will spend $4.3 million on the facility this year, and we anticipate that it will be completed by mid-2024.

Of course, the aggressive thrust to increase fishing activity in our waters requires greater focus on sustainability and regulation. Further, anecdotal evidence from fishers along the Windward coast suggest that ash and lahars may have adversely affected near-shore fishing and reef life. The yields this lobster season, in particular, seem to be suboptimal. We will need to examine year-end data and solicit expert analysis of these anecdotal reports, and take whatever actions are necessary to aid Mother Nature's recovery. Going forward, regular scientific analysis of trends in our marine populations will form an indispensable element of our efforts to sustainably harvest our vast marine resources.

- **Medicinal Cannabis**

The nascent medicinal cannabis industry was dealt a body blow by the volcanic eruptions of 2021, which devastated a large swath of our marijuana production. Pandemic-related lockdowns and other regulatory issues further complicated efforts to export medicinal products to European markets. These events undeniably set back the development of an internationally respected, well-regulated, export-oriented cannabis industry in Saint Vincent and the Grenadines.

But 2022 has been a year of recovery. Five major investor producers are back up and running. Three of these investors have returned to production, while two are in the set-up phase. Two licensed companies have successfully achieved the crucial EU Certification for GACP (Good Agricultural and Collection Practice) Standards, and a third is in an advanced stage for early 2023. One company has also passed the Medicinal Cannabis Authority (MCA's) Standards for Manufactured Products as enshrined in the Medicinal Cannabis Industry (Standards and Compliance) Regulations 2022. This company also achieved the CARICOM-GMP (Good Manufacturing Practice) standards for regional exports of oils and other manufactured products as assessed by the St. Vincent and the Grenadines Bureau of Standards. Another licensed company with pre-authorised International GMP grade equipment will commence manufacturing at their facility in 2023. In addition to bulk raw cannabis, local licensees are now producing multiple well packaged and labelled products, including buds, vape pens, tinctures, capsules, and creams.

To date, the medicinal cannabis industry has attracted roughly $27 million of private investment, and directly employs over 120 Vincentians to full-time jobs in cultivation, transportation, drying, packaging, storing, manufacturing, and analytical testing activities. In 2022, Saint Vincent and the Grenadines recorded an historic "first," with a legal, licenced export of 50kg of cannabis to Germany. Since then, the Cabinet has approved two other applications for export of raw cannabis material to the European Market; and refined products to a neighbouring Caribbean Island. These two shipments are anticipated to take place in the first half of 2023.

Locally, patient access to medicinal cannabis in St. Vincent and the Grenadines experienced a significant uptick in 2022. Five pharmacies have been licenced to dispense, and our first medicinal cannabis consumption lounge was launched last May. While the stated policy focus of the industry is export-oriented, these local developments afford Vincentian patients access to carefully-managed medicinal products, while generating significant interest among the hospitality sector for both wellness tourism and managed tours of cannabis farms.

In our continued effort to ensure that traditional cultivators remain at the heart of our cannabis industry, the Government has approved the distribution of 100 acres of land in Walliabou to 45 farmers, 39 of whom are Traditional Cultivators and seven are vegetable and root crop farmers. A planned handover of these lands is scheduled to take place in early 2023. The MCA will collaborate with the Ministry of Agriculture et al. to ensure these farmers receive the full complement of services including training, tractor services, fertilizers, and technical advisory support.

The Government will continue to monitor and respond to the rapidly-evolving status of cannabis in international law, and offer advice to neighbouring countries attempting their own foray into either medicinal or recreational cannabis. Our cultivators and producers stand to benefit from a shared, open CARICOM space for the export of raw cannabis and refined products.

The Government remains optimistic on the potential of medicinal cannabis to create jobs and spur economic growth in Saint Vincent and the Grenadines. Our time-honoured expertise in cannabis cultivation, and our early adoption of best practices for cannabis export have positioned us well to offer leadership and benefit from ongoing regional developments in the sector.

- **Ramping up to Meet Tourism Demand**

2023 is an absolutely critical year in preparing our farmers and fishers to take advantage of the projected dramatic increase in tourism over the near term. Anticipating these developments, and determined to create opportunities for Vincentians, the Government negotiated novel clauses in our contracts with both Rainforest Seafoods and Sandals International to prioritise procurement from local farmers and fishers.

However, it is up to our local farmers and fishers to ramp up production to meet this ballooning demand. Budget 2023 seeks to facilitate and support this process.

For example: The resort at Buccament, which will be completed at the end of this year, offers our farmers, fishers and producers a ready local market for 700,000lbs of produce, including pineapples, bananas, melons, lettuce, eggs, seafood, beer, juice, rice, flour and bread.[11] We only have a few months to demonstrate to the resort that we can reliably satisfy this demand before Sandals is forced to enter into contracts with foreign suppliers.

The Ministry of Agriculture intends to leverage its experiences of the Love Box Programme – where we aggregated, sorted and distributed fresh produce from small farmers – as well as investments being made in this year's Food Security initiative, to ensure that we can support the quantity, quality and logistical networks necessary to satisfy these burgeoning markets. The Ministry of Agriculture will work closely with operators in creating bespoke arrangements to ensure that, as much as possible, hotel guests receive "farm to table" Vincentian agricultural produce during their stay.

In furtherance of these initiatives to supply incoming resort operators, the agricultural census along with the Tourism Satellite Account (TSA), being undertaken through the "Data for Decision Making" project will provide useful information for the development – of the agricultural economy. We will use this data to further capitalise on the fresh markets being created within our borders.

[11] "Sandals will require 700,000 pounds of fruit and vegetables annually – Official," *Searchlight*, 24 July 2020 (https://www.searchlight.vc/news/2020/07/24/sandals-will-require-700000-pounds-of-fruit-and-vegetables-annually-official/)

Our ability to capitalise on these emerging opportunities requires speed, nimbleness and focus. The road from recovery to wealth in the agricultural sector will demand cooperation, innovation and trust. The Government, as always, will bet upon our peerless farmers and fishers as being up to the task and surpassing expectations.

B. TOURISM

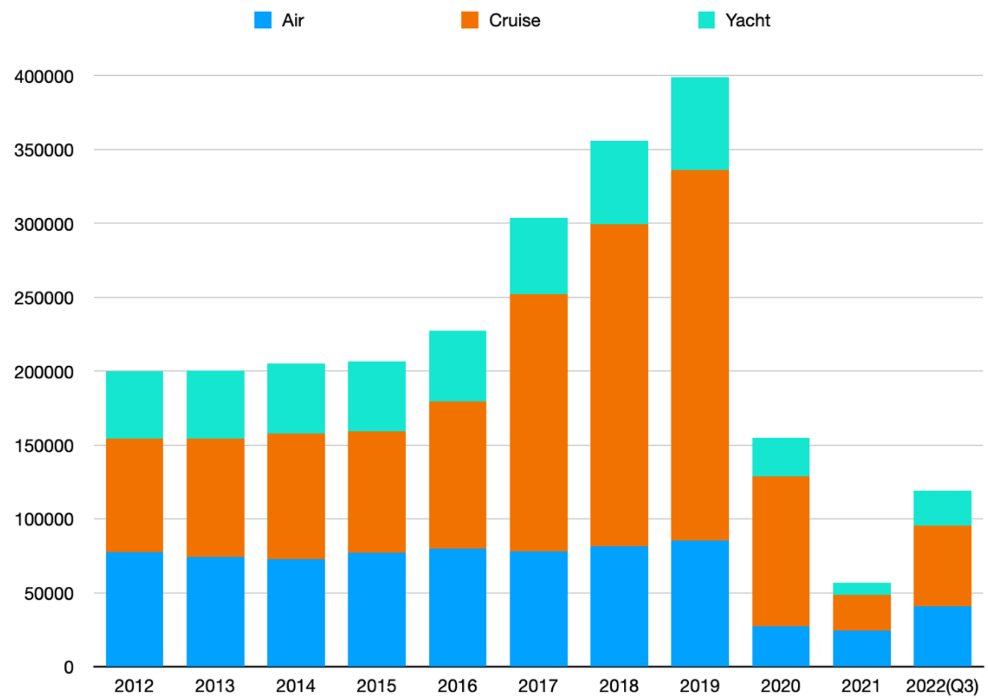

Figure 2: Total Air, Cruise and Yacht arrivals to Saint Vincent and the Grenadines, 2012-2021 (Figures for 2022 available only through end of 3rd quarter)

We greet the tourism season with fresh hope, and the optimism that our hospitality sector has weathered the worst of the Pandemic storm. Our rebound has begun, and Budget 2023 positions us well to reclaim the momentum of our pre-Pandemic, pre-volcano growth.

Enough has been said on the impact of the Pandemic and La Soufrière on our tourism industry. Like Bob Marley says, "Who feels it knows it." We have all acutely felt and are intimately knowledgeable with the frailty of our tourism sector in the face of slowdowns, shutdowns and lockdowns. We went from welcoming 399,000 guests in 2019 to a mere 57,000 in 2021. Visitor expenditure plummeted from a high of $318 million in 2019 to $78 million in 2021.[12]

Today, there are numerous positive signposts on our road from recovery to a diverse and resilient tourism sector. Airlift is increasing, yacht arrivals will approach 2019 levels, and we are projected to welcome more passengers this cruise season than ever before in our history. The tourism patient is no longer on life support, and its vitals are looking stronger by the day.

[12] Eastern Caribbean Central Bank Estimates

By the end of 2023, room stock on the island of Saint Vincent will expand by over 425 rooms, with the completion of the Holiday Inn Express and Suites at Diamond, the Mayah's Luxury Suites at Junction, and the 300-plus room resort being built at Buccament by the Sandals International Corporation. Remarkably, despite heavy rains and endless logistical challenges, both the Sandals and Holiday Inn projects are currently on schedule for a year-end opening.

The chorus of cynics who mocked the Government's ambition to rapidly double room stock in Saint Vincent and the Grenadines have fallen silent in the face of unprecedented public and private investments in hotel construction. It is an undeniable fact that we have never experienced more hotel room construction in Saint Vincent and the Grenadines – ever.

It is clear that neither the Royal Mill Resort nor the Black Sands Resort have proceeded at the pace originally projected by the respective developers. There are a host of reasons for various delays on those projects, but they boil down to overly-optimistic assumptions and insufficient experience with conditions on the ground in Saint Vincent and the Grenadines. We have been assured that the developers have recalibrated their approaches and have aggressive work plans for 2023. Together, the ongoing projects currently employ over 150 Vincentians and continue to invest millions of dollars in our economy.

The Marriott Resort to be built at Mt. Wynne will begin construction in the first half of 2023. After repeated redesigns to keep ballooning costs within the scope of our $50 million loan, we are in the advanced stages of negotiations with a regional hotel developer that will provide required additional financing and manage the construction process efficiently. Once our respective lawyers have signed off on the joint venture agreement, we will announce this exciting partnership, not just for the development of the Marriott resort but, hopefully, other hotel properties in Saint Vincent and the Grenadines.

We continue to make strides with international airlift. In March 2023, Saint Vincent and the Grenadines, for the first time, will welcome daily direct flights from the United States. In any given week, the Argyle International Airport welcomes scheduled commercial passenger jets from Miami, New York, Toronto, London and Caracas. Thanks to the AIA, the cargo flights operating into Saint Vincent and the Grenadines are larger and more frequent. Our Tourism Authority and the Sandals Corporation are now cooperating closely in our discussions with airlines regarding additional airlift, and the presence of Sandals in Saint Vincent and the Grenadines is giving us unprecedented access and traction with carriers, tour operators and travel agencies. This year, we will definitely make additional announcements regarding expanded international airlift to Argyle International.

Our enthusiasm and optimism regarding airlift are only tempered by the continuing challenges post-LIAT regional travel. Affordable, reliable and adequate regional connectivity has long been the lifeblood of tourism in Saint Vincent and the Grenadines. In that regard, LIAT played an indispensable developmental role. The right wing free-market ideologues who made empty criticisms of state-supported airlines; and accused the Government of "crowding out" private sector air travel, all loudly predicted that open, privatised skies, free of quote-unquote "government interference" was the only way forward for regional air travel. Here in Saint Vincent and the Grenadines, an official statement from the Opposition once proclaimed that Prime Minister Gonsalves "doesn't 'get it'" when it comes to regional air travel; that he "'doesn't get' that LIAT needs to be privatised;" that the presence of other private air carriers like Trans Island Airways – remember them? – means "breaking [the] monopoly enjoyed by LIAT;" and that Government support for LIAT "will remain a strain on our economies."[13]

However, when the COVID pandemic and externally-imposed austerity measures elsewhere in the region curtailed state support of LIAT, the long-promised private sector renaissance did not rescue air travel. Today, we have fewer seats, fewer routes, fewer options, higher costs, less reliability and worse customer service than at any point of LIAT's modern tenure. While we of course appreciate the efforts of other entities to fill the void left by LIAT, the old adage that you never appreciate truly something until it's gone has rarely been more fitting. Today, the champions of privatisation and the critics of government-supported airlines now ask "what is the government going to do about the crisis in air travel."

We couldn't be happier that we are all on the same page now; and that the concept of a state-supported regional public good no longer makes critics clutch their ideological pearls in horror. It was always easy to tally the cost of regional air travel. Now we fully appreciate the value of it as well.

We are also happy to report that extensive preparatory work is underway in the region to significantly improve the current situation. More regional governments have agreed in principle to supporting a replacement regional carrier. This agreement will spread the burden more equitably among the countries that benefit from the airline's routes. The Caribbean Development Bank has been charged with producing an analysis that will advise regional governments as to the optimal type and number of aircraft; the ideal location for any hub or hubs; the staffing requirements; the minimal levels of service each island can expect; the likely profitable and unprofitable routes; the formula that will govern individual countries' contributions to operations; the start-up costs required for this relaunched airline; and the potential sources of financing.

We expect that the CDB-assisted analysis will conclude early this year, and then regional governments will hammer out the finer details of our cooperation agreement. It is painstaking work, but it must be done properly to ensure the success of this venture. In 2023 we will take concrete steps towards improving air travel, because we have to. We will cooperate with other governments, because none of us can solve this problem on our own. And we will act as quickly as prudence allows, because we now know, with certainty, that the long-promised private sector saviour is but a figment of a feverish ideological imagination.

A big part of Budget 2023 is focussed on repair and maintenance of airports throughout Saint Vincent and the Grenadines. $8.9 million will be spent to rehabilitate airport terminals and runways in Argyle, Bequia, Canouan and Union Island. An additional $3.7 million is allocated to security, safety and equipment upgrades at our airports. This is an almost $13 million investment in tourism, and our ability to welcome guests in safety, convenience and comfort.

[13] New Democratic Party, "NDP Speaks on LIAT," July 2017 (https://www.ndpsvg.com/ndp-speaks-on-liat/)

Between 2015 and 2019, tourist arrivals to Saint Vincent and the Grenadines almost doubled (207,000 – 399,000), driven by a 200 percent increase in cruise passengers over that period. Our indefatigable Minister of Tourism, the Honourable Carlos James, has announced that this cruise season could welcome as many as 326,000 visitors to Saint Vincent and the Grenadines, which would be, by a large margin, our most successful cruise season ever.[14] Our cruise arrivals are now sufficiently large to encourage local entrepreneurs to increasingly invest in monetizing the presence of these guests. Gone are the days when Vincentian leaders could quip that cruise passengers were only good for buying a "postcard and a Pepsi." Today, they are taking tours on boats and busses owned by Vincentians, eating and drinking at local restaurants, and renting umbrellas and beach chairs from local service providers.

However, the 200 percent increase in cruise passengers between 2015 and 2019, and the further projected growth in the current and upcoming seasons means that we are approaching the capacity limits of our public and private cruise infrastructure. We need more space to dock additional cruise ships. We need more boats and busses from which to conduct tours, and we need more attractions – be they natural or cultural – to lure tourists from the comfort of their palatial cruise ships.

The Government is doing its part. The work on the Modern Cargo Port, which is scheduled for completion in 2025, will free-up space at the existing Kingstown port for additional cruise ship arrivals. In the 2020 Budget we pointed out that:

> *the lack of adequate tour buses and boat capacity has become a bottleneck on further development in the cruise sector, and is an impediment to our efforts to monetize effectively cruise arrivals. When compared to regional and industry averages, fewer cruise passengers go on tours in Saint Vincent and the Grenadines because we do not have enough buses or boats to transport them. This bottleneck limits the average time that visitors spend ashore, and the average amount of money each passenger spends in Saint Vincent and the Grenadines.*[15]

As such, in 2020, we attempted to incentivise investments in buses and boats by extending a duty concession of up to 90 percent on tour buses over 25 seats, and a 100 percent duty waiver on tour boats. Understandably, given the arrival of the Pandemic just a few months after our announcement, only a few operators have taken advantage of these generous incentives. We again strongly encourage the private sector to take note of the massive projected increase in visitors, the shortage of buses and b oats , and the Government's incentives in this space.

- **Tourism Sites, Services and Attractions**

Budget 2023 makes a series of important investments in the further development or rehabilitation of tourism sites and attractions that were deprioritised during the Pandemic and in the aftermath of the La Soufrière eruptions. In all, over $9 million will be spent on Fort Charlotte, Villa

[14] "Record arrivals of cruise visitors predicted for 2022-23 season," *Searchlight*, Nov. 1, 2022 (https://www.searchlight.vc/news/2022/11/01/record-arrivals-cruise-visitors-predicted-2022-23-season-video/)

[15] Budget Speech, "Accelerating Economic Transformation, Building Resilience, Creating Jobs and Developing Sustainably," 3rd Feb. 2020, p. 13

Boardwalk[16] and Villa Beach Facility,[17] Joseph Chatoyer National Park,[18] Owia Salt Pond, Mt. Wynne Beach, and the critical restoration of the La Soufrière -Bamboo Range hiking trail.[19] Over $7 million is allocated to rehabilitate Fort Charlotte itself,[20] with another $1.2 million earmarked to restore the bridge leading to the Fort.[21] A $2.5 million investment will ensure that the existing dirt road leading to the resort at Buccament is properly paved and ready for the grand opening at year-end.[22]

The Government is participating in two important developments that will expand the tourism and recreational potential of specific beaches along the Leeward coast. Last March, residents in Layou expressed opposition to the proposed construction of an industrial jetty at Jackson Bay.[23] The application to build the jetty was ultimately denied,[24] but that wasn't the end of the story. Central Leeward Representative, the Honourable Orando Brewster, led consultations with the villagers and fisherfolk of Layou to understand their vision for the area, and subsequently involved the Honourable Minister of Tourism and Sustainable Development Carlos James in moving beyond the status quo towards an enhanced Jackson Bay beachfront.

Budget 2023 will invest $1 million in the enhancement of Jackson Bay.[25] We will conduct beach clean-up and beautification, establish bathrooms and vending facilities, install river crossings and river defence and provide picnic tables, benches, and facilities for local fisherfolk.

The Jackson Bay beautification will be the first project completed under the "Aesthetics Improvement of Layou, Barrouallie and Calliaqua Towns" project. This project will leverage the imminent arrival of resorts at Buccament, Mt. Wynne and Ratho Mill to beautify neighbouring towns and make them more attractive to nationals and tourists alike. We are determined to ensure that neighbouring communities benefit directly from the growth in our hospitality sector. The Jackson Bay project will be a flagship example of our beautification efforts.

A similar project, though it cannot be found in the pages of the *Estimates of Revenue and Expenditure*, is the beautification work to be done this year at Buccament Bay. Again, Ministers Brewster and James have worked closely to conceptualise a project that involves coastal protection, beach beautification, vending facilities, washrooms and road improvements. This project, which will be funded by the Sandals Corporation, will add to the value and attractiveness of the beach as both a tourism site and local recreational area. Minister Brewster has led six separate consultations with

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[16] Rehabilitation of Villa Board Walk (901902): $34,700
[17] Villa Beach Facility (901803): $46,200
[18] Development of Joseph Chatoyer National Park Facility (901901): $10,000
[19] Improvement to Tourism Sites (901301): $584,200
[20] OECS Regional Tourism Competitiveness Project (ORTCP) (901702): $7,199,000
[21] Fort Charlotte Bridge (551804): $1,198,000
[22] Improvement to Access Road – Beaches Resort Buccament (552203): $2,455,000
[23] "Jetty will 'humbug' fishing, old folks bathing – Residents," *Searchlight*, March 25 2022 (https://www.searchlight.vc/news/2022/03/25/jetty-will-humbug-fishing-old-folks-bathing-residents/)
[24] DaSilva, D., "No Jetty for Jackson Bay," *The Vincentian*, 1 April 2022 (https://thevincentian.com/thevincentian-01-04-22.pdf)
[25] Aesthetics Improvement of Layou, Barrouallie and Calliaqua Towns (601604): $1,000,000

local residents, businesspersons and fisherfolk to ensure that the project responds to the needs of the community while leveraging the tremendous development potential of the site.

Despite our ongoing recovery from the doldrums of the 2021 season, the post-Pandemic tourism landscape is fundamentally different from what existed before. Similarly, we are on a path of rapid development in tourism that will fundamentally transform the sector and its impact on our economy. As such, Budget 2023 will add high-level staff to strengthen the Ministry of Tourism's strategy and policy formulation capabilities. Also, the promotional and facilitation work of the Tourism Authority, which was deprioritised during the collapse of the sector, will receive robust and focussed support in this critical year of recovery and growth.

The next three years are absolutely crucial to the growth of tourism in Saint Vincent and the Grenadines and the sector's potential to accelerate development nationwide. We have investments in place and in the pipeline to drive exponential increases to our visitor arrivals. For example, in its first year of operations, Sandals alone is expected to drive a 50 percent increase in airline arrivals, over 2019 levels. We will continue to push against our infrastructural limitations in cruise tourism, and we will improve anchorages, services and safety to maximize our tremendous growth potential in yacht and superyacht tourism. The jewels of the Caribbean are ready to shine ever brighter, and Budget 2023 is demonstrably committed to catapulting our tourism product to higher heights.

C. CONSTRUCTION AND INFRASTRUCTURE

Budget 2023 is an infrastructure budget unlike any in our history. As far as major infrastructural projects go, this year's *Estimates of Revenue and Expenditure* contain funding to build or significantly rehabilitate:

- 91 houses
- 8 bridges;[26]
- 6 stretches of coastal or river defence;[27]
- 7 schools;[28]
- 5 scientific and TVET laboratories;[29]
- 4 clinics;[30]
- 2 hotels;[31]
- 2 food processing facilities;[32]

[26] Bailey Bridge at Argyle; Bailey Bridge at Noel; Bailey Bridge at Overland; Chapmans Bridge; Dickson Bridge; Fitz Hughes Bridge; Fort Charlotte Bridge; God Save the Queen Bridge; plus the Lauders Community Access Footbridge

[27] Sandy Bay (sea, three lots); Shipping Bay (sea); Cumberland (river); Campden Park (river)

[28] Canouan Secondary School; Mary Hutchinson Primary School; St. Clair Dacon; Girls High School; Bequia Community High School; Mayreau Primary School; Fitz Hughes Primary School

[29] Public Health Laboratory; Construction Laboratory; Food Science Laboratory; Food Preparation Laboratory; Animal Health Laboratory; Refrigeration Laboratory

[30] South Rivers Clinic; Biabou Health Centre; Enhams Wellness Centre; Port Elizabeth Hospital

[31] Holiday Inn Express; Marriott Resort

[32] Arrowroot Processing Centre; Blackfish Processing Centre

- 2 stadia;[33]
- 1 bus terminal;
- 1 parliament building;
- 1 hall of justice;
- 1 hospital;
- 1 cargo port; and
- $50 million worth of work on our road network

And that's just for starters. If we were to add more routine maintenance projects and the workplan of agencies like BRAGSA; or the major design works for future infrastructure, the list would grow incalculably longer.

The Government decided early in the Pandemic slowdown that public infrastructure investments would play a major part of our economic resilience. There is ample evidence here in Saint Vincent and the Grenadines and across the globe that shovel-ready, labour-intensive infrastructure projects have a strong positive impact on employment, productivity, income, inequality, human-capital formation, economic growth and development. Such investment has demonstrably cushioned the economic shocks of the 9/11 terrorist attacks, the global economic crisis of 2008 and beyond, and, now, the COVID Pandemic. Over the last two years, we prioritised shovel-ready projects and incentivised private sector infrastructural investments to keep the economy going in the midst of catastrophic contractions all around us.

This year, even as our recovery begins, we continue to invest stimulus spending in infrastructure as a developmental accelerant. While shovel-ready projects continue to dominate our capital budget, we are also investing more resources in some critical infrastructure that may have a longer gestation period.

We are not going to wish our way to recovery. We are going to build a more resilient Saint Vincent and the Grenadines. Infrastructure investment remains one of the most effective tools in our developmental toolbox. The road from recovery to prosperity is not paved in good intentions. It is paved in asphalt and concrete and timber and steel; it is built on the efforts of skilled craftspersons, talented engineers and visionary leaders. It is built on education, health, housing, social protection, sports and culture, law and order, good governance, overall economic growth and development.

A number of critical infrastructural investments have been discussed at length over the course of this Speech. A few additional infrastructural projects merit specific mention at this point, and will undoubtedly be discussed by the respective line ministers over the course of this week's debate.

- **Port Modernisation**

The largest project in Budget 2023 is the construction of a modern cargo port in Kingstown. In fact, as infrastructure projects go, the cost, scope, scale and significance of our Port Redevelopment

[33] Arnos Vale Sports Complex; Sir Vincent Beache Athletic Stadium

Project rivals the construction of the Argyle International Airport. Like the Airport, we view this modern cargo port as an essential element of our developmental roadmap. When completed, the Port will improve operational efficiency, facilitate improved trade, improve the ease of doing business, enhance border security, revitalise Kingstown, create jobs and stimulate economic growth.

This phase of our port modernisation project includes building the cargo port and relocating a sewer outfall line, as well as road upgrades and strengthening within the port catchment area in Kingstown. Additional work includes land reclamation, a sheet pile quay wall of 380 metres in length, as well as sheet pile walls of 130 metres in length on both sides of the reclaimed area, a container storage yard, and vehicle storage and maintenance areas. Terminal buildings will include administration and customs, workshops, warehouses, and a container freight station.

Further, when completed, the relocation of cargo activities will free up valuable real estate at the site of the existing, obsolete Kingstown port. We will use that space to double our capacity to accommodate cruise ships, and to create services and attractions to monetize the increased cruise passenger flow.

After successfully relocating 47 families from the construction site to a first-class residential settlement in Lowmans Bay, we pressed forward aggressively with construction. Last May, the Government signed the construction contract with Canadian contractor Aecon Construction Group Inc.[34] and a supervision consultancy contract with Sellhorn Ingenieurgesellschaft mbH[35] of Germany. Construction works began that same month, on May 12, 2022.

2023 will be a busy year for port construction. Ongoing work to relocate and install an improved sewer line will be completed early this year. Land reclamation works will dominate the 2023 work plan, with dredging, pile installation and backfilling all taking place this year. The contractor is sequencing reclamation works to allow for an early start to the construction of landside facilities, particularly the administration building and warehouses.

In addition to local resources, our Port Development Project is funded by loans from the Caribbean Development Bank and the government of Taiwan; and a $79 million grant (at today's exchange rates) from the United Kingdom Caribbean Infrastructure Partnership Fund (UKCIF).[36] The $299 million being provided by the CDB is among the largest loans ever made by the Bank, reflecting their confidence in the project itself, our fiscal health, and the Government's developmental roadmap. To date, we have disbursed over $100 million. Budget 2023 will spend another $90 this year. The project is scheduled to be completed in 2025.

[34] https://www.aecon.com/

[35] https://www.sellhorn-hamburg.de/en/

[36] "CDB, UK to assist modernization Kingstown Port in St. Vincent," Caribbean Development Bank, 12 Dec. 2019 (https://www.caribank.org/newsroom/news-and-events/cdb-uk-assist-modernising-kingstown-port-st-vincent); Da Silva, D., "Modern Port Project Launched," *The Vincentian*, 8 July 2022 (https://thevincentian.com/modern-port-project-launched-p24462-1.htm)

- **Modern Parliament and High Court Complex**

British colonialist Charles Shephard published his *Historical Account of the Island of Saint Vincent* 192 years ago.[37] In his introductory description of the island, he mentioned the existence of Fort Charlotte, Fort Duvernette, the Kingstown Anglican Church and the combined Parliament and Courthouse building, in which we now discuss this Budget. Other historic Kingstown buildings that we know today, like the Methodist and Catholic churches, or the original public library, were not yet built at the time.

Mr. Shephard described this building in some detail:

> *The court house is built of stone and contains two rooms on the upper story appropriated for the sittings of the Council and Assembly, with two committee rooms; below, the Courts of Justice are held. Here also are the public offices of the registrar and marshal. This building stands in front of the market place and is enclosed with an iron railing. Behind it, the gaol, the cage and the treadmill are placed.*[38]

Two things stand out from this 200-year-old *Historical Account*. First, is that, of the buildings mentioned, the forts are now historical artifacts visited by tourists; and the ageing Anglican Church is currently the subject of an urgent multiyear repair and restoration exercise. Second, is that this building is largely unchanged from Mr. Shephard's original description. Indeed, the building was more fit for purpose then than it is today. For example, the "*two committee rooms*" that he mentions have long ago been appropriated as office space for House of Assembly staff, and are thus unavailable to parliamentarians.

The roof is leaking, the floor is rotting, the walls are crumbling, and the sewage system is more "sewage" than "system." Staff who have developed respiratory ailments while working here have recovered after being relocated elsewhere. Downstairs, the courthouse is also showing its age, with its former quirks and idiosyncrasies now morphing into flaws that hamper the efficient administration of justice.

Engineering, environmental and architectural analyses of this building long ago determined that it was in urgent need of comprehensive restoration, and that it was, today, structurally incompatible with original, centuries-old purpose. Symbolically, too, our legislative and judicial branches of governance deserved more than a decaying, dilapidated, decrepit structure as the seat of democratic debate and the delivery of justice.

The Government sought and received concessionary financing from the government of Taiwan for the design and construction of a modern parliament and modern hall of justice. When announced, ill-informed and opportunistic critics derided the initiative as selfish squandering of money. They suggested that all we needed were a few new desks and chairs – presumably the type that would hover in mid-air when the rotting floor collapsed. However, continued rapid and public deterioration over

[37] Charles Shephard, C., *An Historical Account of The Island of Saint Vincent*, Ridgway & Sons, 1831
[38] Shephard, p. 6

the last year have forged a consensus among all but the most politically blinkered acolytes of austerity.[39]

Budget 2023 significantly advances our initiatives to relocate to modern parliament and courthouse facilities, and to properly restore this historic building. First, in order to quickly vacate this structure and begin restorative works, we are constructing a building that will serve as a temporary home to our House of Assembly. This long-term purpose of this building, located in the Calliaqua area, is to serve as a residence hall for students of the Saint Vincent and the Grenadines Community College who have difficulty getting to classes from the Grenadines or distant rural areas. In the short-term, this student housing is appropriate to house our Parliament temporarily. The building has been designed to be easily converted from its temporary to long term functions.

We will move into this temporary Parliament by March. Shortly thereafter, the high court will also be temporarily relocated to a building in Kingstown that has been identified as a suitable location. Historically-sensitive restorative work will then begin here.

Construction of the permanent modern parliament building will begin this year at Beachmont. It will take two years to complete. Similarly, Budget 2023 makes allocations to complete the design of the Modern Court Complex, and begin the process of selecting a contractor. Work on the Modern Court Complex will begin in late 2023 or early 2024. Budget 2023 will spend $4.5 million, in total, on advancing relocation, restoration, design and construction activities related to our parliament and court complex.

- **Kingstown Clean-up and Sustainable Management**

Most capital cities across the globe have within them some element of controlled chaos. The jostling vitality of busy people is a necessary feature, not a flaw, of urban life. A city that is overly ordered or regulated is dystopian, inorganic and, in a Caribbean context, impossible to maintain. The ideal, therefore, is a balance between order and chaos – permitting organic growth and development within the context of clear regulations and parameters.

For years, Kingstown has gotten more and more crowded and less and less controlled, particularly on our sidewalks and curbsides. As vendors, van drivers, hard cart operators, commuters, and delivery drivers attempt to share a severely limited space with workers, consumers, students, tourists, businesspeople and other pedestrians; the need for thoughtful, effective and ever-evolving rules of organisation become apparent.

The Government has a long-stated goal of rationalising vending activity in Kingstown in the interest of informal vendors, business owners and pedestrians, an in pursuit of greater safety, cleanliness, mobility and order in the city. We have waited for a consensus to emerge on this issue, and aided in that consensus through numerous consultations with interested stakeholders.

[39] *See, e.g.*, "'River in Parliament' interrupts sitting," *Searchlight*, 22 November 2022 (https://www.searchlight.vc/front-page/2022/11/22/river-parliament-interrupts-sitting-video/)

Prior to the Pandemic, the Honourable Julian Francis spearheaded an inspired effort to build semi-enclosed uptown and downtown markets to house vendors. However, given the reduced urban foot traffic during the Pandemic, and the general economic contraction at the time, we deferred the decision to help vendors move into their new spaces. Additionally, we worried that it may hae been unwise to move people from outdoors to a shared indoor space at the height of a Pandemic.

This past November, the most vendors were allocated spaces in the uptown and downtown markets, and updated rules were put in place to manage temporary weekend vending activity. Ministers Francis and Daniel, as well as the Warden of the Town Board, Clayton Burgin, were essential in managing this move efficiently. They deserve our commendation. The majority of vendors also approached their relocation constructively. We applaud their cooperation, maturity and flexibility in this regard.

At the same time, we resolved another chaotic urban eyesore – the haphazard occupation of the green space around this building by scores of private lawyers who assumed a perpetual right to free, unregulated parking in the centre of the city. While some reacted to reasonable regulation with appreciably less grace than the vendors, the majority understood the imperitive for order and shared responsibility for equitable management of our growing town.

Budget 2023 makes additional provisions for accommodating additional vendors. We will also host a design competition for Kingstown revitalisation, so that the public can participate more fully in imagining a modern city that expands green spaces, protects heritage, increases economic activity, improves transportation and balances the needs of all users of the city.

The construction of the modern cargo port on the Western side of Kingstown will spur an economic and aesthetic renaissance across the city. It would be incongruous, therefore, to leave our Kingstown Bus Terminal – popularly known as “Little Tokyo” – in its current state of disrepair. The Kingstown Fish Market and Bus Terminal was constructed in 1987. While the adjoining fish market was rehabilitated in 2003 to ensure that it satisfied international standards, the bus terminal facilities have been only minimally maintained in the 35 years since its construction.

There are allocations totalling $3.1 in Budget 2023 to begin the rehabilitation of Little Tokyo and upgrade the public washrooms across the street from the bus terminal. This year, we will relocate and compensate vendors to allow for the demolition of the dilapidated structures. Designs are being completed that will improve the flow of traffic, expand vending facilities, and enhance commuter safety and comfort. The actual construction of the upgraded bus terminal facility should begin in the third quarter of 2023. We are grateful to the ALBA Bank, and the Venezuelan government, for their support of this important project.

A series of public buildings in and around Kingstown are being rehabilitated and enhanced. In addition to the Boys Grammar School, Girls High School, Thomas Saunders Secondary School, and Kingstown Anglican High School, we are enhancing the National Public Library, the old public library (the “Carnegie Building”), His Majesty’s Prisons, the Milton Cato Memorial Hospital, the Administrative Complex, this historic parliament and courthouse, and the buildings that house the

Ministry of Agriculture, Ministry of Education and Ministry of Transport and Works. Together, these projects, inclusive of the Little Tokyo rehabilitation, represent over $13 million worth of work this year on public buildings in and around Kingstown.

We strongly urge property owners in the private sector to match our enthusiasm for the aesthetic and functional quality of our capital, and invest in the upkeep of their own buildings. While some businesses are exemplary in this regard, others are much less so. In particular, there are some regional and international companies that are demonstrably less concerned with maintenance and upkeep here in Saint Vincent and the Grenadines than they are in other markers. It borders on disrespectful, and we will forcefully communicate our observations to those companies this year.

Almost 200 years ago, Charles Shephard suggested that, in Kingstown, our "*public buildings are substantial but not elegant*."[40] Let us give the future historians a fresh observation to record: that of a beautiful city, with well-maintained green spaces and architecturally interesting buildings. It is not only possible, it is doable.

As we saw, when a narrow group of privileged professionals angrily claimed an enshrined right to unlimited, unregulated free parking in the lawn surrounding a historic State-owned building; permissions can become privileges, expectations can become easements, concessions can become pseudo-constitutional rights, and tradition can become a trammel that prevents the any attempt to alter the status quo. Narrow self-interest can assume primacy over collective societal demands. This is a recipe for total chaos. Our goal is a safe, clean, orderly capital, that still allows for a vibrant interplay between and among people, the built and natural environment. Together we can build a better Kingstown, that enhances the lives and livelihoods of all who interact with our city.

- **Adaptation Infrastructure and Environmental Protection**

The recently-concluded United Nations climate change conference in Egypt last November was, at best, a mirage in the desert. COP 27 confirmed that the slow, halting steps of possible diplomatic advances are not keeping up with the headlong sprint of major polluters towards environmental calamity. At that meeting, countries announced, with great fanfare, the creation of a loss and damage fund, through which major polluters would help developing countries to recover from the damage and economic losses wreaked from ongoing climate change impacts. You had to read the fine print to learn that, although rich nations agreed to create a loss and damage fund, almost no one agreed to put any actual money in it.

It was reminiscent of rich countries' still-unfilled 53-year-old promise to spend 0.7 percent of their Gross National Income on Official Development Assistance by the year 1975;[41] or the 2009 commitment to mobilise $100 billion per year to address the climate mitigation and adaptation

[40] Shephard, p. 5

[41] *See, e.g.,* United Nations Resolution A/RES/2626(XXV) "International Development Strategy for the Second United Nations Development Decade," 24 Oct. 1970, ¶43 (https://documents-dds-ny.un.org/doc/RESOLUTION/GEN/NR0/348/91/IMG/NR034891.pdf); United Nations, "Agenda 21," 14 June 1992, ¶33.13 (https://sustainabledevelopment.un.org/content/documents/Agenda21.pdf)

needs of developing countries.[42] Or, indeed, the solemn 2016 pledge to "*pursu[e] efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change.*"[43]

None of those headline-grabbing global promises are anywhere close to fulfilment. At this rate, the diplomatic operation will be successful long after the environmental patient is already dead.

Saint Vincent and the Grenadines cannot wait. Climate change threatens our very existence. As the waters and temperatures rise, and the hurricanes intensify, and the droughts become more frequent, and disasters become the rule instead of the exception, our situation becomes ever more precarious.

Yet we must fight on.

In the face of long odds, and with limited means, Budget 2023 continues to invest in adaptation and environmental protection. The *Estimates of Revenue and Expenditure* will tell you that this Budget's functional classification of "Environmental Protection" is allocated $80.3 million this year, a marginal increase over last year's total. In reality though, millions more are allocated to environmental protection, especially in our infrastructure investments, where almost every single road, bridge or building is designed and built or relocated to take account of the future impacts of climate change.

Last September, Ministers Caesar and Daniel joined Prime Minister Gonsalves in opening multimillion-dollar sea defence projects in Georgetown and Sans Souci.[44] This year, Budget 2023 will begin equally-important coastal defence work at Sandy Bay and Shipping Bay.

Sandy Bay is threated to its west by a fitfully slumbering volcano, and to its east by rough and rising seas, that are removing many feet of coastline annually. Recent hurricanes and storms have disproportionately passed over the northern third of Saint Vincent. The coastal protection of Sandy Bay is a most urgent imperative. Without it, the village of Sandy Bay will could cease to exist.

In late 2018, the Caribbean Development Bank approved US$13.5 million to finance coastal protection projects in Sandy Bay.[45] That will not be enough to guarantee adequate coastal protection of the entire village of Sandy Bay, but it's a start.

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[42] United Nations Framework Convention on Climate Change, "The Copenhagen Accord," FCC/CP/2009/L.7, 18 Dec. 2009, ¶8 (http://unfccc.int/resource/docs/2009/cop15/eng/l07.pdf)

[43] United Nations Framework Convention on Climate Change, "The Paris Agreement," 12 Dec. 2015, Article 1(a) (https://treaties.un.org/doc/Treaties/2016/02/20160215%2006-03%20PM/Ch_XXVII-7-d.pdf)

[44] "Shorelines of SVG being protected from further erosion," *Searchlight* 13 Sept. 2022 (https://www.searchlight.vc/news/2022/09/13/shorelines-svg-protected-erosion/)

[45] "Sandy Bay Sea Defences Resilience Project – St. Vincent and the Grenadines Notification of Approval by the Board of Directors," Paper BD 122/18 Add.1, Caribbean Development Bank 28 March 2019 (https://www.caribank.org/sites/default/files/publication-resources/BD122_18_SandyBaySeaDefences_ResilienceProject_SVG_redacted%281%29.pdf)

The Sandy Bay Sea Defence Resilience Project will (i) construct three segments of stone revetment, measuring 730 m in total length, to act as coastline protection; (ii) backfill the area in front of the newly constructed revetment, to act as a buffer zone between the existing infrastructure and the sea; (iii) construct a 350 m long reinforced concrete retaining wall, measuring 2.5 – 4.0 m in height; (iv) Construct a 250 m long masonry retaining wall measuring 3.0 – 5.0 m in height; and (v) construct includes approximately 100m of paved walkways and 900 m^2 of landscaping.

Two of the three lots on the Sandy Bay project were advertised in last Friday's newspaper. Budget 2023 provides just over $8 million to start the project this year. We will be pushing hard to get this work done as quickly as possible.

Another rapidly-eroding span of coastline is in Shipping Bay, in the constituency of South Windward. Area Representative the Honourable Frederick Stephenson has been absolutely instrumental in bringing the magnitude of this threat to our attention, raising the alarm about its urgency, and participating in the detailed discussions as to project design and financing. The erosion at Shipping Bay threatens to undermine the Windward Highway and, effectively, cut off vehicular access to half of the Windward side of Saint Vincent. We cannot allow this to happen.

Budget 2023 begins addressing the most vulnerable parts of the Shipping Bay coastline with an $800,000 investment in 64 meters of stone revetment to blunt the impact of the crashing waves. The entire $5.2 million project will proceed over the next two years.

Just over two years ago, the Government fulfilled a pledge to immediately protect the disappearing isthmus that defined the world-class Salt Whistle Bay in Mayreau.[46] The urgency of the need for intervention did not allow for all of the necessary studies and designs to be completed beforehand. If we had waited for the engineers to finish engineering, and the designers to finish designing, we would have lost the Bay as we know it, forever. While the temporary barrier appears to be holding up well, Salt Whistle Bay is too precious to be left to anecdotal assessment. Budget 2023 continues the important work of completing detailed engineering assessments and designs, including analysis of the existing temporary barrier, to scientifically determine its effectiveness and lifespan. We will continue to fight for Salt Whistle Bay.

The battle against climate change is a constant, and increasingly lonely rear-guard action against the selfish, short-sighted actions of major emitters who believe that it's OK for Small Island Developing States to pay the price of their rich countries' voracious appetites of consumption and pollution. It is capitalism run amok. We will continue to fight – globally and here on the ground; diplomatically, legally, and infrastructurally – to ensure our survival against the menace of climate change. Budget 2023 continues the battle.

[46] "Residents pleased with sea defence work at Salt Whistle Bay," *Searchlight*, 18 Sept. 2020 (https://www.searchlight.vc/news/2020/09/18/residents-pleased-with-sea-defence-work-at-salt-whistle-bay/)

D. PRIVATE SECTOR, INVESTMENT, INNOVATION & ENTREPRENEURSHIP

Saint Vincent and the Grenadines is open for business like never before.

Our thrust to attract investment, both foreign and local, is bearing fruit. As we speak, five private developers are actively building Hotels across Saint Vincent and the Grenadines, which, when completed will represent over $750 million in investment. We are currently in advanced stages of negotiation with private hospitality investors on both Saint Vincent and in the Grenadines representing at least another $400 million. A state-of-the art seafood processing facility is now open, joining two other private seafood exporters. Fishers, pleasure boat operators and businesspersons are buying vessels to capitalise on the Blue Economy. Medicinal cannabis has attracted over $25 million in direct investment. A $10 million food distribution warehouse is in its first year of operation. Call centre investment is growing by leaps and bounds. Local businesses, after understandably deferring various investments and expansions, have revived those plans. And local contractors are expanding, albeit less quickly than the acceleration of infrastructural demands.

These are facts. But these facts, encouraging as they are merely hint at the scope of our ambitions to leverage private sector investment to fuel developmental gains.

There is much more to come.

At the centre of our increasingly vibrant investment climate is the role of Invest SVG. Invest SVG is the first institutional point of contact for most foreign investors. It is also an incubator and promoter of local businesses, and an advocate for legislative or policy changes that could facilitate further investment.

At this point, Invest SVG has outgrown its existing physical and legislative boundaries. Budget 2023 provides resources to retrofit a building that will help Invest SVG to move beyond its current home among a maze of cubicles in the Ministry of Finance. Further, in 2022, we commissioned consultancies that have made substantive suggestions about the legal structure of our investment promotion arm; and the optimal legislative framework of a modern Investment Act. The Cabinet will consider the efficacy and desirability these proposed reforms, and, if necessary, enact them in 2023.

As the October 2022 return of the Everything Vincy Expo clearly demonstrated, entrepreneurial activity is alive and kicking in post-Pandemic, post-volcano Saint Vincent and the Grenadines. With more exhibitors than ever before, representing our widest scope of businesses yet, we share the fresh hope of our entrepreneurial class.

The Government was also heartened to see how many of the exhibitors were past recipients of PRYME grants or other State-supports. Our growing ecosystem of entrepreneurial incubation and investment is bearing fruit, and strengthening the culture of entrepreneurship that we are seeking to foster in Saint Vincent and the Grenadines.

In 2022, 125 local small and micro enterprises were approved for $1.2 million in grants via both PRYME and the Women's Empowerment Programme. Other programmes, managed by the Centre for Enterprise Development (CED), also facilitated grant funding through regional business support programmes. In 2022, the CED offered incubation courses and training with a total registration of over 650 participants. Classes on business plan writing, introduction to entrepreneurship and selling a customer service proved to be the most popular.

This year, PRYME and the Women's Empowerment Programme will continue to provide entrepreneurial grants. PRYME will also tackle other impediments to many small business startups. The shops in the Community Empowerment Zone in Glen will be opened in the coming weeks, and PRYME will be distributing small, specialised motorised rickshaw-type vehicles to a select cohort of applicants who seek that type of support for various innovative business plans.

The CED will be managing the Eastern Caribbean Green Entrepreneurship Initiative, the Resilience through Innovation and Technology– MSME Recovery Programme, and the Women's Economic Empowerment Project, which are being funded by the Organisation Eastern Caribbean States and the Organisation of American States. Each of these programmes will provide complementary grant funding to our PRYME mainstay.

Budget 2023, via the CDB-funded "COVID-19 Response Programme," will also invest in business skills training for 100 persons and support for up to 200 unemployed youth interested in developing a small business.

The data at the NIS suggest that, while formal employment levels are returning to pre-Pandemic levels, the number of active *employers* are not yet where they were in 2019. The data further suggest that many smaller businesses that shut down during the Pandemic are not yet back up and running. In 2023, the doing business unit and Invest SVG will contact these businesses, to ascertain what bespoke arrangements can be made to return them to business, We stand ready to assist individual businesses wherever possible on their road from recovery to prosperity.

Budget 2023's income tax cuts are discussed elsewhere in this Speech, but must be emphasised here as further evidence of our commitment to improving the business climate. Income taxes have never been lower for businesses in Saint Vincent and the Grenadines. The Government, through its ease of doing business mechanism, will continue to engage with all private sector entities to pursue innovative ways to facilitate more economic activity and investment in our private sector. One of the foundational perquisites of our future development and progress is a strong and collaborative partnership between the public and private sector.

We are ready to continue building this bedrock partnership.

G. DIGITAL TRANSFORMATION

Phase Two of the Government's ambitious investment in digital transformation and ICT begins in earnest in 2023. After the successful deployment of CARCIP digital infrastructure across Saint

Vincent and the Grenadines, the Government secured $80 million in financing from the World Bank to leverage the CARCIP infrastructure to deliver technology-based improvements to the ways in which citizens interact with the Government and conduct business. Under the Digital Transformation Project, we will revolutionise land titling and registration in Saint Vincent and the Grenadines, modernise interactions with the Customs and Inland Revenue Department, create a multipurpose Identification Card and unique ID number for all citizens, and create one-stop-shop digital portals, where people can apply for and renew birth certificates, driver's licenses and passports, pay for services and interact with public officials.

Budget 2023 allocates $14.6 million to the Digital Transformation Project. This year, we will establish a Single Window for Trade Facilitation and clearance of goods at the Customs Department; implement a modern e-tax system; Develop the geospatial information framework that will form the basis of our land titling reforms; finalise the technical requirements for the rollout of our ID system; purchase necessary equipment and software; and review and reform the policies and laws necessary to implement this phase of our digital transformation.

This is important foundational work that will undergird an entirely modern system of interaction between citizen and state. We are excited about the progress being made on this multifaceted project.

Over the past year, the Information Technology Services Division (ITSD) within the Ministry of Information Technology has been beefing up our email servers, cybersecurity systems and network management to establish a more robust and modern email system. This year, we will mandate that all public servants transition to the new email systems for work purposes, rather than the current disjointed, disorganised and often inappropriate amalgam of self-selected email addresses through a variety of providers. The ITSD will manage a Ministry-by-Ministry transition to our upgraded mail servers, and guide Government employees on how to use the system effectively. Similarly, the ITSD will finalise the transition to the modern internal telephone system that was installed on the CARCIP network over the last two years. Too many Ministries have opted to remain with the devil they know, retaining the previous antiquated telephone system alongside the modern one, and thereby eliminating the savings that the upgraded system was supposed to create. This will change in 2023.

The Government of Saint Vincent and the Grenadines has long been a leader in placing cutting-edge technology directly into the hands of students. We were the first and only government in the region to deliver laptops from Portugal and Venezuela to every student in the country. When the Pandemic and the volcano closed schools and forced students into online classrooms, ours was again the first and only Government in the region to supply tablet computers to every single primary, secondary and Community College student in the country. A total of 26,682 ultramodern tablets were successfully distributed – a phenomenal achievement in the midst of a Pandemic.

This year, as part of our continued digital transformation efforts, we will again be putting modern technology into the hands of our students. Through negotiations with the government of Taiwan, we have secured 3,000 ASUS Chromebook Flip C214 computers[47] – touchscreen computers with a built-in keyboard, stylus and rugged design to withstand the rigors of backpacks and classrooms. The devices will be shipped from California next week, and will be here in Saint Vincent and the Grenadines in a matter of weeks. The Ministries of Information Technology and Education are currently finalising plans for their optimal use as learning and teaching aides this year.

Similarly, under the COVID-19 Response Programme, funded by the Caribbean Development Bank, an additional 2,000 tablets will be purchased this year to equip incoming primary school students and replace damaged devices. These devices will complement the $1.5 million upgrade to school computer labs, discussed elsewhere in this Speech.

The 5,000 tablets to be received and deployed in 2023 once again prove that the Government continues to find ways to be consistent, sustainable and cutting edge in the delivery of technology to our youth. We will continue to ensure that the next generation has hands-on familiarity with the latest technology, and that technology is further integrated into our digital transformation agenda.

The future, in large measure, revolves around digital technology. Budget 2023 continues to place that future in the hands of Vincentians, just as we continue to modernise outmoded systems to ensure that every citizen can have a safe, seamless and productive interaction with their Government.

H. YOUTH, SPORTS AND CULTURE

Budget 2023 serves the youth of our country well. It is future-focussed, opportunity focussed and education focussed. Budget 2023 in rooted in fresh approaches to training, technology and support for the young people with work ethic and entrepreneurial zeal. This Budget offers more technical and vocational training than ever before. It delivers more tuition scholarships than ever before. It adds ON-SITE internships to improved YES and SET programmes. It continues to offer grant financing to youth entrepreneurs through PRYME. And it reduces barriers to entry for young people wishing to enter into agriculture or capitalise on the Blue Economy. It also deepens this Government's unparalleled commitment to environmental resilience and climate adaptation, to protect our fragile islands for the enjoyment of future generations of Vincentians.

Budget 2023 also places the Government at the centre of creating jobs and facilitating job creationin the private sector. Our specific initiatives are boosting job growth in hospitality, at call centres, in construction, the Blue Economy and the technology sector. We have reduced the tax burden on businesses, to encourage them to hire more workers. We have partnered with large investors and contractors across the country to ensure that they hire, train and retain young people as part of their investment in Saint Vincent and the Grenadines.

This year, the Government will launch the Youth Advisory Council to ensure that the perspectives and experiences of young people are central to the creation and implementation of development

[47] *See*, "ASUS Chromebook Flip C214," *ASUS,* (https://www.asus.com/us/laptops/for-home/chromebook/asus-chromebook-flip-c214/)

policy. The members of the Youth Advisory Council will be drawn from young people nationwide, of diverse backgrounds and skillsets, and will be called upon to discuss and recommend practical, feasible, youth-centred development initiatives. A critical goal of the Youth Advisory Council will be ensuring that its members gain a fuller understanding of how policies and programmes are developed, funded and implemented. This understanding, in turn, will help the work of the Youth Advisory Council to move beyond aspirational wish lists and into the granular details of policy formulation.

Prime Minister Gonsalves recently engaged with the President's Youth Advisory Council in Guyana, with a view to adopting best practices from that body, and to developing regional links between and among policy-focussed youth groups across the region.

Budget 2023 continues the build out of the Sir Vincent Beache Athletic Stadium in Diamond. Already, the track is one of the most used sporting facilities in the country, and is playing an integral role in creating the next generation of track and field stars. This year, Budget 2023 invests $4 million in placing a roof over the existing bleachers, constructing concession stands, and building administrative offices, change rooms and an athlete's gym. In 2024, we will add a warm-up track and additional seating, and in 2025 we will install lighting at the facility.

Another $2.95 million is being invested in the multiyear project to rehabilitate and improve the Arnos Vale Sporting Complex. This year, the stands and bleachers will be rehabilitated, drainage issues will be resolved, and preparatory work will begin for the installation of an electronic scoreboard.

Through Budget 2023, the work of the National Lotteries Authority, the private sector, and entities like the SVG Football Federation, the Government is also coordinating the upgrade of hardcourts, football fields, and sporting facilities in areas as diverse as Brighton, Georgetown, Marriaqua, Ribishi and Union Island. For 2023, the Sports Against Crime secretariat has been charged with ensuring that these facilities and more are used to host frequent inter- and intra-village sporting events.

Budget 2023 rolls out some major new initiatives in the field of culture. First, the Government is completing negotiations with the Saudi Fund for Development for the construction of two Cultural, Education and Production Hubs in Belle Vue and Petit Bordel. The hubs will be centres of creative activity, from music production to visual and dramatic arts. In-house design work is being conducted this year, and we intend to begin construction in 2024. In the meantime, Budget 2023 invests in replacing the lighting and sound system, and upgrading stage equipment at the Peace Memorial Hall, to improve its functionality as a cultural and creative space.

We will also begin the process of converting the Carnegie Building in Kingstown to a National Museum. $100,000 is allocated this year to undertake basic repairs to the building and make the necessary design adjustments. We are anxious to use the facility to highlight our unique history, and display priceless artifacts like the soon-to-be repatriated carved cup once owned by our national hero Joseph Chatoyer.

The work of naming additional national heroes will also conclude in 2023, building on the extensive preparatory work already done by the National Heroes Committee. The work of compiling a complete published history of Saint Vincent and the Grenadines continues to progress steadily, with a draft of the first three chapters of the manuscript already completed. Budget 2023 allocates resources to advance this important act of historical reclamation.

I. FOREIGN AFFAIRS

It is easy to view foreign policy through the prism of narrow, shallow, reductive lists that tally up the tangible benefits that Saint Vincent and the Grenadines has received from foreign governments: Help from Taiwan with the Marriott Hotel, the Port, the Road Rehabilitation Project, small business grants, computer tablets, internship programmes and additional scholarships. Help from Venezuela with free fertilizer, discounted diesel, expanding our fishing fleet and rebuilding the Kingstown Bus Terminal. Help from Japan in building a Blackfish processing facility in Barrouallie. Help from India in constructing a modern arrowroot factory, an administrative complex in North Leeward, a learning resource centre in Georgetown and the rehabilitation of the Chateaubelair Fisheries Centre. Help from the United Kingdom with the Modern Cargo Port. Help from Saudi Arabia in building cultural hubs on the Windward and Leeward coasts as well as the Modern South Rivers Clinic. Help from Morocco with fertilizer, scholarships, purchase of equipment for SVGCC and appliances for volcano affected persons as well as the establishment of a tertiary level science laboratory.

It is easy to say that Budget 2023 will spend in excess of $20 million worth of grants from bilateral donors and almost $60 million in soft loans generated through our global engagement with bilateral and multilateral partners. But such an approach is transactional and superficial. Foreign policy is neither a mathematical nor an accounting discipline. Our foreign policy builds alliances that protect and advance our interests. Our foreign policy defends the principles that ensure our right to survive as an independent, sovereign nation. Our foreign policy advocates for principles like non-intervention, non-interference, sovereign equality, and the rule of just international law, because, without those principles, our very existence is left to the whims and fancies of unscrupulous powers. Our foreign policy advances integration and solidarity, because staunch allies and tight integration mitigates the vulnerabilities inherent in small size. And our foreign policy seeks the largest, most influential platforms in which to participate because small countries must fight to be heard, and must make our ideas heard in the interest of a better world.

A Small Island State with no interest in engaging with the world, will soon find that the world has no interest in dealing with it either. If you can't be found on the map, felt in the markets, or heard in global forums, then you and your needs become less relevant to the international community. Leaders have fought hard and bravely for our right to participate as equals in international affairs. To ignore that opportunity, or to shirk that duty, is an unforgivable derogation of duty to the people we represent.

Those who wield global power and influence are not beating a path to our doors, so we must beat a path to theirs. Not as supplicants or mendicants, but as strong, proud and influential in our own right; armed with ideas, with access, and with allies.

If your first questions about a foreign policy engagement are why do we care? How is that our business? Or how much did the plane ticket cost? Then you fundamentally misunderstand the role of foreign policy in our development, and the ways in which small states must make themselves seen and heard.

Coming on the heels of enviable foreign policy successes, culminating in our historic election to a non-permanent seat on the United Nations Security Council, Saint Vincent and the Grenadines once again seeks to keep our country's name and interests at the forefront of global affairs. To that end we will attempt the historic feat of being the first Caribbean country to assume the presidency of the 33-member Community of Latin American and Caribbean States (CELAC). No election is a certainty, and there are many variables and interest groups operating in our hemisphere. But even in putting our name forward, we have gained the ear of our regional neighbours, and raised important questions about CARICOM's role in the integration of the Americas. This is a good thing. Our esteemed Foreign Minister, who is making a name for herself and her country in the corridors of Latin American diplomacy, is well-suited to lead this historic charge.

CELAC is, first and foremost an integration body. In the post=Pandemic world of increased insularity, nationalism and jingoism, the existence of small states becomes more precarious. When great powers retreat from globalisation and global cooperation, they inch closer to an "every man for himself" philosophy that is inherently dangerous to the small and the vulnerable. If small size is our vulnerability, then integration is our resilience-building method. In integrating with other countries, we become larger, louder and more effective advocates for our people's interests. Regional integration – among islands, among developing countries, and among those relegated to the global periphery – is at once an imperative built on love, solidarity and self-interest.

This Government is reenergising our engagement on matters related to integration, particularly within our region. The timeless exhortation of the immortal Black Stalin's timeless classic "Caribbean Man" drives us together:

So we must push one common intention
For a better life in the region
For we woman
An' we children
That must be the ambition of the Caribbean man

No sense of islandness, no sense of petty insular vanity, should make us forget that we are, first and foremost, Caribbean men and women.

This year. You will hear Saint Vincent and the Grenadines' voice loudly championing our interests in CELAC, in CARICOM, in the OECS, in ALBA, in the Non-Aligned Movement and in any forum animated by the principles of justice, equality and people-centred solidarity.

Saint Vincent and the Grenadines also plans to strengthen its advocacy and collaboration with like-minded entities, in the continued pursuit of reparatory justice for the nations victimised by slavery and native genocide. We note with interest that pressure from Dutch-Caribbean countries forced the Prime Minister of the Netherlands to recently apologise for his country's role in the transatlantic slave trade.[48] While the Dutch Prime Minister acknowledged that the apology was merely a "first step," it highlights the extent to which other nations are unable to even make a similar step in confronting the barbarism of their history.

In 2023, we are animated with fresh hope that, while the arc of the moral universe is long, it bends toward justice. Our foreign policy will do our part to help shift that arc, even slightly towards its noble destination.

V. SOCIAL DEVELOPMENT SECTORS

A. HEALTH

For the moment, at least, the worst of COVID is behind us. Let us take the opportunity provided by this relative respite to thank each and every healthcare professional, every worker at the clinics, hospitals and isolation centre, for their awe-inspiring bravery and heroism through the duration of the public health emergency. When fear and fatalities were rising, and understanding was in short supply, our nurses and doctors stood faithfully true to an oath that many of us would not have had the courage to honour. We owe them our gratitude. No nation in the world was prepared for COVID back in March 2020. The fact that we performed as well as any, and better than most, is due in no small measure to the quality of the people who serve in our health sector.

2023 provides us the opportunity to look up beyond the immediacy of the Pandemic, and to continue our mission to reform and transform our delivery of health services.

Our commitment to our health sector has been steadfast and apparent. Budget 2023 sets recurrent spending for the Ministry of Health, Wellness and the Environment at over $96.1 million for the first time. Our budgeted recurrent spending for 2023 is 72 percent higher than it was just 5 years ago and 60 percent higher than it was in 2013. The Ministry's staff complement has grown to 1,482 persons over the last decade, an increase of 255 workers. Over the same period, we have improved and expanded our healthcare infrastructure, including equipment, and expanded the scope and quality of service that is offered to the public.

[48] "Government apologises for the Netherlands' role in the history of slavery," Government of the Netherlands, 19 Dec. 2022 (https://www.government.nl/latest/news/2022/12/19/government-apologises-for-the-netherlands-role-in-the-history-of-slavery)

Budget 2023 heralds an ambitious sweep of current projects and fresh initiatives that, taken together, represent another leap forward in our Wellness Revolution.

The centrepiece of this new chapter of the Wellness Revolution is the "Strengthening Health System Resilience Project," estimated at over US$100 million, funded by the World Bank, the OPEC Fund for International Development and the Government of Saint Vincent and the Grenadines. The project will strengthen the legislative and regulatory framework of the health sector, implement best practices for quality assurance and infection prevention, upgrade a strategic plan for the health sector, and develop a hospital governance model, a health information system action plan, a waste management strategy, and a health financing policy to ensure the sustainability of the system.

The cornerstone of the "Strengthening Health System Resilience Project" will be the construction and equipping of a state-of-the-art US$92 million 134-bed Acute Care Hospital at Arnos Vale, on the site of the former ET Joshua Airport. Designs for the Acute Care Hospital have been completed, and the funding for the construction has been arranged through both OFID (US$30 million) and the World Bank (US$62 million). Construction of the hospital is expected to begin in the second half of 2023, after two preliminary steps are completed: first, the selection of an implementation support consultancy firm to supervise works and the transition from the Milton Cato Memorial hospital; and second, the hiring of a contractor by international tender with the capacity to build a building of this type. We expect the Acute Care Hospital to be completed in early 2026.

When the Acute Care Hospital is completed, the existing Milton Cato Memorial Hospital will be repurposed as a maternity and paediatric hospital, while still maintaining its accident and emergency capabilities.

The Acute Care Hospital will be the crown jewel of this fresh chapter in healthcare in Saint Vincent and the Grenadines. However, the less obvious reforms, plans and practices mentioned earlier will be of equal importance in ensuring that Vincentians receive world-class, expanded medical care here at home. The Acute Care Hospital will provide a variety of services, including trauma care, acute care surgery, urgent care, critical care, emergency medicine, inpatient stabilisation, and outpatient care. The facility will also offer a full range of allied health services required to support diagnostic, treatment, and rehabilitative interventions including medical laboratory technology, radiography, pharmacy, audiology, optometry, physical therapy, psychology, and social work.

Despite this ongoing, massive US$100 million investment in reshaping our healthcare apparatuses, the Government is neither waiting on nor relying solely on the "Strengthening Health System Resilience Project" to advance the quality of care provided to patients.

Budget 2023 delivers more sophisticated medical equipment to Saint Vincent and the Grenadines. We will spend $1 million to deliver the country's first hyperbaric oxygen chamber. The oxygen chamber is of particular interest to fisheries and tourism sectors, as it is an indispensable tool in fighting decompression sickness in divers – a condition known as "the bends." As more and more markets open up for our fisherfolk, and as more and more tourists come to dive our waters and reefs, the oxygen chamber will undoubtedly save lives. Additionally, the hyperbaric oxygen machine is a powerful tool in treating diabetic wounds, gangrene, burns and more.

The Modern Medical and Diagnostic Centre in Georgetown will have two pieces of ultramodern equipment installed. The first is a CT Scan, which will supplement the one existing at the Milton Cato Memorial Hospital. The second, historic addition to our diagnostic arsenal is the country's first MRI machine, which will be installed and operational by the second quarter of 2023. The base for the MRI has been assembled, the housing is being installed, and the machine itself will be delivered by February.

You don't need a long memory to remember a time when Vincentians had to travel overseas for CT Scans, MRIs, Chemotherapy, Dialysis and Hyperbaric Oxygen Therapy. By the end of this year all of those services – all of them – will be available right here in Saint Vincent and the Grenadines. And that's before the Acute Care Hospital even opens its doors.

Budget 2023 also pays specific attention to the refurbishment and expansion of existing clinics and hospitals, as well as designing the next generation of specialised healthcare facilities. The Port Elizabeth Hospital will be expanded and renovated. The Milton Cato Memorial Hospital will receive another $1.7 million in refurbishments. The existing South Rivers clinic, as well as clinics in Biabou, Cedars, Diamond, Greiggs, and Lowmans will all receive attention. The long-delayed initiative to upgrade the Enhams Clinic to a Wellness and NCD centre for specialised care will begin by mid-year, with a $600,000 investment.

Under the World Bank funded OECS Regional Health Project, Budget 2023 will spend $4 million to construct a modern public health laboratory.

Next-generation architectural and engineering designs on a number of facilities will also be completed in 2023, to allow for construction to begin in early 2024. Design work has already begun for the Calliaqua and South Rivers clinics to be upgraded significantly to full polyclinic status. Diamond, Byrea and Belair clinics will also receive modern clinics of the highest quality.

In 2019, the Government made the determination that what passed for geriatric care in Saint Vincent and the Grenadines was unacceptable, and not befitting a modern, civilised country. The ancient Lewis Punnett Home for the elderly was a throwback to a previous era, when the old and vulnerable were not treated with the respect that their age and wisdom demanded. We relocated the residents of the Lewis Punnett Home to a completely refurbished building in [Stoney Grounds] as a temporary home, and we promised the nation that we would construct a modern, world-class elder care facility on the footprint of the old Lewis Punnet Home in Glen.

Last year, demolition work began on the old facility, and preliminary designs for a modern facility were submitted for consideration by the Ministry of Health. The redesigned Lewis Punnett Home will be a 120-bed facility, with capacity for further modular expansion. Estimated costs are US$10 million, a significant portion of which will be borne by our development partners the Maria Holder Trust. Further, as part of the World Bank-funded Human Development Service Delivery Project, Budget 2023 provides for the completion of a draft Elderly Care and Protection Bill, which will legislatively complement the magnificent new facility for geriatric care that will be built next year.

B. EDUCATION

Education in Saint Vincent and the Grenadines is at its most crucial crossroads since the beginning of the Education Revolution in 2001. Behind us is the disruptions in access and instruction caused by the Pandemic and the volcanic eruptions, whose impacts will reverberate for years to come. Before us are rapidly-changing local, regional and global economies, which require different skill sets and certifications for entry. Alongside us are technological and pedagogical advancements that have the potential to fundamentally change the nature of learning for future generations.

This crossroad, this moment, demands innovation, investment, and a student-centred approach to seizing the opportunities created by today's challenges.

Budget 2023 is up to the task.

Budget 2023 markedly increases resources earmarked for education. Taking into account the newly-formed department of Post-Secondary and Higher Education, and a massive increase in the allocations for training and scholarships, recurrent expenditure is budgeted at $168 million. Our capital budget prioritises education, with $32.4 million allocated to education-related projects.

Nonetheless, the impressive allocation in resources to education, training, schools and scholarships only begins to hint at the changes and reorientations underway in the education sector. Beyond the raw numbers, Budget 2023 ushers in fundamental and far-reaching policy initiatives to reimagine post-secondary education. It advances an ongoing multiyear school repair and construction programme that is the most comprehensive in a generation. It strengthens our embrace of technology as a driver for education. And it commences the construction of key infrastructure that will better equip young people to succeed in tomorrow's competitive labour market.

- **The Challenges and Opportunities in the Education Sector**

The Pandemic and the volcanic eruptions deprived our children of over one year of face-to-face instruction. The Economic Commission for Latin America and the Caribbean (ECLAC) called the loss in face-to-face instruction a "silent crisis" that "jeopardizes the development and well-being of an entire generation of children, adolescents and young people and leaves a scar that undermines development opportunities in the region."[49] While the Government, teachers and students rose heroically to the challenges of a hastily-conceived online schooling, the results were uneven. Individual classes, even within the same school, had mixed results in digital content delivery. Students who had challenges with the use of the free tablet computers provided by the Government were unable to access the support they needed. Truancy increased, and class participation was difficult to monitor. Notwithstanding the challenges experienced by the traditional education sector,

[49] Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America and the Caribbean, 2022* (LC/PUB.2022/15-P), Santiago, 2022, p. 14

the Pandemic had a greater negative impact on the delivery of TVET instruction across the Caribbean.[50] Also, the extended disruption to face-to-face instruction deepened existing inequalities, and made household income and parents' educational achievement play a greater role in student success.

Our Education Revolution has been premised on the ideals of access, opportunity, reduced inequality, and the certainty that quality education is the most effective path out of poverty. The Pandemic threatened to upend many of the gains of our Education Revolution. As ECLAC warns, without meaningful interventions now, "the prolonged closure of schools and the economic effects of the pandemic will have large educational costs and will scar the educational and labour trajectories of the generations affected, damaging their income and general welfare conditions in the short and medium terms."[51]

Our educational enhancement and repositioning goes beyond responding to the direct impacts of the Pandemic and the volcanic eruptions. For example, our accelerating developmental transformation, and changes in regional labour demand, have highlighted opportunities that are not being fully met by our expanding technical and vocational training programmes. There is the pressing need to continue providing students and teachers with cutting-edge digital technology. And we must follow-through on our commitment to enhance, expand and modernise the educational infrastructure – from schools to laboratories.

- **Budget 2023's Response**

In September, the United Nations held its first "Transforming Education Summit" on the margins of the General Debate. Our preparations for that Summit, and the globally-agreed Thematic Action Tracks that emanated from the UN deliberations also helped local authorities to energise our local efforts at consolidating and refreshing the Education Revolution. The five Thematic Action Tracks, namely (i) Inclusive, equitable, safe and healthy schools; (ii) Learning and skills for life, work and sustainable development; (iii) Teachers, teaching and the teaching profession; (iv) Digital learning and transformation; and (v) Financing of education each have special meaning in the Vincentian context and our stage of educational development. For Budget 2023, these Action Tracks serve as guideposts on the road from recovery to educational transformation.

- **Post-Secondary and TVET Education**

The first and most obvious innovation in Budget 2023 is the creation of a specific department of Post Secondary and Higher Education. This department, announced in August, builds upon the Prime Minister's unparalleled commitment to increasing tertiary educational opportunities for students, and for realigning skills training with in-demand job opportunities.

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[50] *See, e.g.,* Ndahi H., "The impact of the COVID-19 pandemic on the delivery of TVET in CARICOM Member States," International Labor Organization (ILO) (https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-port_of_spain/documents/publication/wcms_755060.pdf)
[51] *Social Panorama of Latin America and the Caribbean, 2022*, p. 36

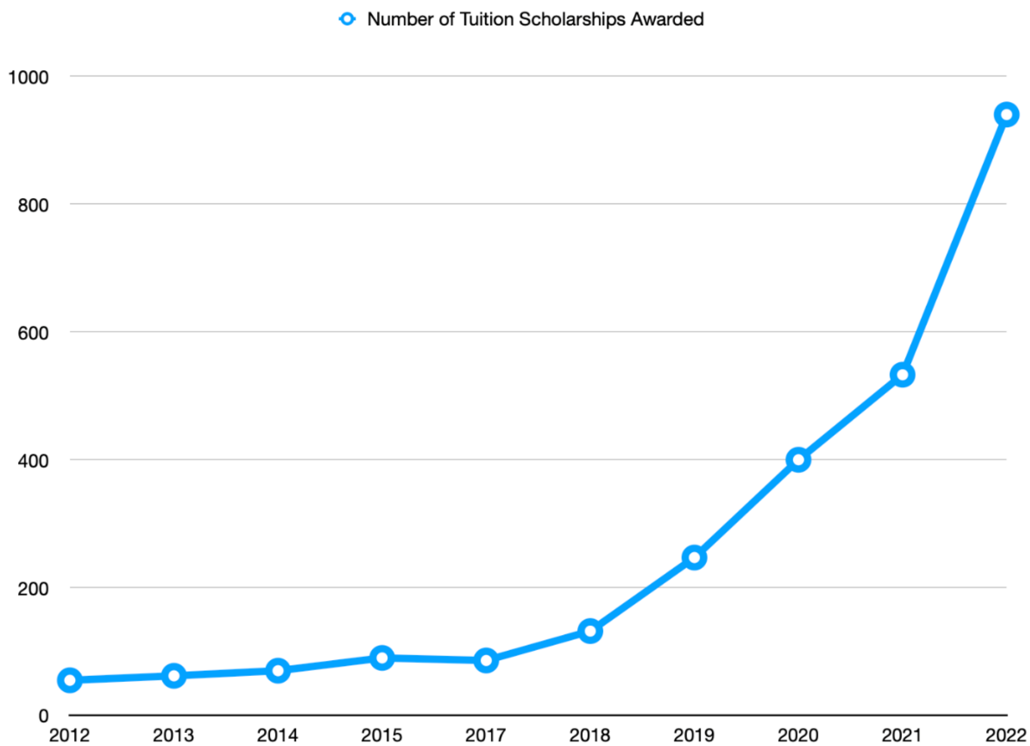

Figure 3: Total number of Tuition Scholarships Awarded, 2012 – 2022

Last year, through the Prime Minister's initiative, 55 students began tertiary coursework at the University of Wales Trinity St. David, in scholarships valued at over £4 million. Last year, the Prime Minister secured an additional 20 scholarships per year from the government of Taiwan, which will be available to students this year. Last year, at the Prime Minister's insistence, and in the spirit of fresh hope, the Government approved 940 tertiary tuition scholarships for students, with a potential value of over $20 million. Those 940 scholarships were the most ever awarded in a single year in the history of Saint Vincent and the Grenadines. Pause and consider the meteoric growth of tuition scholarships in this country, and what it means for opportunity and affordability in tertiary education: Ten years ago, in 2012, the Government awarded 55 tuition scholarships, at a value of $10,000 each. Ten years later, in 2022, that number rose from 55 to 940 tuition scholarships, valued at a maximum of $25,000 each. Show me a country that increases the number of tuition scholarships to students by more than 1,600 percent over 10 years, and I'll show you a country fiercely committed to revolutionary change in the lives of young people. And that is only one part of this massive educational enterprise at the tertiary level.

Budget 2023 clearly shows the benefits of a separate ministerial focus on education beyond pre-primary, primary and secondary school. Budget 2023 increases the "Training" budget within the Personnel Department from $14.5 million to $20 million. This allocation is the bloc of money through which scholarships are paid to University Students. The 38 percent increase is unprecedented and record-setting, and will place an additional $5.5 million at the disposal of students seeking higher education.

Budget 2023 allocates a further $6.5 million to pay directly to the University of the West Indies for the economic costs for the several hundreds of our students who attend UWI. In respect of recurrent spending on the Saint Vincent and the Grenadines Community College for 2023, the sum of $15.5 million is earmarked – an increase of nearly $1.5 million above the allocation for 2022.

In all, recurrent spending on post-secondary and university education for 2023 is estimated at over $142 million, more than the allocations to the Police Force, and about the same allocation for all hospital services in the country. Amazing!

The department of Post-Secondary and Higher Education will shepherd the fresh initiative of constructing a modern tertiary level science laboratory in Frenches, adjacent to the remodelled and expanded UWI Global Campus building. When completed, the Science Lab will offer university-level laboratory instruction to both UWI Global Campus and SVG Community College students. The presence of the laboratory will create opportunities for both UWI and the Community College to offer additional higher-level coursework and degree programmes here in Saint Vincent and the Grenadines. Budget 2023 makes provision for the architectural and engineering designs of this state-of-the art science laboratory, which will begin actual construction in 2024.

Budget 2023 also invests in other educational laboratories. The existing Biology laboratory at the Community College will be expanded under a separate, $795,500 project that will upgrade facilities across the SVGCC campuses. Importantly, the construction of the Food Science Laboratory at the Arnos Vale campus of the Community College restarted in 2022, and will be completed this year as a component of the $3 million allocation to the Agricultural Modernisation and Development Programme. Further, ICT labs at 17 secondary schools nationwide will be enhanced in 2023 through the purchase of 307 desktop computers, 28 laptops and various other technology equipment.

- **A Revolution in Access to TVET**

Almost four years ago, this Government signalled its clear intent to "deepen the scope and reach of the Education Revolution through a marked expansion in skills training and technical and vocational education."[52] This commitment was premised on five important understandings of our current educational environment: (i) that the value of skills depreciate quickly in a rapidly-evolving labour market, which requires continuous training and lifelong learning;[53] (ii) that labour mobility and opportunities within the CARICOM Single Market and Economy would require more focussed specialised skills training and certification;[54] (iii) that there remains a mismatch between theoretical skills acquired in school and the relevant practical skills demanded by the labour market,

[52] Budget Speech, "Foundations for Growth, Jobs and Transformative Sustainable Development," 4th Feb. 2019, p. 6
[53] *See, e.g.,* M. Hanni, "Financing of education and technical and vocational education and training (TVET) in Latin America and the Caribbean", Macroeconomics of Development series, No. 200 (LC/TS.2019/29/Rev.1), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2019, p. 9 (https://repositorio.cepal.org/bitstream/handle/11362/44599/S1900376_en.pdf?sequence=4)
[54] *See, e.g.,* Jules, T.D., "Educational exceptionalism in small (and micro) states: Cooperative educational transfer and TVET," *Research in Comparative & International Education* 2015, Vol. 10(2) 202–222 (https://journals.sagepub.com/doi/pdf/10.1177/1745499915571706)

necessitating focussed education and training to prepare young people for the demands of work;[55] (iv) that underfunding, poor integration into school curricula, and cultural biases had stigmatised TVET education as a low status last resort for those who are not academically inclined;[56] and (v) that accelerated and inclusive, sustainable development requires a qualified, certified and properly-trained technical labour force.

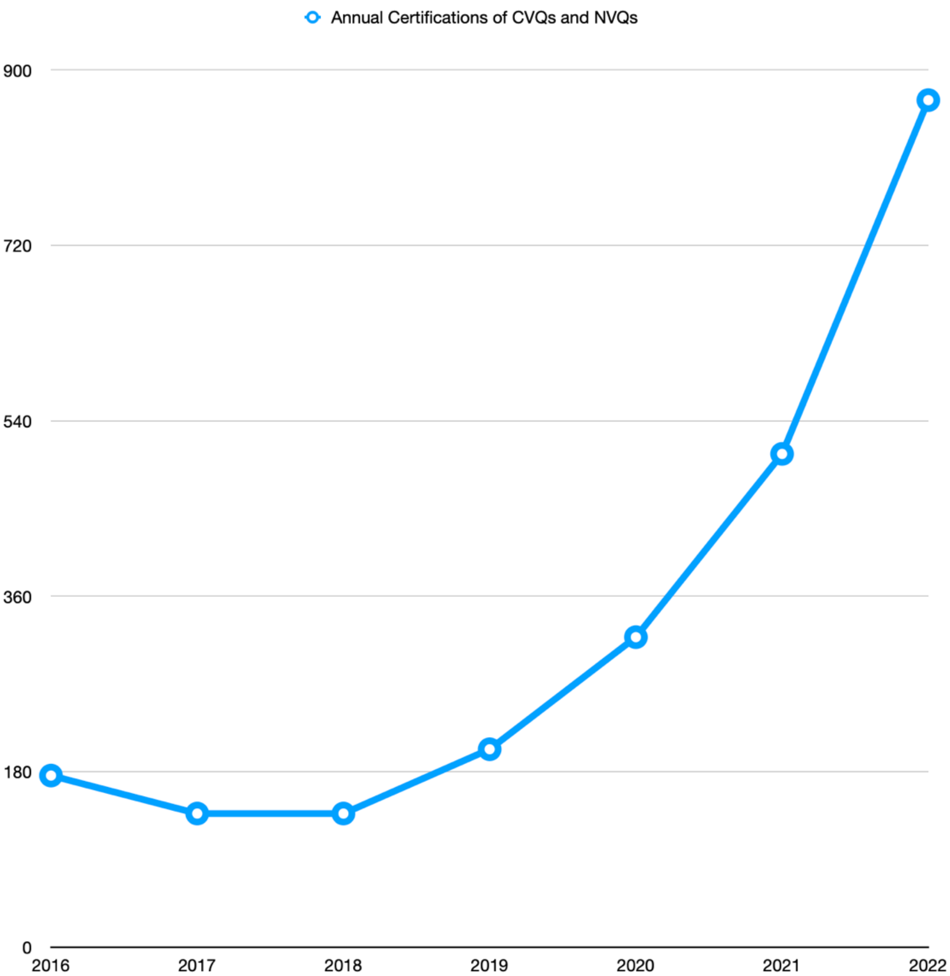

Figure 4: Annual CVQ and NVQ certifications issued via SKYE, ANEW, YATE, SVGCC, ZHTF, 2016-2022

[55] *See, e.g.,* World Bank. 2007. "School and Work: Does the Eastern Caribbean Education System Adequately Prepare Youth for the Global Economy," Washington, DC. (https://openknowledge.worldbank.org/handle/10986/7626)

[56] *See, e.g.,* Lewis, T., "Reconceptualizing Vocational Education and Training (VET) in Caribbean Schooling," in *Reconceptualising the Agenda for Education in the Caribbean Proceedings of the 2007 Biennial Cross-Campus Conference in Education, 23–26 April, 2007, School of Education, UWI, St. Augustine, Trinidad and Tobago,* p.477; Subran, D., "Making TVET Relevant to a Postmodern Caribbean," *Caribbean Curriculum* Vol. 21, 2013, 81-96 (https://journals.sta.uwi.edu/ojs/index.php/cc/article/view/545/477); Griffith, S. A., "Choice and Performance in CSEC and CAPE TVET Subjects: A Comparison With More Conventional Subjects" *Caribbean Curriculum* Vol. 21, 2013, 97-119. (https://uwispace.sta.uwi.edu/dspace/bitstream/handle/2139/39013/Choice%20and%20Performance%20in%20CSEC%20and%20CAPE%20TVET%20Subjects%20Griffith.pdf?sequence=1&isAllowed=y)

Our TVET gains in recent years have been impressive. Through TVET programmes such as Youths and Adults Training for Employment (YATE), Access to Another Nexus in Education and Workforce Development (ANEW), Skills for Youth Employment (SKYE), the Zero Hunger Trust Fund and the ongoing efforts of the Community College, we have issued over 2,300 Caribbean Vocational Qualification (CVQ) and National Vocational Qualifications (NVQ) certifications. Over half of those qualifications being issued in the last two years. In 2019, when the Government declared its intent to focus on TVET certification, we issued just over 200 CVQs. Up to November last year, that number had more than quadrupled, with close to 900 certifications issued, and an additional 450 enrolees awaiting certification in ongoing courses.

The 2,300-plus qualifications run the gamut. In the last two years, TVET learners have earned certification in Electrical Installation, Refrigeration, Office Administration, Cosmetology, Garment Construction, Furniture Making, Computer Servicing, Wall and Floor Tiling, Care of the Older Adult, Fish Handling and Processing, Welding, Plumbing, Bartending, Pastry Making and Landscaping to name a few. Classes have been held nationwide: Arnos Vale, Barrouallie, Bequia, Calliaqua, Frenches, Glen, Layou, North Union, Questelles, Sharpes, Union Island, Westwood, and beyond.

Budget 2023 is a TVET budget, with further heavy investments in increasing the capacity and quality of our TVET infrastructure. Approximately $7 million will be spent in 2023 on capital projects directly related to TVET. Budget 2023 will refurbish the Kingstown Technical Institute; build smart classrooms at the Barrouallie Technical Institute; retrofit 12 secondary school classrooms for TVET instruction; establish a construction laboratory in Canouan; relocate a TVET centre to the Union Island Secondary School; upgrade the Petit Bordel Multipurpose Centre to provide a broad range of TVET instruction; offer certification to another 400 students through the YATE programme; purchase essential instructional equipment, including over $500,000 worth of TVET equipment for the Community College; revise and refine the TVET curriculum; and commence in-house designs for a modern Marriaqua Technical Institute.

Additional TVET-related initiatives abound in Budget 2023, particularly in relation to training for persons interested in the growing hospitality sector. The Government has partnered with stakeholders in the hospitality sector to fashion a series of short certification courses that will also help to address shortages in skilled chefs, bartenders, landscapers and tour guides. The respective ministers connected with these initiatives will elaborate further.

- **School Repair and Construction**

Neither the volcanic eruptions, supply chain disruptions, nor increased prices for materials have derailed our drive to continue the most comprehensive school repair and construction initiative in a generation. It began with extensive technical evaluations and designs, continued through the construction of temporary classrooms to house students from the Girls High, St. Clair Dacon, Sandy Bay Secondary, Bequia Community High, and Saint Vincent Boys Grammar Schools while their main buildings were rehabilitated and expanded. Last year, students at the Barrouallie Anglican, Barrouallie Government and Saint Vincent Grammar School returned to vastly improved facilities, in keeping with our commitment to provide all students with inclusive, equitable, safe and healthy schools. Emmanuel High School Mesopotamia also welcomed students into an expanded and enhanced building. Nationwide, BRAGSA conducted an additional $3.8 million worth of general maintenance to other schools.

This year, Budget 2023 will spend a further $13.2 million of the CDB-funded School Improvement Programme, primarily on six additional schools. Students at the St. Clair Dacon, Girls High, Bequia Community High and Kingstown Anglican Schools will move into their rehabilitated buildings this year.

Originally, we had hoped that the Thomas Saunders Secondary School would also be completed this year. However, engineers have re-evaluated that oldest section of the building – which used to be the Richmond Hill Primary School – and determined that it will be safer and more cost-effective to demolish that structure and rebuild it from the ground up. As such, the first half of 2023 will be spent redesigning and expanding the scope of the Thomas Saunders School. While construction will begin this year, students will have to stay in the temporary school at Arnos Vale until Thomas Saunders is completed in 2024.

Designs for the Canouan Secondary School are complete. Budget 2023 provides $515,000 to expand classrooms and add a food preparation lab. In late 2023, we also expect to begin construction of a vastly-improved Mary Hutchinson Primary School in Union Island, after ongoing design and relocation tasks are completed.

We will also begin work on the crown jewel of our school reconstruction and expansion programme – a state of the art replacement for the Sandy Bay Secondary School, which was destroyed by the volcanic eruptions. No building will better exemplify fresh hope than this school, which will rise from the volcanic ash, and be built on the site of a former plantation house, in celebration of the indominable spirit of the Garifuna ancestors who will learn and soar to higher heights from that symbolic launching pad.

Other school infrastructure will be tackled via the Basic Needs Trust Fund. Through this CDB-funded mechanism, Primary and Early Childhood institutions in Fitz Hughes and Mayreau will be upgraded in 2023.

- **Post Pandemic Learning Recovery**

The Government has been disappointed by efforts to recover instructional time lost to the Pandemic and the volcanic eruptions. A year of lost time cannot be recaptured immediately, but it cannot be ignored either. Last year, there was insufficient effort, innovation and attention paid to learning recovery measures. Too often, institutions returned to habits and patterns as if nothing happened. Term length, and school days remained the same. Curricula were largely unchanged. In the week or two after end of term exams, many students frolicked in empty classrooms while teachers marked papers in their staff rooms, with little effort made to make up lost time. This June, thousands more children will graduate from their schools with far less classroom time than their pre-Pandemic peers. This is unacceptable. We can do better. As such, learning recovery will be a special area for analysis and action in 2023. At this crossroads on the journey from recovery to progress, we will not allow institutional stasis or the seductive ease of the path of least resistance to unduly curtail a single child's dreams or opportunities.

C. HOUSING

From our earliest days in office, this Government has drawn a clear distinction between our philosophy and policy on housing and that of the predecessor administration, pre-2001. We recognise that adequate housing is a bedrock social and economic right of all Vincentians, not a mere commodity to be controlled by market forces and placed beyond the reach of the vulnerable. Before our administration was elected, vulnerable Vincentians were left to their own devices, or given an insincere wink-and-nod "permission" to squat on State lands. Meanwhile, the wealthy, the powerful and the connected – including former ministers of Government – purchased state lands for a song, and not a single home was provided by the State to any Vincentian.

We have broken sharply with that anti-poor, anti-developmental ideology of yesteryear. The right to adequate housing – and the Government's fundamental responsibility to work progressively whenever possible to facilitate the attainment of that right – is an indispensable cornerstone in the attainment of other essential social and economic rights, including the right to property ownership, health, and development.

Our record is unassailable. Our distribution of housing lots, and policy of "turning dead property to live property" have provided over 6,000 Vincentians with secure ownership; and this is on-going. Our construction of low-income and "no-income" houses has placed over 2,500 families in their own homes, and our provision of free building materials to vulnerable households has helped to stave off the worst impacts of climate change and extreme weather events. All of this is continuing!

The eruptions of the La Soufrière volcano, has once again thrust our support for adequate housing to the forefront of our agenda. Our preliminary, "drive-by" estimates of damage to housing stock in the Red Zone failed to capture the full scope of the devastating impact of the volcanic eruptions and hurricane Elsa in 2021. As the toll of damages grew, so too did our commitment to repair and restore houses and to build back better in less vulnerable areas.

Over the past 14 months, more than 900 homes in the Red Zone have been repaired. On average, over 50 homes per month have been repaired since the evacuation order was lifted. This is a phenomenal record. The ongoing – and accelerating – rate of repair is even more impressive when you consider the technical and logistical challenges facing BRAGSA, the HLDC and local contractors in the Red Zone – accumulated ash, damaged bridges, and capacity constraints.

Current estimates suggest that an additional 805 homes in the Red Zone still need to be repaired in the wake of La Soufrière eruptions and Hurricane Elsa. Budget 2023 ensures that those longsuffering remaining homeowners will have their homes rehabilitated.

Further, Budget 2023 makes provision for the assembly of 50 prefabricated houses from Guyana and the ongoing construction of an additional 41 homes through a partnership with the Mustique

Charitable Trust. These 91 homes will complement the 27 already-built homes in Orange Hill, which were handed over to families last September.

Therefore, by the end of 2023 a total of 1,823 homes in the Red Zone will be either repaired, rebuilt or relocated. Let's put that number in perspective: The 2012 *Saint Vincent and the Grenadines Housing and Population Census* indicated that there were 4,519 homes in the Chateaubelair, Georgetown, and Sandy Bay census divisions – an area roughly analogous to the Red Zone. Over the course of two short years, the Government will be responsible for enhancing close to 40 percent of all the houses in those census divisions. Never before in our country's history has a more intensive, more comprehensive programme of housing rehabilitation ever taken place.

Of course, the Government's commitment to adequate housing is not limited to the Red Zone. Developmental imperatives, like the construction of the modern Cargo Port in Kingstown and the Acute Referral Hospital in Arnos Vale bring with them the welcome benefit of directly uplifting the living standards of those impacted by the projects. Last February, 47 families from Rose Place were handed the keys to homes in a $4.8 million development overlooking Lowman's Bay. Those homes in represented a massive improvement in the living conditions of the residents.

Since 2015, of building materials worth over $40 million have been distributed, free of charge, to vulnerable homeowners. This is an unprecedented investment in household safety and citizen security, particularly in the face of climate change. As a people-centred adaptation measure, as an anti-poverty intervention, and as a tool to help close inequality gaps, we are proud of this initiative. Of course, the success and longevity of the programme sometimes creates demands and expectations that are beyond the capacity of our resource constraints. This year, Budget 2023 allocates $5.5 million to building materials. However, concentration of damaged homes and vulnerable residents in the Red Zone means that the materials will be disproportionally distributed in that area. The distribution of building material will continue to be needs based, and we will continue to address the needs of the most vulnerable, first.

The Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights both enshrine the hopeful aspiration that adequate housing be attainable by the peoples of the World. Once again, Budget 2023 imbues this aspiration with fresh hope, and directly invests over $13.8 million in furtherance of our continuing quest to make this right tangible to all Vincentians.

D. SOCIAL PROTECTION AND DEVELOPMENT

As a matter of political principle and Christian duty, this Government is motivated by its obligation to assist the children, the elderly, the sick, the poor and the vulnerable people of Saint Vincent and the Grenadines. Never before was adherence to that principle more sternly tested, and more clearly demonstrated, than during the challenges of the recent Pandemic, volcanic eruptions and hurricane. For the last three years, we have been stalked by dislocation, destruction, damage, disease and death. And for those three years, we have struggled mightily to expand our responses to address the needs of the most vulnerable. Our nation is neither large nor wealthy; but we have marshalled resources, we have innovated, and we have delivered an unprecedented level of support to our population. In doing so, we have reimagined what is possible and what is most impactful in maintaining social protection and spurring social development across Saint Vincent and the Grenadines.

- **Disaster Response and Emergency Support to Vulnerable Populations**

The COVID-19 Pandemic and its aftermath spurred a massive increase in global poverty. According to the World Bank, "*the COVID-19 pandemic has indeed triggered the most pronounced setback in the fight against global poverty since 1990, and most likely since World War II. . . According to the nowcasting global poverty, 71 million more people were likely living in extreme poverty in 2020 than in 2019.*"[57] It is unlikely that Saint Vincent and the Grenadines was spared by this global phenomenon. Indeed, the additional challenge of the La Soufrière eruptions exacerbated the trend that was started by the Pandemic. Remember, La Soufrière disproportionately and severely affected vulnerable populations in the North of the country, while robbing farming communities of income for over 18 months. Nonetheless, the Government responded forcefully and with focus to minimise the challenges of the last three years.

The period between pre-Pandemic 2019 and post-volcano 2022, has seen a massive increase in the value of social protection delivered through the Ministry of Social Development. In 2019, the Ministry of Social Development oversaw the delivery of $13.3 million in the standard categories of public assistance, funeral expenses, rent support, school supplies and disaster supports to the public. By 2022, those categories accounted for $18.3 million – a $5 million increase. Further, the Ministry of Social Development administered an additional $13.4 million in supports via targeted and time-bound programmes, including income support, family supports and volcano relief grants. The year before, in 2021, those additional supports totalled $10.6 million.

In short, the Ministry of Social Development went from delivering $13.3 million in support in 2019, to $31.7 million in 2022 – a 138 percent increase. And those numbers do not account for millions of dollars in assistance that were delivered by entities outside of the Ministry of Social Development, like, for example, the meals and foodstuff supplied by NGOs at the Government's request, or NIS interventions, or the supports of UN agencies through the initiative of our Government. Nor does it include the $5.8 million in Love Boxes delivered over the last three years, or income support to farmers and fishers, or the $4.5 million in building materials distributed to victims of the volcanic eruptions. Those supports are discussed elsewhere in this Speech.

The Government also surrendered over $8 million in revenue, via targeted subsidies designed to help cushion the impact of the cost-of-living challenges that multiplied over the course of 2022.

Our effort has been extraordinary and unparalleled. There is no period in our history, and precious few countries in our region, that can offer a similar example of comprehensive social support, sustained over as long a period as we have here in Saint Vincent and the Grenadines. Minister

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[57] World Bank. *Poverty and Shared Prosperity 2022: Correcting Course.* Washington, DC: World Bank. doi:10.1596/978-1-4648-1893-6. License: Creative Commons Attribution CC BY 3.0 IGO, pp. 39, 50

Orando Brewster and his tireless team deserve our thanks for their creative and compassionate responses to our multiple challenges.

Now that the intensity of the challenges is abating; now that farmers are returning to their fields; now that more and more people are moving back into rebuilt homes; now that most COVID restrictions have been relaxed; and now that economic activity is returning to pre-Pandemic levels, it is time to phase out most of the additional supports. In the 2021 Budget Speech, the Government indicated that the suite of measures being implemented were "*temporary, targeted, and proportionate*," and that "*programmes must be time-bound and targeted, tapering off as the economy rebounds*."[58]

As such, Budget 2023 winds down most of the more far-reaching temporary support programmes that were instituted over the last two years, and replaces them with more narrowly-targeted, individualised assistance to the most vulnerable. However, we are under no illusions whatsoever that our most vulnerable neighbours have returned to a state of normalcy – or even that their normalcy was an acceptable state of affairs. As such, even as we phase out the broader support initiatives, Budget 2023 allocates $3.7 million more to Social Assistance (in cash and in kind) than we approved in the 2019 budget. This is a 23 percent increase over the 2019 allocations, and will be applied to continue social protections for those who are still disproportionately affected by our recent shared challenges.

The Ministries of Housing and Social Development were combined in 2020, before the full social impact of the Pandemic was known, and before the reconstruction of volcano-damaged homes became a full-time job in and of itself. The staff of the combined ministry has been stretched beyond capacity, and required real heroism from Minister Brewster and his senior personnel. Budget 2023 partially addresses this issue by creating posts for an additional Permanent Secretary to focus on housing, and a Deputy Director for Beneficiary Management to concentrate on social assistance clients. A specific focus of our social development personnel will be to continue the modernisation of the way in which assistance is delivered to beneficiaries. Many clients of the Ministry of Social Development have now become accustomed to receiving income support and other cash assistance via reloadable debit cards. We intend to transition as much of our public assistance programme to debit card disbursement as possible in 2023, to improve the safety, efficiency, accountability and dignity of the programme. This transition will be twinned with an initiative, under the Human Development Service Delivery Project, to install software to streamline the application for and disbursement of social protection benefits.

Similarly, in 2023, the Human Development Service Delivery Project will produce a draft social protection bill, which is intended to modernise the legislative underpinnings of our social protection efforts.

Budget 2023 will also feature special focus on the needs of children and persons with disabilities. An increased focus on counselling will benefit children who have been affected by the volcanic

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[58] *See*, Budget Speech, "SVG Stronger: Overcoming today's challenges, building resilience, strengthening social protection, creating jobs and accelerating transformational development," 1st Feb. 2021, pp. 6, 31

eruptions and subsequent life in shelters. The Ministry also plans to double its outreach and information dissemination on child welfare and child abuse.

A rather modest 16 percent increase in our contribution to the National Society of Persons with Disabilities belies a far greater focus on the specific aspirations of the disabled community. We have committed in 2023 to better coordinate existing services to ensure that skills training and critical supports – like transportation to training programmes – are more readily available to the disabled. Like our innovative work in helping children with learning disabilities to overcome their challenges in the educational sector, we can and must do more to facilitate the pursuit of greater opportunities and horizons for persons with disabilities. They, too, must soar like eagles, with their wings unclipped.

The Prime Minister has long identified our Ministry of Social Development as the soul of our Government; the beating heart of our service to the people. Budget 2023 builds upon our principled, moral and ethical commitment to build resilience among the vulnerable; and to ensure that, on this road from recovery to prosperity, no Vincentian is left behind.

E. WOMEN

As we have indicated previously, there can be absolutely no doubt that the Pandemic and the volcanic eruptions affected women disproportionately. The Pandemic's impacts on the informal economy hit women hardest; as did it effect on other highly gendered roles and occupations in our society – child care, domestic work, hospitality and the like. Data from other parts of the developing world also suggest that women entrepreneurs suffered far more economic dislocation during then pandemic than men.

Local data is also clear. Women were in greater need of NIS Temporary Unemployment Benefits, more income support, nutrition support and more social protection payments than men. Just as women were more affected, the Government placed more of our resources in service of women's recovery efforts.

The Government paid special attention to women entrepreneurs in 2022, formulating the Women's Empowerment Programme in partnership with the government of Taiwan, and providing grant financing to scores of women. That programme continues in 2023.

Similarly, Honourable Prime Minister's massive expansion of the Tuition Scholarship Programme this year was explicitly pitched to the Cabinet as a pro-woman initiative, given the exisiting dominance of women students in universities. Close to 70 percent of the 2022 tuition scholarship recipients were women, meaning that roughly 650 women will be receiving Government support for higher education this year. We are also emphasising the gender components of our ongoing TVET and life skills programmes nationwide to ensure that those most affected receive the most support during our recovery.

As part of the previously-mentioned COVID-19 Response Programme, Budget 2023 will provide farm skills training to 500 unemployed women. The Women in Agriculture Programme will work with an additional 50 women, while the Women in Leadership initiative is targeting a 30-member cohort.

In 2023, we will continue our close collaboration and consultation with women, and seek the perspectives of women from all walks of life in shaping our onging recovery. 2023 is not a year for returning to the status quo, but for embracing fresh initiatives and fresh hope as eagerly as we embrace the future. In that spirit, we must embrace, the strength and ingenuity of Vincentian women in guiding us on our shared journey on the road from recovery to resilience

F. **CITIZEN SECURITY**

2022 was a difficult year in our shared battle against crime and criminality. Two years ago, in an address to the nation at the beginning of the COVID Pandemic, Prime Minister Gonsalves presciently identified security – along with health, economic, and social concerns – as one of the four intersecting dimensions of the Pandemic that must be addressed. The Prime Minister warned that:

> *Social and economic dislocation invariably presents opportunities for certain persons with a selfish or lawless disposition – a small minority – to disrupt or undermine the peaceful enjoyment of the lives, living, and property of the vast majority of our people.*[59]

Subsequently, as the natural disaster of April 2021 compounded the social and economic dislocations of the Pandemic, the Prime Minister repeated these warnings, and directed that more resources be allocated to policing and security initiatives.

Yet, despite the hard work of rank-and-file police officers, and some notable intelligence successes, we are not safer today than we were two years ago. The causes of crimes are complex and responses must be carefully calibrated. Political or opportunistic grandstanding on this issue, or infantile diagnoses are unhelpful. A focussed "all society" approach is vital.

Budget 2023 invests heavily in more boots on the ground to fight crime. We have created an additional 68 positions for Police Recruits and Constables, bringing staff positions in the Police Services up to 1,121. Staffing of Police Services has more than doubled since this Government was elected to office in 2001. In this regard, remember that Immigration was once staffed by the Police, but today our 70 professional Immigration Officers staff a separate department, and our police are allowed to focus on their core duties. Similarly, Police Services are allocated $41.3 million in 2023, a 7.4 percent increase over last year's allocation, and a whopping 40 percent more than just a decade ago.

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[59] Gonsalves, R., "Address to the Nation: Rising Stronger from the Ashes of COVID-19," 25 March 2020, p. 30 (http://pmoffice.gov.vc/pmoffice/images/PDF/speech/Prime_Minister_Gonsalves_Address_to_the_Nation_on_25.3.20_Rising_Stronger_from_the_Ashes_of_Covid-19.pdf)

In short, our challenges with crime-fighting are not due to resource constraints. Numerous studies suggest that, after achieving a level of adequate staffing, adding more officers is less impactful than other interventions, like problem-oriented policing, neighbourhood watches, 'hot spot' policing, improved community relations and focussed deterrence strategies.[60] In 2023, our emphasis is on optimising these tactical interventions, better use of evidence-gathering tools and networks, and improving linkages with other vital pillars in society's fight against criminality – communities, families, the church and other social actors.

The first responsibility of a State is the safety and security of its citizens. Citizen security is a fundamental prerequisite for inclusive and sustainable development. While there is no magic bullet to stop criminality, there is no substitute for hard and smart work, and tactical innovation. Budget 2023 ensures that our police services have adequate resources to perform their duties. The Government will hold the leadership of the police accountable for the effective and decisive utilisation of those resources.

Last month, police intelligence led to the largest single seizure of illegal firearms in Saint Vincent and the Grenadines.[61] That seizure took place at the customs, a vulnerable point in any country's security apparatus. Budget 2023 strengthens our capacity to thwart similar illegal activity, as well as speed the flow of legitimate imports, with a $2.1 million investment in additional high-tech scanners with enhanced capacity to detect contraband. Similarly, phase 2 of the popular, Taiwan-funded CCTV programme will enhance the investigation and deterrence tools available to the police. As w have put more boots on the ground, we will also continue to embrace the use of cutting-edge technology as a crime fighting and prevention tool.

The Honourable Prime Minister, who is also Minister of National Security, will no doubt address more comprehensively the issue of citizen security and law and order.

VI. GRENADINES AFFAIRS

Over the last two years, the islands of the Grenadines have been blessed to be furthest away from the devastating effects of the La Soufriere eruptions, while being disproportionately impacted by the Pandemic-related slowdown in tourism. Yachting tourism, the lifeblood of the Grenadines cratered precipitously. Yacht arrivals in Bequia plummeted by 95 percent between 2019 and 2021, while in Union Island the falloff was 83 percent. Of course, most countries in the midst of full lockdowns had no arrivals whatsoever. In remaining open, a valuable trickle of visitors still came to the Grenadines.

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[60] *See, e.g.,* Payne, Troy C. (2017). "How Do You Determine the Right Size of a Police Department? Don't Look to Crime Rates." *Alaska Justice Forum* 34(2) (Fall 2017, online edition) (https://scholarworks.alaska.edu/bitstream/handle/11122/8083/ajf.342c.police-and-crime-rates.pdf); Braga, A., Papachristos, A., & Hureau D., "The Effects of Hot Spots Policing on Crime: An Updated Systematic Review and Meta-Analysis," *Justice Quarterly*, 16 May 2012, pp. 633-663

[61] "No charges yet in biggest gun haul in SVG," *Searchlight*, 30 Dec. 2022 (https://www.searchlight.vc/news/2022/12/30/no-charges-yet-in-biggest-gun-haul-in-svg/)

There are signs that a recovery is underway. In August 2022, the last month for which complete data was available at the time of this speech, yacht arrivals for Bequia and Union Island were at 80 percent and 70 percent of their 2019 high water mark. Far below peak levels, but trending in the right direction. Anecdotal evidence suggests that the fourth quarter ended strong, particularly the all-important Christmas season.

Budget 2023 initiates a number of important tourism-related projects in the Grenadines to facilitate a rebound in visitor arrivals. Airports receive particular attention, with $5.9 million allocated to airport equipment and infrastructure in Bequia, Canouan and Union Island.

Another area of focus is education infrastructure in the Grenadines. The Canouan Secondary School will receive additional classrooms, a food preparation lab, a construction lab, a staff room and TVET equipment. Over 75 computers will be purchased for ICT labs at Bequia Seventh Day Adventist, Bequia Community High, and Union Island Secondary Schools. Temporary classrooms will be completed to house students of the Mary Hutchinson Primary School and a construction contract for the rebuilt facility will be completed later this year. The Bequia Community High School will complete a comprehensive multimillion dollar upgrade. The Mayreau Primary School will be refurbished, as will the Bequia District Library.

An important project – the first of its kind in the OECS – will be the pilot programme to create an advanced structure for the establishment of an inclusive school system in Bequia, in partnership with the Sunshine School. This initiative is part of the World Bank-supported Human Development Service Delivery Project, and will seek to mainstream the educational opportunities of students with disabilities or other challenges. The Human Development Service Delivery Project will also enhance curricula and remedial education programmes in Union Island and Bequia.

Budget 2023 also allocates $300,000 to expand the Port Elizabeth Hospital; $342,000 to upgrade markets, revenue and district council offices in Bequia, Canouan and Union Island; and $696,000 to realign the road at Bluff in Bequia. Other sections of the Paget Farm road will be addressed in separate infrastructural projects this year as well.

This year, Budget 2023 provides for a significantly upgraded hard court on Union Island, a police substation on Mayreau and the previously-mentioned engineering evaluations at Salt Whistle Bay.

A great deal of our recovery depends on the Grenadines returning to top form as well-oiled engines of economic growth. Similarly, the fragility and vulnerability of the islands demand special attention. Budget 2023 demonstrates the Government's continuing commitment to both nurture and sustainably leverage the Grenadines' unique potential.

VII. JOB CREATION AND DECENT WORK

Three years ago, talk of a Clear Harbor Call Centre in Saint Vincent and the Grenadines was derided by some as empty political promises. Today, the company employs over 850 young Vincentians and is in the midst of an expansion that will allow to hire 350 more. Clear Harbor has gone from zero workers to being the second-largest private sector employer in the country, after the Mustique Company. It is projected to surpass the Mustique Company this year. Three years ago, the Government's announcement that Sandals would hire 200 Vincentians to work overseas was traduced as a falsehood. Today, Sandals has employed over 300 of a promised 500 workers for overseas placement; and thus far, more than 200 local construction workers are employed on its hotel site in Buccament. Indeed, two days from today, another 42 young Vincentians leave Argyle International Airport on a Sandals-chartered plane to take up employment opportunities at regional resorts. Three years ago, ill-informed radio blowhards publicly questioned the business plan of Rainforest Seafoods and predicted its immediate demise. Today, it consistently employs over 100 processors, and purchases product from more than 150 local fishers. Within the last 12 months, cruise ships have recruited actively across the country and employed or re-employed hundreds of Vincentians. There are more jobs in construction, more jobs at restaurants and lounges, more jobs in fisheries and agriculture, and more jobs within the central Government than there were last year. The construction sector, in particular, is rapidly absorbing locally available skilled labour, and many contractors – on schools, roads, hotels and other buildings – are reporting scarcity in certain skillsets, with wages rising as a result.

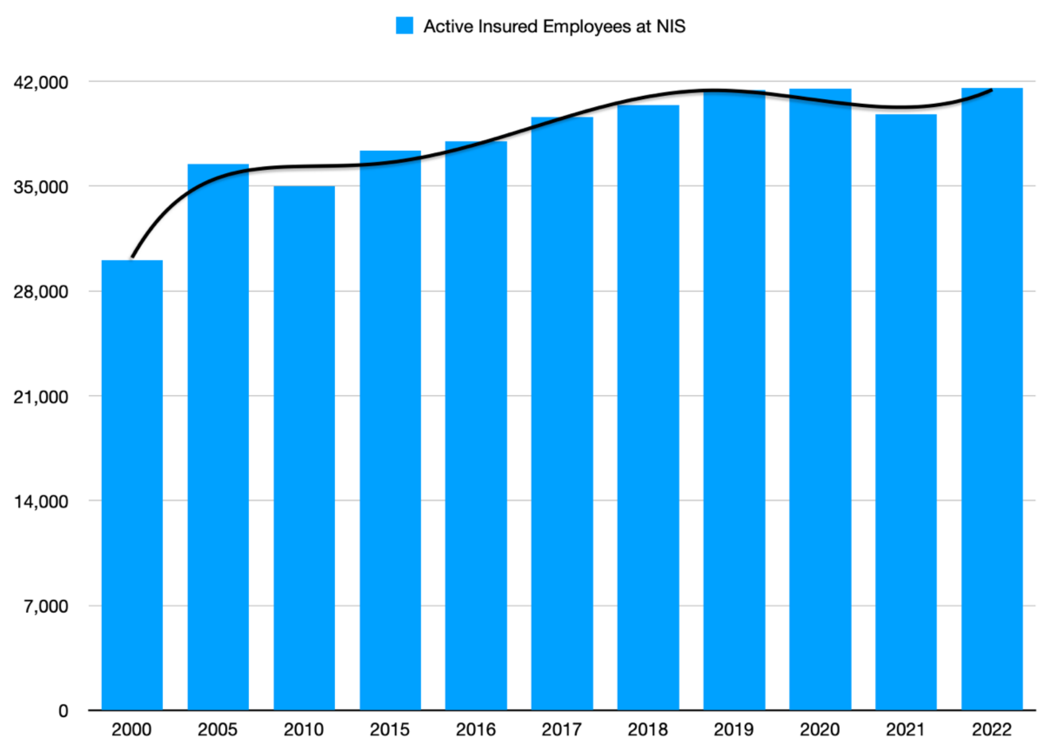

Figure 5: Active Employees Registered with the National Insurance Services

Post-Pandemic, jobs are returning to the Vincentian economy. It is useful to monitor the National Insurance Service data regarding active employees as a useful proxy for job market trends in the formal economy. While the total number of active employees fell by 1,711 workers in 2021 it has returned to pre-Pandemic highs. The NIS data show that solid recoveries are underway in the Accommodation, Construction, and Public Administration categories. The Information category is up by 169 percent over 2019 levels, reflecting the entry of Clear Harbor in the marketplace.

Of course, NIS data does not accurately reflect trends in the informal sector, or among self-employed and own-account workers; because few of these workers make NIS payments. Similarly, low NIS participation by agricultural workers, domestic workers and other categories make generalisations difficult. However, the 4 percent rebound among NIS employees between 2021 and 2022 makes it reasonable to infer that our economic rebound is not a jobless recovery, but instead one that is once again generating employment opportunities for Vincentians.

- **Wages and Salaries**

Budget 2023 increases salaries for all public sector workers.

In September, the Government, on its own initiative, invited the labour movement to engage in discussions about the potential parameters of a fiscally-responsible package of enhancements to workers' compensation.

We are a Labour Government. We did not wait to be prodded, cajoled or harangued into wage negotiations. As promised, as soon as the data suggested that an economic recovery was underway, we reached out to the unions. We negotiated openly and in good faith, explaining our projections and constraints, including the limits of Fiscal Responsibility Framework. We also began preliminary discussions on the specific structural challenges of our current pension system. The unions, too, advocated strongly on behalf of their membership, within the realm of what was achievable, feasible and fair.

The resulting package of wage enhancements is generous, yet fiscally responsible. Between 2023 and 2025, inclusive, we will implement a seven percent increase in salaries and wages and as follows:

- 2.5 percent this year;
- 2.0 percent in Fiscal Year 2024; and
- 2.5 percent in Fiscal Year 2025.

Over the course of those three years, the wage increases will cost the Government an extra $26 million, not including the usual salary increments that are available to most public sector workers. This year, Budget 2023 increases the allocations for wages and personal emoluments by more $16.7 million over last year's budget – a number mainly reflecting the impact of the wage enhancements and incremental advancements within salary bands.

This 5.7 percent growth in the Budget 2023 for wages and salaries is an extraordinary increase, in light of the global challenges and fragility of our ongoing economic recovery. But our compact with the working people of Saint Vincent and the Grenadines is an unshakeable one. It is those same workers who are the engine of our post-Pandemic, post volcano rebound.

The Honourable Saboto Caesar, our Minister of Labour, has completed the process of selecting the membership of the 2023 Wages Council. That Wages Council will revaluate and set minimum wages this year for many different categories of worker. Minister Caesar has committed to ensuring that the Ministry of Labour will facilitate the Wages Council's equitable and expeditious decision-making process.

- **Internships and On-The-Job Training**

This Government has long been committed to providing internships and training opportunities to young people who need a little on-the-job experience to make them more attractive candidates for permanent employment. Our venerable Youth Empowerment Service (YES) and Support for Education and Training (SET) programmes currently offer valuable experience and exposure to more than 700 young people annually. Budget 2023 enhances and expands this important policy initiative.

First, in one of his first acts as the Minister with responsibility for post-secondary education and training, the Honourable Prime Minister has mandated an increase to the stipend that YES volunteers receive during their internship. As such, the budget of the Youth Development department within the Ministry of Youth has been increased by $1.1 million. This will translate into a modest, but welcome increase of $150 per month to each YES volunteer. Monthly stipends will now range from $600 - $1,000 for YES trainees and mobilisers.

Second, Budget 2023 introduces an exciting new initiative called ON-SITE, which stands for Offering National Support for Internship Training and Employment. In contrast with YES and SET programmes, which largely place interns within the public service and selected State-related entities, ON-SITE will exclusively place interns in positions within the private sector. The provision of real-world, private sector experience – and the real possibility of full-time employment – is an important addition to our suite of internship opportunities.

ON-SITE will begin early this year as a six-month, $1.4 million pilot programme funded by a Taiwanese grant. We anticipate that roughly 200 interns will get ON-SITE experience. Some of these interns will have particular thresholds of academic accomplishment, while others will have specific interests or aptitudes, as demanded by the employer. The programme will place young people ON-SITE at major companies, and small businesses nationwide. Depending on their interests and goals, ON-SITE interns may find themselves in front of a computer, under a car to be repaired, or on top of a grain silo. In both white-collar and blue-collar fields, the objective will be to place interns somewhere that offers them real experience and a real possibility of permanent employment.

Over the last few months, we have been consulting with representatives of private sector entities, and our existing experts in the SET and YES programmes to craft a programme that meets the needs of all involved, while allowing us to collect sufficient data to make the programme work going forward.

We are excited about adding ON-SITE to our YES and SET programmes. We encourage all interested young people to keep their eyes open for the launch of the applications window, which should take place sometime in February.

Budget 2023 is a jobs budget. This Government is determined to leverage our post-volcano economic growth to maximize job creation and opportunity generation nationwide. We are optimistic about the potential to continue building on the employment gains that are already underway.

VIII. NATIONAL INSURANCE SERVICES & PENSION REFORM

Amidst the numerous debilitating challenges of 2022, the NIS played a pivotal role in contributing to economic and social stability under its social protection program. The NIS has held true to its mandate and provided some degree of financial security for our nation's retirees and workers.

For instance, the workers who faced social problems and risks associated with sickness, employment injury, old age, and death received existential security through their NIS. Moreover, social security continued to ameliorate those new pensioners whose pensions fell below the minimum pension. To this end, the NIS program provided income support to 21,000 Vincentians in 2022 by paying $84.5 million in social security benefits, representing an increase of $2.3 million from previous year. The crux of the income protection is outlined as follows:

- 7,133 Contributory Old Age Pensioners received $66.7 million. Within this group, the NIS assisted 1,323 persons by topping up their actual pensions to the minimum pension level.

- 906 retirees received $1.5 million under the National Provident Fund programme.

- 396 non-contributory old age pensioners received $700,000. This category of pensioners has been receiving support from the NIS since 1997.

- 207 contributory pensioners received invalidity pensions in the sum of $1.2 million.

- 1,627 beneficiaries received survivors benefits in the sum of $6.6 million. This is the principal death protection feature of the social security programme.

- 10,501 insured persons received $2.9 million in sickness benefits.

- 461 females received maternity benefits in the amount of $1.5 million.

- 241 insured received $0.3 million under the employment injury benefit branch.

In addition to directly boosting the demand-side of the economy, the NIS stimulated social and economic development through its sizeable investments in the local economy. As of December 2022, the NIS invested $267 million in the economy to support economic development. The investments spread across Central Government amassed $51 million (only 11 percent of total investment portfolio), Statutory Corporations and state-owned entities $23 million (5 percent of total portfolio) and local financial institutions including commercial banks and Credit unions $103 million (22 percent of the portfolio). These investments comprise various financial instruments such as Bonds ($43.7 million), Equities ($30 million), Loans ($41 million), Money Market Instruments ($92 million) and Real Estate ($63 million).

The comprehensive benefit programme was principally supported by contribution income, a levy on insurable wages of workers in St. Vincent and the Grenadines. The NIS mobilised contribution income of $73.4 million in 2022 compared to $ 68.3 million in 2021. The augmented contributions were driven by both public and private sector employers. For the public sector, the Government contributions marginally increased from $26.5 million to $26.8 million, and the contributions for statutory corporations grew from $9.1 million to $9.5 million. In the case of private sector employers, the contributions moved from $31.1 million to $35.5 million.

The improvement in contribution and arrears collection reflected a growth in the active insured population from 41,521 to 43,307. Additionally, average annual insurable wages increased from $24,419.00 to $25,092.00. Lastly, the active employers' population grew by 3 percent, moving from 2,064 to 2,135.

Investment income and a small proportion of the reserves supplemented the contribution income to meet social security benefits and administrative expenses. In the review period, the investment portfolio generated $15 million in finance income to fund recurrent expenditures. Also, approximately $6.2 million were drawn down from reserves to support the recurrent social security expenses. This situation reflects the maturing nature of the social protection system and the need for further parametric reform.

The asset base of the NIS fell sharply from $500 million to $476 million, largely due to the volatility and uncertainty of market factors, including interest rates and equity prices. These market factors had debilitating impact on the valuations of the NIS' international bond and equity portfolios. As at December 2022, the international segment of the investment portfolio stood at $107.4 million (23 percent of total portfolio). This sub-portfolio, which generated strong double-digit performances in 2020 and 2021, suffered valuation losses of approximately $18.1 million as a result of downturns in both stock and bond markets internationally.

Institutional investors, including the NIS, witnessed the worst bear market in stocks since 2008. The stock market ended a three-year winning streak in 2022. All three major stock market indices registered their biggest one-year percentage declines since the 2008 financial crisis, with the S&P 500 posting a 19.4 percent fall for 2022, Nasdaq finishing down 33 percent and the Dow losing 8.7 percent for the year.

Bonds fared even worse than stocks in 2022. Inflation, massive rate hikes and a super-strong US dollar left bonds unattractive to investors. The 30-year US Treasury bond, for example, sunk to its worst return, −35 percent, in a century.

As part of prudent risk management strategy, the NIS diversified its investments across local, regional, and international financial markets. At the end of fiscal period, the NIS' exposure to local, regional and international economies stood at $267 million (58 percent), $89 million (19 percent) and $107 million (23 percent), respectively.

With regard to the international investments, the NIS experience realised losses of $9.9 million and unrealised losses of $8.2 million. However, these losses were cushioned by the investments in local and regional financial securities including fixed deposits, loans, and Government bonds. The local and regional investments collectively posted positive return of 6 percent, which outperformed the actuarial hurdle rate of 4.5 percent.

The NIS entered 2021 and 2022 as a matured, generously designed, and low financed plan in need of urgent reform. But social security isn't static. Its many working parts are designed to change overtime. This situation was confirmed by the 11th Actuarial report of the National Insurance Fund, which stated that the Fund is unsustainable in the medium and long term if there are no changes to the benefit provisions and contribution rates.

Unfortunately, the multi-pronged challenges of 2021 and the harsh global economic headwinds of 2022 prevented any further parametric changes to the plan in 2021 to 2022. Complicating matters further, the same economic environment that forced a delay in reforms, also compounded financial and actuarial challenges of the Fund – making the need for reform more urgent.

Against this backdrop, and in line with a commitment made in the 2022 Budget, the NIS began its social dialogue and stakeholder consultation on the issue of pension reform. This consultation process has been inclusive, open, and transparent. The Government and the NIS are seeking the widest possible stakeholder buy-in and support to place the NIS on more sustainable financial and actuarial footings; whilst ensuring dignified benefits are paid to beneficiaries.

Accordingly, the Board and Management of the NIS engaged the key stakeholders in conversations around the NIS' current financial performance, the NIS' financial outlook, the factors shaping the NIS' cost trajectory and the possible measures to reform the NIS. To date, the NIS has directly engaged over 500 constituents through direct consultations with the following groups:

1. Government Cabinet members;
2. Heads of Labour Unions and Associations;
3. The Chamber of Industry and Commerce;
4. Members of Public Service Union, Police Welfare Association, SVG Nurses Association and SVG Teachers' Union;
5. Media houses, employees from various organisations, church groups, Agricultural Input Warehouse workers and staff of the Bishop's College Kingstown Secondary School

Additionally, public interviews were held with the WeFM radio station and the Agency for Public Information.

The NIS will intensify and broaden its consultations in the first quarter of 2023. For example, a consultations with pensioners is scheduled for January 27, 2023, at 10am at the NIS' conference room. All pensioners are encouraged to register for this important exchange on NIS.

The NIS is engaging stakeholders transparently on possible reform options. These options are to guide the policymakers on measures to ensure an affordable and adequate social protection system that reflects our value system, responds to changing socio-economic conditions and satisfies the needs of customers. The reform opportunities are outlined as follows:

- Improving financial sustainability
    - Increase contribution rate
    - Increase wage ceiling from $4,333.00 per month
    - Reduce the maximum percentage for age pension from 60 percent
    - Reduce the annual pension entitlement from 2 percent for each year of service for the first 15 years and 1 percent per year of service each year after.
    - Increase the period for reference wages used to compute pensions from the best five years.
    - Increase in the early retirement reduction factor from 6.0 percent
    - Accelerate the time to which the normal pensionable age is 65 years from 2028 to an earlier year.

- Enhancing coverage to vulnerable workers
    - Introduce mandatory coverage for self-employed workers

- Bolstering the adequacy of benefits
    - Increase minimum pensions
    - Increase pensions in pay by some percentage points below inflation
    - Introduce unemployment insurance coverage

The External Actuary, Life Works Bahamas, submitted the actuarial assessment, findings, and recommendations for pension reform to the Government. Additionally, the NIS is compiling the public's ideas, opinions, and thoughts to complement the reform package to be submitted to Cabinet for consideration.

Complementing the administrative functions relating to reforming the Fund, the NIS plans to embark on other operational and strategic initiatives around improving financial sustainability, coverage, adequacy, corporate governance, and administrative efficiency. The programmatic activities include but are not limited to:

1. Strengthening revenue mobilization measures for collection of contributions and arrears, including through judicial processes;

2. Extending social security coverage to informal sector and self-employed workers who remain vulnerable due to lack of proper social protection coverage;

3. Fortifying the investment management function to preserve capital and improve financing income. Among other things, this would involve converting non-income generating properties into income generating properties through further investments in Ju-C property and Peter's Hope Land development project; and

4. Advancement of the digital transformation program to ensure a robust system of social security delivery, cost optimisation and operational efficiency.

Notwithstanding the economic and demographic challenges and the consequential financial sustainability pressures, the NIS ensured that it maintained its promise of providing income security to individuals and households who lost their income over its 36 years of operations. Further, the NIS demonstrated its critical importance to poverty alleviation and social justice in Saint Vincent and the Grenadines. In addition, the Pandemic further reinforced the indispensable role of the NIS for economic and social stability. Let us all support a system the sustains lives and livelihoods for all Vincentians.

- **National Pension Reform**

Beyond the NIS pension regime, we must simultaneously address public pensions. The reform of the public pension system must comprise amendments and harmonization of:

1. The National Insurance Services (NIS)- the contributory, partially funded, and earnings-related defined benefit program for private and public sector workers; and

2. The Public Sector Pension System (PSPS)- the non-contributory, Pay-As-You-Go System (funded by Consolidated Fund) and earnings-related defined program for civil servants.

Individually, the systems are adjudged generous by design. For example, the NIS has a front-loaded benefit arrangement, a maximum replacement rate of 60 percent and a low contribution rate of 10 percent (one of lowest contribution rate in our region, where the average rate is 12.8 percent). In the case of the PSPS, the maximum pension system is 67 percent and the program is non-contributory. The pensions are wholly funded by Government through the Consolidated Fund.

Collectively, both systems run parallel. There is no integration between the designs of the systems. As a result, for civil servants who are covered under the PSPS and the NIS can potentially receive the maximum combined replacement rate of 127 percent. It is simply not sustainable to pay someone more money in retirement than they received while working. This is indicative of an overly generous and unsustainable public pension system based on regional and international standards.

Recognizing the unsustainable nature of the public pension system due to its generous design of high pay-out and low contribution rates, the Government is considering the following reform opportunities to harmonize the NIS and the PSPS:

- Close PSPS to new entrants
- Reduce the accrual rate for PSPS from 1.6 percent to 1.0 percent
- Introduce a mandatory contribution rate for employees, as a percentage of salary
- Align the retirement age of civil servants with the NIS' pensionable age.
- Limit the maximum replacement rate from 127 percent to about 85 percent by considering a top-up on the NIS' pensions. For instance, if the NIS pays 60 percent, the Government could top-up pensions to 80 percent for retirees under PSPS. This is in line with best practice and is similar to the designs of regional private sector employers like the Coreas and FCIB pension plans.

In the upcoming months, the Government intends to deepen its effort to embark on the reform of the PSPS. Accordingly, the Government would establish a Pension Reform Committee to lead the public consultations, technical and legal analysis and implementation program to reform the PSPS. This year, we intend to settle on the package of necessary reforms, and implement them, in the interest of the sustainability of our pension system.

IX. IMPLEMENTATION

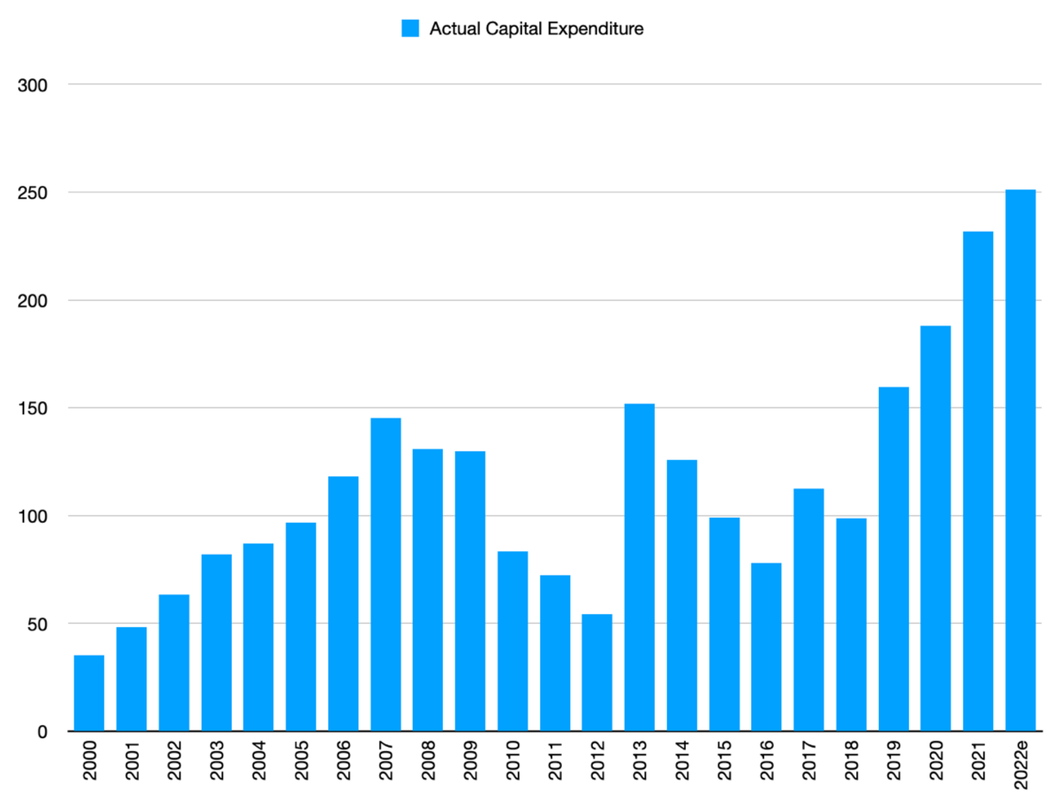

Figure 6: Actual capital expenditure, 2000 - 2022(e)

Another year, another record set for capital expenditure. While the numbers for 2022 are not yet finalised, we already know that capital expenditure last year exceeded $250 million. For the fourth consecutive year, this represents a record for capital expenditure in Saint Vincent and the Grenadines. As recently as 2019, we were celebrating $150 million in capital expenditure. Today, we have topped $250 million. These consistently-improving levels of expenditure are due in no small part to the focussed work of the Government on optimising implementation processes at all stages of the project cycle.

We are getting the work done. Still, there is much more to be done!

Within the context of our small island reality, history and capacity, Budget 2023 is unprecedented in its scope and staggering in its ambition. The first draft of this budget submitted to the cabinet contained $660.2 million of capital projects that we worked hard to reduce to the final $471.6 million that we are considering today. The primary considerations in our selection process in addition to the availability of money were the shovel-readiness of the projects for 2023, and the capacity of both the public and private sectors to deliver on the ambition of Budget 2023.

It is worth noting that, although the $471.6 million of capital expenditure in Budget 2023 is $74.1 million higher than what was approved in 2022, the required local loans have actually decreased by $5 million. This means that the increase in capital expenditure will be funded largely by soft loans already in-hand. It is often said that the Government doesn't complete its investment programmes due to the lack of funds however, other factors such as bureaucratic and logistical failings are far greater impediments to implementation.

Take the CDB-funded National Disaster Management projects, for example. Many of these projects have lingered in the pages of successive budgets as veritable zombies – not dead, because the money is available; but also demonstrating no signs of actual life. Last year, we took the decision to rip up the implementation arrangements of the NDM and start over, with a view to getting the projects shovel ready. Today, we are ready for action. All but one of the NDM projects will be advertised to contractors between now and February 3rd, and they should all begin work in the second quarter of this year.

The Government is once again investing heavily in human capacity to aid in implementation. Budget 2023 contains $1.2 million in capital expenditure to support project management and implementation within the Ministry of Transport and Works. In each of our major projects, from the Port to the Hospital to the VEEP and Digital Transformation projects, we are negotiating with lenders to finance increasingly robust project-specific implementation arrangements.

We are getting the work done.

Of course, no implementation programme is immune from hiccups and unforeseen events. The temporary parliament at Calliaqua, though very close to completion, was delayed because of supply chain disruptions related to the steel roof frame out of Trinidad and Tobago. The Community Centre at Diamond was designed, funded, and put out for bids by local contractors. Unfortunately, local businesspersons who were storing equipment on the government-owned construction site without permission refused to remove their equipment in a timely manner, and Planning authorities were similarly tardy in enforcing the removal order. The tender lapsed, and now the project will have to be put out for bids again.

Looking forward, we are monitoring the possible impact of four issues on our ability to implement our ambitious capital programme: (i) Supply chain and logistical disruptions; (ii) the availability of aggregate and asphalt; (iii) the availability of skilled labour; and (iv) contractor capacity.

Budget 2023 again allocates $1 million for the purchase of aggregate overseas if this becomes a challenge. Already, there is jostling between the construction teams working on the Sandals, Holiday Inn and Blacksands hotels for available aggregate on-island, to say nothing of publicly-funded projects. Similarly, contractors are beginning to note that some skill sets are more in demand than ever before. Joiners, tilers and plumbers are commanding premium wages and slowing implementation as they bounce between multiple projects. Contractors too, especially ones who bid on more projects than they can possibly manage simultaneously, sometimes find themselves at the mercy of unreliable equipment that has been taxed too hard in the midst of this construction boom.

The Government – particularly the ministries of Works and Economic Planning – are closely monitoring these issues, and seeking to work with partners to head off any potential delays before they occur. We point out, again, that there are attractive concessions in place for the importation of construction equipment, and we urge contractors to invest in their own capacity. This construction boom is only just beginning.

- **Capital Works of State-Owned Enterprises**

In addition to the ambition of the central government and the investments of the private sector, major State-Owned Enterprises plan to spend over $50 million in capital works in 2023. The majority of that expenditure will be through VINLEC. VINLEC estimates that it will spend $40.1 million in 2023, up from $9 million in expenditure in 2022. VINLEC's increased expenditure is devoted mainly to solar photovoltaic and battery installations, advanced metering infrastructure and line upgrades in Bequia and Saint Vincent.

- **The Challenges of the Secondary, Village and Feeder Roads Project**

We owe the nation a frank assessment of the continued failure of the $88 million "Construction of Secondary, Village and Feeder Roads" project to come anywhere close to meeting its implementation targets. This project anchored a 2015 Government pledge to kickstart a road revolution in Saint Vincent and the Grenadines, and it first appeared in our budget in 2016. Even if you discount the COVID and volcano years entirely, the project is woefully behind schedule.

It has become apparent that the entity that won the contract to build these 47 kilometres of roads underbid drastically and is having difficulty reconciling its contractual obligations with its profit motivations. Despite constant prodding at the highest levels, our partners in this programme have missed deadlines, broken promises and ruined relationships with subcontractors. We remain sceptical about the ability of this project, as currently managed, to deliver on its original goals in

2023. Budget 2023's $7.9 million allocation to the project reflects that scepticism. Remember, this is a project that still has over $70 million left to spend, but we are barely allocating one tenth of that amount in the project's fifth year of existence. While we are committed to work with our partners to speed up implementation within the existing frameworks, we are increasingly convinced that radical correctives will have to take place in 2023 to get this programme moving again.

The Government's commitment to consistently improving implementation has never been stronger or more focussed. Each year we get more work done than the year before. While we recognise the breadth and ambition of this year's capital budget, we also recognise that we do not have the luxury of being able to pick and choose which challenges to tackle and which to defer 'til another day. All are urgent. The challenges, and indeed the opportunities of this moment must be met head-on and with immediacy and determination. As such, we analyse carefully and set goals optimistically; setting the bar high and striving to reach it, with fresh hope that we can indeed meet our goals.

X. INSTITUTION BUILDING & GOOD GOVERNANCE

Dr. the Honourable Ralph Gonsalves has frequently declared that ours is a country of laws, not of men. It is a declaration whose provenance can be traced to American founding father John Adams in the 1700s, and, before him, to the Greek philosopher Aristotle. Today, the phrase finds itself at the root of the theory that strong institutions play a decisive role in sustainable development.[62] Our Government firmly adheres to the view that inclusive, independent, people-centred and functional institutions, rooted in strong legal foundations, are an essential ingredient of development. It was a philosophy that motivated our desire to reform our Constitution in such a way that it devolved powers away from the office of the Prime Minister and into institutions. In spite of the failure of our attempt at constitutional reform, we remain committed to institution-building as an often overlooked, but undeniably important measure of and contributor to development in Saint Vincent and the Grenadines.

It is for that reason that we are proud of the regional institutions developed by our Caribbean civilisation and within the Organisation of Eastern Caribbean States, like our Central Bank and Supreme Court. And it is for that reason that we continue to invest in institutions and mechanisms that ensure good governance and inclusivity. We are proud too, that our local institutions and State-Owned Enterprises continue to grow in strength and stature.

We count our Bank of Saint Vincent and the Grenadines among the best run institutions in the region. So too our Electricity Services company, our Water Authority, our Lottery Authority, our Financial Services Authority, our Financial Intelligence Unit, our Central Procurement Office and our National Insurance Service, to name a few.

During the Honourable Prime Minister's tenure, the Bank of Saint Vincent and the Grenadines has gone from an undercapitalised entity in 2001 to a dominant financial institution, both locally and regionally. The functioning of our Financial Intelligence Unit is lauded as a regional best practice,

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[62] *See, e.g.,* Acemoglu, D., & Robinson, J. A. (2012). *Why nations fail: the origins of power, prosperity and poverty*. New York, Crown Publishers.

due in no small part to the foundational efforts of our current Attorney General. We have strengthened the laws that govern public procurement, as well as the legislative parameters within which State-Owned Enterprises operate.

We are proud to report that, at last check, the balance in our Contingencies Fund stands today at $39.3 million. When year-end receipts are journalised, this balance will approach $45 million. When we established a Contingencies Fund in 2017, we simultaneously enacted regulations to ensure that money went in automatically and came out only under the most specific circumstances. Since its creation, we have relied on the Contingencies Fund helped us to respond to the Pandemic and the volcanic eruptions, to the tune of $27 million. The Fund is being replenished now to help us to confront the next, inevitable disaster.

We are also proud to report that the Fiscal Responsibility Mechanism has tabled its first report on the Government's budgetary processes and fealty to the guidelines within which we pledge to operate. Even though the Fiscal Responsibility Mechanism came into being at a time of Pandemic and hurricane, which – per the terms of our Framework, allowed for suspension of certain parameters – the Mechanism's first report is an important milestone on our journey of good governance. There is much food for thought in the Mechanism's quality work, and the Government will share the document publicly and within this Honourable House.

The next milestone on our journey of good governance shall be a renewed focus this year on tax dodgers, particularly those who have a history of withholding VAT and PAYE. While its collections have improved commendably, the Inland Revenue Department has been more than patient with the people, places and businesses that view tax compliance as somehow optional or discretionary. It is a fundamental tenet of an inclusive institution that all persons be treated equally under its mandate. In 2023 the Inland Revenue Department will recommend that non-compliant VAT and PAYE withholders be prosecuted. We urge that those of you who have outstanding assessments reach out and negotiate settlement of your arrears expeditiously.

Increasingly, good governance, and sound decision-making depends on accurate collection, analysis and application of data. The Government is investing heavily in boosting the institutional capacity and professionalism of our Statistical Office, and is rolling out a series of data gathering exercises that will boost our ability to make informed decisions in the interest of national development. Budget 2023 allocates $4 million to our "Data for Decision Making" project, which will pay for modern equipment and the commencement of our important Housing and Population Census. The Data for Decision Making project will also fund a Survey of Living Conditions, an Agriculture and Fisheries Census, and multiple Labour Demand and Labour Force Surveys. These data, which will be collected free of interference and influence, will be publicly available and sufficiently timely that they will inform decision-making in real time.

A government of laws is not a government without flaws. We do not claim perfection. However, we do claim the determination to continue strengthening our institutions and, each day, to make good governance better.

XI. DEBT SUSTAINABILITY & FISCAL RESPONSIBILITY

Our response to the triple challenges of the Pandemic, volcanic eruptions and hurricane forced the Government to incur additional debt to cushion the impact of these shocks and respond to the needs of vulnerable and displaced Vincentians. Our debt burden also increased as we took on ambitious infrastructural projects, most notably the $498 million modern cargo port on the western side of the capital Kingstown.

However, even in the midst of urgent challenges, and even with urgent developmental demands, our borrowings have been disciplined, long-term and low interest. We have also negotiated debt forgiveness with some of our closest bilateral allies. Because of our discipline and activism, our debt burden is sustainable and – barring another natural disaster – we are on target to achieve the regional targets for debt management ahead of the 2035 deadline.

As at September 30th 2022, the total public debt amounted to just under $2.2 billion. This is a 4.1 percent increase over the total disbursed outstanding public debt for the comparative period in 2021.

The total Domestic Debt increased by 6.3 percent to $555 million as at September 30th 2022 when compared with the domestic debt for the same period in 2021. Similarly, external debt rose by 3.4 percent to $1.61 billion.

The debt is overwhelmingly highly concessional and long term. Our additional external debt was incurred through borrowings from the Caribbean Development Bank, the CARICOM Development Fund, the World Bank and the government of Taiwan. All of these borrowings are highly concessionary in nature, with low interest rates, long repayment time frames, and generous grace periods. As such, our debt is manageable, sustainable, and invested in projects that will grow our economy.

Independent analysis universally confirms this conclusion. According to the International Monetary Fund:

> *Despite the authorities' strong efforts to contain fiscal deficits, critical responses to the shocks pushed up public debt to about 89 percent of GDP as of end-2021. The financial system has weathered the shocks relatively well so far with adequate capital and liquidity buffers. . . . The Debt Sustainability Analysis (DSA) suggests that public debt is sustainable . . . but remains at high risk of distress should future shocks materialize.*[63]

Moody's Investors Service, the credit rating business that provides international financial research on governments' creditworthiness, concurs with the IMF assessments, stating:

> *Moody's expects debt to increase marginally over the next 2-3 years due to ongoing construction efforts after the Volcano and large infrastructure projects underway; however, debt will stabilize around 83*

[63] "St. Vincent and the Grenadines Staff Report for the 2022 Article IV Consultation," International Monetary Fund 28 Oct 2022

percent in the next 2-3 years. As a result of pandemic and natural disaster shocks, fiscal performance deteriorated in 2020-21 and government debt increased. . . . Despite the increase in debt burden, which weakens the sovereign's fiscal profile, debt remains highly concessional and debt service remains manageable. Debt affordability will remain broadly stable, with interest- to-revenue ratio below 10 percent for 2022-23.

Liquidity risks remain broadly contained due to continued access to concessional funding from bilateral official creditors and multilateral development banks, which supports the island's infrastructure development projects and provides liquidity for debt service payments.[64]

Budget 2023 continues the path of prudent, disciplined investment in projects that yield developmental benefits. In this Speech, it is also important to confirm, unequivocally, the Government's strong political commitment to meet the Eastern Caribbean Currency Union's target of a 60 percent debt-to-GDP ratio by 2035; and our similarly strong commitment to be guided by the provisions of our recently-adopted Fiscal Responsibility Framework.

Our debt is necessary and concessionary; sustainable and manageable. Our disciplined Government is committed to both paying our debts and prudently managing the fiscal purse.

XII. RESOURCE REQUIREMENTS, TAX REFORM & FISCAL MEASURES

Budget 2023 cuts your taxes.

For the first time since 2018, the Government is advancing its long-stated objective of gradually reducing the top marginal income tax rate to approximately 25 percent. When Prime Minister Gonsalves assumed office in 2001, the top marginal rate was 40 percent. Today, in establishing a ceiling of 28 percent, income tax rates enter the twenties for the first time in our history as an independent nation.

Additionally, Budget 2023 shifts the standard deduction on personal income tax from $20,000 to $22,000, effectively making another $2,000 in earnings tax-free for most workers.

We are proud that we are able to offer this relief in this period of fresh hope. This is a significant action that will affect all formally-employed workers. Further, the tax cuts will reduce burdens on businesses. As a Labour Government, it is our hope that these businesses invest the proceeds of these tax cuts in the wellbeing and development of their workforce, and in the hiring of additional staff.

In consultations with the labour movement, it was brought to the Government's attention that while we have adjusted tax rates and tax deductions over the years, we have left tax brackets untouched. As a result, as salaries have risen, the overwhelming majority of workers fall within the top tax

[64] "Rating Action: Moody's affirms St. Vincent and the Grenadines' B3 issuer ratings; maintains stable outlook," *Moody's Investors Service*, 1 March 2022

bracket. It is a valid point. The Ministry of Finance and Economic Planning commits to analysing the issue of tax brackets in 2023 and discussing options with the labour movement and the business community.

Budget 2023 also invests in property tax revaluations. This exercise is supposed to take place every five years, but was last conducted a decade ago. It is well past due.

Notwithstanding the tax cuts, we estimate that revenue from taxes on income and profits will rise by 5.3 percent this year, as the economy continues to recover.

- **Resource Requirements**

Budget 2023 has a total resource requirement of $1.45 billion. This represents an 8.8 percent increase over the approved figure for Budget 2022. The 2023 resource envelope is made up of $771.7 million in Current Expenditure, Amortisation and Sinking Fund Contributions of $202.6 million and Capital outlays of $471.6 million. Budget 2023 will be financed by Current Revenue of $761.4 million and Capital Receipts totalling $684.5 million.

Relative to 2022, the increases in this year's overall Budget are mainly attributable to:

- Current Expenditure increasing by 6.1 percent;
- Capital Expenditure increasing by 18.6 percent;
- Current Revenue increasing by 12.4 percent; and

Sinking Fund Contributions remain flat, and Amortisation decreases by 1.2 percent

In summary, the outlays on this side of the budget, including Amortisation and Sinking Fund Contributions are as follows:

CATEGORY	AMOUNT ($)
Compensation of Employees	$373.8 m
Pensions	60.3 m
Other Transfers	147.6 m
Interest Payments and Loan Charges	80.2 m
Goods and Services	109.7 m
Current Expenditure	**$771.6 m**
Add:	
Amortisation	180.6 m
Sinking Fund Contributions	22.0 m
TOTAL	**$ 974.3 m**

On the capital side of the Budget 2023, the allocations by functional classification are as follows:

FUNCTIONAL CLASSIFICATION	APPROVED ESTIMATE 2023 ($m)	% OF TOTAL
General Public Services	26.1	5.5
Public Order and Safety	4.1	0.9
Economic Affairs	235.9	50.0
Environmental Protection	70.0	14.8
Housing and Community Amenities	26.7	5.7
Health	36.8	7.8
Recreation, Culture and Religion	8.8	1.9
Education	29.5	6.3
Social Protection	33.7	7.1
TOTAL	**471.6**	**100.0**

The details of the sources of financing for Budget 2023 are as follows:

SOURCE OF FUNDS	AMOUNT	% SHARE
Domestic Receipts	**$100.2 m**	**14.6%**
Capital Revenue	$1.0 m	0.1 %
Loans	$99.2 m	14.5%
External Receipts	**$584.3 m**	**85.4%**
Grants	$ 68.7 m	10.0%
Loans	$ 289.7 m	42.3%
Other Receipts	$225.9 m	30.0%
TOTAL	**$684.5 m**	**100.0%**

Taken at a glance, Budget 2023 has a current deficit of $10.3 million and an overall deficit of $412.2 million. The fiscal summary of the Budget 2023 is as follows:

ITEMS	$M
Current Revenue	761.4
Less:	
Current Expenditure	(771.7)
Current deficit	**(10.3)**
Add:	
Grants	68.7
Capital Revenue	1.0
Funds Available for Capital Expenditure	**59.4**
Less:	
Capital Expenditure	471.6
Overall Deficit	**(412.2)**
Financed By:	**412.2**

External Loans	289.7
Local loans	99.2
Other Capital Receipts	225.9
Less:	
Amortisation	(180.6)
Sinking Fund Contributions	(22.0)

- **Fiscal Measures**

As global inflation rose, fuel prices increased, and the threat of food insecurity stalked vulnerable Vincentians, the Government enacted additional subsidies, tax cuts and initiatives to help cushion the impacts of price increases. These initiatives included:

List of Measures	Fiscal Impact
Subsidy on fertilizer	$1,013,798
Feed subsidy to livestock farmers	$500,000
Targeted "Love Box" food support (May – September)	1,720,000
Waiver of Customs Service Charges on fuel imported by VINLEC (May – September)	1,109,713
Reduction of Excise Tax on gasoline and diesel (May – September)	3,372,992
Elimination of Customs Service Charges on cooking gas (April – September)	438,581
Reduction of Customs Service Charges on flour imports (June – November)	798,000
Expansion of VAT exemption on electricity usage from 150kWh to 250 kWh: (July – September)	195,000
TOTAL	**$9,148,084**

Figure 7: Cost of living mitigation measures undertaken by the Government, April – September 2022

In 2023, the Government will seek to phase out these measures as conditions permit.

- **The revised tax and tariff regime for automobiles**

One measure, pledged in last year's budget, is now in effect: a complete revamp of the tax and tariff architecture on the importation of automobiles. The specific measures were recently debated and passed in this Honourable House. However, in light of some ongoing misinformation and misunderstandings, it is useful to revisit the topic today.

The average motor vehicle in St. Vincent and the Grenadines is about eleven (11) years old and has an average total landed total cost of $27,000. Only three percent of the vehicles imported annually are new, or less than three years old. In most cases, the tax rate for these vehicles has ranged between 135 percent to 165 percent of the Cost, Insurance and Freight (CIF).

As pledged in last year's budget speech, the Government has responded to public feedback on the the level of taxation levied on imported vehicles. After undertaking careful analysis of our automobile market and consumer preferences, the taxation regime for motor vehicles has been reviewed with the following objectives in mind:

- To incentivize the purchase of newer, smaller engine motor vehicles and disincentivize older, larger engine motor vehicles;
- To reduce the import duty and excise tax on hybrids and electrics;
- To restructure the surcharge regime for all motor vehicles;

Our regime reform reduces taxes across the board, but with the greatest incentives being on the newer vehicles and cars with smaller, more efficient engines. The new Harmonised Commodity Description and Coding System (HS 2022) and Common External Tariff (CET) that took effect on January 1, 2023, make provision for hybrids and electrics, which will be further incentivized. Notably, the previous CET, did not consider such vehicles. The reductions under the reform and the various headings are as follows:

Import Duty and Excise Tax Reductions
(Tariff Heading 87.01.)-Tractors (other than tractors of heading 87.09)
Prior to the reform, the excise tax rate for road tractors for semi-trailers was 55 percent. We have reduced all categories under this heading from 55 percent to 35 percent.

(Tariff Heading 87.02.) – Motor vehicles for the transport of ten or more persons, including driver
Vehicles under this heading previously attracted an excise tax rate of 45 percent. Under this reform hybrids and electrics under this heading are now reduced to 35 percent.

(Tariff Heading 87.03.)-Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars.
Before the reform, the majority of vehicles were charged an excise tax of 45 percent and an import duty of 35 percent, with the exception of vehicles under 1,000cc that attracted a 40 percent excise tax. Import and excise duties are reduced for all vehicles under this heading in the following manner:

Internal Combustion Engines (ICE)
Vehicles with Internal combustion engines (ICE) see a reduction of 15 - 20 percent in excise tax between 5 - 10 percent in import duty. Vehicles falling under this category was reduced based on engine size.

Therefore, for vehicles under 1,600cc, the import duty is 25 percent and excise tax is 25 percent. Vehicles of 1600cc and above will attract an import duty and excise tax of 30 percent respectively.

Hybrids and Electrics
In the case of hybrids and electrics, these vehicles saw a further reduction and will now attract an import duty and excise tax of 20 percent respectively.

(Tariff Heading 87.04.)-Motor Vehicles for the transport of goods

The construction sector is expected to grow by 10 percent in this fiscal year, hence we have further incentivized the importation of trucks. Previously, the excise tax rate for trucks exceeding 5 tonnes was reduced from 60 percent to 30 percent. We are going a step further now.

The excise rate for smaller trucks, that is all trucks exceeding 3.5 tonnes but not exceeding 5 tonnes will be cut by half, bringing the rate down from 60 percent to 30 percent to match the reduction given to larger trucks.

Surcharge Regime

That much is simple. An across-the-board reduction in import duties and excise taxes for all vehicles. If we stopped there, there would be few complaints and fewer misunderstandings. However, if we stopped there, our primary objective of incentivising the purchase of newer, more efficient vehicles would not be met.

As such, we have introduced innovations to the surcharge regime to further encourage and promote more efficient, newer vehicles. The present surcharge regime makes use of two factors, age and engine size. The revised surcharge regime makes use of four factors. The factors and the formula for calculating surcharge are as follows:

1. A base surtax of (XCD $1,000)
2. Age Factor
3. Engine Size Factor
4. C.I.F Factor

The total surcharge will be the product of Base Surcharge * Age Factor * Engine Size Factor * C.I.F Factor

There are slight variations on the regime for hybrid vehicles, busses, and cargo vehicles, but they need not detain us in this presentation.

- **Comparing the Revised Regime with the Previous Regime**

There has been some public comment that seems to misconstrue the nature and intent of the reform. Essentially, those comments can be summarised as "If I bought a 12-year-old SUV under the old regime, it would cost more than if I bought that same vehicle under the revised system."

The short response to that comment is that you get more vehicle for your dollar under the revised system. You should now buy an eight-year-old vehicle instead of the 12-year-old model of the same automobile. The eight-year old vehicle will cost you more at the point of purchase, but far less at the port.

It is a fact that most motor cars nine years or older will be more costly. But that is the point. We would prefer if you buy a newer, more efficient automobile.

In the past, people bought 12-year-old cars, because 12-year-old cars were the most affordable to bring into Saint Vincent and the Grenadines. Now, the new "sweet spot" for affordability in "normal" motor vehicles will be eight years and newer. For trucks, coaches and busses, the "sweet spot" is 10 years and newer.

Previously, vehicles cost less to purchase overseas and more to clear at customs. We have since then reversed this by reducing the duties on the newer vehicles. Now vehicles cost a little bit more purchase, because they are newer. But the newer vehicles will cost significantly less to clear at customs.

In short, all things being equal, the amount of money that you spent to buy, ship and clear a 12-year-old car in 2022, will get you an 8-year-old version of that same car in 2023.

It is important to note that rates we have implemented are amongst the lowest within CARICOM. Barbados still utilizes excise tax rates as high as 45 percent while Jamaica has import duty rates as low as 20 percent. Barbados passed laws that require used motor cars to be less than four (4) years old and have an odometer reading of less than 50,000km in order to qualify for an import license. In Grenada, used cars 1-4 years old will attract duties around 127 percent and vehicles older than five years will be around 158 percent. This Government through its reform has been able to match and, in some cases, surpass the rates offered throughout the region. Taxes on new combustion vehicles are under 100 percent, while hybrids and electrics can fall as low as 69 percent as a percentage of C.I.F. On average most motor cars eight years or under will be in the region of 100 percent, all other things being equal. The same holds true for trucks, coaches and buses under 10 years.

When the Government implemented the prohibition on automobiles older than 12 years, we indicated that we planned to continue reducing the permissible age for import. However, instead of, for example, banning imports of cars older than 10 years old, we are using the tax code to incentivise newer, more efficient vehicles. This is in everyone's interest.

Our hardworking customs department has placed an intuitive calculator online that allows consumers to play with various scenarios to understand fully what they will pay at the port for different automobiles. We encourage all consumers to plug in their automobile data before they click "buy," so that they can make an informed decision. The website is:

http://asycudaw.svgcustoms.net/svg-duty-calc.php

One final issue merits clarification. It takes a while for cars ordered from Asia to arrive in Saint Vincent and the Grenadines. Many consumers' 12-year-old cars were already *en route* to port Kingstown when we revised the tax and tariff regime. Those older vehicles would be disadvantaged under the revised regime. As such, vehicles with documentation indicating that they were purchased before November 15th 2022 will be assessed under the old regime. However, any discovery of attempts to falsify documents in an effort to "cherry pick" different regimes for different vehicles will be addressed using all of the legal tools at the discretion of the Customs Department.

- **Other Fiscal Measures**

In Budget 2023, several new fiscal measures will be implemented aimed at modestly increasing the revenue and the take home pay of workers. For completeness, and for ease of reference, we will briefly summarise all 2023 fiscal measures here, including the previously-mentioned tax cuts.

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Since budget year 2019, no new fiscal measures have been introduced. The implementation of the measures approved and announced for Budget 2020, were deferred with the onset of the COVID-19 pandemic and further deferred due to the volcanic eruptions of 2021.

The fiscal measures for Budget 2023 will focus on the reduction of income taxes for both individuals and companies, increases in users fees for some services to maintain some level of parity with the costs of delivering those services and the airport service charge.

In keeping with the commitment, we made to the trade unions representing public sector workers and consistent with our previously pronounced policy on income taxes, it is proposed to increase the standard deduction for personal income tax from $20,000 to $22,000 and reduce the top marginal personal income tax rate from 30 percent to 28 percent. Additionally, the income tax rate for companies will be reduced from 30 percent to 28 percent. These measures, which will take effect from January 1st 2023, are expected to result in a revenue loss of $12 million. It is anticipated that the increase disposable income for both companies and individuals will stimulate greater economic activity from which taxes will be generated offsetting the initial revenue loss.

On June 12th 2022, in the midst of the COVID-19 pandemic, the Airport Service Charge was reduced by fifty percent from $100 to $50.00. This measure, which was authorized by Statutory Rules and Order No. 22 of 2022, was undertaken as a symbolic means to encourage regional travel. With the collapse of LIAT, travel within the region is proving to be quite challenging. The existing airlift capacity on the various inter island routes is deficient leading to great inconveniences to the travelling public. Too, as travel restrictions internationally and regionally have been rolled back and persons are travelling more freely, we believe it is propitious to return the Airport Service Charge to $100.00. To this end, with effect from May 1st, 2023 the Airport Service Charge will revert to $100.00 or US$40.00. An additional four million dollars in revenue is expected from this measure. These funds will flow directly to the AIA to bolster the operating bottom line of the company.

The Overstayers Fees under the Immigration (Restriction) Act is currently $25.00. In Budget 2020, this fee was increased to $100.00 but was not implemented along with the Extension of Stay fees which was increased to $100.00. As a result, most persons who wish to stay longer in the country simply pay the lower Overstayers Fees rather than apply for an Extension of Stay. To address this act of arbitrage, the Overstayers Fees will be increased to $100.00 with effect from February 1st, 2023. This measure is expected to yield one hundred thousand dollars in additional revenue.

The revenue measures for which implementation was deferred in the 2020 fiscal year were:

- Maritime Administration Fees
- Hospital Fees

- Radiological Fees
- Laboratory Fees
- Dental Fees
- Fees for Agricultural Services
- Fisheries Division Fees

From the list of deferred measures, the following will be implemented in Budget 2023, with effect from 1st February, 2023:

- Maritime Administration Fees
- Fees for Agricultural Services
- Fisheries Division Fees

The details of these fees are attached as Appendices to this Speech.

The Health-related fees will be further deferred pending the completion of the comprehensive review of user fees to be undertaken as part of the Health Sector Resilience Project.

XIII. CONCLUSION

The road from recovery to prosperity can be long and serpentine. The paths of progress are littered with obstacles, setbacks and diversions.

Yet, we emerge from a period of extraordinary trials, turmoil and tumult eager to trod this road. The volcanic dust has settled, and COVID has receded from a clear and urgent danger to an ever-present cause for caution. The impacts of the war in Ukraine, the resulting sanctions and the unscrupulous profiteering that accompanies conflict remain with us, like COVID, as an encumbrance but not a barrier to our onward journey.

Martin Luther King Jr. once famously said that "we must accept finite disappointment, but never lose infinite hope." In that spirit, we are fortified in the knowledge that recent challenges that weighed us down in the past can never extinguish fresh hope for a stronger Saint Vincent and the Grenadines.

The Book of Isaiah (57:14) says:

And it will be said,
"Build up, build up, prepare the way,
Remove every obstacle out of the way of My people."

Budget 2023 is a building up budget. It is a blueprint for building up roads, building up resilience and building up for the future. It cuts taxes. It raises salaries. And it invests, like never before in our country's history, in the type of projects that position us for strong development for years to come.

We have emerged from the recent trials battered but unbowed. As we make this next step on the road from recovery to resilience and beyond, we do so with the knowledge that what doesn't kill us only makes us stronger, and with fresh hope in the huge potential of our small country.

We will not be weakened by cynicism or slowed by lamentations. Instead, starting with Budget 2023, we will rise to meet the moment, and seize the many opportunities that stretch out before us. We are a highly skilled people, with a boundless entrepreneurial drive and an indominable spirit. This is a Budget for this moment, for this nation, and for the transformation of our great country.

APPENDIX I

2003 Fiscal Measures

Maritime Administration: Rates and Fees

Fees	Current Rate	Proposed Rate
Minimum Safe Manning Certificate	$ 80.00	$ 100.00
Endorsement of Seafarer Certificate	$ 80.00	$ 100.00
Deletion of Ships	$ 132.50	$ 265.00
Extension of Registry Certificate	$ 80.00	$ 100.00
Endorsement of Yacht DOC	$ 80.00	$ 100.00
Boat Master Licence	$ 80.00	$ 100.00
Boat Engineer Licence	$ 80.00	$ 100.00
Survey and Inspection of Water Taxis	$ -	$ 280.00
Survey and Inspection of Pleasure Vessels	$ -	$ 800.00
Survey and Inspection of Decked Fishing Vessels	$ -	$ 400.00
Survey and Inspection of Ferries	$ -	$ 10,000.00

<u>APPENDIX 2</u>
2003 Fiscal Measures
Fisheries: Rates and Fees

Fees	Proposed Rate
Local Fishing Licences	
Vessels 10ft to 30ft	$ 25.00
Vessels 30ft to 60ft	$ 50.00
Fishers ID Card	$ 5.00
Health Certificates	$ 5.00
CITES Certificates	$ 10.00

APPENDIX I

2003 Fiscal Measures

Agricultural Services: Rates and Fees

Fees	Current Rate	Proposed Rate
Sale of Day Old Chicks		
Broiler	$ 1.75	$ 2.00
Layer	$ 4.25	$ 5.00
Forestry		
Administrative Fee for Chainsaw Licence	$ -	$ 15.00